2017
Investor Day

Euskalduna Conference Centre - 2017/11/13

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Today's agenda

	Timetable	Agenda	Speaker
1	12:00 – 12:10	Introduction	F. Arteche
2	12:10 – 13:00	What's next? Our strategy going forward	F. Arteche
3	13:00 – 14:00	Review by theme	
		Maintain our leadership in residential through best customer experience	K. Unanue
		Back to growth in business	I. Fernández de la Calle
		Network ready for future excellence	N. Ojinaga
		System and processes unification: one company, local brands	J. Pérez
		Growth through expansion	F. Arteche K. Unanue
	Lunch Break: 14:00 – 15:00		
4	15:00 – 15:30	Financial performance and guidance	J. A. de las Fuentes
5	15:30 – 16:00	Wrap-up / Q&A	F. Arteche

Presenting team

Francisco Arteche
CEO

J. Ander de las Fuentes
CFO

Jesús Pérez
CIO

Koldo Unanue
Euskadi Business Unit Director

Norberto Ojinaga
CTO

Isidro Fernández de la Calle
B2B Enterprise Marketing

Introduction

CEO

Francisco Arteche

Strategic milestones

Initial Public Offering
Jul-15

1. *Successful IPO of the first Spanish cable company[1] in history*
2. *Support of highly reputed institutional investors*
3. *Strong after market performance of the stock*

Acquisition of R Cable
Nov-15

1. *Transformational transaction in Euskaltel history*
2. *Fully consistent with consolidation strategy*
3. *Highly value accretive with cash flow impact over 20%*
4. *Synergies delivered on time and revised upwards*
5. *Support from institutional equity and debt investors (€255m equity raising and €900m debt raising)*

Platform creation
Dec-15 / Today

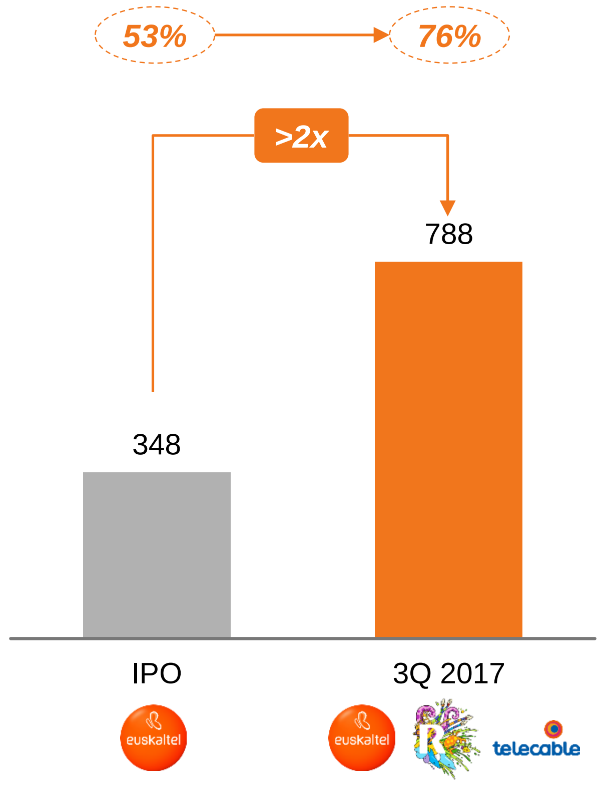
1. *Acquisition of the remaining independent regional cable business*
2. *Largest independent convergent cable platform in Spain*
3. *Governance support with the incorporation of Zegona's and John James' international expertise*

Note
1. On a Spanish stock exchange

We have built a 2x larger business since IPO…

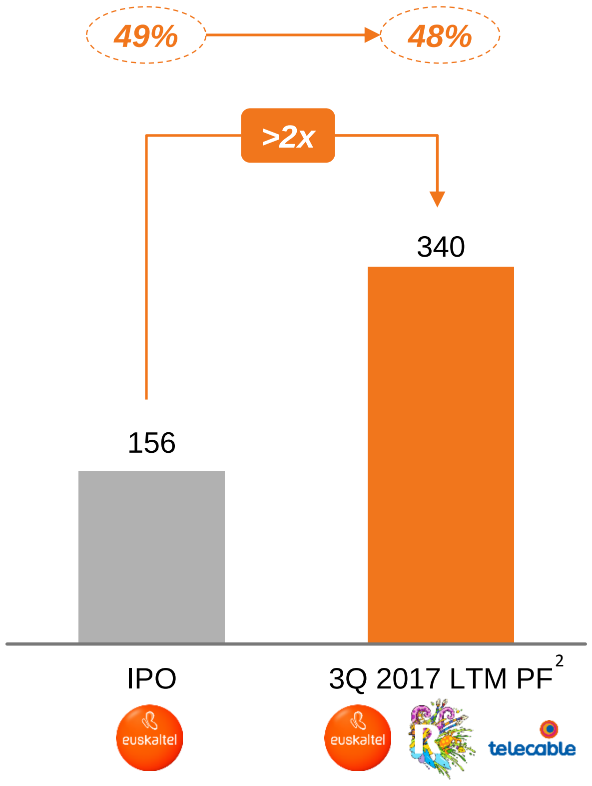
Subscribers ('000)

Mobile penetration (%)



