



2016 full year results

24 February 2017



Consolidated statutory financial results (Profit & Loss items)

Profit & loss items				
	4Q16	4Q16 vs. 4Q15 % change	FY 2016	2016 vs. 2015 % change
Revenue (€m)¹	142.5	+35.7%	572.9	+68%
Residential	93.1	+45.1%	373.1	+73.0%
Business	39.7	+30.8%	166.6	+67.7%
Wholesale	9.7	+19.6%	33.2	+30.6%
Adj. EBITDA² (€m)	71.0	+41.0%	280.6	+68%
Margin (%)	49.8%		49.0%	
Adj. OpCF² (€m)	42.6	+65.0%	184.7	+62.1%
As % of revenue	29.9%		32.2%	
Net income (€m)	17.2	+62.9%	62.1	+759%
EPS (€)			0.41	+759%
CFPS (€)			1.22	+62.1%

Note:

1. Revenue 2015 adjusted in the revenues without margin in Annual Accounts 2016
2. 2015 EBITDA and OpCF adjusted to exclude costs related to the IPO process, debt cancellation and acquisition of R Cable (c.€15.4m)

Strategic highlights

1

Delivery of our announced targets

2

Visible and consistent strategy focused on customer long term value

3

Successful response to aggressive competition

4

Integration synergies on track to deliver increased targets

5

Successful cost and capex management to deliver record-high cash flow metrics

Operational and financial highlights

- 🔥 Growth in **net subs (+1.697)** in the massive market: stable in residential + strong performance in SoHo
- 🔥 **3P/4P penetration up to 66%** driving **record-high ARPU to €58.4** (+€2.3 YoY)
- 🔥 **Over 22k new TV services** and over **74k new mobile lines**
- 🔥 **Contained churn rate at 15.1%** despite aggressive competition
- 🔥 **EBITDA margin at 49%** driven by efficient direct costs management (content and mobile)
- 🔥 **Capex at 16.7% of sales** amid disciplined capex management
- 🔥 **Annual Free cash flow generation of €135m** and leverage down to 4.2x¹
- 🔥 **First full dividend at €0.36 per share** implying a dividend yield of 4.43%²

Note:

1. Post fully deployed synergies
2. Dividend yield on the volume weighted share price of the last month of 2016 (€8.13)

1 Delivery of our announced targets

€m	FY 2016	Vs. FY 2015 PF	
Revenue	572.9	+1.3% ¹	✓
EBITDA ²	280.6	+5.1%	✓
Operating Cash Flow (€m) <i>As % of revenue</i>	184.7 32.2%	+12.7% +374 bps	✓
Leverage	4.2x	-0.9x	✓

On November 27th, 2015, Euskaltel acquired 100% of the shares in R Cable y Telecomunicaciones Galicia, S.A. As a result of this business combination, a new accounting group including both companies was created. Therefore, consolidated financial information included in this document is presented following Euskaltel's accounting principles regarding consolidation requirements. Therefore:

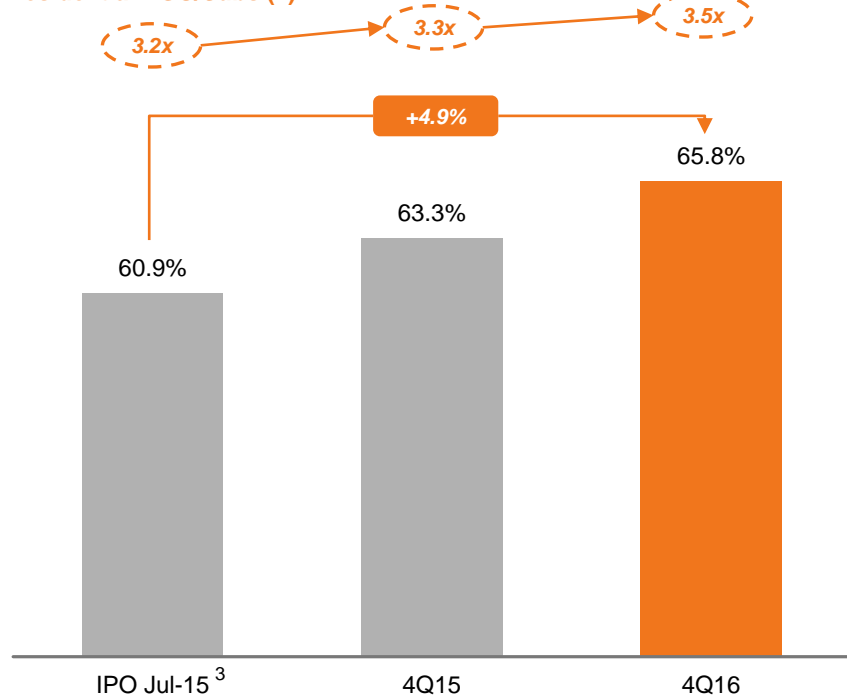
- ☛ The 4Q15 financial information included in this presentation reflects Euskaltel's standalone performance for that period plus R Cable performance since 27-Nov-2015
- ☛ The 4Q16 presented financials comprise consolidated financials for Euskaltel and R Cable
- ☛ Where appropriate in the presentation, the pro forma including non-audited past contribution of R-Cable is added to that of Euskaltel for comparability purposes

Note:

1. % of growth excluding elimination of profit neutral activities
2. 2015 EBITDA adjusted to exclude costs related to the IPO process, debt cancellation and acquisition of R Cable (c.€15.4m)

Bundling strategy (3P/4P)¹

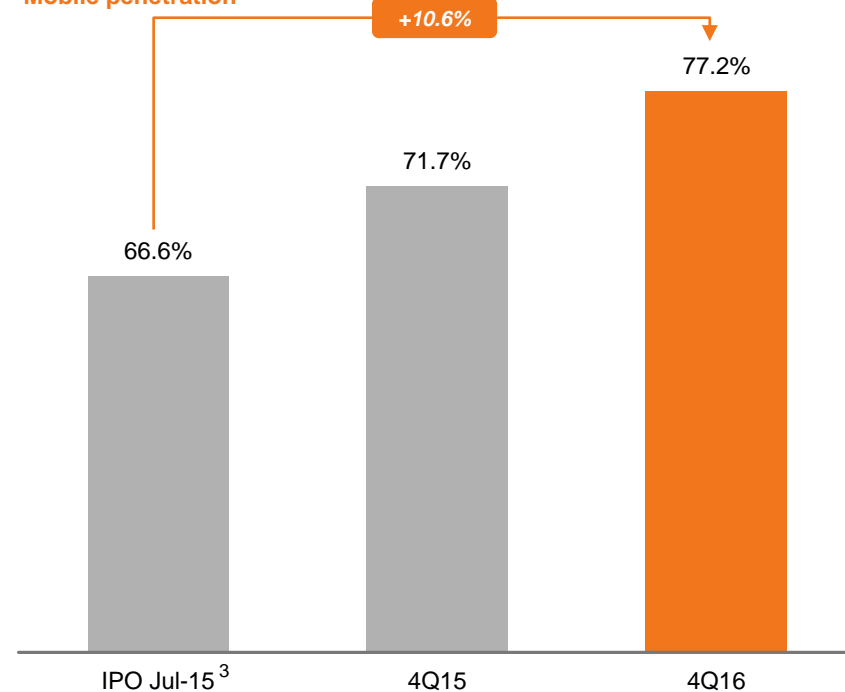
Residential RGU/Subs (x)



- Successful upselling strategy delivering sustained growth in RGU/subs reaching 3.5x, and 3P/4P penetration of c.66%.

Mobile convergence strategy

Mobile penetration²



- Leading convergent strategy which has resulted in capturing c.61K new mobile lines in 2016 (+8.6% YoY) whilst managing host and access costs

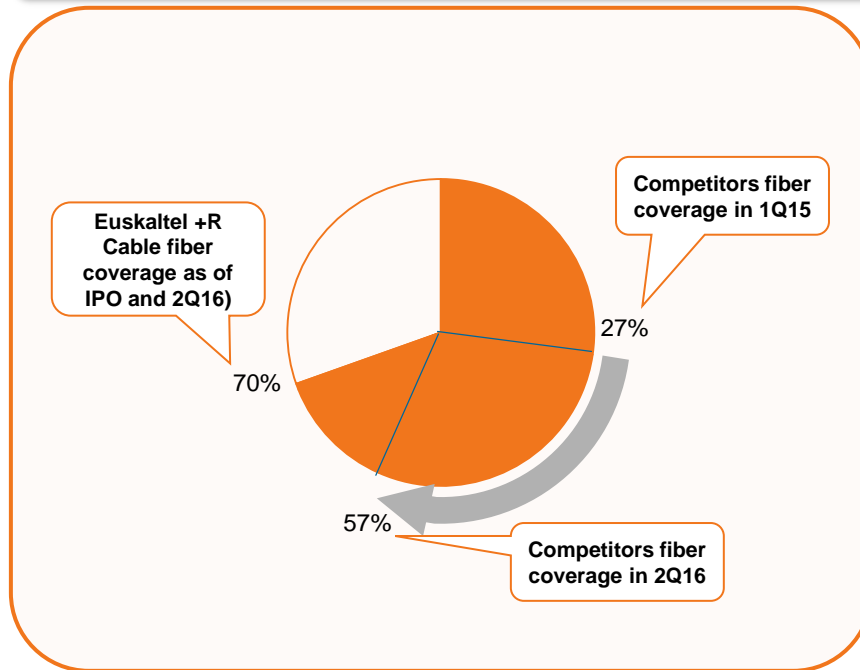
Notes:

- Residential subs as % of total subscribers
- Residential mobile subscribers (excluding mobile only) as % of total fixed customers
- IPO data pro forma to include R Cable

