



Euskaltel – 1H15 update and R Cable transaction

28 July 2015



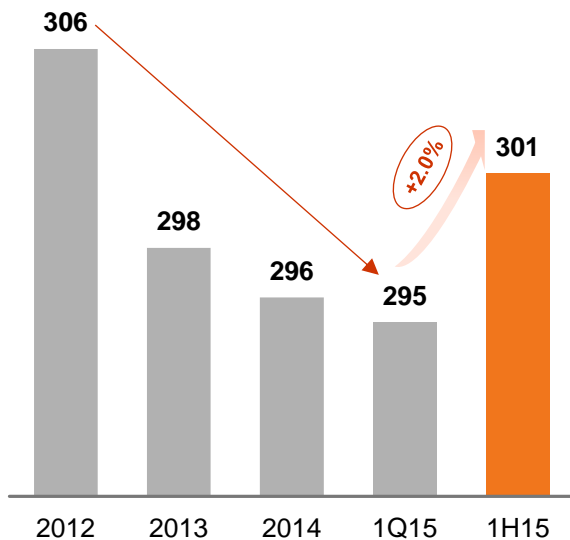
Strong momentum across our residential KPIs

Inflexion point in Residential subs

Residential subs⁽¹⁾ ('000)

3P & 4P % of total subs

32.3% 41.2% 55.3% 57.6% 61.2%

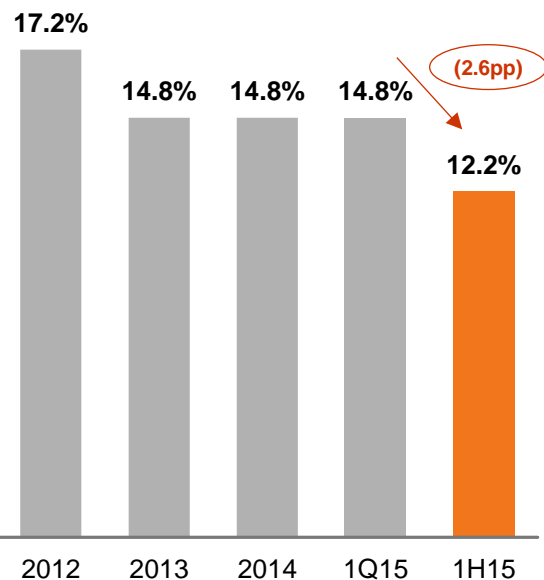


Low and stable churn

Annual churn (%)

Residential mobile penetration⁽²⁾

30% 39% 49% 53% 59%

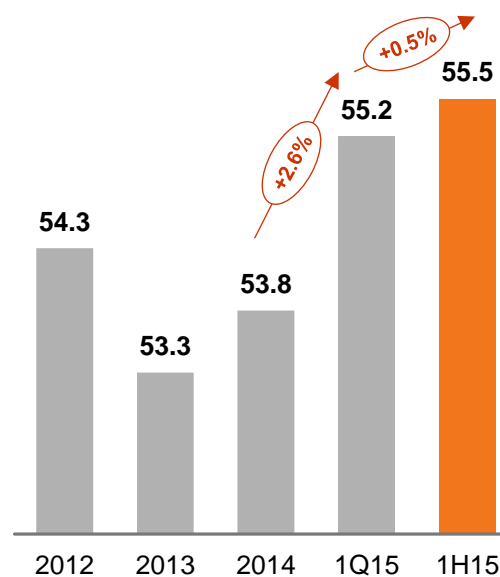


Significant ARPU rebound

Residential client ARPU (€/month)

RGU / Sub⁽³⁾

2.4x 2.7x 3.1x 3.2x 3.3x



Notes:

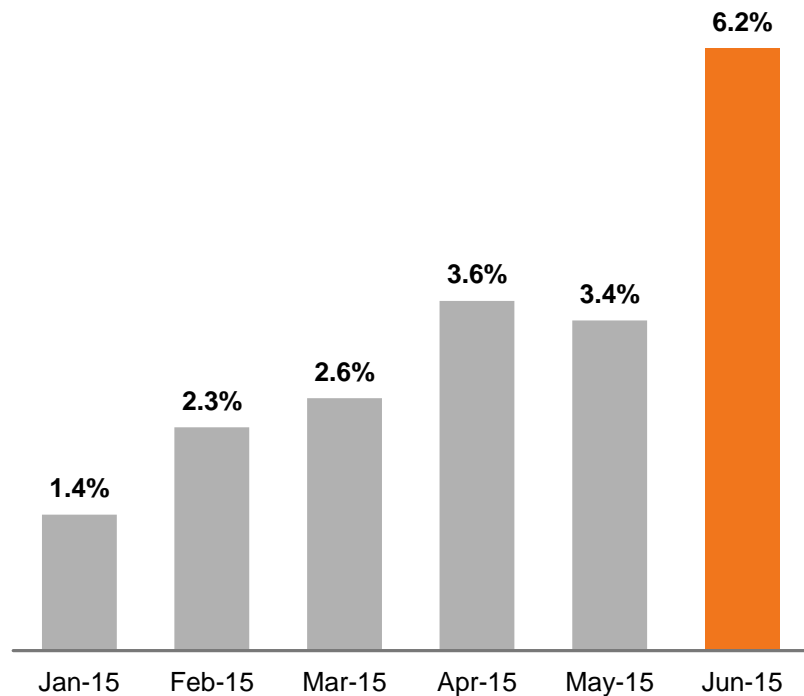
- (1) Includes mobile-only subscribers
- (2) RGU/sub calculated excluding mobile-only customers
- (3) Residential fixed customers with mobile (excl. mobile-only) as percentage of total residential fixed subscribers

Residential growth and business segment stabilisation

Strong residential and SOHO momentum, improving trends in SMEs and Large Accounts

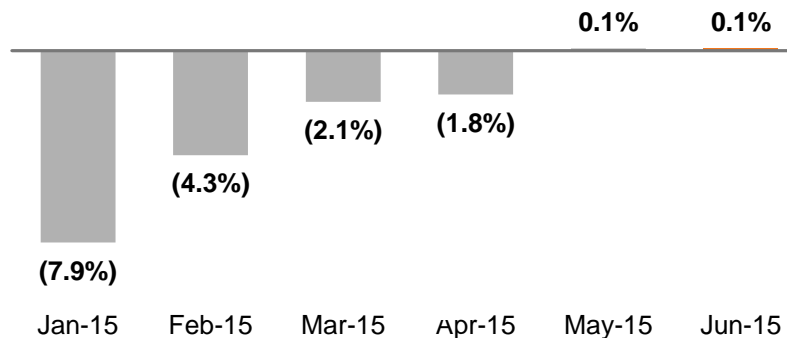
Substantial growth observed in the residential segment

Monthly Residential revenue growth (YoY)



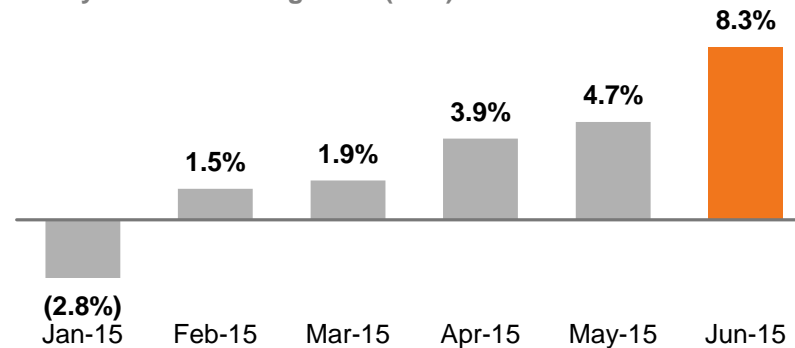
Stabilisation in Business Revenue

Monthly total Business revenue (YoY)



Accelerating growth momentum in SOHO

Monthly SoHo revenue growth (YoY)