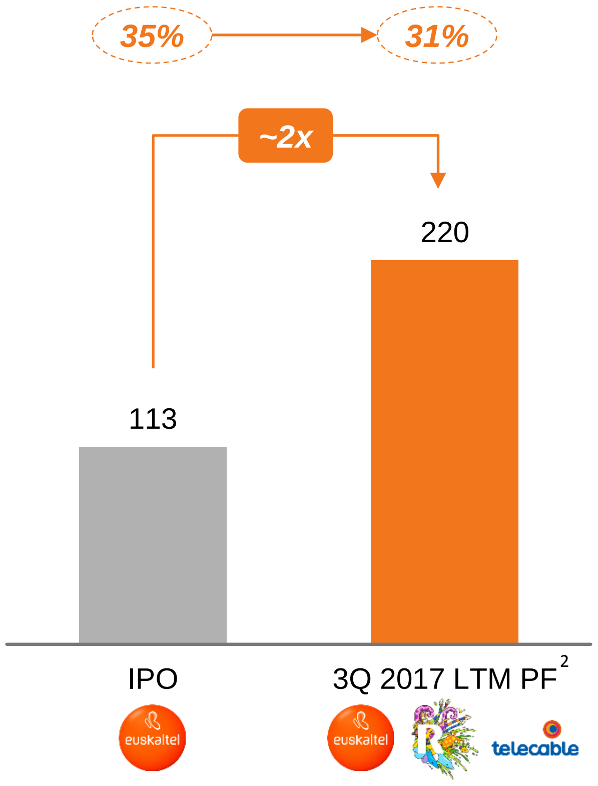
EBITDA[1] (€m)

EBITDA margin (%)



OpCF[3] (€m)

As % of revenue (%)

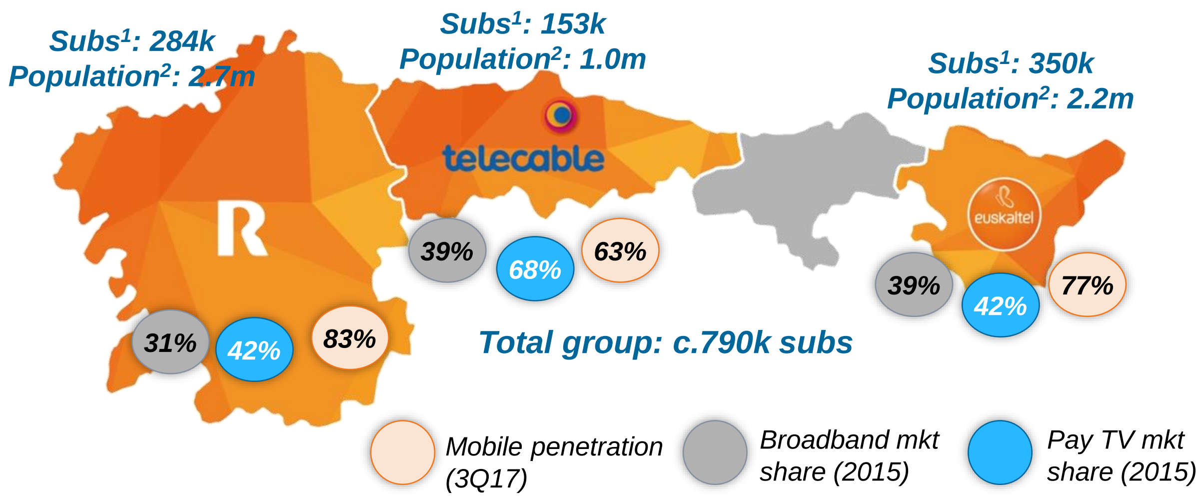


Notes

1. Unaudited figures. Adjusted for management fees, M&A expenses, transaction bonuses and other extraordinary items (+€2.8m in 2016)
2. Unaudited preliminary pro-forma figures for the acquisition of Telecable
3. Throughout the presentation, OpCF defined as (EBITDA – capex)

… becoming the leading platform in the north of Spain

Geographical complementarity



Key metrics

Addressable market (inhabitants)	Homes passed (000')	Subscribers	Wi-Fi spots
~ 6m	~ 2,200	~ 790k	> 400k

1 Market position
(in respective regions)

Key achievements

- From a single region company to a **multi-region platform**
- **Shareholder remuneration** initiated
- **Value-accretive** M&A delivered
- **Financial discipline** preserved
- **Sector-top** operating and financial **metrics** maintained

Consistently leading market position in our regions

	Fixed telephony	Broadband	Pay TV	Mobile
2010	2	1	1	4[3]
Now	2	1	1	3[4]

Source INE, CNMC, Company internal estimates
Notes:
1. Total subscribers (Residential + business) figures as of Sept-17
2. 2016 data from INE
3. 3rd operator in the Basque country
4. 4th operator in Asturias

Current market valuation offers attractive potential….

… by fixing the issues that the market currently perceives

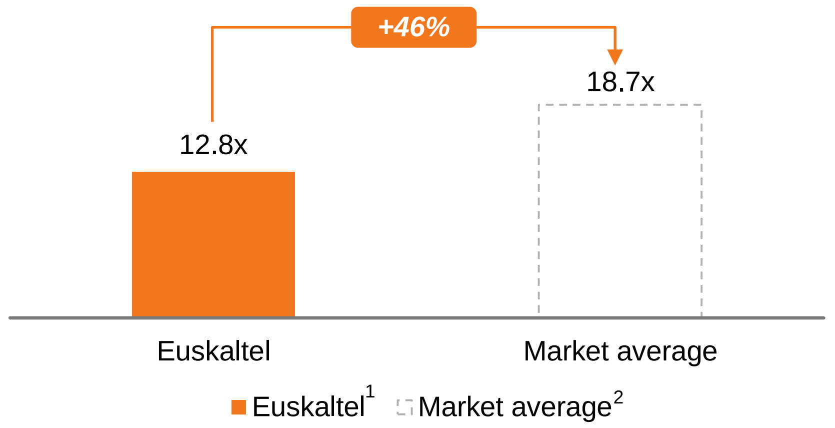
Residential

- Deliver an **attractive and competitive offering** in a new competition scenario
- **Address churn** issues in Galicia and Asturias
- Re-boost **brand equity**