3 Successful response to aggressive competition

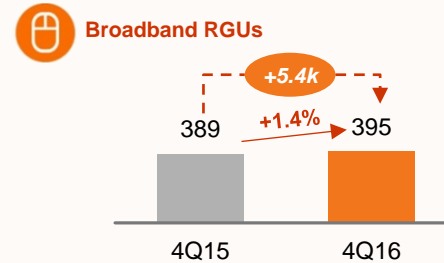
Coverage and competition

Commercial response adapted to FTTH deployment

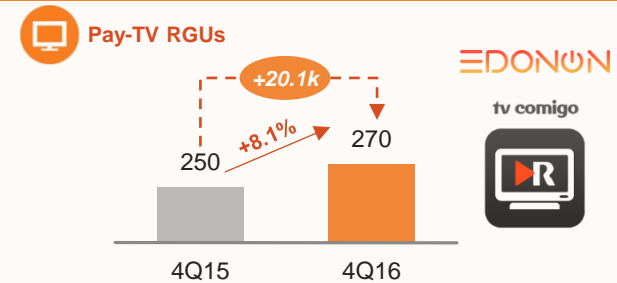


Product intake

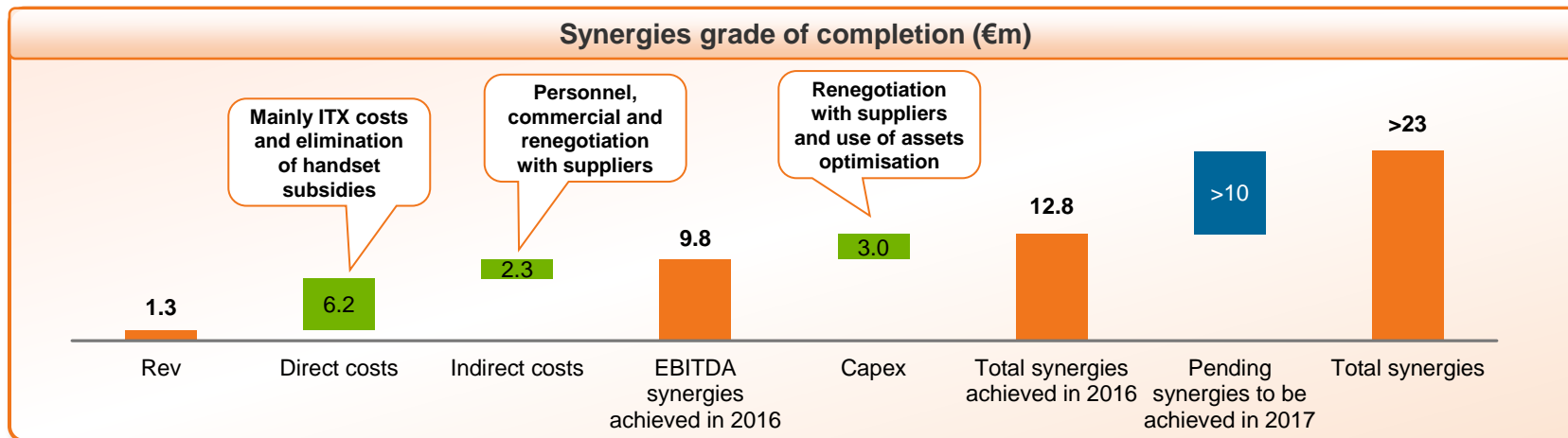
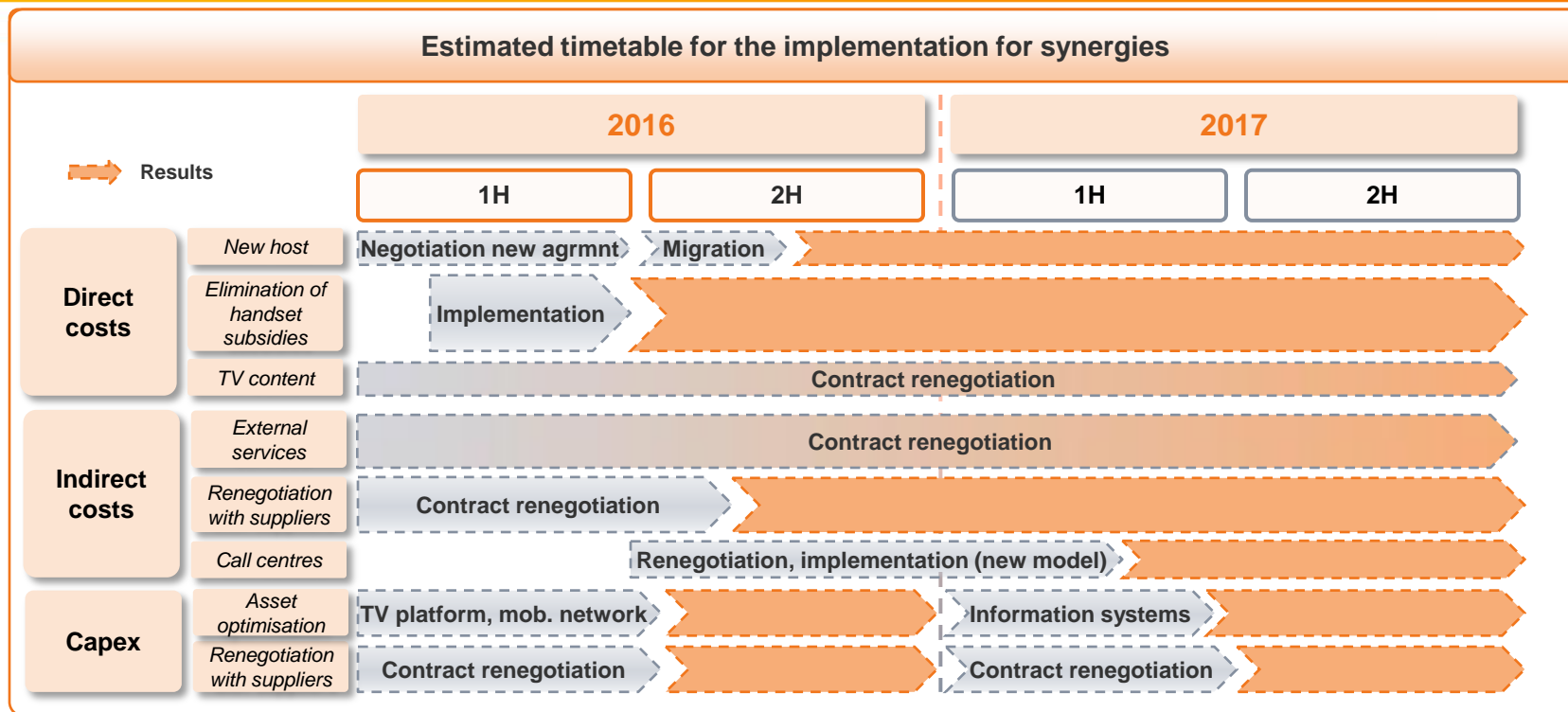
Broadband



Pay-TV offering

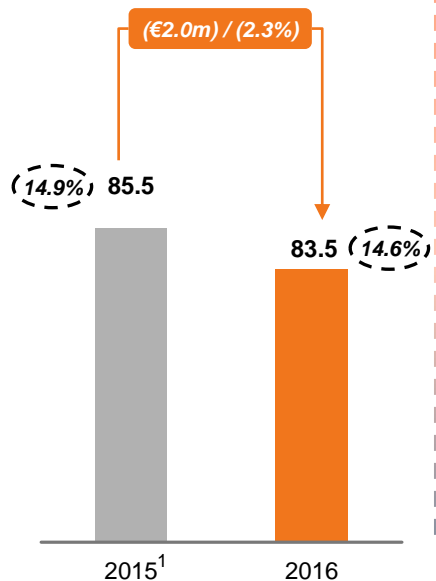


- Our network quality remains a competitive strength, but FTTH deployment has narrowed the gap
- Market share preserved despite aggressive price competition, particularly in the last quarter
- Our speed offering and TV functionalities delivering strong customer satisfaction

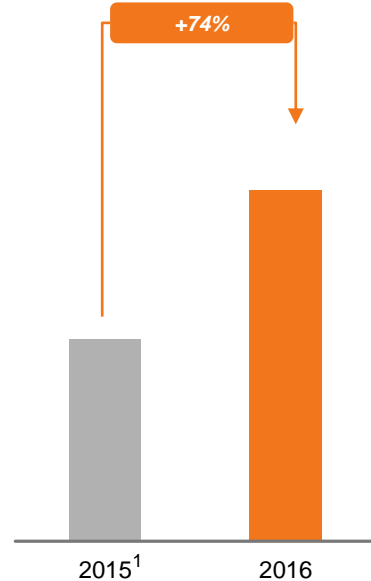


Direct cost management

Direct network costs (€m)



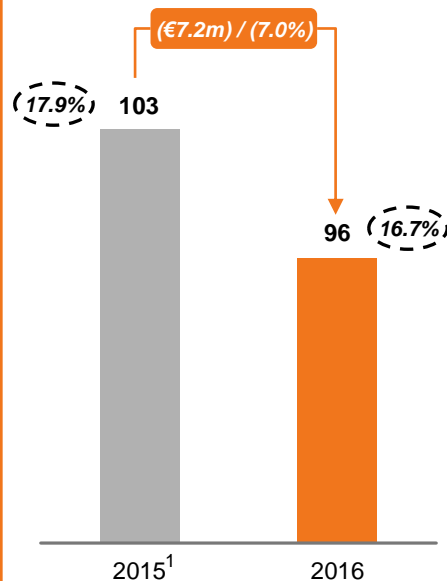
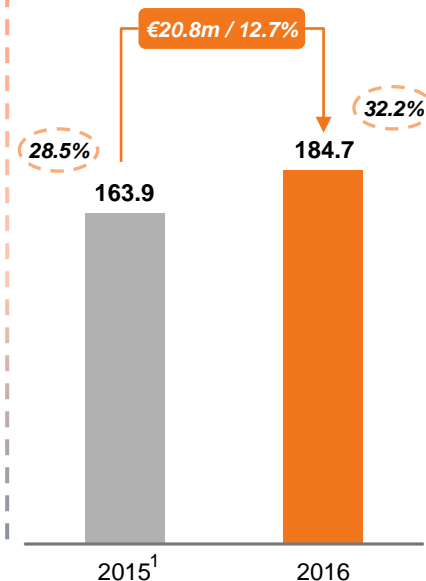
Mobile data traffic



As % of revenue

Capex and cash flow management

Capex (€m)

Operating Cash flow ² (€m)

As % of revenue

As a % of revenue

- Proven ability to contain mobile cost despite significant increase in the # of lines and traffic per line

- Efforts focused on converging R Cable capex level with those of Euskaltel. Overall capex reduction below 17% of revenue in line with guidance
- Operating cash flow margin growth of +374bps in the period

Notes:

- Data pro forma to include R Cable
- Operating Cash Flow calculated as EBITDA-capex