1H15 results in line with our expectations

Broad-based return to top-line growth and increased margins driving cash-flow






	Growth vs. 1H14
Total revenue	1.4%
<i>Residential</i>	3.3%
<i>Business⁽¹⁾</i>	(2.7%)
<i>Wholesale & other</i>	(2.5%)
EBITDA growth vs. 1H14	4.3%⁽²⁾
EBITDA margin 1H15 (%)	47.0%
Cash conversion rate 1H15⁽³⁾	75.9%

Notes:

- (1) Includes SOHO, SMEs and Large Accounts
- (2) Excluding non-recurring IPO costs
- (3) Cash conversion defined as (EBITDA – capex) / EBITDA

R integration delivers on consolidation strategy

Transaction remains subject to satisfactory due-diligence and anti-trust approval

- 1** Acquisition of the second largest regional cable operator in Spain increasing our addressable market to c.5 million people 
- 2** Attractive valuation creating value for shareholders (both at EPS and EqCF) as synergies are delivered 
- 3** Increased size and scale should allow to deliver synergies in line with precedent cable transactions, resulting in an even more attractive valuation 
- 4** Creation of distributable reserves at Euskaltel level to support future equity distributions to shareholders 
- 5** Fulfils our ambition to drive regional cable consolidation in accordance to the strategy outlined during the IPO process 

R Cable is the fiber and convergence leader in Galicia

Dec-2014

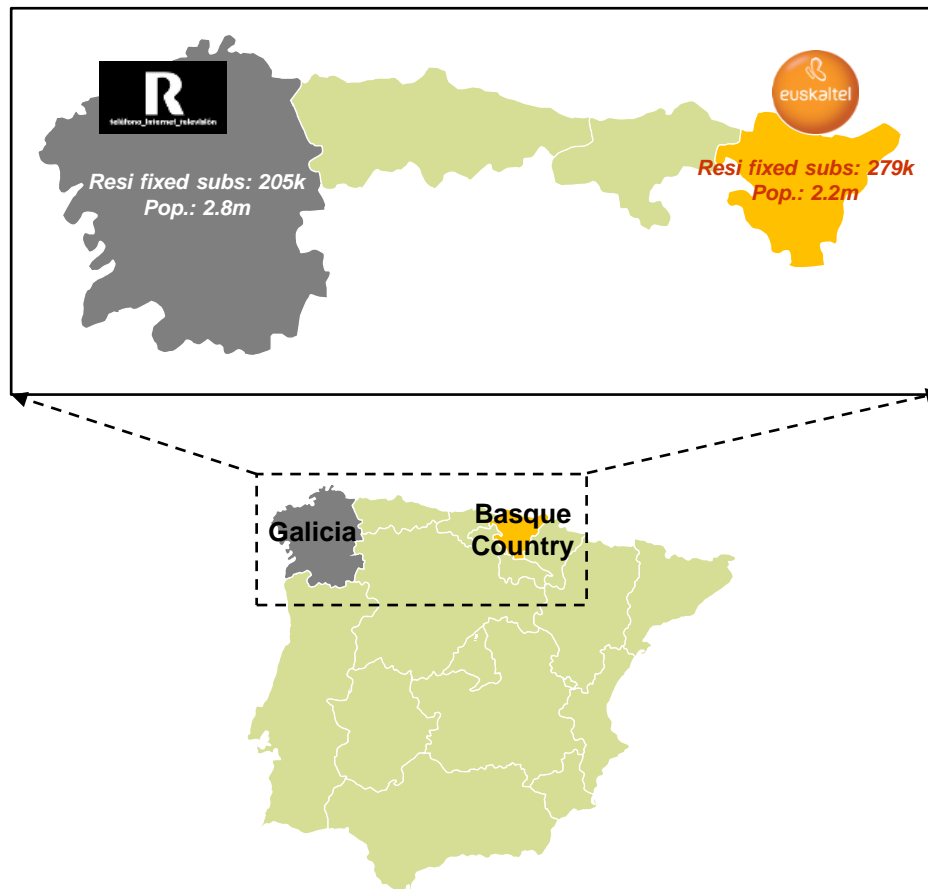


Homes passed ⁽¹⁾ ('000)	925	1,017
Residential fixed subs ⁽²⁾ ('000)	205	279
Residential ARPU ⁽³⁾ (€)	61.4	55.5
Residential RGU/Sub ⁽⁴⁾ (x)	3.4x	3.1x
Mobile penetration	70%	49%
Revenue (€m)	238	321
Comparable EBITDA (€m)	110 ⁽⁵⁾	156
EBITDA margin (%)	46.2%	48.5%
OpFCF (€m)	62	114
OpFCF conversion (%)	56.9%	72.9%