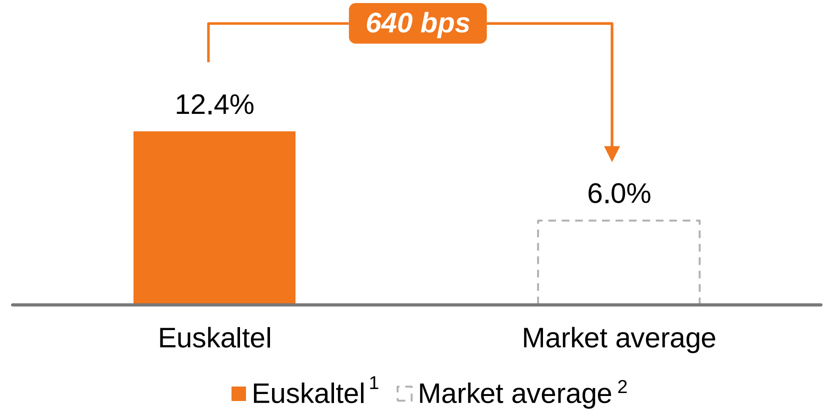
Cash flow

- Develop a **smart capex** strategy
- Balance **cash flow optimization** with value-accretive growth projects

2017E EV / OpCF (x)



2017E EqCF yield (%)



% — % upside on current share price to reach sector average

Communication

- **Visibility** on mid-term strategy
- **Performance traceability**

B2B

- Demonstrate our **readiness to compete** in a transforming ICT market
- Implement a **unified B2B strategy**

Source Bloomberg as of Nov-17
Note
1. Euskaltel multiple is a LTM Sep-17 proforma figure
2. Market average based on Telenet, NOS and Com Hem