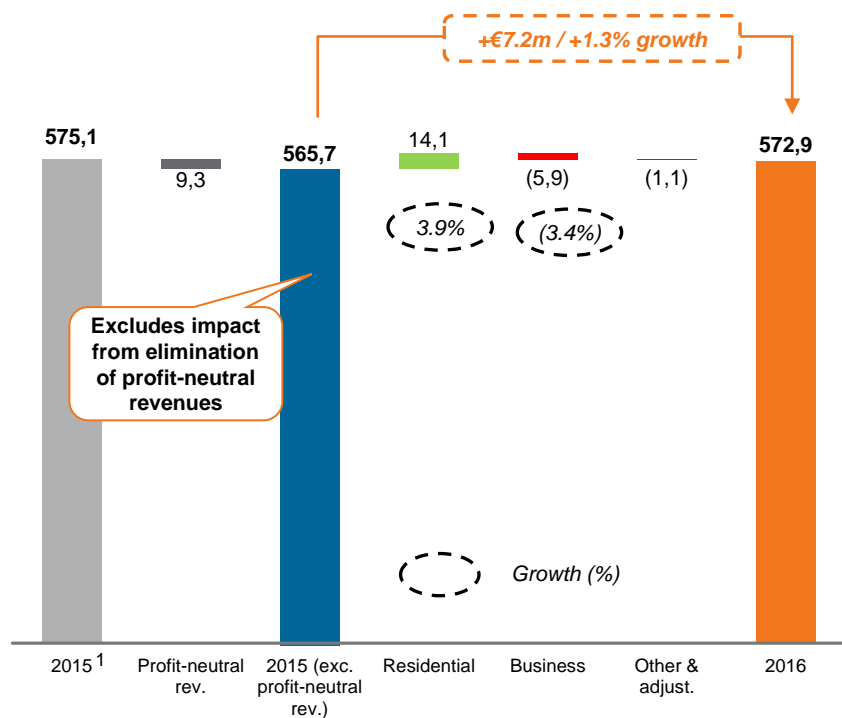


Operational and financial highlights

Note: 2015 figures pro forma to include R Cable for comparison purposes

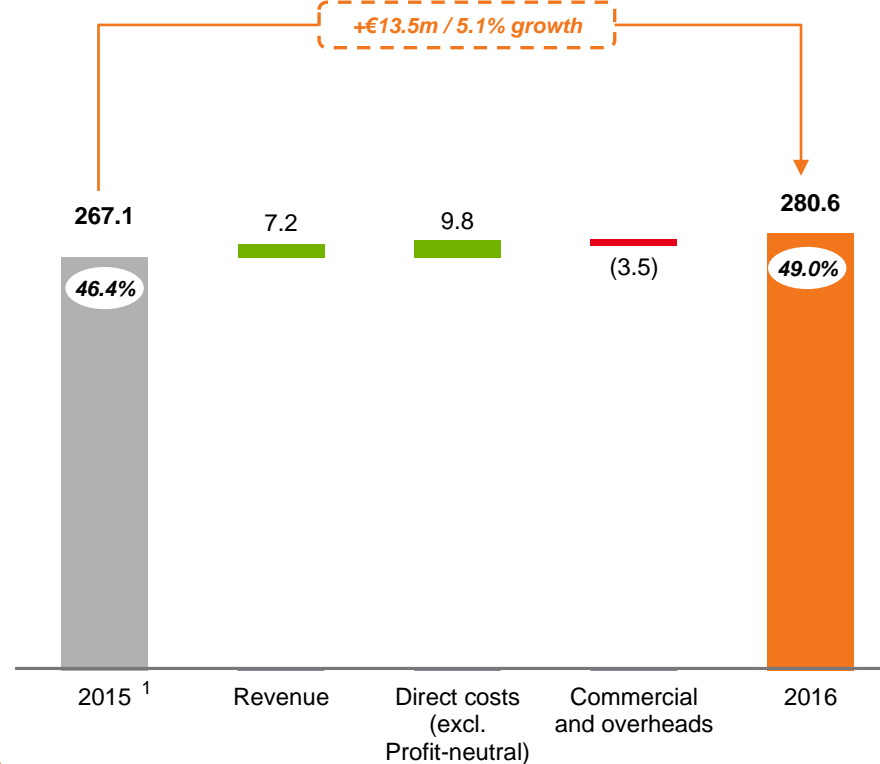
2015 - 2016 revenue and EBITDA bridge

Revenue growth 2015 vs. 2016 (€m)



- 🔑 Growth of the residential segment (+€14.1m) partly offset by decrease in the Business segment (-€5.9m)
- 🔑 €7.2m rev. growth when 2015 profit-neutral revenue are excluded (+1.3%)

EBITDA growth 2015 vs. 2016 (€m)



- 🔑 €13.5m (+5.1%) EBITDA growth driven by revenue increase and an efficient direct cost management
- 🔑 Margin enhancement of 260 bps up to 49.0%

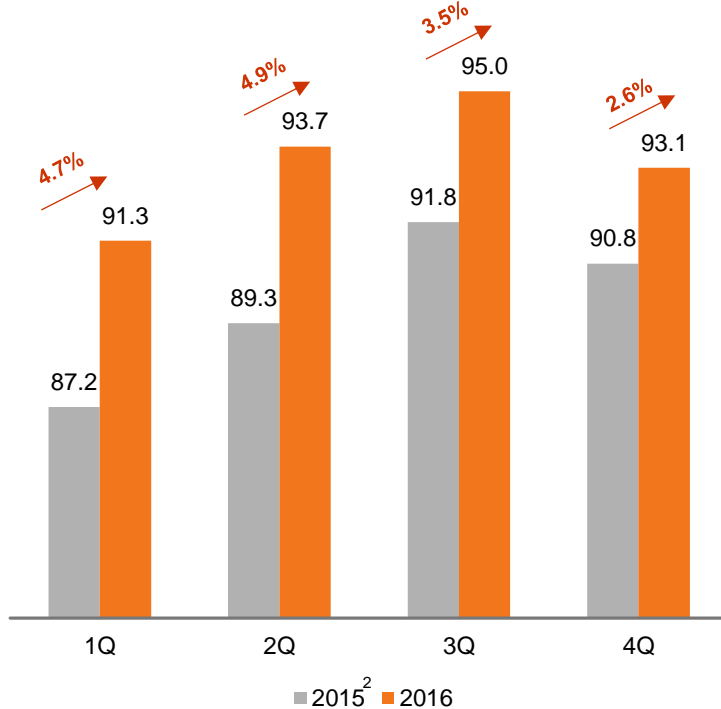
Notes:

1. Data pro forma to include R Cable

Residential and Business segments revenue

Residential revenue

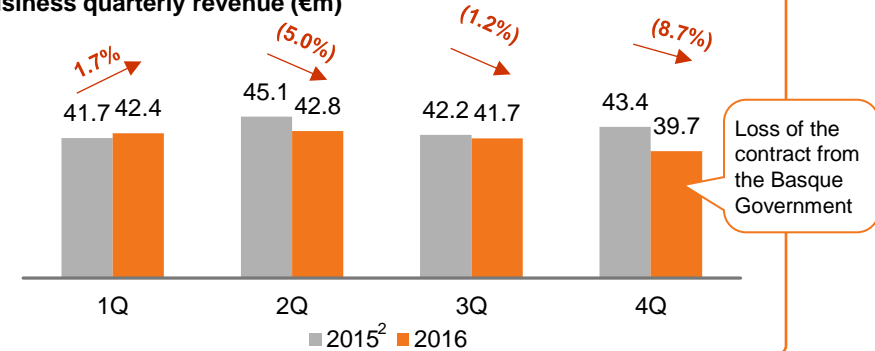
Residential quarterly revenue (€m)



Consistent residential revenue growth +2.6% in the quarter vs. the previous year on the back of stable customer base and increased ARPU

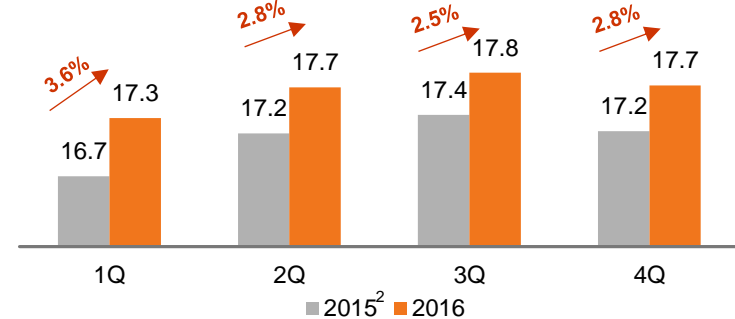
Business segment¹ revenue

Business quarterly revenue (€m)



Zoom in SOHO

SOHO quarterly revenue (€m)



