



First half 2016 results

28 July 2016    

Consolidated financial results (key profit & loss items)

	1H15	1H16	1H16 vs. 1H15	
			€m	% change
Revenue (€m)	161.7	286.0	+124.3	+76.9%
Adj. EBITDA¹ (€m) <i>Margin (%)</i>	76.0 <i>47.0%</i>	139.3 <i>48.7%</i>	+63.3	+83.3%
			+169 bps	
Adj. OpCF¹ (€m) <i>Margin (%)</i>	57.7 <i>75.9%</i>	93.6 <i>67.2%</i>	+35.9	+62.2%
Net income (€m)	(18.4)	30.2	+48.6	n.m.

Note:

1. EBITDA and OpCF adjusted for extraordinary items of €0.9m in 1H16 (expenses related to the integration of R Cable) and €15.4m for 1H15 (expenses related to the IPO)

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 1H15 financial information included in this presentation reflects only Euskaltel's standalone performance for that period
- 👉 The 1H16 presented financials comprise consolidated financials for Euskaltel and R Cable
- 👉 Where appropriate, the pro forma including 1H15 non-audited contribution of R-Cable is added to that of Euskaltel for the same period for comparability purposes

Consolidated financial results (key balance sheet items)

<i>Data in €m</i>	1H15	1H16
Non-current assets	902	2,156
Current assets <i>o/w cash & equivalents</i>	49 3	160 75
Total assets	951	2,317
Equity	427	733
Non-current liabilities	417	1,415
Current liabilities	107	169
Total liabilities	524	1,584
Total liabilities & equity	951	2,317

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1

Solid KPI performance in the quarter

- Residential revenue growing 4.8% LfL YoY, with moderate growth in subscribers (c.2.6k subs in 1H16) and maintaining momentum in gross additions (c.32k in 1H16)
- Significant increase in TV services with c.27k new lines (+11.2% LfL YoY) and c.90k new mobile lines (+13.7% LfL YoY), with mobile penetration reaching record-high (76%)
- Solid residential ARPU growth of €2.6 YoY (+4.7% YoY) on the back of successful product intake (65% 3P&4P bundles in 1H16)
- Stable churn rate at 14.1%

2

Highly efficient cost management

- Direct costs down 12% YoY LfL driven by an efficient ITX and content cost management improving gross margin from 72.1% to 75.7% (LfL vs. previous year)
- EBITDA margin enhancement from 45.6% to 48.7% (LfL vs. previous year)
- Synergies delivery on track according to timetable; most of the impact yet to be reflected

3

Strong cash flow conversion to accelerate deleveraging and shareholder distribution

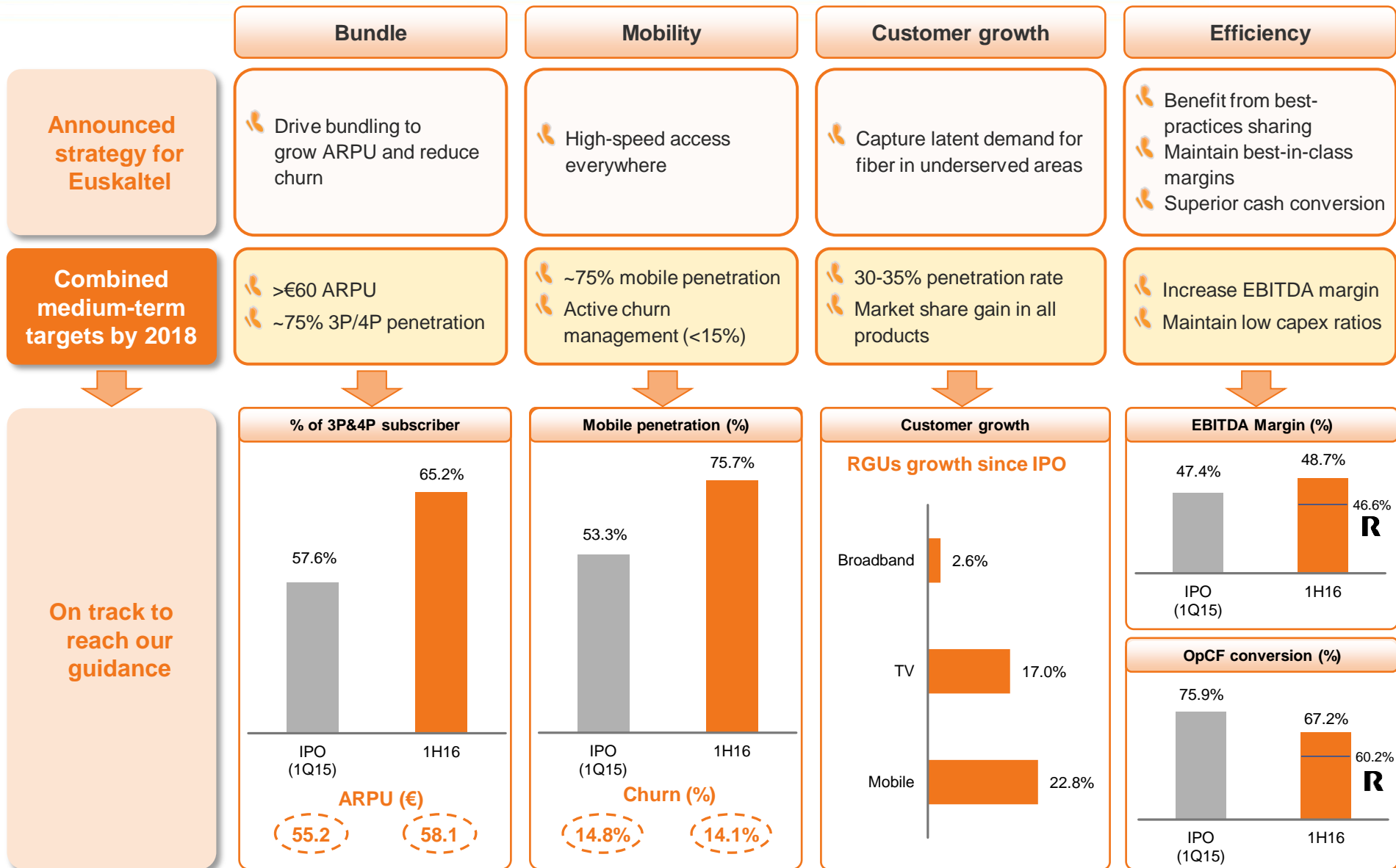
- Efficient capex management driving superior cash conversion rates (67.2% as of 1H16)
- c.€94m OpCF generated in 1H16, allowing for a debt reduction to 4.7x EBITDA LTM (excluding synergies)
- Confirmed guidance on shareholder distribution targets in 2017