Note:

- (1) Includes residential homes passed and business premises (Euskaltel business premises as of 31-Mar-15)
- (2) Excludes mobile only customers
- (3) Fixed customers ARPU
- (4) Residential fixed customers RGU/subs (excludes mobile only)
- (5) Adjusted for non-cash accruals and SAC capitalisation

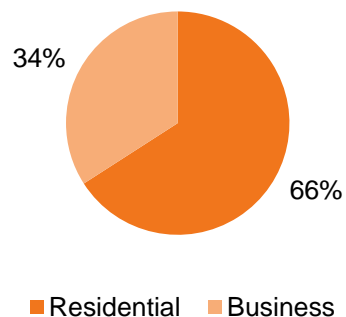
Regional cable operators in the north of Spain



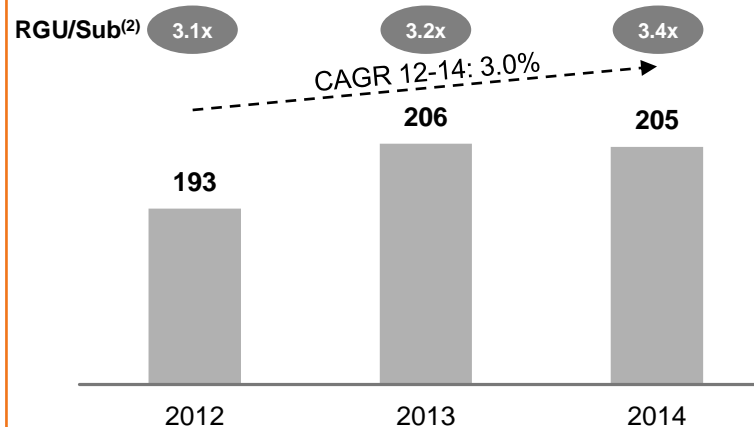
R Cable at a glance

Key operating data

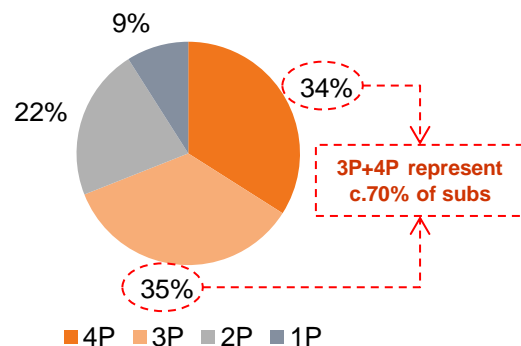
2014 revenue breakdown ⁽¹⁾



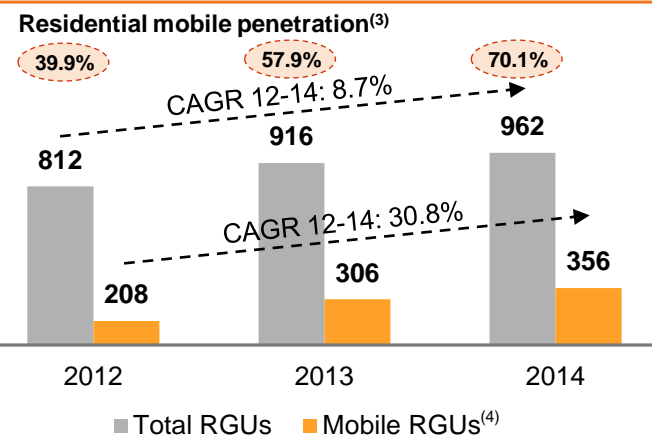
Residential fixed subs evolution ('000)