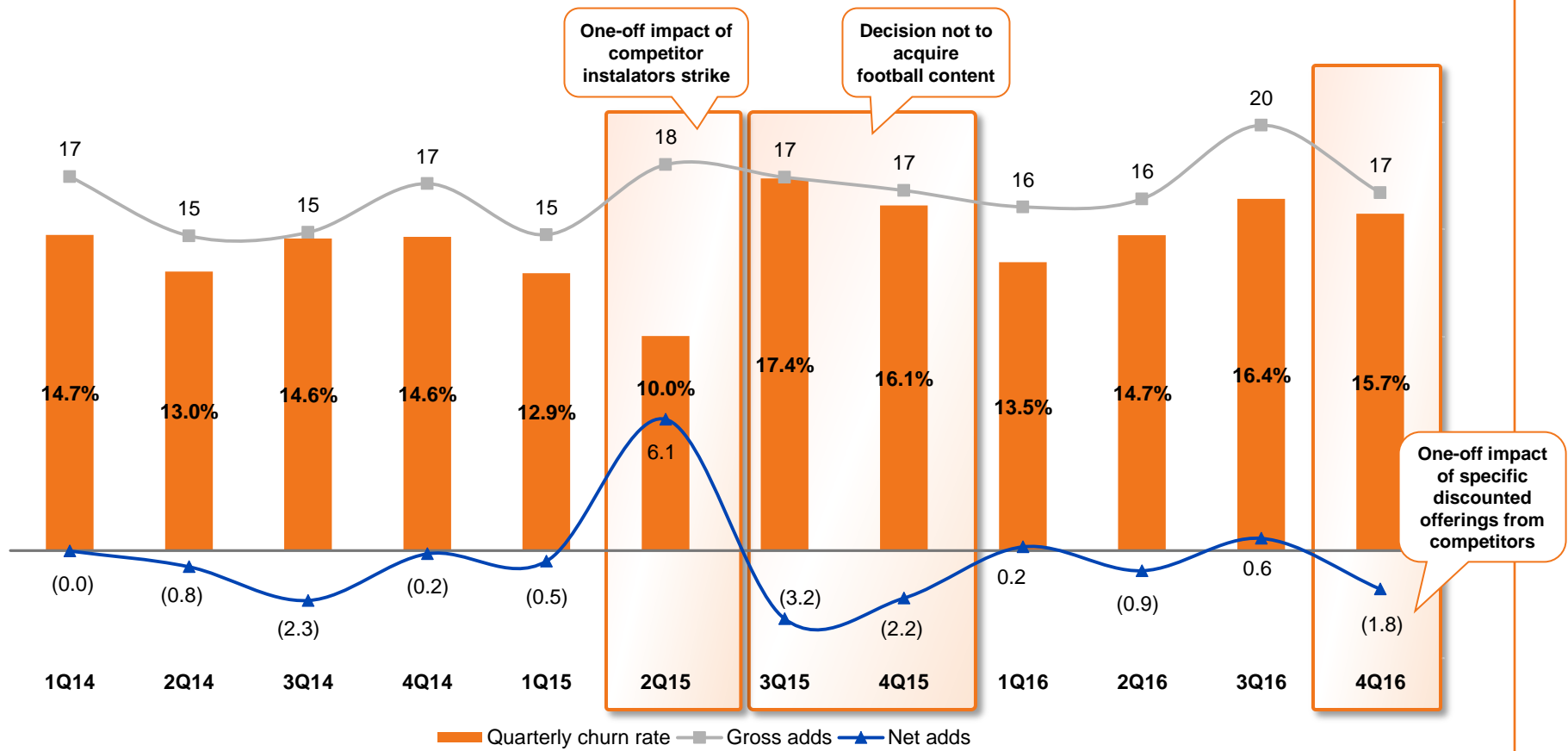
Business segment impacted by loss of Basque government contract
On the positive side, sustained growth in the SOHO sub-segment at c. 3% y-o-y

Note:

1. Includes SOHO, SMEs and Large Accounts
2. 2015 figures include pro forma R Cable result

Residential fixed customer and churn rate evolution over time

Churn and fixed subs¹ customer base evolution²

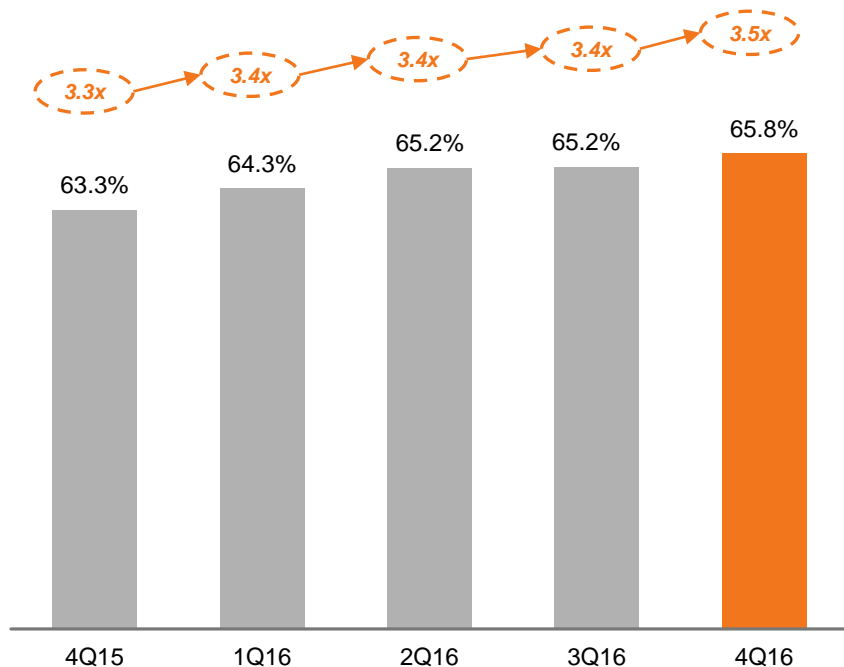


- Net adds in 4Q16 (-1.8k subs) reflecting a specific highly discounted offering from competition. It is expected to be reversed in the coming quarters
- 4Q16 churn improvement vs. 4Q15 and gross adds in line with cruise level

Residential ARPU growth as a result of our successful product intake

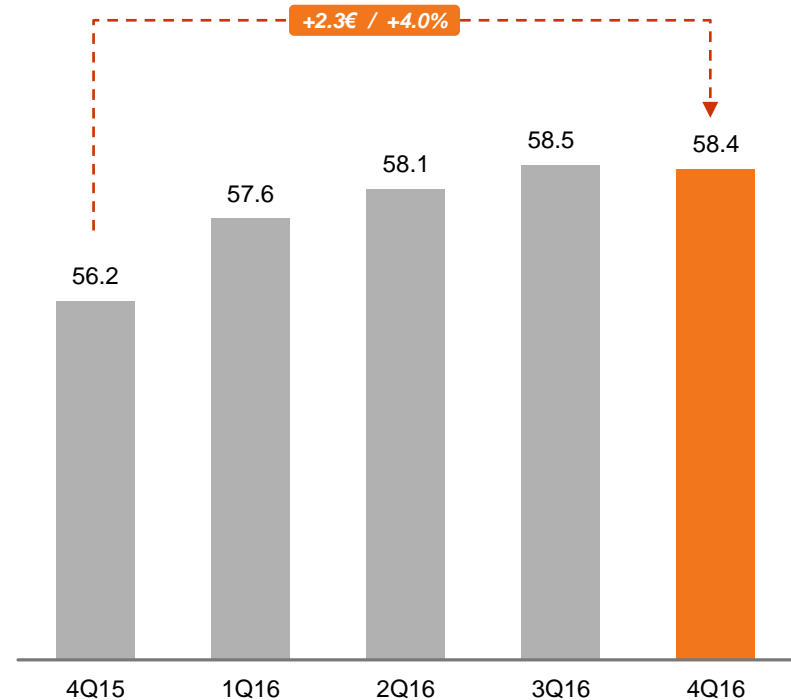
Increased 3P/4P penetration (as % of total subscribers)

Residential RGU/Subs (x)



- Successful upselling strategy delivering sustained growth in RGU/subs reaching 3.5x, and 3P/4P penetration of c.66%

Residential ARPU evolution (€/month)

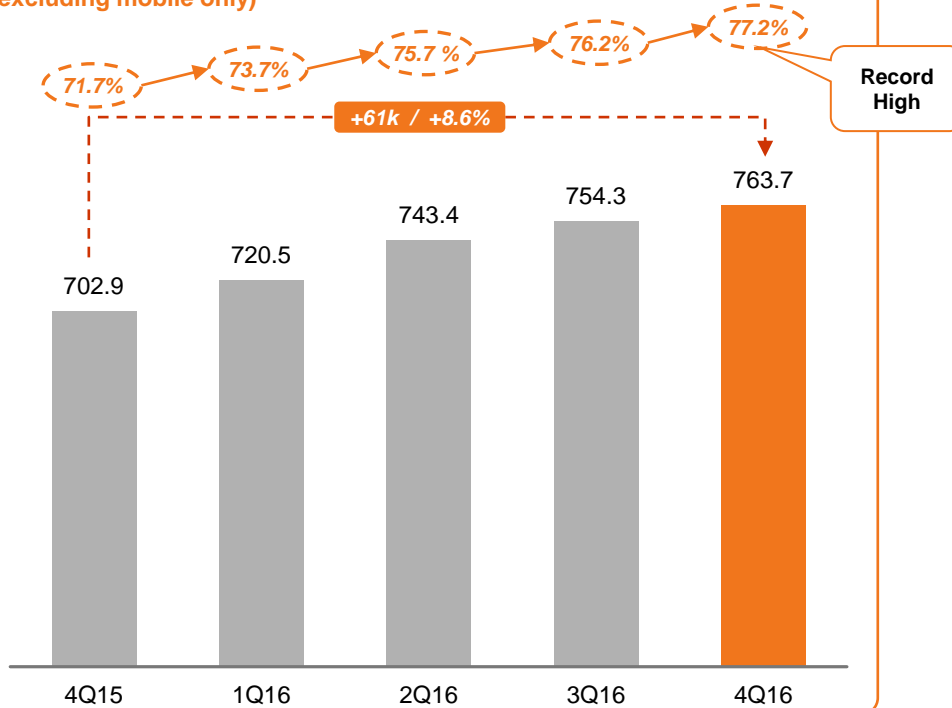


- Growth in RGUs and 3P/4P penetration driving 4% ARPU growth vs. 2015
- Constant ARPU vs. previous quarter on the back of a specific promotion during the last quarter of the year

Continued momentum in the residential segment

Mobile lines and increased mobile penetration

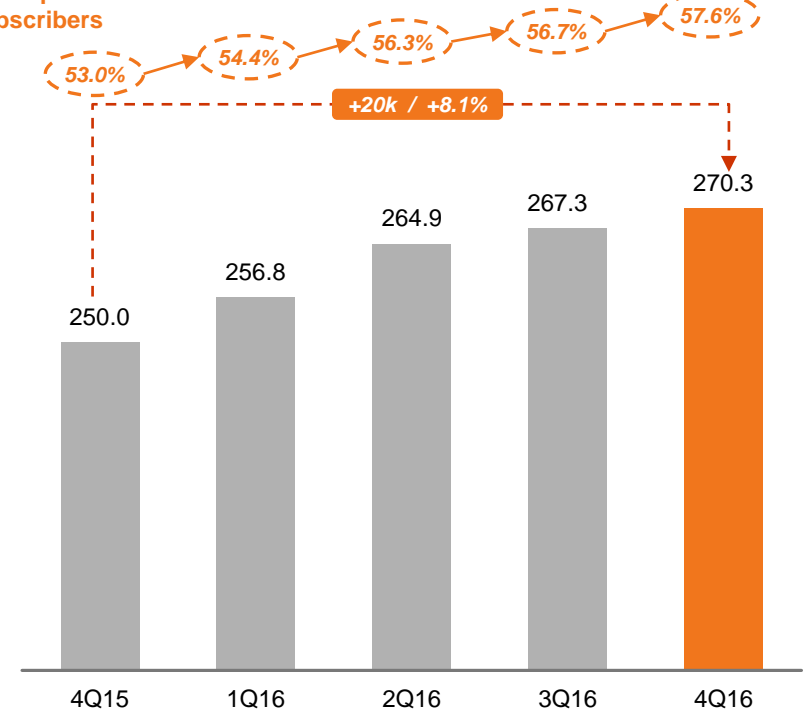
RGUs penetration (as % of fixed customer excluding mobile only)