4

Changes in governance structure

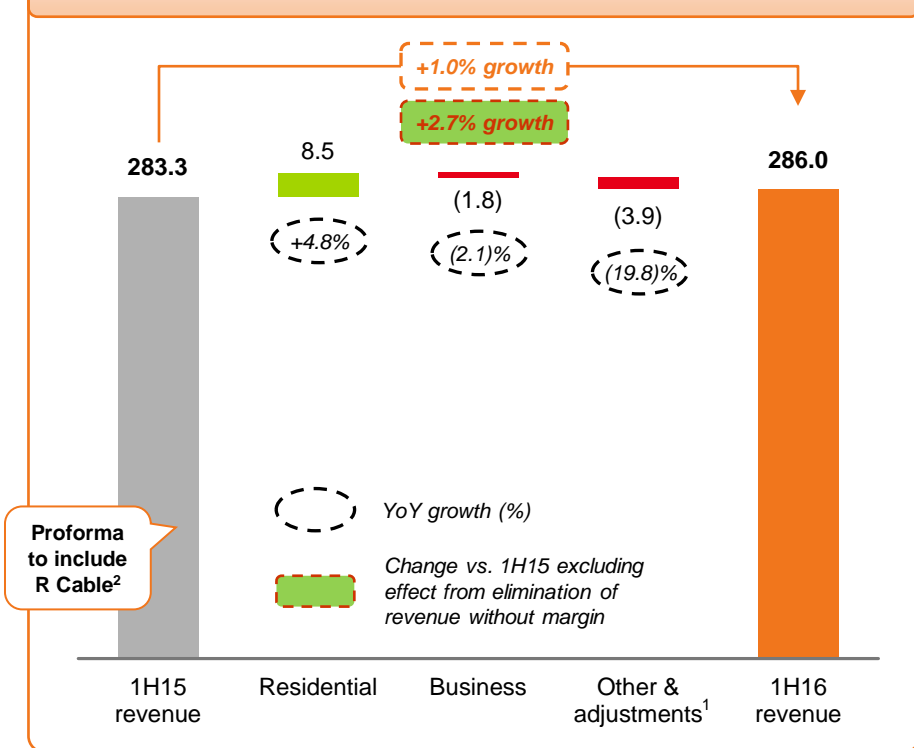
- Reinforcement of communication with minority shareholders through the appointment of:
 - A CEO, Francisco Arteche, replacing former General Manager Fernando Ojeda
 - A Coordinating Director for the Board

Fully on track to deliver our mid term objectives announced at IPO

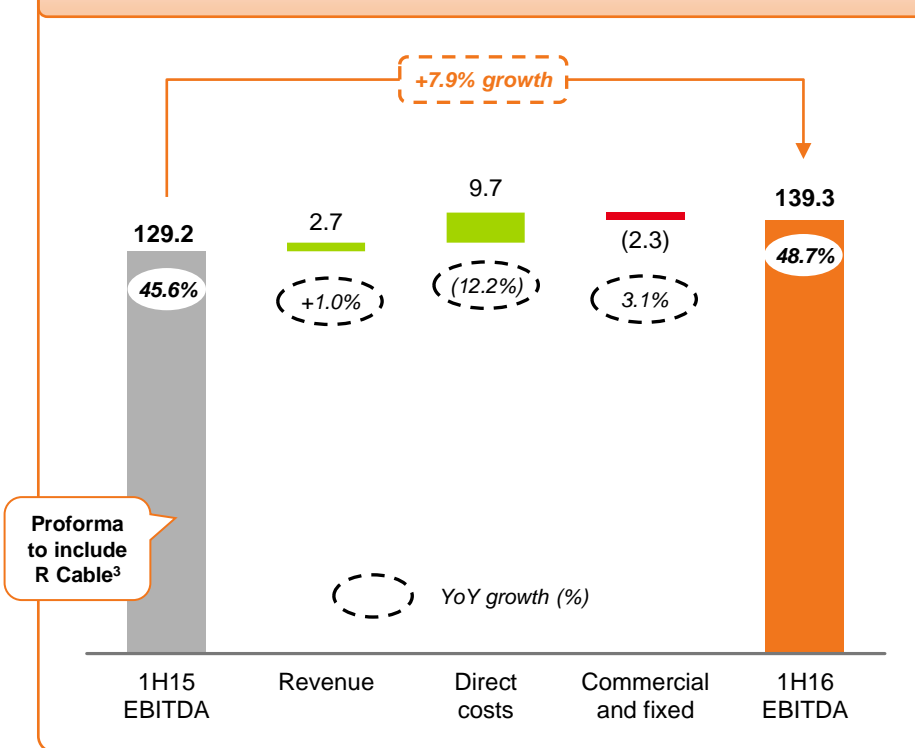


Constituents of revenue and EBITDA growth in 1H16

Revenue evolution 1H16 vs 1H15 (€m)



EBITDA evolution 1H16 vs. 1H15 (€m)



- Revenue growth mainly driven by the residential segment (+4.8% YoY)
- €3.9m of negative adjustment from elimination of profit neutral activity

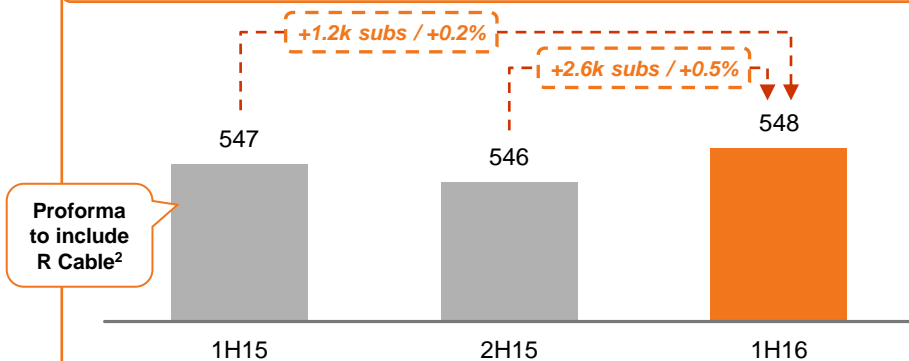
- Revenue growth contributing €2.7m to EBITDA in 1H16
- Direct cost reduction of 12.2% contributing €9.7m to EBITDA in 1H16
- Commercial and fixed costs reducing €2.3m EBITDA