Milestones achieved in 2017

New corporate organization

Strategic plan 2017 - 2022

People talent

First Android 4k STB

Customer satisfaction intelligence

Secured mobile data risk

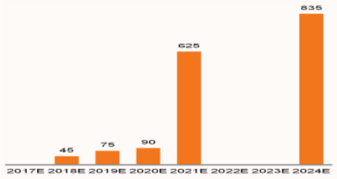
OTT deal with Netflix

Secured smart expansion

MSFT CSP Tier 1

Docsis 3.1 network

Refinanced debt



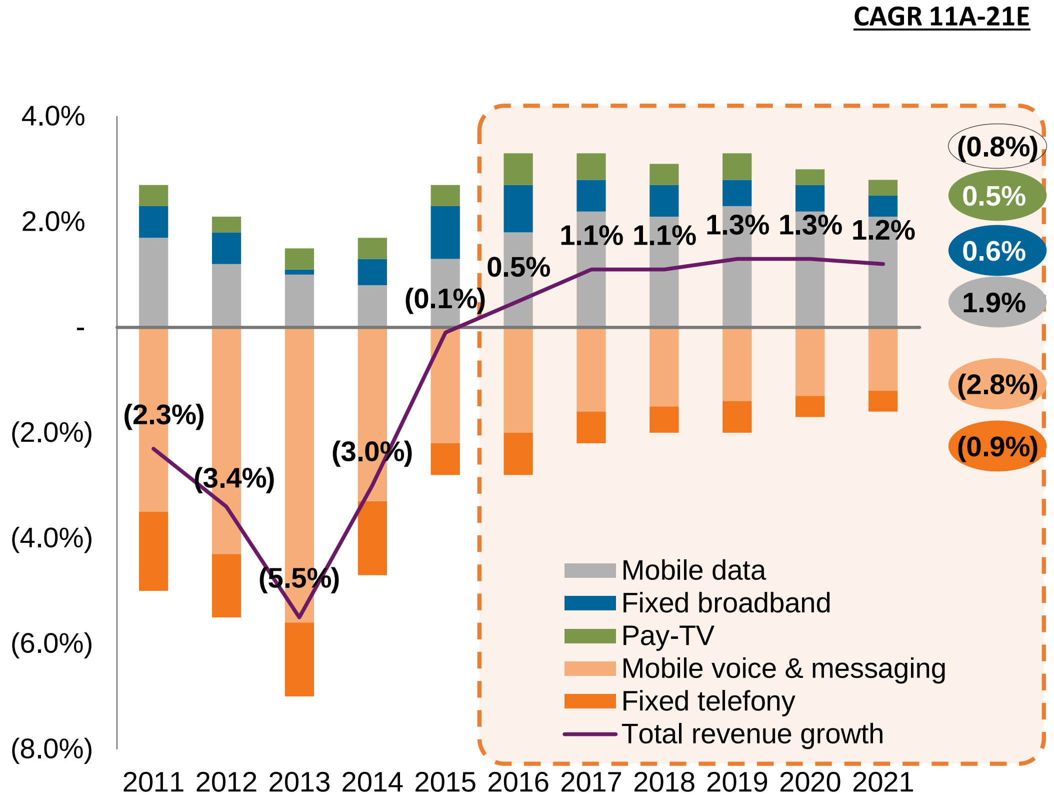
What’s next? Our strategy going forward

CEO

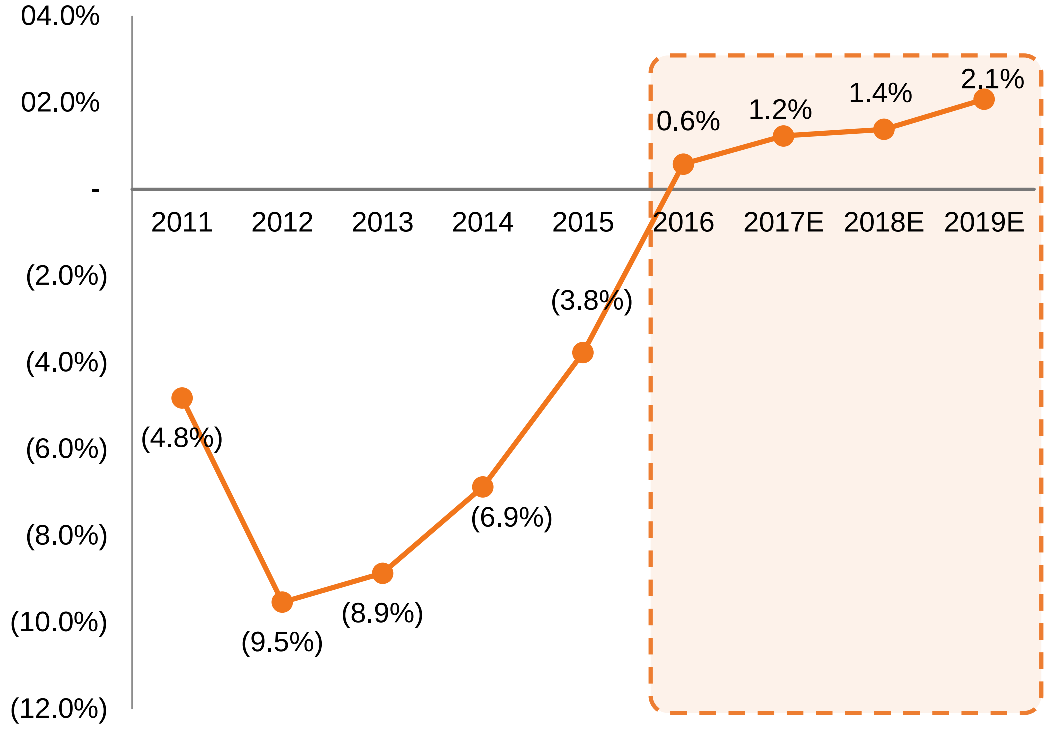
Francisco Arteche

Market context : data and TV driven market with increased competition

Contribution to growth



Spanish telecom sector[1,2]



Data and TV driving moderate industry growth

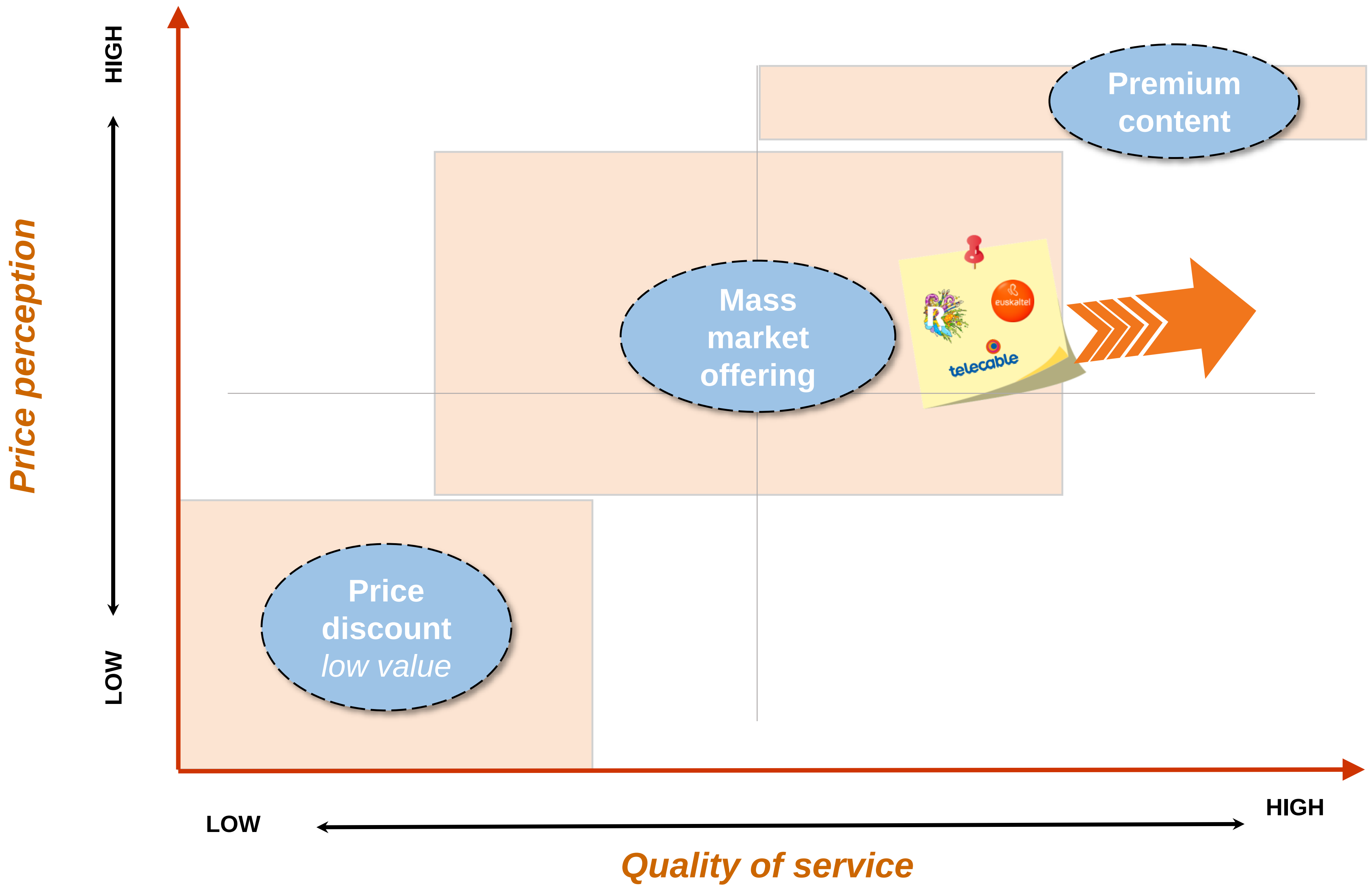
Moderate growth expected for the coming years