- Growing mobile penetration as a result of our mobility strategy which has resulted in capturing c.61K new mobile lines in the period (+8.6%)

Pay-TV RGUs and penetration

RGUs penetration as % of fixed subscribers

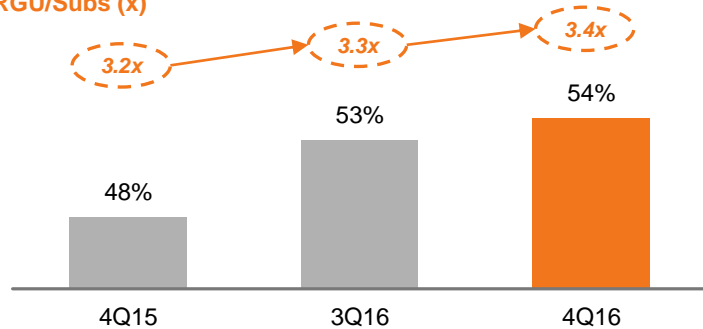


- Strong performance of our TV offering with 8.1% growth in TV RGUs in the year and 1.1% in the quarter
- Combined generation into our subscriber base, reading 57.6% of total subscribers in 2016 (vs. 53.0% in 2015)

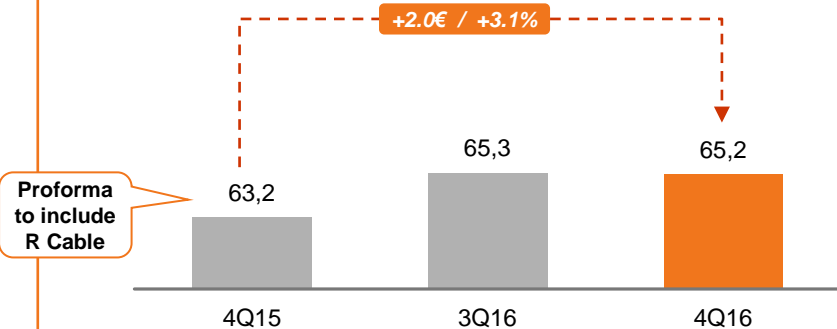
Business segment KPIs

SOHO increased 3P/4P penetration (as % of total subscribers)

SOHO RGU/Subs (x)

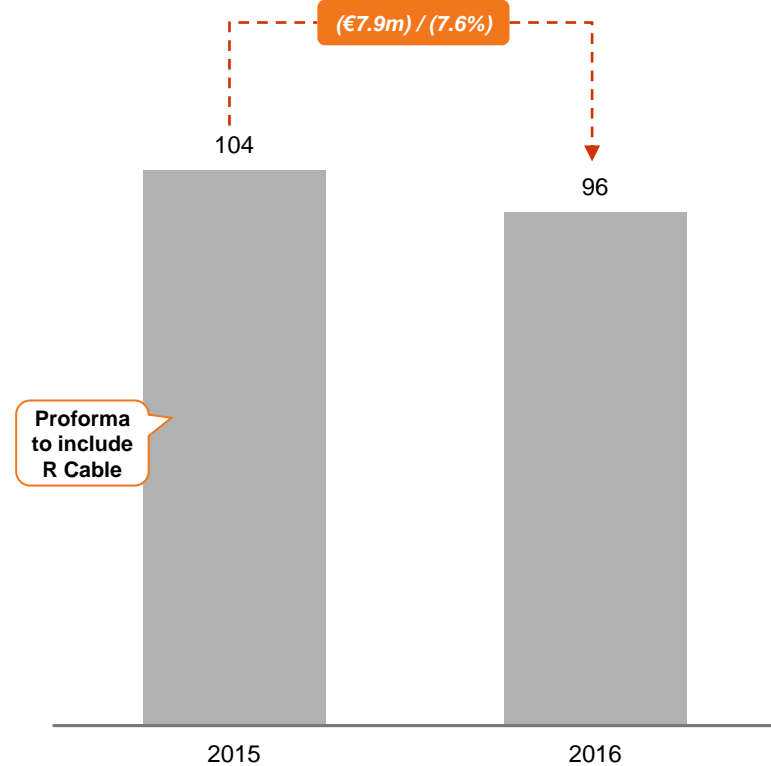


SOHO ARPU evolution (€/month)



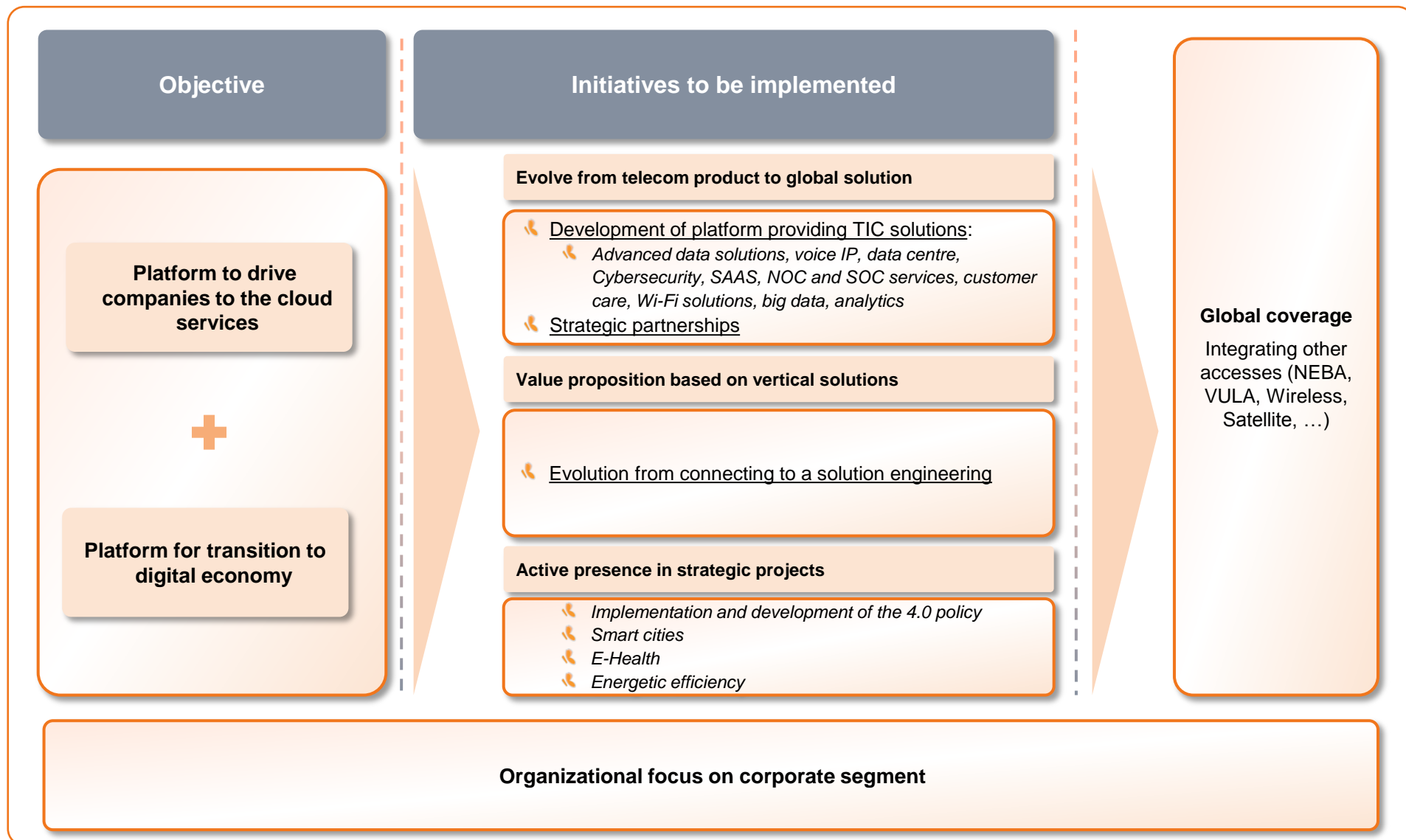
- Similarly to the residential segment, SOHO performance shows a steady growth in RGU per subscriber (3.4x in 4Q16) and 3P/4P bundle penetration (54%) hence driving ARPU up by 3.1% in the year