Notes:

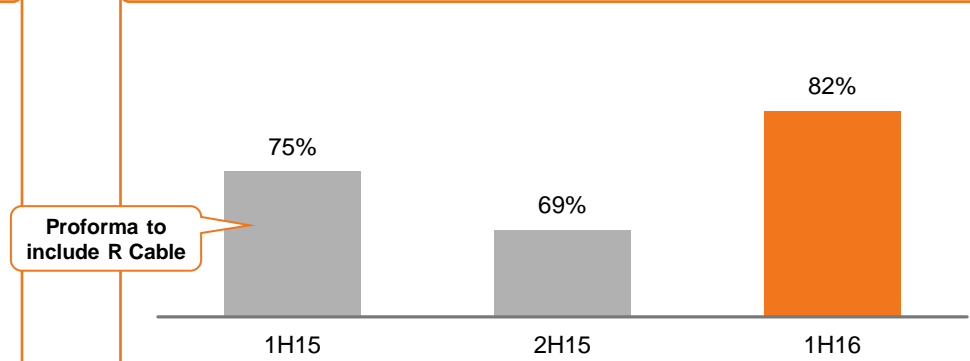
- Mainly refer to neutral profit revenues
- Includes €121.4m of R Cable revenue as of 1H15
- Includes €53m of R Cable EBITDA as of 1H15

Residential subs growth focused on high-value products to customers

Residential subscribers evolution¹ ('000)

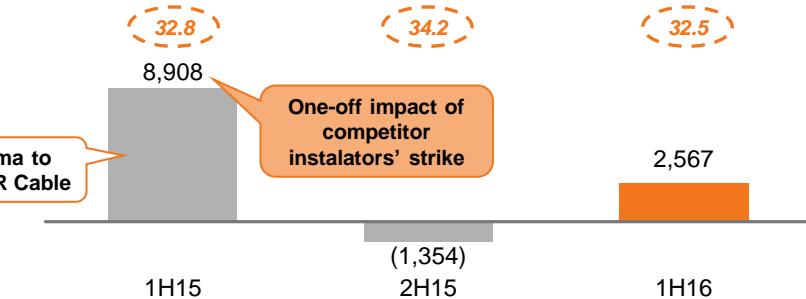


3P&4P as % of new customers

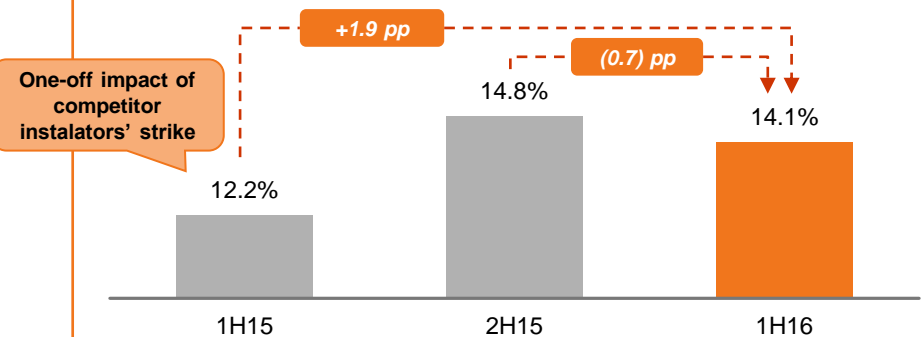


Net customer additions (# subs)

Gross adds (k)



Churn³ rate evolution (%)



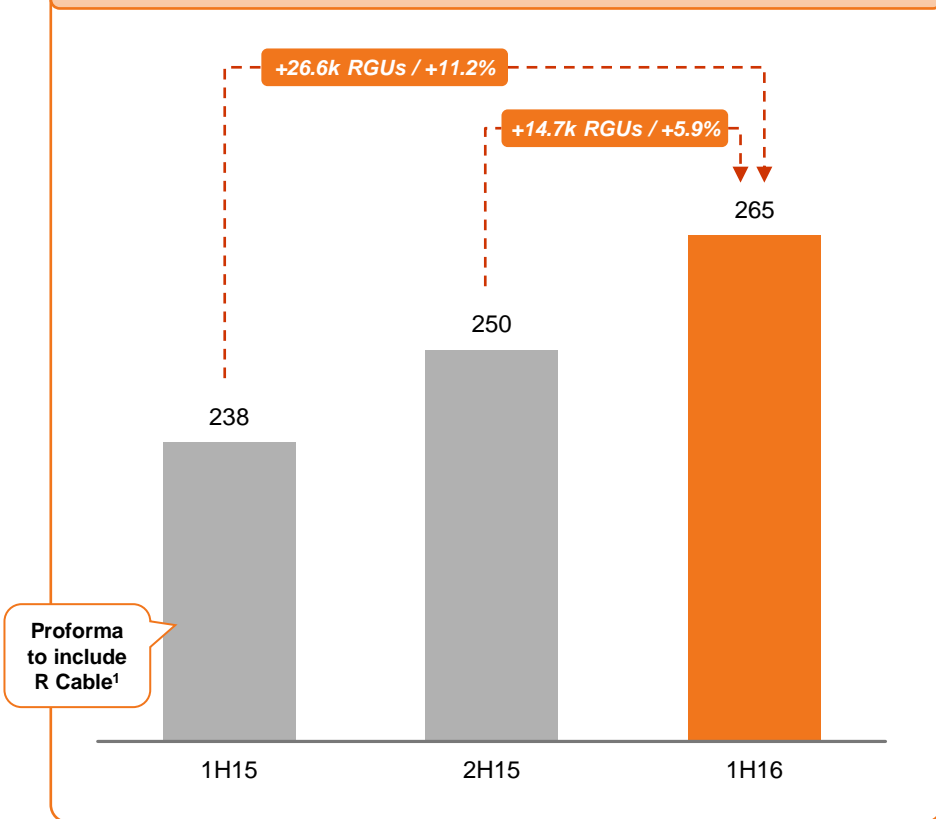
- Subscribers evolution maintaining a positive pace (+2.6k in 1H16 vs. 2H15, +0.5% growth) with c.32.5k gross adds in 1H16
- Focus on high-value products to our customers (82% of gross adds acquiring 3P/4P bundles in 1H16)
- Consolidating positive trend in net adds with stable churn (14.1%)