Source Arthur D. Little (2015), CNMC

Notes:

1. Revenue growth over the 2011A - 2019E period calculated as the evolution of the aggregated revenues of the 5 main Spanish competitors (Euskaltel, Movistar, Vodafone, Orange, MásMovil). The series has been adjusted for Ono and Jazztel acquisitions by Vodafone and Orange. Estimates for 2017E-2019E based on a selection of broker projections for each of the above mentioned companies.
2. 2016 growth excluding Euskaltel, Masmovil and Orange growth. 2017 growth excludes Masmovil

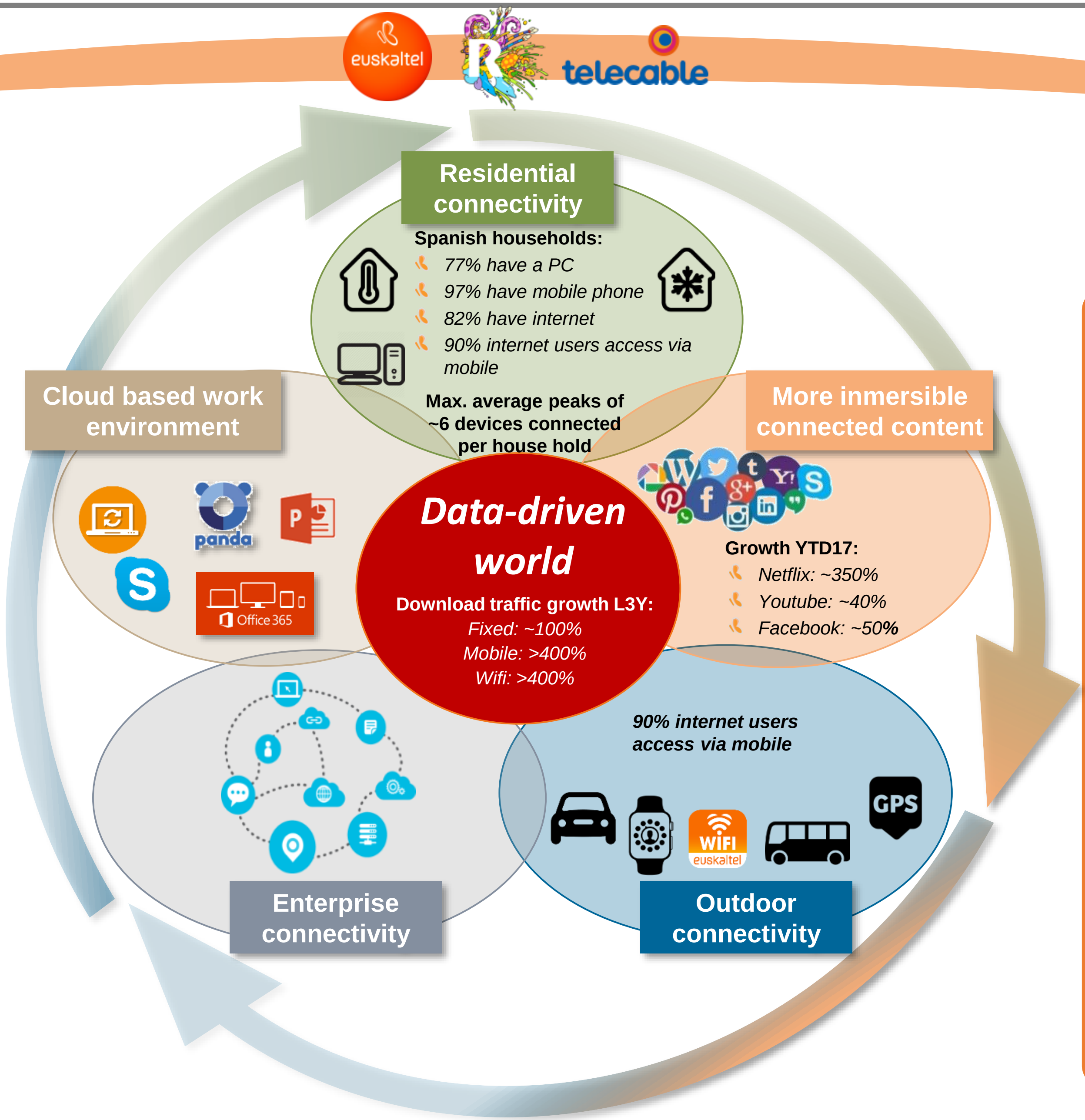
Our position vs competition



Our Vision and Mission

Vision

We believe in an increasingly digital and interconnected world in which the combination of devices and technologies facilitate the day-to-day of our customers



Mission

We work hand in hand with our customers to provide them with the best digital solutions to enrich their daily lives and their businesses

Our Values

Promises
Values

✓ *Proximity*

✓ *Honesty*

✓ *Innovation*

✓ *Agility*

We apply our 4 values at each of the 8 moments of the customer experience

1. *First contact to contract Euskaltel's services*
2. *Service activation*
3. *Use and experience of services*
4. *Invoice reception*
5. *Client feedback*
6. *Change in services*
7. *Client asking for help*
8. *Leave Euskaltel*

An operator who listens... and responds accordingly, delighting the customer

Pillars of our strategy

4

- Agile and efficient process structure
- Operational digitalization
- Talent management

1

- Reinforce market position
- Focus to ensure loyalty and capture quality

3

- Superior customer experience, brand equity leverage
- Personalized and differential customer service

2

- Drive new waves of growth
- Geographic expansion
- Model extension

> 30 projects across the group

Reinforced focus around 5 key areas to deliver in our 4 key challenges

Residential

- Deliver an attractive and competitive offering in a new competition scenario
- Address churn issues in Galicia and Asturias
- Re-boost brand equity