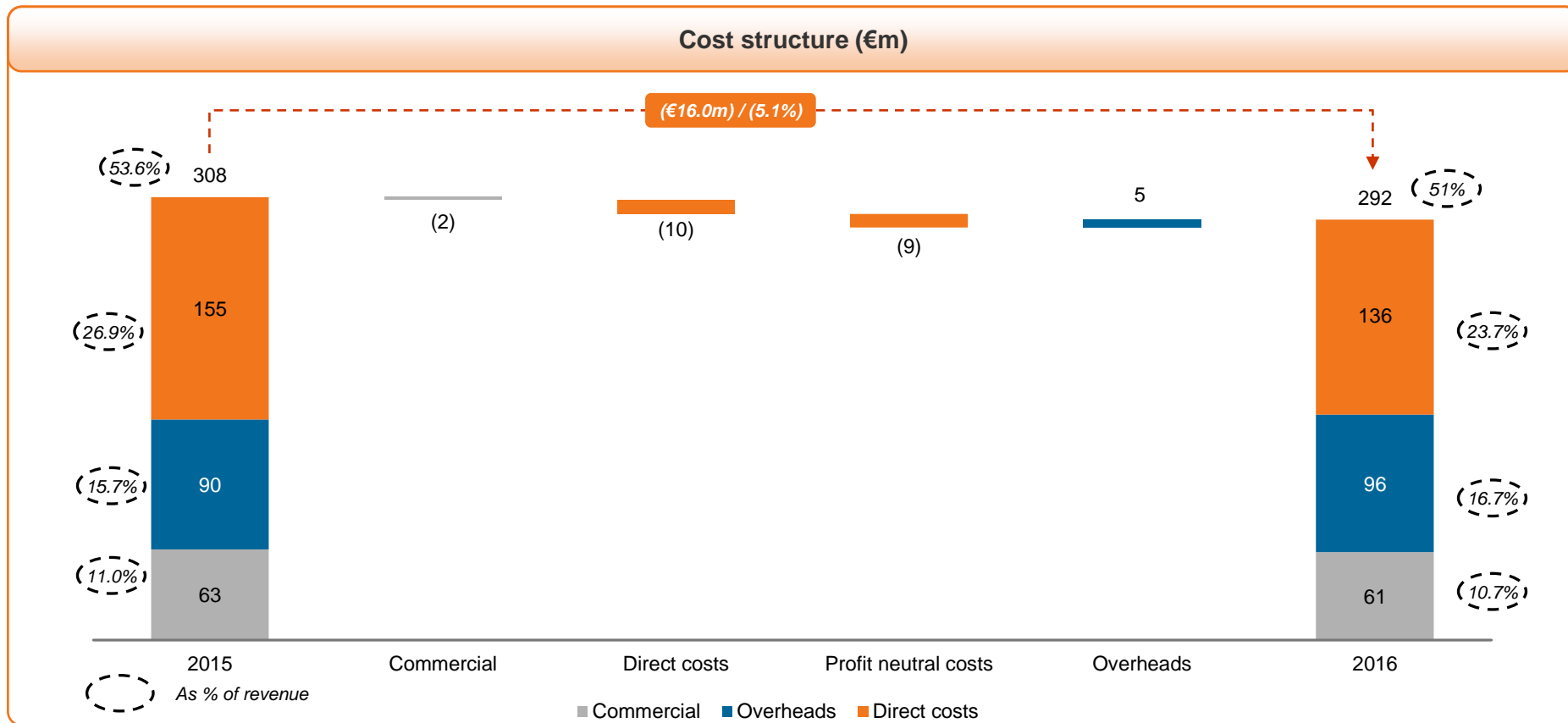
SME and large account revenue (€m)



- Revenue from SME and LA down by 7.6% impacted by the loss of the contract from the Basque Government
- Additionally, definition of a mid-term strategy to create a fully integrated value added offering moving beyond connectivity (cloud, security, tools) through own developments and win-win partnerships

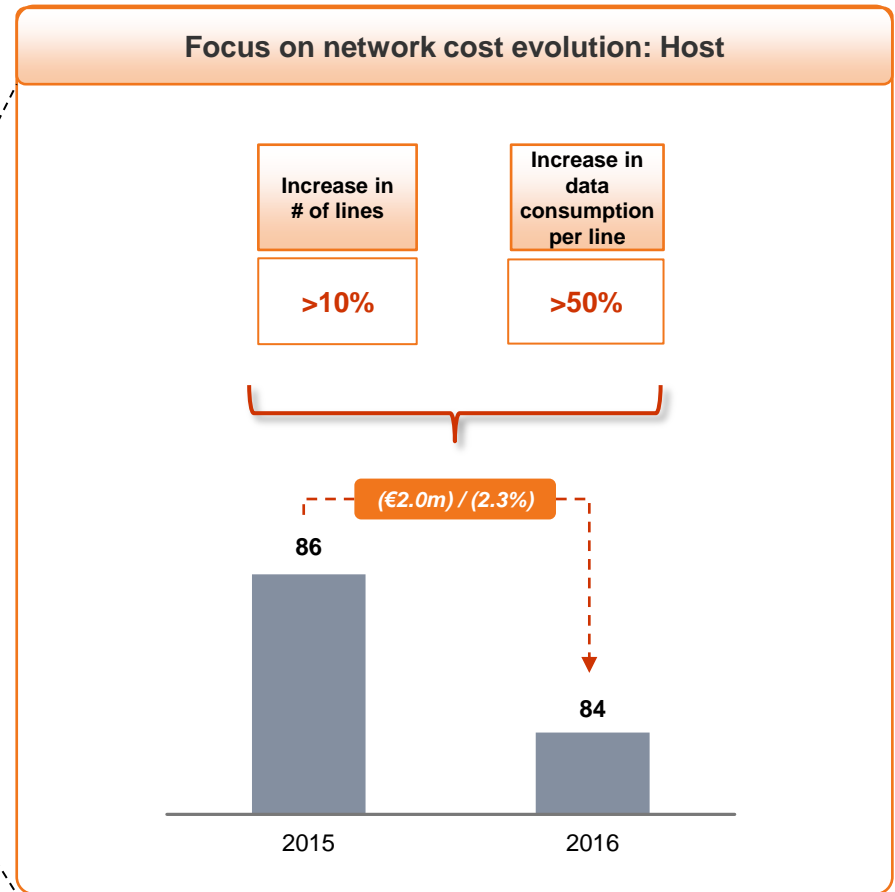
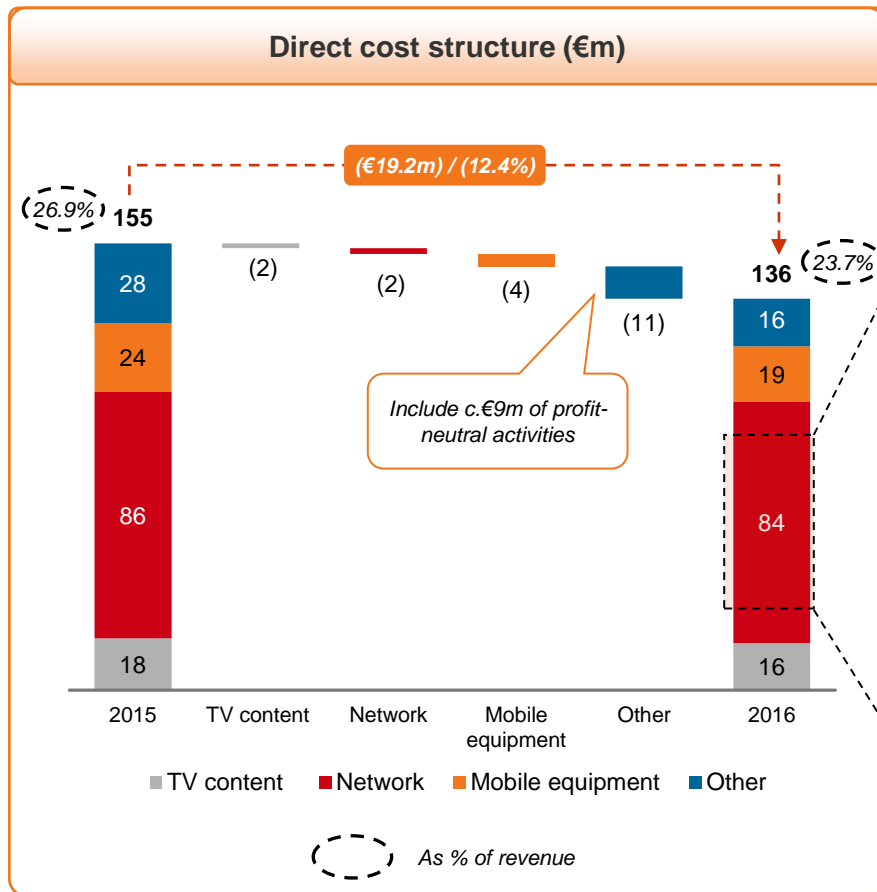
Initiatives in place to boost the business segment





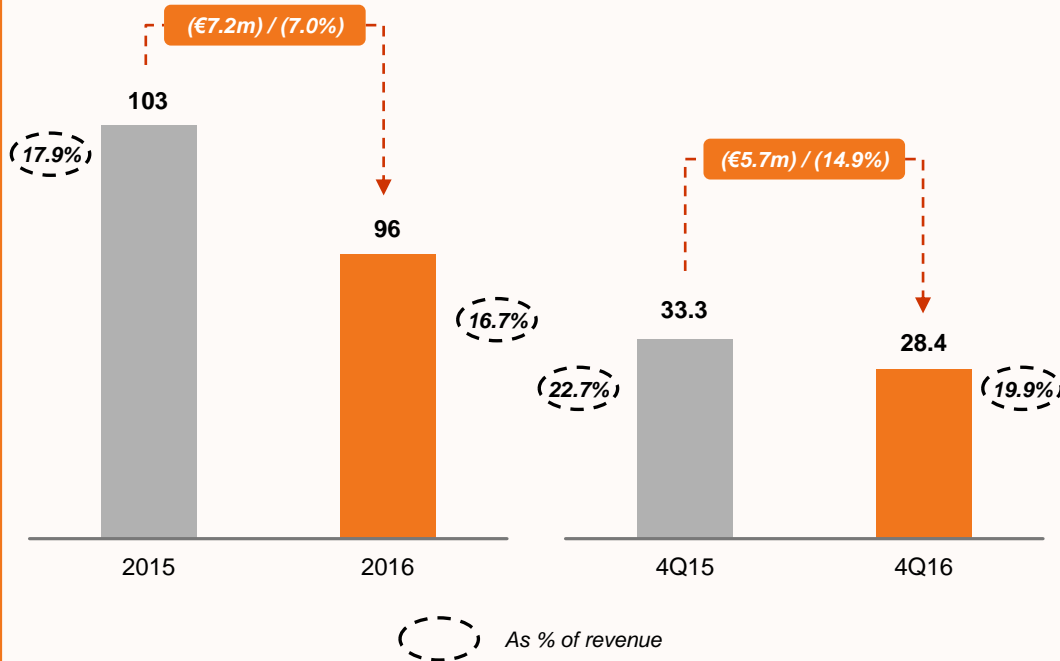
- 🔧 Cost base reduction by €16m on the back of efficient management of commercial (-3.1%) and direct costs (-12.4%), partially offset by an increase in overheads (+6.0%)
- 🔧 As a result, EBITDA margin has improved by 260bps reaching 49.0% in 2016