Notes:

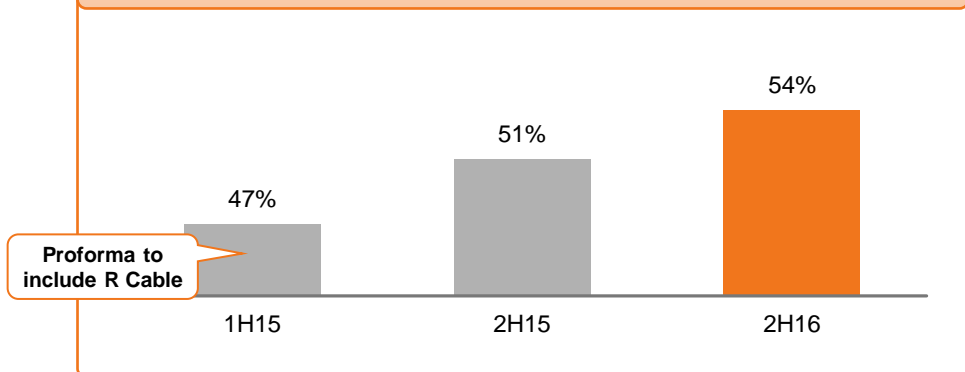
- Includes mobile-only subscribers
- Includes c.246k residential subs from R Cable as of 1H15
- Churn based on fixed clients

Our TV offering continues its strong intake momentum

Evolution of residential TV RGUs ('000)



TV Subs as % of total subscriber base



Recently launched TV functionalities and premium content

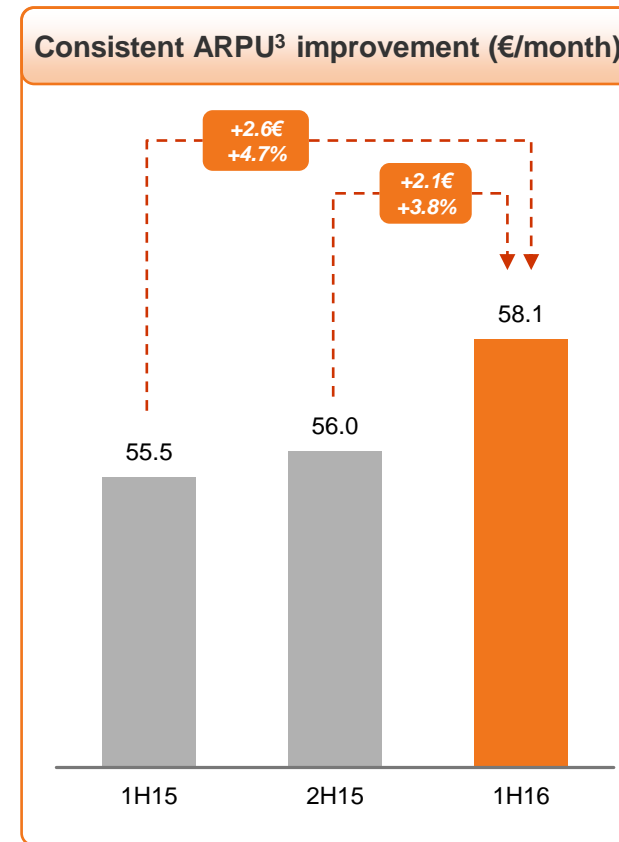
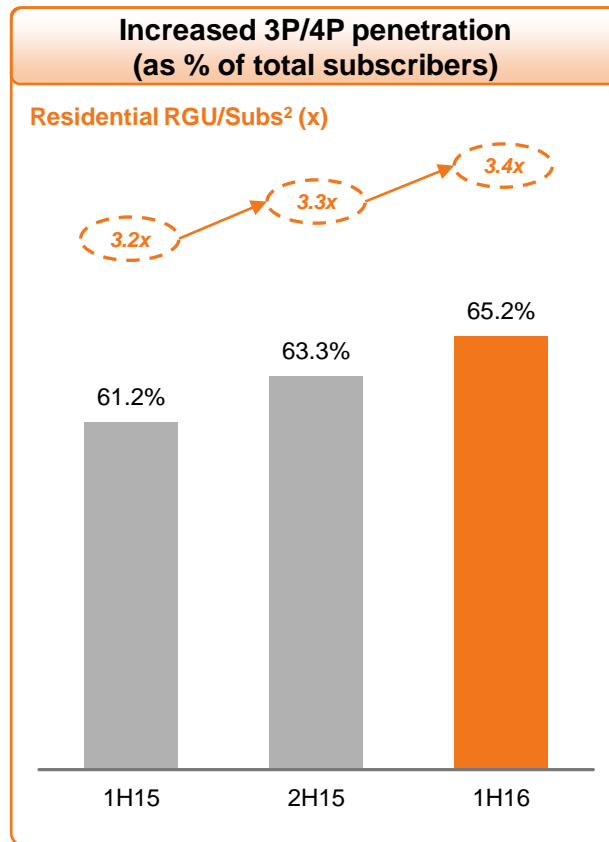
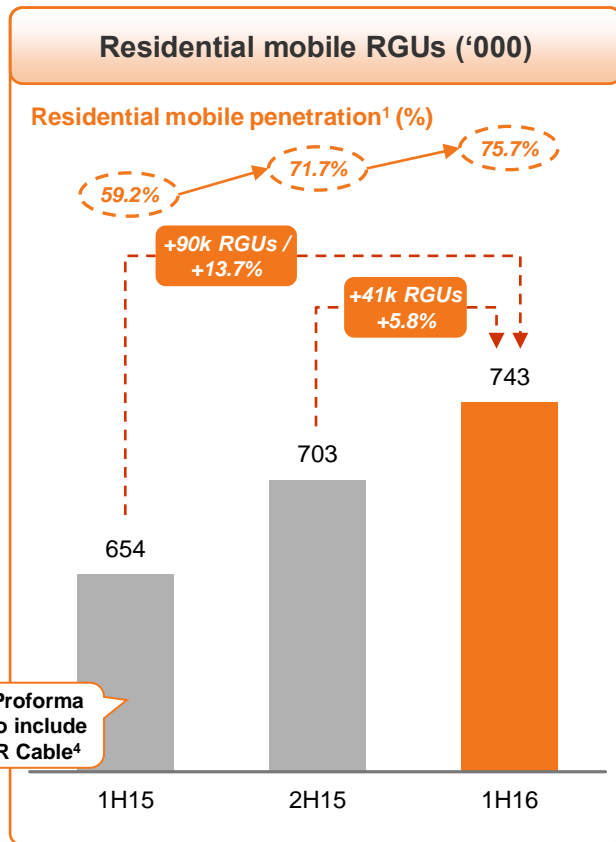