Subs by bundle (2014, %)



Total and mobile RGU evolution ('000)



Notes:

- (1) Excludes interconnection revenue
- (2) Residential fixed customers RGU/subs (excludes mobile only)
- (3) Residential fixed customers with mobile (excl. mobile-only) as percentage of total residential fixed subscribers
- (4) Excludes datacards

Preliminary areas of synergies identified

1

Overall business processes re-engineering

2

Sharing of systems and technologies

3

Optimization of contractual relationship with suppliers

4

Better access and negotiation capacity on products, services and content

5

Harmonization of growth and investment strategy

6

Implementation of efficiencies, sharing of best practices and strengthening of human capital

Direct costs

- Mobile host costs
- Fixed interconnection costs
- TV content cost
- Purchasing

Commercial costs

- Sales channel mix
- E-Billing
- Customer care
- Media and communication

Overhead/Structure costs

- Headcount optimization
- Fixed network operations
- 4G / LTE operations
- IT and other administrative costs

Capex

- Sales channel mix
- New services
- Installation / home equipment
- 4G / LTE roll-out
- Network deployment

Key terms of the preliminary agreement

Summarised terms of the preliminary agreement signed with R Cable shareholders

Valuation: €1,155m (EV)

- Based on a pro forma run rate EBITDA of €105-110m that will be verified in due diligence
- Valuation multiple in line with Euskaltel EV/EBITDA (based on consensus)
- Preliminary Equity value of €852m based on June's net debt of €303m
- Final equity value to be calculated based on actual net financial debt as of September 30th, 2015

Payment: In cash and newly issued shares to R Cable shareholders

- Based on current estimates of debt the preliminary equity consideration will consist of €600m in cash and the rest in newly issued shares
- New shares to be issued at VWAP between IPO date (July 1st) and latest unaffected closing price (set on July 23rd) resulting in €10.18 per share

New shareholders in Euskaltel

- Current R Cable shareholders will become shareholders in Euskaltel, holding a joint equity stake of c.17%
- Adequate representation on Euskaltel's governing bodies to be granted
- 180 day lock-up since IPO will apply to both CVC and ABANCA

Exclusivity

- Agreed exclusivity period until September 30th, 2015 with a potential extension until October 15th, 2015 subject to maintaining the terms of the preliminary agreement

Conditionality of the Agreement

- Positive reciprocal confirmatory due diligence
- Execution of the required legal documentation
- Approval from both the Board of Directors and the Shareholders meeting in both companies

1

Financing of the transaction can be done within the existing financing agreements

2

Headroom up to 5.5x combined EBITDA in the event of M&A leaves significant headroom

3

Dividend restricted to ordinary dividends (100% pay-out) when leverage between 4.0x to 4.5x EBITDA; no dividends above 4.5x leverage

4

Alternative financing arrangements may be considered to the extent they are sufficiently attractive

5

Starting leverage expected at 5.2x based on current estimates of net debt and EBITDA but below 5.0x already by YE 2015 (excluding synergies)

Expected timeline

Expected calendar of the transaction

	Milestone	Tentative dates
1	Due-Diligence process	3Q15
2	Preparation of combined BP	3Q15
3	Preparation, negotiation and execution of all legal documentation	3Q15 ⁽¹⁾
4	Shareholders approval	4Q15
5	Antitrust clearance	4Q15
6	Expected closing	4Q15

Note:

(1) Potential extension up to October 15th, 2015 subject to maintaining the terms of the preliminary agreement

1

Strong continuous 1H15 momentum

2

Results in line with expectations

3

Value accretive R Cable transaction in line with stated consolidation strategy

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This Presentation contains financial information derived from Euskaltel's unaudited financial statements for the six-month periods ended June 30, 2014 and June 30, 2015, as well as certain unaudited pro-forma financial information of the combined entity resulting from the combination of R Cable with Euskaltel. None of this financial information has been audited by our auditors.

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