Cash flow

- Develop a smart capex strategy
- Balance cash flow optimization with value-accretive growth projects

Best customer experience while maintaining our leadership in residential

- **CEX** (Customer Experience) at our DNA
- **Brand investment** to promote attachment
- **End-to-end best broadband** and **TV experience**
- **Unique Wi-Fi experience**

Back to growth in B2B

- **Unified** commercial strategy
- **A reality of new products** and services
- **Smart alliances**
- **Global reach**

Network ready for future excellence

- **CEX driving** network strategy
- **Efficient** access and roll-out
- **Superior** experience on **mobility**
- **Addressing symmetry** needs
- Tangible synergies

Platform integration and digitalisation

- One company, multiple local brands
- **Digital-future** proof organisation

Targeted expansion to boost growth

- **Infill expansion** and **new regions**
- **Fast time-to-market** and brand recognition
- Strategy combining own and indirect access

B2B

- Demonstrate our readiness to compete in a transforming ICT market
- Implement an unified B2B strategy

Communication

- Visibility on mid-term strategy
- Performance traceability

Implementation phases and priorities

2017 | 2018 | 2019 | 2020 | 2021 | 2022

Setting the basement and integrating Telecable

- Focus on business stabilization:
  - Address churn in Galicia / Asturias
  - Prove initial growth in B2B
  - Revitalize brand
- Reinforce network quality and capacity expansion
- Integrate infrastructure, operations and sourcing models
- Maintain cost efficiencies
- Develop a talent plan

Unlocking full platform potential

- 100% digital operator
- Multi-region presence
- Superior CEX and brand equity: company's DNA
- Smart capex strategy combining direct and indirect networks
- Competitive B2B proposition and penetration of advanced products - ICT, IoT
- Unified operations and channel transformation

Conclusion

1. Euskaltel has delivered its ambitious organic and inorganic targets in record-time since the IPO
2. Euskaltel has become a real multi-region platform, deeply rooted in its core markets, but fully prepared to grow and enter new markets
3. We are competing in an evolving scenario that offers new challenges, but also great opportunities
4. We have defined a clear and comprehensive strategy focused on value generation through customer experience, growth and efficiencies, to which the entire organisation is committed
5. The results of the implementation will offer sustained mid/long-term value creation potential to our shareholders

Presentation of the key speakers

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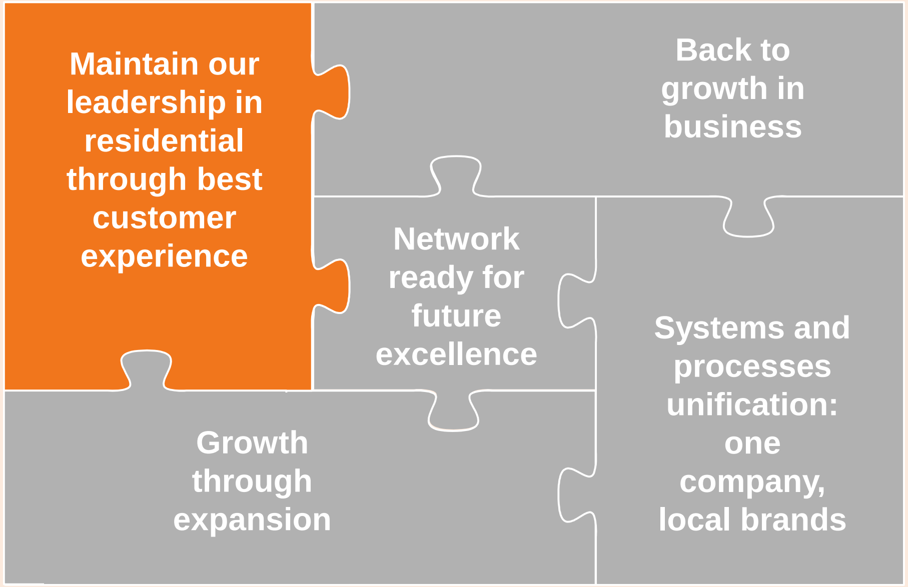
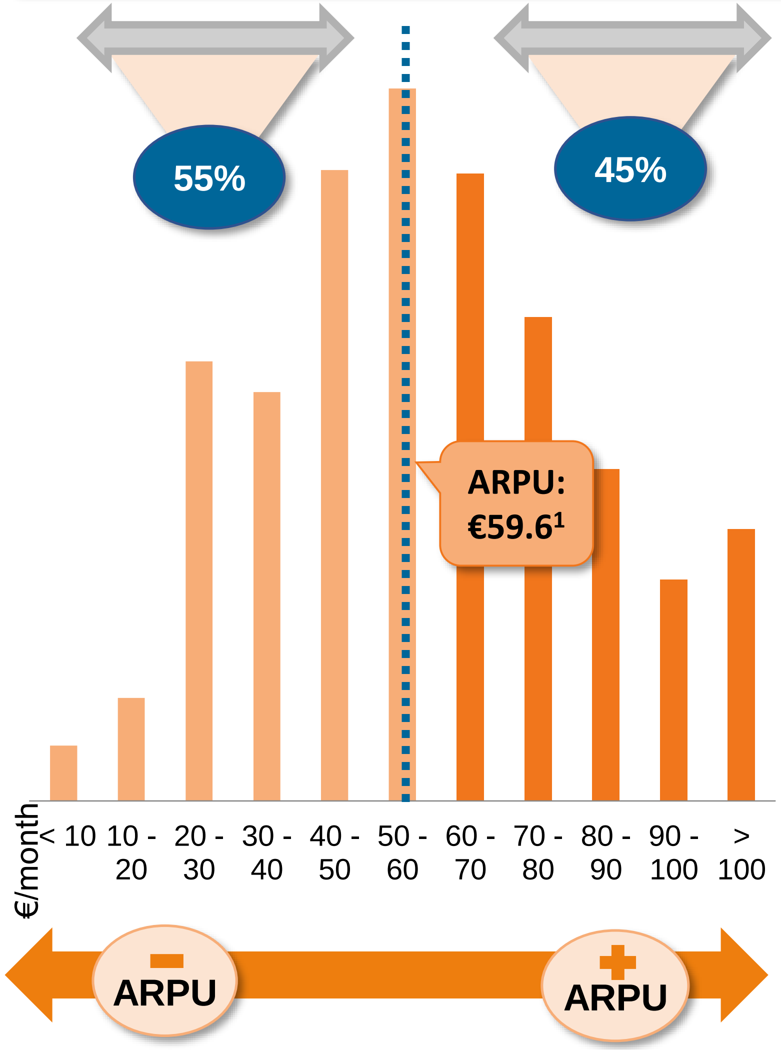
Maintain our leadership in residential: best customer experience