- Strong performance of our TV offering with 11.2% growth in RGUs YoY
- Continued growth of TV subscribers among our subscriber base, reaching 54% of total subscribers in 1H16 (vs. 47% in 1H15)
- Our approach to future content investment will always remain disciplined, focused on customer value and subject to prevailing market conditions

Notes:

1. Includes c.111k residential Pay-TV RGUs from R Cable as of 1H15

Our successful product intake is driving healthy ARPU growth



- Successful mobility strategy resulting in +90k new mobile lines (+13.7% YoY)
- Successful product intake driving a sustained growth in RGU/subs and 3P/4P penetration (65.2%)
- Strong ARPU growth of 2.6€ YoY also favoured by market conditions

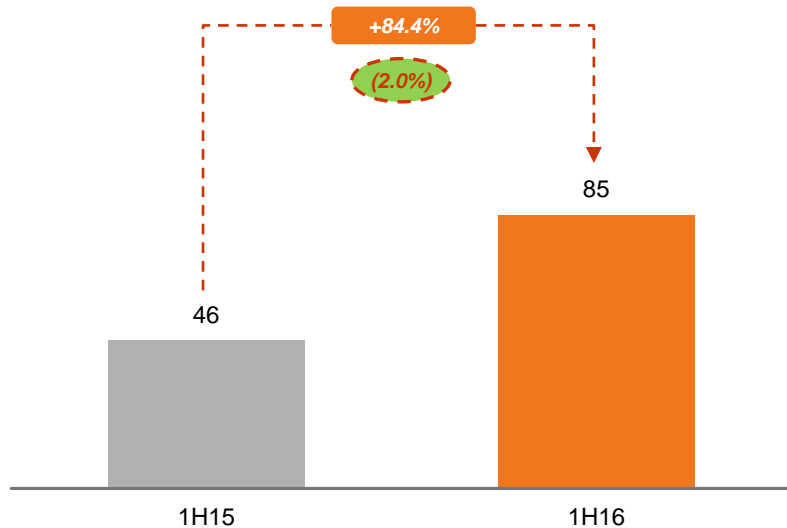
Notes:

- Residential subscribers with mobile (excluding mobile-only subscribers) as percentage of total fixed subscribers
- Total RGUs (including mobile-only) / total subs (including mobile only)
- Global ARPU based on fixed customers
- Includes c.321k residential mobile RGUs from R Cable as of 1H15

Business segment under pressure; SOHO maintaining strong momentum

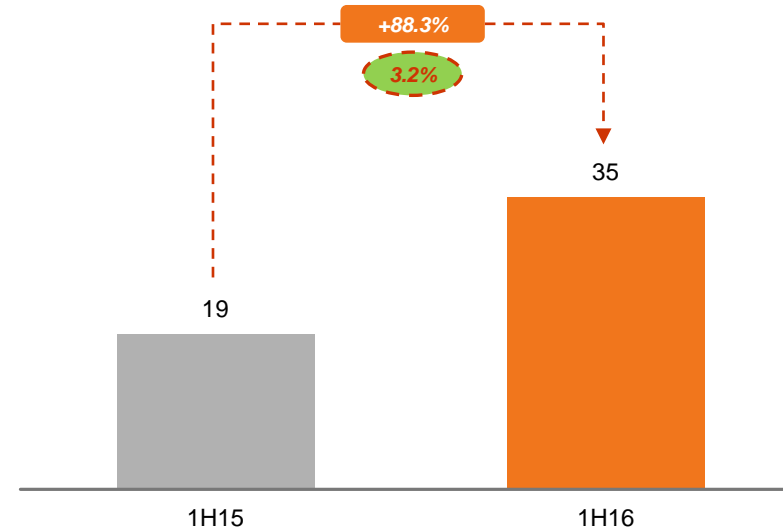
Business segment revenue evolution¹


Business revenue (€m)



SOHO revenue evolution

SOHO revenue (€m)