Direct cost management

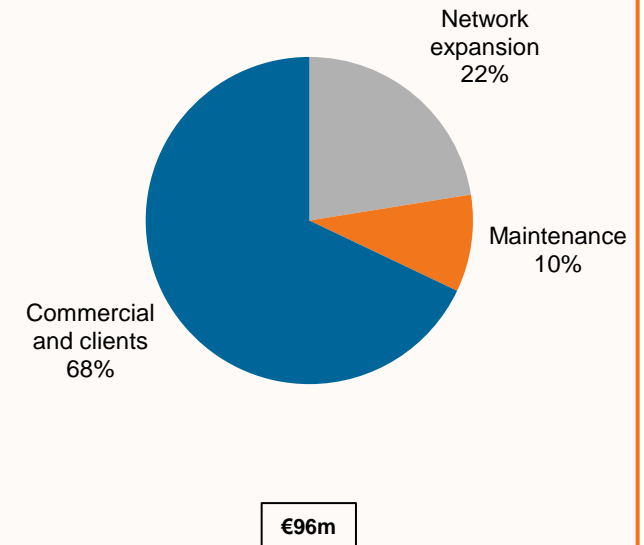


- Efficient direct cost management deriving in a reduction of c. €10m (exc. elimination of profit-neutral activities) mainly driven by a decrease in costs associated to TV content, Network and Mobile equipment
- As a result of the integration in to the same host contract, network costs decreased by 2.3% despite increase in the number of mobile lines >10% and the average data consumption per line >50%

Capex (€m)

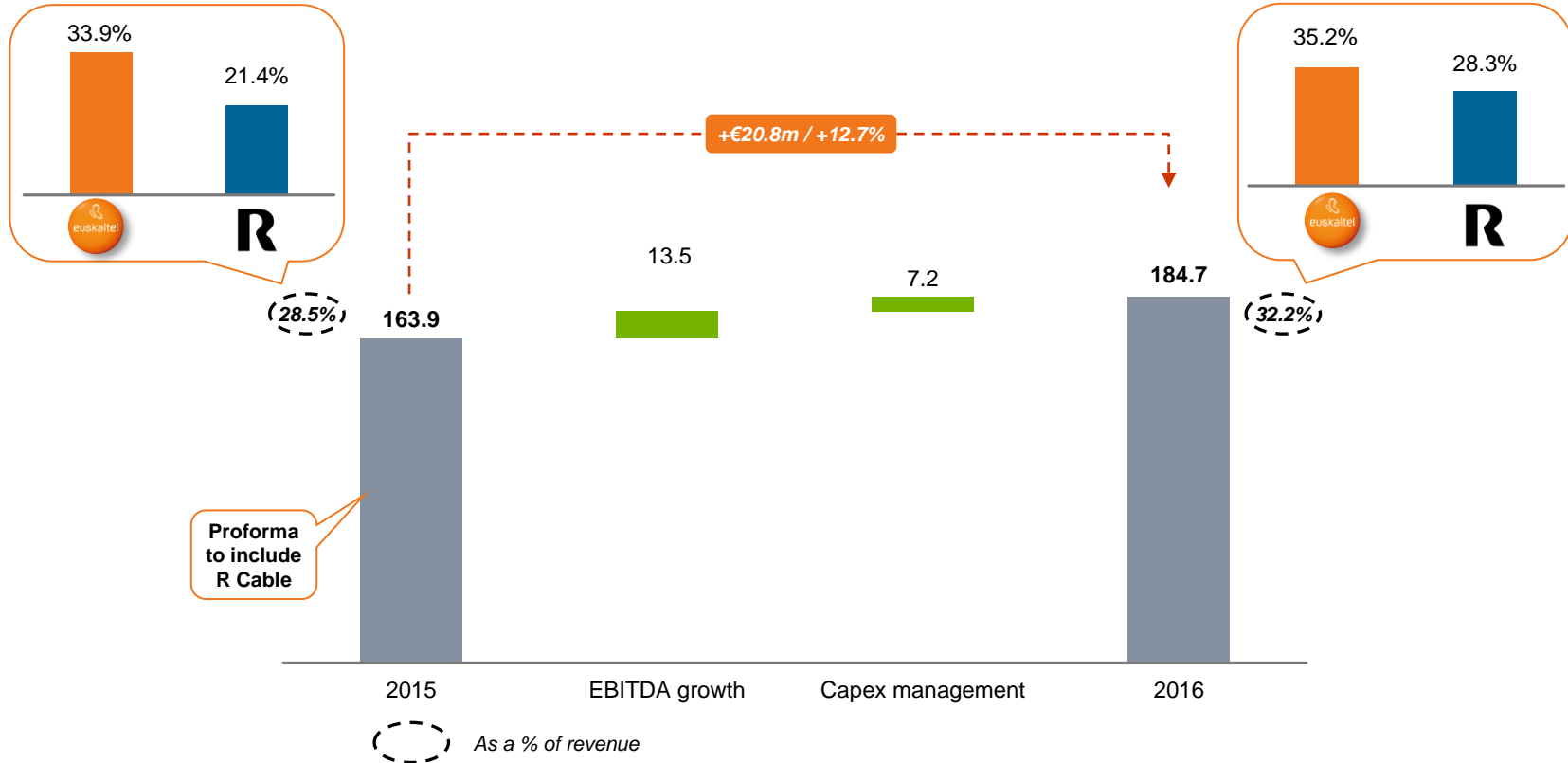


2016 Capex by category



- Significant capex reduction of c.7% in the year (c.15% vs. the quarter of the previous year) deriving from the rationalization of R Cable investments mainly in mobile network core integration and supplier renegotiation to bring its level close to that of Euskaltel

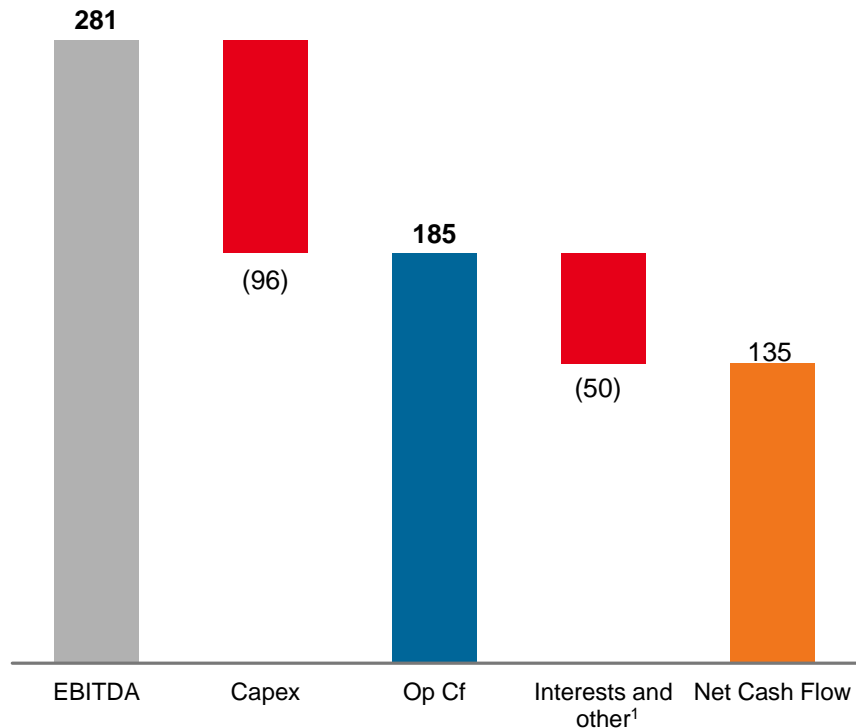
OpCF growth 2015 - 2016 (€m)



- Improved OpCF as percentage of sales from 28.5% to 32.2%
- Euskaltel's OpCF as percentage of sales increased by 122bps, while R Cable grew by c.690bps

Strong de-leverage according to plan

2016 Free Cash flow



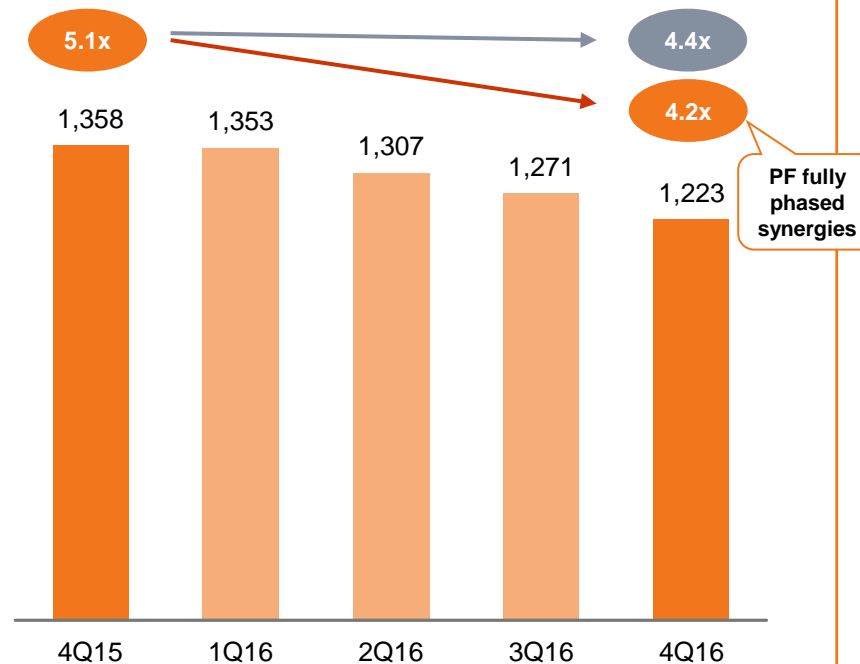
- 🔥 Cash flow after debt service generated during the period amounts to €135m allowing for dividend distribution
- 🔥 Equity free cash flow amounts to €134 implying an EFCF yield of 10.85%²

Note:

1. Includes financial expenses, WC requirements, taxes and other
2. EFCF yield on the volume weighted share price of the last month of 2016 (€8.13)

Net debt (€m)

Leverage evolution (ND / LTM EBITDA)



- 🔥 Strong cash generation resulting in consistent deleverage with net debt / EBITDA ratio standing at 4.2x