Residential
Koldo Unanue

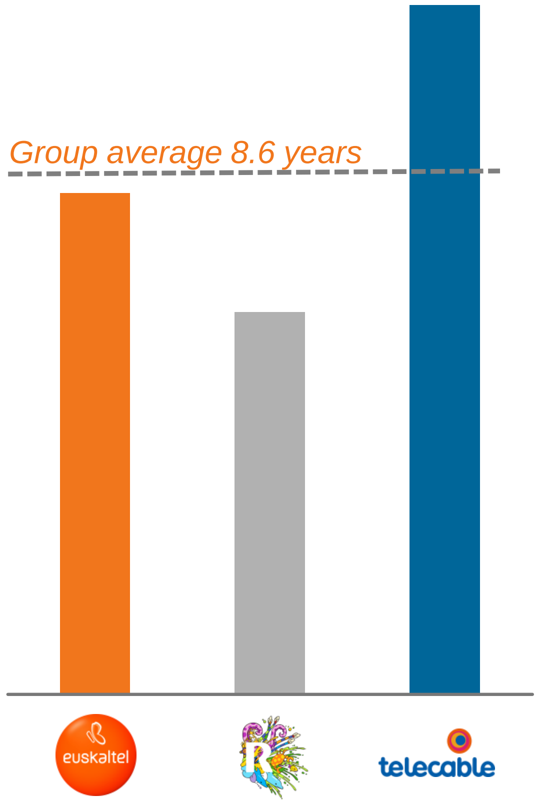


High valuable, longstanding customer base and best-in-class brand perception

Distribution of our customer base within our ARPU bands[1]

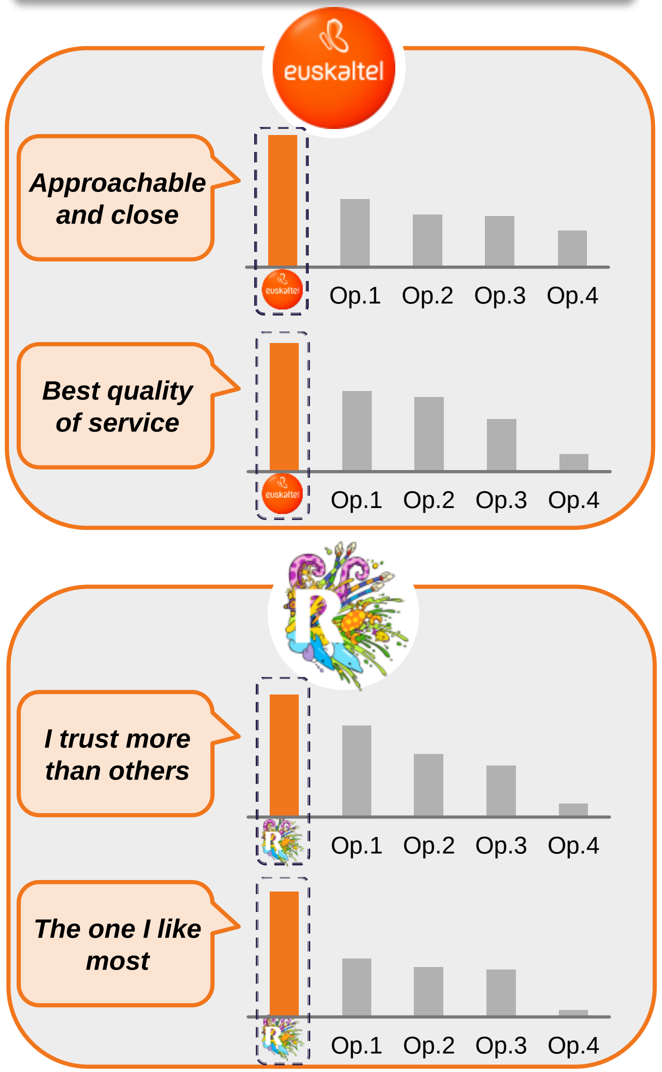


Average seniority of the group's client base



Highly valuable customer base

Brand recognition[2]



Note

1. ARPU as of 3Q 2017 of the combined entity (Euskaltel + R Cable + Telecable)
2. Kantar media independent study (period of study 1H17)