 Proforma figures assuming full consolidation of R Cable in 1H15

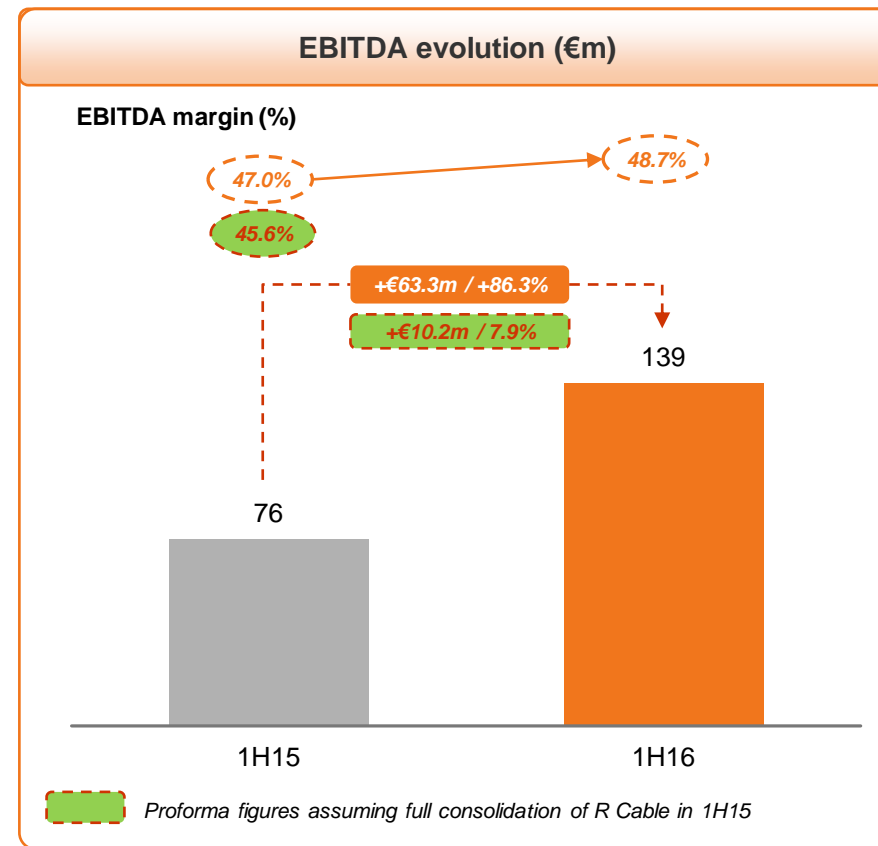
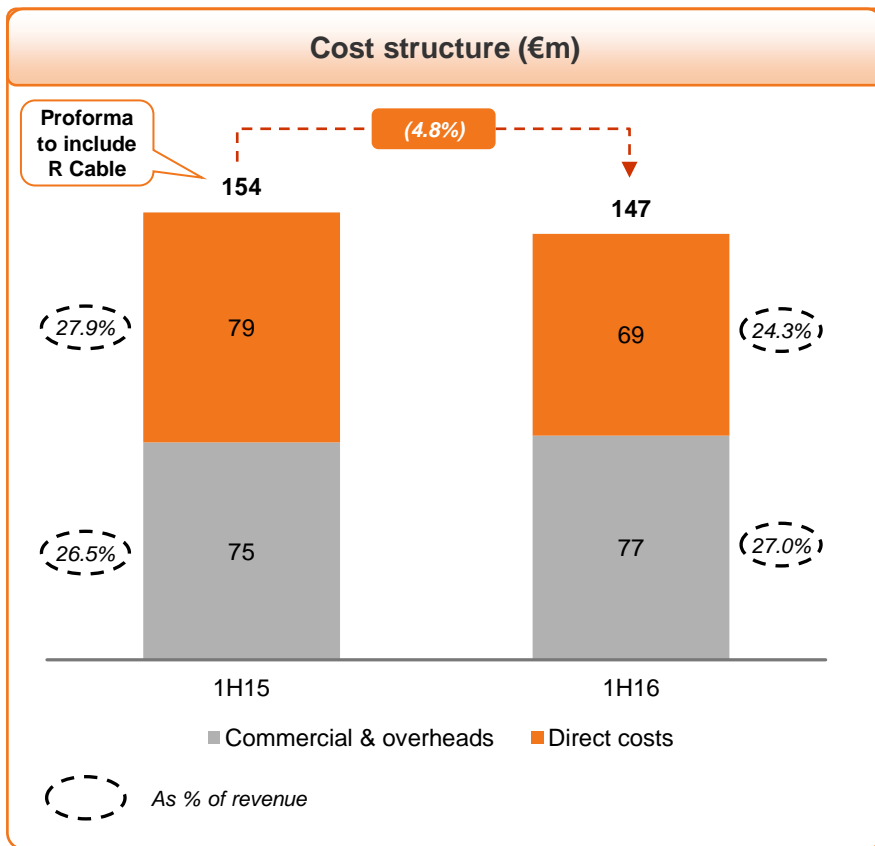
- Business segment with an important growth in the last half-year vs. 1H15 (+84.4% YoY)
- Strategy focused on proximity and penetration of value-added services (cloud, cybersecurity, etc.)

- Net subscriber growth of 851 subs vs. 2H15
- Global ARPU of €65, driven by consistent bundling and mobility strategy similar to residential segment

Note:

1. Includes SOHO, SMEs and Large Accounts

Efficient cost management driving EBITDA growth and margin expansion



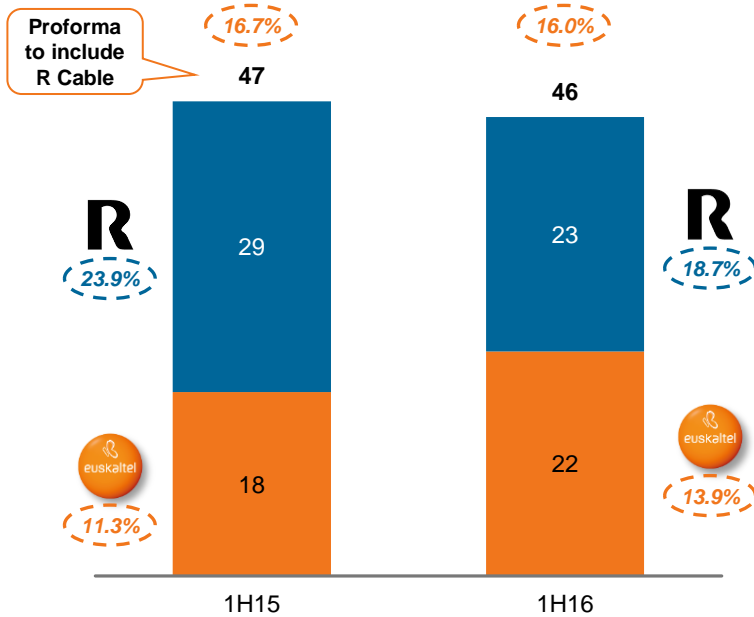
- 🔥 Total operating costs decreased 4.8% LfL vs. 1H15
 - 🔥 c.€10m reduction in direct costs (12.2% LfL reduction YoY) driven by savings in interconnection costs, optimisation of handset purchases and disciplined content strategy
- 🔥 Strong EBITDA evolution with a €63m increase (+7.9% LfL YoY)