1	Revenue	<ul style="list-style-type: none">Overall revenue growth: CAGR 2-3%Residential growth to balance the effect in B2B in the short term. B2B regaining momentum since 2018
2	EBITDA	<ul style="list-style-type: none">EBITDA margin to grow by 100 bps to reach 50%
3	Capex	<ul style="list-style-type: none">To stay in the 16% revenue rangeAdditional integration and/or expansion capex below €10m
4	Free Cash Flow	<ul style="list-style-type: none">CAGR High single digit
5	Leverage	<ul style="list-style-type: none">Between 3x-4x at the end of the period
6	Dividend	<ul style="list-style-type: none">Double digit annual growth
7	M&A	<ul style="list-style-type: none">Constantly looking for new M&A opportunities which should respect two principles:<ul style="list-style-type: none">Accretive in cash flow per share for Euskaltel's shareholdersMaintain ND / EBITDA leverage within reasonable limits



Appendix I - Euskaltel 2016 consolidated results and KPIs

Euskaltel Statutory accounts - KPIs (i/ii)

Residential		Quarterly								FY	
KPIs	Unit	1T15	2T15	3T15	4T15	1T16	2T16	3T16	4T16	2015	2016
Homes passed	#	872.053	873.254	876.937	1.699.073	1.700.847	1.703.361	1.703.941	1.707.558	1.699.073	1.707.558
Household coverage	%	85%	85%	85%	65%	65%	65%	65%	65%	85%	65%
Residential subs	#	295.360	300.751	298.419	545.502	547.009	548.069	548.945	546.040	545.502	546.040
o/w fixed services	#	278.051	282.890	279.353	471.664	471.837	470.895	471.463	469.662	471.664	469.662
as % of homes passed	%	31,9%	32,4%	31,9%	27,8%	27,7%	27,6%	27,7%	27,5%	27,8%	27,5%
o/w mobile only subs	#	17.309	17.861	19.066	73.838	75.172	77.174	77.482	76.378	73.838	76.378
o/w 1P(%)	%	17,6%	17,3%	17,5%	21,9%	21,7%	21,6%	21,9%	21,7%	21,9%	21,7%
o/w 2P(%)	%	24,8%	21,5%	19,3%	14,8%	14,0%	13,3%	12,9%	12,5%	14,8%	12,5%
o/w 3P(%)	%	35,5%	36,6%	36,6%	29,6%	29,0%	27,8%	27,0%	26,4%	29,6%	26,4%
o/w 4P(%)	%	22,1%	24,6%	26,5%	33,7%	35,3%	37,3%	38,2%	39,4%	33,7%	39,4%
Total RGUs	#	918.120	968.023	982.290	1.809.720	1.836.291	1.868.347	1.881.701	1.891.653	1.809.720	1.891.653
RGUs/sub	#	3,1	3,2	3,3	3,3	3,4	3,4	3,4	3,5	3,3	3,5
Residential churn fixed customers	%	14,8%	12,2%	13,9%	14,8%	13,5%	14,1%	14,9%	15,1%	14,8%	15,1%
Global ARPU fixed customers	€/month	55,15	55,50	55,75	56,00	57,59	58,10	58,52	58,44	56,00	58,44
Fixed Voice RGUs	#	278.516	283.341	279.792	467.181	467.280	467.292	465.362	462.827	467.181	462.827
as% fixed customers	%	100,2%	100,2%	100,2%	99,0%	99,0%	99,2%	98,7%	98,5%	99,0%	98,5%
BB RGUs	#	218.391	224.361	222.288	389.456	391.733	392.722	394.738	394.810	389.456	394.810
as% fixed customers	%	78,5%	79,3%	79,6%	82,6%	83,0%	83,4%	83,7%	84,1%	82,6%	84,1%
TV RGUs	#	124.729	127.660	127.802	250.191	256.783	264.899	267.325	270.333	250.191	270.333
as% fixed customers	%	44,9%	45,1%	45,7%	53,0%	54,4%	56,3%	56,7%	57,6%	53,0%	57,6%
Postpaid lines	#	296.484	332.661	352.408	702.892	720.495	743.434	754.276	763.683	702.892	763.683
Postpaid customers	#	165.411	185.203	194.926	412.247	422.737	433.513	436.737	438.953	412.247	438.953
as% fixed customers (only mobile excluded)	%	53,3%	59,2%	63,0%	71,7%	73,7%	75,7%	76,2%	77,2%	71,7%	77,2%
Mobile lines / customer	#	1,8	1,8	1,8	1,8	1,8	1,8	1,7	1,7	1,7	1,7

SOHO		Quarterly								FY	
KPIs	Unit	1T15	2T15	3T15	4T15	1T16	2T16	3T16	4T16	2015	2016
Subs	#	47.136	47.932	47.775	88.163	88.301	89.014	89.076	89.322	88.163	89.322
o/w 1P(%)	%	32,1%	30,3%	29,7%	28,5%	31,7%	30,8%	30,4%	29,7%	32,3%	29,7%
o/w 2P(%)	%	23,9%	21,9%	20,4%	27,0%	18,4%	17,5%	16,9%	16,4%	19,6%	16,4%
o/w 3P(%)	%	32,9%	35,2%	36,9%	33,9%	38,1%	38,9%	39,3%	39,7%	37,4%	39,7%
o/w 4P(%)	%	11,1%	12,6%	13,0%	10,6%	11,8%	12,8%	13,3%	14,2%	10,8%	14,2%
Total RGUs	#	147.585	155.881	158.589	278.314	285.111	292.888	296.335	300.713	278.314	300.713
RGUs/sub	#	3,1	3,3	3,3	3,2	3,2	3,3	3,3	3,4	3,2	3,4
SOHO churn fixed customers	%	19,3%	17,6%	17,8%	19,7%	22,3%	21,4%	20,5%	20,3%	19,7%	20,3%
Global ARPU fixed customers	€/month	64,4	65,1	65,4	65,3	64,9	65,0	65,3	65,2	65,3	65,2

SME and Large Accounts		Quarterly								FY	
KPIs	Unit	1T15	2T15	3T15	4T15	1T16	2T16	3T16	4T16	2015	2016
Customers	#	5.041	5.072	5.053	11.518	11.486	11.254	11.224	11.193	11.518	11.193

- The 4Q15 financial information reflects Euskaltel's standalone performance for that period plus R Cable performance since 27-Nov-2015
- The 4Q16 presented financials comprise consolidated financials for Euskaltel and R Cable

Euskaltel Statutory accounts - KPIs (ii/ii)

Selected financial information

	Unit
Total revenue	€m
<i>Y-o-y change</i>	%
o/w residential	€m
<i>Y-o-y change</i>	%
o/w Business	€m
<i>Y-o-y change</i>	%
o/w Wholesale and Other	€m
<i>Y-o-y change</i>	%
o/w Other Profit Neutral Revenues	€m
<i>Y-o-y change</i>	%
Adjusted EBITDA	€m
<i>Y-o-y change</i>	%
<i>Margin</i>	%
Capital expenditures	€m
<i>Y-o-y change</i>	%
<i>% total revenues</i>	%
Operating Free Cash Flow	€m
<i>Y-o-y change</i>	%
<i>% EBITDA</i>	%
RDI	€m

Quarterly								FY	
1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016
79.6	82.1	82.7	105.0	141.8	144.2	144.4	142.5	349.4	572.9
				78.2%	75.7%	75%	35.7%		164.0%
49.0	50.8	51.7	64.2	91.3	93.7	95.0	93.1	215.7	373.1
				86.3%	84.5%	83.7%	45.1%		173.0%
22.8	23.4	22.8	30.3	42.4	42.8	41.7	39.7	99.3	166.6
				86.3%	82.5%	83.1%	30.8%		167.7%
5.6	5.6	6.2	8.1	8.0	7.8	7.7	9.7	25.4	33.2
				44.3%	39.1%	24.8%	19.6%		130.6%
2.2	2.3	2.0	2.4	-	-	-	-	8.9	-
				-100.0%	-100.0%	-100.0%	-100%		0.0%
37.7	38.3	40.6	50.4	69.1	70.3	70.2	71.0	167.0	280.6
				83.2%	83.4%	72.7%	41.0%		168.0%
47.4%	46.7%	49.2%	48.0%	48.7%	48.7%	48.6%	49.8%	49.2%	49.0%
(9.1)	(9.2)	(10.3)	(24.6)	(21.6)	(24.1)	(21.8)	(28.4)	(53.1)	(95.8)
				137.8%	161.6%	111.8%	15.7%		180.4%
-11.4%	-11.2%	-12.4%	-23.4%	-15.2%	-16.7%	-15.1%	-19.9%	-23.4%	-16.7%
28.6	29.1	30.4	25.8	47.5	46.2	48.4	42.6	113.9	184.7
				65.9%	58.6%	59.5%	65.2%		162.2%
75.9%	76.0%	74.7%	51.2%	68.7%	65.7%	69.0%	60.0%	68.2%	65.8%
1.2	(19.7)	15.1	10.6	14.6	15.6	14.7	17.3	7.2	62.2

- The 4Q15 financial information reflects Euskaltel's standalone performance for that period plus R Cable performance since 27-Nov-2015
- The 4Q16 presented financials comprise consolidated financials for Euskaltel and R Cable

P&L 2016 - Quarterly

EUR in million	2016				
	Q1'16	Q2'16	Q3'16	Q4'16	FY'16
Residential	91,3	93,7	95,0	93,1	373,1
Corporate	42,4	42,8	41,7	39,7	166,6
Wholesale & Others	8,0	7,8	7,7	9,7	33,2
Revenue	141,8	144,2	144,4	142,5	572,9
COGS	(33,8)	(35,6)	(36,7)	(29,4)	(135,5)
Gross profit	108,0	108,6	107,7	113,1	437,4
Selling expenses	(15,1)	(15,3)	(14,2)	(16,5)	(61,1)
Overhead	(23,8)	(23,0)	(23,2)	(25,6)	(95,7)
EBITDA (adjusted)	69,1	70,3	70,2	71,0	280,6
D&A	(36,6)	(37,3)	(37,6)	(39,1)	(150,6)
EBIT	32,4	33,0	32,6	32,0	130,0
Interest expense	(11,9)	(12,3)	(12,3)	(11,3)	(47,9)
Extraordinary items	(0,8)	(1,7)	(1,2)	(1,2)	(4,9)
PROFIT BEFORE INCOME TAX	19,7	19,0	19,0	19,4	77,2
Income tax expense	(5,1)	(3,4)	(4,3)	(2,2)	(15,0)
NET PROFIT FOR THE PERIOD	14,6	15,6	14,7	17,2	62,1

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