



EUSKALTEL, S.A. (Euskaltel or the Company), in accordance with article 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre), hereby announces the following

RELEVANT FACT

Please see attached Press Release.

Derio, 15 January 2019.

EUSKALTEL, S.A.
Luis Alba Ferré
Secretary of the Board of Directors



Thanks to its transformation plan, the Group expects to save Euros 40-45 million a year

The Euskaltel Group will hit turnover of Euros 800 million and an ebitda of Euros 400 million in 2022

- The company's business plan foresees a significant increase in turnover over the next four years in the new markets it is expanding into, reaching 8% of revenues by the end of 2022.
- Operating cash flow will be sustainable at over 30% of sales from 2020 onwards, further increasing the capacity of the Group, which is already an industry leader.
- The operator foresees potential double-digit growth in dividends across the plan's timespan.
- With almost 20 years' experience in the industry, Charo Lacal has joined the Euskaltel Group to lead the new Operations and Transformation Division.

Bilbao/Madrid, 15 January 2019. The Euskaltel Group has announced today —as part of Spain Investors Day held in Madrid— the forecasts from its business plan to 2022, which was unanimously approved on 3 October by its Board of Directors. This plan, in line with the company's expansion and growth measures, forecasts turnover of Euros 800 million by 2022, which would be 28.6% higher than in 2017, and an ebitda of Euros 400 million, i.e., 30.3% higher than in 2017.

Francisco Arteche, the Euskaltel Group's CEO, has noted: *"Thanks to its management capacity, the Group estimates a very significant increase in revenues in the markets we are expanding into over the next few years, reaching 8% of total revenues by the end of 2022."* Last week the telecommunications group, which employs 700 professionals, indirectly providing 4,200 jobs, announced a development plan to enter five new markets in 2019: Navarre, León, Cantabria, La Rioja and Catalonia, which will mean having access to more than one million new homes.

As part of the projections, operating cash flow (ebitda-capex) will be sustainable at over 30% of sales from 2020 onwards, further increasing the capacity of the Group, which is already a leader among its European peers in terms of operating cash flow generation. The Euskaltel Group foresees potential double-digit growth in dividends across the plan's timespan. In terms of its leverage ratio, net financial debt will fall below 3.5 times Ebitda by 2022, and will not exceed 4.5 times during the period.

The Euskaltel Group's business plan also foresees keeping its customer base stable in its traditional markets over the next few years. In fact, the operator has achieved positive net

customer registrations in 2018 and has grown in three of the four past quarters. The fourth quarter has been particularly remarkable, as it has achieved over 2,000 net customer registrations. In addition, the company expects to continue increasing average revenue per user (ARPU) throughout the plan, thanks to its outstanding offering and its efficiency and content.

The plan's strategic pillars

Arteche, the Euskaltel Group's CEO, has pointed out that the Group strives to provide a better customer experience which will allow the operator to maintain its leading position in the residential and business segments. The plan envisages several pillars that will boost competitiveness in the years to come, such as a return to growth in the B2B (business segment), thanks to a unified commercial strategy, new products and services, digital transformation, strategic alliances and global reach. These will be the key pillars on which the Group will address the main challenges it faces, such as the deployment of 4K technology, the audit of Wi-Fi in homes where it is already present and the quality of content offered.

In line with these objectives, the Euskaltel Group is at the forefront of innovation and digital transformation, and is a key partner in accompanying companies, institutions and individuals through their new technological challenges. To this end, the company has developed a wide range of IT services including Internet, fixed-line and mobile phones, digital TV and broadband, digital transformation processes, IoT (the Internet of Things) solutions, technology for Smart Cities and Industry 4.0., as well as a strong commitment to streamlining its internal and external model which is already yielding great results.

The Group's transformation

The Euskaltel Group is undergoing a transformation and simplification plan that will also translate into streamlining the company, improving its products and gaining more efficiency, with significant cost savings of up to Euros 40-45 million once all the measures launched are fully operational.

As Francisco Arteche, the Euskaltel Group's CEO, comments: *"We are working very hard on the Group's digital transformation and on unifying the physical assets of Euskaltel, R and Telecable as well as our platforms, CRM systems and the applications used by our clients".* And he adds: *"The systems integration we are implementing will improve our operational efficiency and allow for a better customer experience and improved business processes. This will make us more cost-effective and faster in introducing innovations in the market, creating a more collaborative, digitised and personalised model."*

The operator has also identified new savings opportunities in the areas of technology, provisioning, finance and marketing, in addition to existing initiatives that will improve efficiency and boost the Group's performance and activities, such as the unified tool for churn rate prediction and the review of the complaints management system. During 2018, the company has already hit many milestones from its Transformation Program, such as the development of the CRM project together with PEGA Systems, the new Contact Center and the implementation of collaborative tools for employees.

In order to offer better service, the Group has begun to improve the customer experience. The Euskaltel Group will work with PEGA Systems to implement a Customer Decision Hub that places customers at the centre of the process, enabling a more efficient relationship with them. *"With all these processes, the Euskaltel Group will become a single company while having multiple local*

brands, maintaining its commitment to the Basque Country, Galicia and Asturias", explained Arteche.

New Operations and Transformation Division

With regards the simplification of the Group, Charo Lecal will lead the recently created Operations and Transformation Division, which will bring together the areas of Customer Service and Management, Provisioning and Incidents, in addition to the Transformation Projects. With a degree in Economics from Universidad de Navarra and an Executive MBA from IE, Lecal has almost 20 years' experience in different positions in telecommunications companies, both in corporate and business roles, and she has a wealth of national and international experience.

Thanks to her extensive track record managing transformation projects, Lecal will ensure the Group's different functional areas adapt to new market scenarios. These projects will also affect internal work processes, as they generate swifter and more flexible dynamics and encourage teamwork between different departments.

Francisco Arteche, the Euskaltel Group's CEO, has highlighted: *"The new Operations and Transformation Division will focus on continuing to lead the Transformation Office in accordance with our Simplification Plan and our efficiency goals, while also focusing on transforming the Group's operations through digital acceleration and industrialisation"*.

About the Euskaltel Group

The Euskaltel Group is one of Spain's main telecommunications companies providing a comprehensive response to the communication needs of individuals, institutions and companies. The company provides ICT solutions to cover its customers' full communication cycle with a wide range of technological services including Internet, fixed-line and mobile phones, digital TV and broadband, digital transformation processes, IoT (the Internet of Things) solutions, technology for Smart Cities and Industry 4.0. The Euskaltel Group, with its Euskaltel, R and Telecable brands, is a leading company in all markets it operates in, serving over 800,000 residential and business customers. The company employs 705 professionals, indirectly providing 4,200 jobs.

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