Capex converging to targets and superior cash flow conversion rates maintained

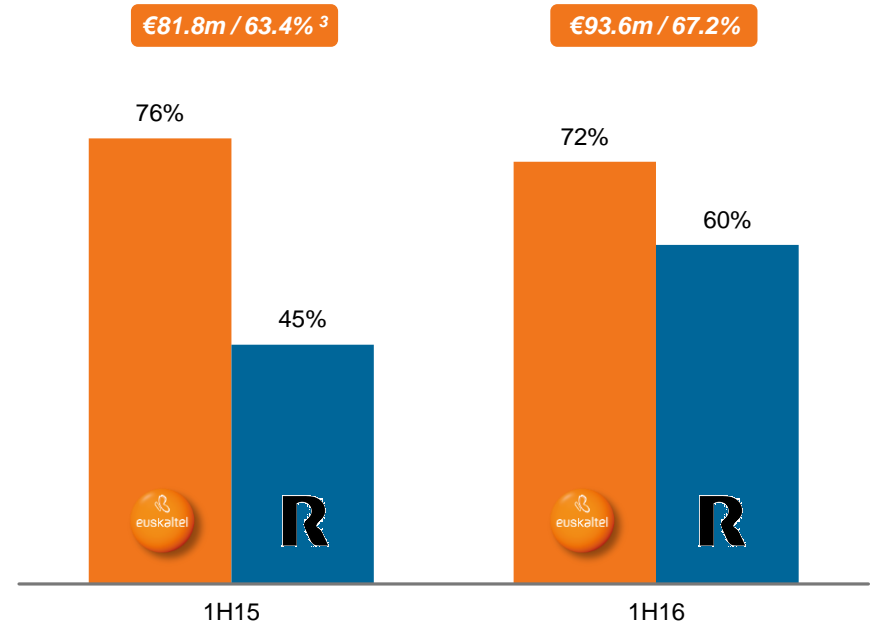
Capex and OpCF¹ evolution

Consolidated capex (€m)

Capex as % of revenue (%)



Consolidated OpCF (€m) and OpCF conversion² (%)

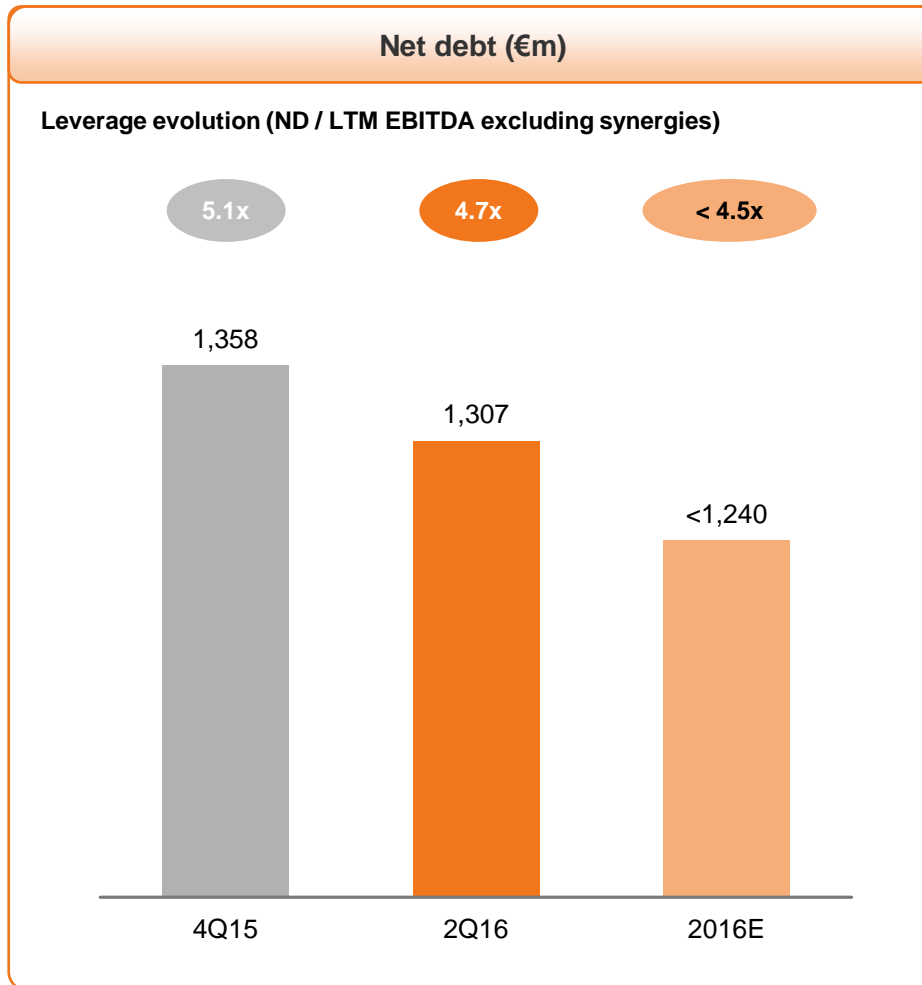


R-Cable capex converging to Euskaltel stand-alone levels

Improved performance of the operating cash conversion in R Cable (currently at 60% vs. 45% in 1H15)

Note:

1. OpCF defined as EBITDA – capex
2. OpCF conversion defined as (EBITDA – capex) / EBITDA
3. Proforma to include R Cable 1H15 contribution



1

OpCF generation of €94m (67.2% conversion in 1H16)

2

WC consumption of €10m in 1H16; successfully compensating the €16m extraordinary WC peak in 1Q16

3

The 1H16 cash flow includes c.€16m extraordinary payments related to the acquisition of R Cable

4

Net interest payment of c.€18m in the period

5

Distribution to shareholders expected to start in 2017 on the back of 2016 results



Appendix I - Euskaltel 1H16 consolidated results and KPIs

Euskaltel consolidated - KPIs (i/ii)

Residential										
KPIs	Unidad	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Homes passed	#	866,716	869,900	1,699,073	872,053	873,254	876,937	1,699,073	1,700,847	1,703,361
Household coverage	%	84%	85%	65%	85%	85%	85%	65%	65%	65%
Residential subs	#	298,495	296,023	545,502	295,360	300,751	298,419	545,502	547,009	548,069
o/w fixed services	#	284,105	279,212	471,664	278,051	282,890	279,353	471,664	471,837	470,895
as % of homes passed	%	32.8%	32.1%	27.8%	31.9%	32.4%	31.9%	27.8%	27.8%	27.6%
o/w mobile only subs	#	14,390	16,811	73,838	17,309	17,861	19,066	73,838	75,172	77,174
o/w 1P (%)	%	23.1%	17.8%	21.9%	17.6%	17.3%	17.5%	21.9%	21.7%	21.6%
o/w 2P (%)	%	35.8%	26.9%	14.8%	24.8%	21.5%	19.3%	14.8%	14.0%	13.3%
o/w 3P (%)	%	31.8%	35.0%	29.6%	35.5%	36.6%	36.6%	29.6%	29.0%	27.8%
o/w 4P (%)	%	9.4%	20.3%	33.7%	22.1%	24.6%	26.5%	33.7%	35.3%	37.3%
Total RGUs	#	769,036	896,077	1,809,720	918,120	968,023	982,290	1,809,720	1,836,291	1,868,347
RGUs / sub	#	2.6	3.0	3.3	3.1	3.2	3.3	3.3	3.4	3.4
Residential churn fixed customers	%	14.8%	14.8%	14.8%	14.8%	12.2%	13.9%	14.8%	13.5%	14.1%
Global ARPU fixed customers	€/mes	68.20	53.78	55.97	55.15	55.50	55.75	55.97	57.59	58.10
Fixed Voice RGUs	#	284,311	279,691	467,181	278,516	283,341	279,792	467,181	467,280	467,292
as% fixed customers	%	100.1%	100.2%	99.0%	100.2%	100.2%	100.2%	99.0%	99.0%	99.2%
BB RGUs	#	215,520	217,726	389,456	218,391	224,361	222,288	389,456	391,733	392,722
as% fixed customers	%	75.9%	78.0%	82.6%	78.5%	79.3%	79.6%	82.6%	83.0%	83.4%
TV RGUs	#	56,992	124,754	250,191	124,729	127,660	127,802	250,191	256,783	264,899
as% fixed customers	%	20.1%	44.7%	53.0%	44.9%	45.1%	45.7%	53.0%	54.4%	56.3%
Postpaid lines	#	212,213	273,906	702,892	296,484	332,661	352,408	702,892	720,495	743,434
Postpaid customers	#	126,016	153,939	412,247	165,411	185,203	194,926	412,247	422,737	433,513
as% fixed customers (only mobile excluded)	%	39.3%	49.1%	71.7%	53.3%	59.2%	63.0%	71.7%	73.7%	75.7%
Mobile lines / customer	#	1.7	1.8	1.7	1.8	1.8	1.8	1.7	1.7	1.7
SOHO										
KPIs	Unidad	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Subs	#	46,317	47,038	88,163	47,136	47,932	47,775	88,163	88,301	89,014
o/w 1P (%)	%	35.0%	32.7%	28.5%	32.1%	30.3%	29.7%	28.5%	31.7%	30.8%
o/w 2P (%)	%	29.9%	26.1%	27.0%	23.9%	21.9%	20.4%	27.0%	18.4%	17.5%
o/w 3P (%)	%	30.0%	31.1%	33.9%	32.9%	35.2%	36.9%	33.9%	38.1%	38.9%
o/w 4P (%)	%	5.1%	10.2%	10.6%	11.1%	12.6%	13.0%	10.6%	11.8%	12.8%
Total RGUs	#	133,079	143,472	278,314	147,585	155,881	158,589	278,314	285,111	292,888
RGUs / sub	#	2.9	3.1	3.2	3.1	3.3	3.3	3.2	3.2	3.3
Churn fixed clients	%	18.0%	20.3%	21.3%	19.3%	17.6%	17.8%	21.3%	22.3%	21.4%
Global ARPU Fixed customers	€/mes	0.2	65.0	65.3	64.4	65.1	65.4	65.3	64.9	65.0
SMEs and Large Accounts										
KPIs	Unidad	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Customers	#	5,251	5,094	11,518	5,041	5,072	5,053	11,518	11,486	11,254

Selected financial information

	Unidad	2013	2014	2015	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Total revenues	€m	334.9	321.2	349.4	79.6	82.1	82.7	105.0	141.8	144.2
Y-o-y change	%	-2.3%	-4.1%	8.8%				1.4%	78.2%	75.7%
o/w residential	€m	195.4	196.2	215.7	49.0	50.8	51.7	64.2	91.3	93.7
Y-o-y change	%	-2.9%	0.4%	10.2%				2.6%	86.3%	84.5%
o/w Business	€m	101.2	93.4	99.3	22.8	23.4	22.8	30.3	42.4	42.8
Y-o-y change	%	-1.6%	-7.7%	6.3%				0.9%	86.3%	82.5%
o/w Wholesale and Other	€m	29.7	24.7	25.4	5.6	5.6	6.2	8.1	8.0	7.8
Y-o-y change	%	2.8%	-1.7%	0.8%				-11.6%	44.3%	39.1%
o/w Other Profit Neutral Revenues	€m	8.6	6.9	8.9	2.2	2.3	2.0	2.4	0.0	0.0
Y-o-y change	%	-12.3%	-20.1%	29.5%				36.3%	-100.0%	-100.0%
Adjusted EBITDA	€m	155.1	155.9	167.0	37.7	38.3	40.6	50.4	69.1	70.3
Y-o-y change	%	15.2%	0.5%						83.2%	83.4%
Margin	%	46.3%	48.5%	47.8%	47.4%	46.7%	49.2%	48.0%	48.7%	48.7%
Capital expenditures	€m	(41.5)	(42.2)	(53.1)	(9.1)	(9.2)	(10.3)	(24.6)	(21.6)	(24.1)
Y-o-y change	%	-65.2%	1.7%						137.8%	161.6%
% total revenues	%	-12.4%	-13.1%	-15.2%	-11.4%	-11.2%	-12.4%	-23.4%	-15.2%	-16.7%
Operational Free Cash Flow	€m	113.6	113.7	113.9	28.6	29.1	30.4	25.8	47.5	46.2
Y-o-y change	%	632.9%	0.1%						65.9%	58.6%
% EBITDA	%	73.2%	72.9%	68.2%	75.9%	76.0%	74.7%	51.2%	68.7%	65.7%

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