Our product positioning versus competition

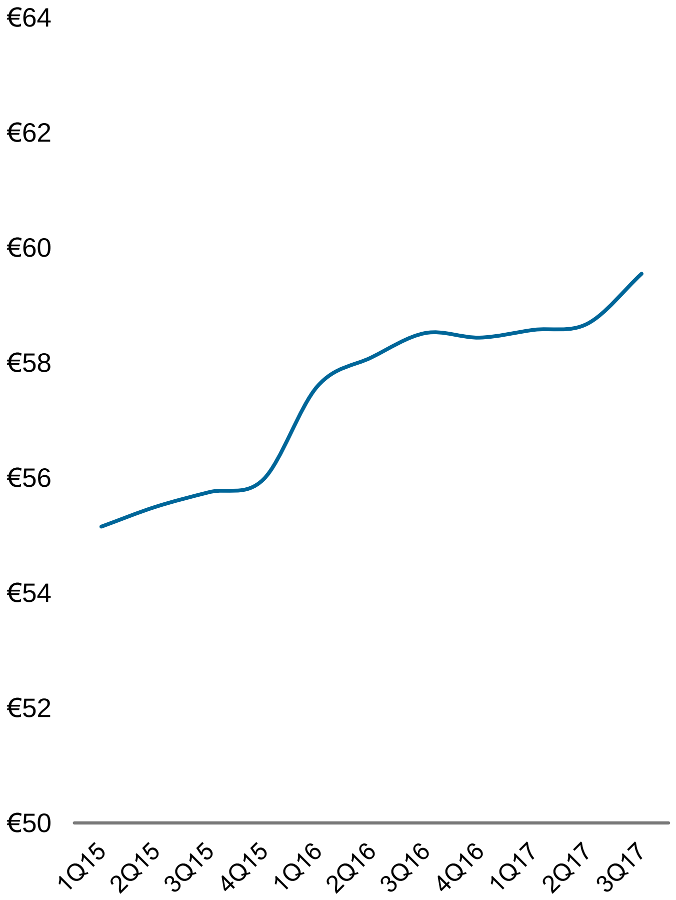
Pricing benchmarking

	euskaltel / R			movistar+		orange		vodafone	
	Basic	Medium	Family (2 mobile lines)	Basic	Family (2 mobile lines)	Basic	Family (2 mobile lines)	Basic	Family (2 mobile lines)
Broadband	60Mbps	200Mbps	350Mbps	50Mbps	300Mbps	50Mbps	300Mbps	50Mbps	120Mbps
	EuroDocsis 3.0	EuroDocsis 3.0	EuroDocsis 3.0	xDSL / Fiber	Fiber	xDSL / Fiber Fiber	Fiber	xDSL / Fiber	Fiber
Pay TV	TDT + 9 extra channels	>70 Channels	>90 Channels	TDT Channels	>80 Channels Football	--	>40 Channels Football	--	>60 Channels
	Online only	4K STB + Catch Up + VOD	4K STB + Catch Up + VOD	Catch Up + VOD OTT	STB HD + Catch Up + VOD	--	STB HD + Catch Up + VOD	--	STB HD + Catch Up + VOD
	Edonon multidevice	Edonon multidevice	Edonon multidevice	Yomvi multidevice	Yomvi multidevice	--	OTT Football (+€9.95)	--	Multidevice
Mobile	200 min	Unlimited	Unlim. / Unlim.	200 min	Unlim. / Unlim.	200 min	Unlim. / Unlim.	200min	Unlim.. / Unlim.
	4 GB	10 GB	10 GB / 10 GB	2 GB	10 GB / 10 GB	3 GB	8 GB / 8 GB	6 GB	10 GB / 10 GB
	+Outdoor free Wi-Fi	+Outdoor free Wi-Fi	+Outdoor free Wi-Fi	--	--	--	--	Chat Zero	Chat Zero
Fixed	Unlimited fixed+ 1,100 min mobile	Unlimited fixed 1,100 min mobile	Unlimited fixed 1,100 min mobile	Unlimited fixed	Unlimited fixed 550min mobile	Unlimited fixed 1,000min mobile	Unlimited fixed 1,000min mobile	Unlimited fixed & mobile	Unlimited fixed & mobile
Price (€/month) (VAT Included)	**51**	**71**	**103**	**45**	**120**	**49**	**105**	**53**	**102**

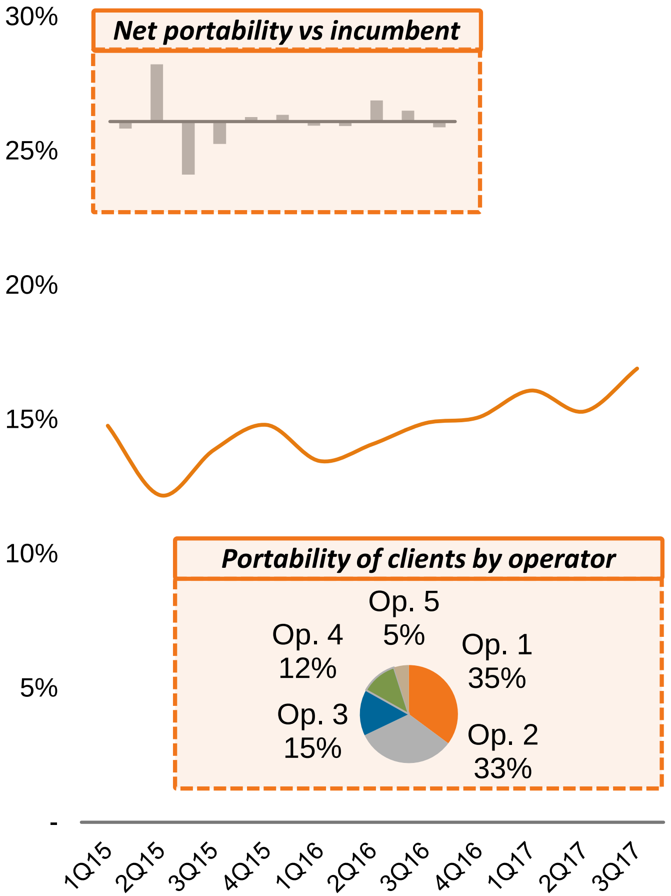
Note
1. Tariffs as October 17th 2017

Track-record of ARPU improvement and managed churn

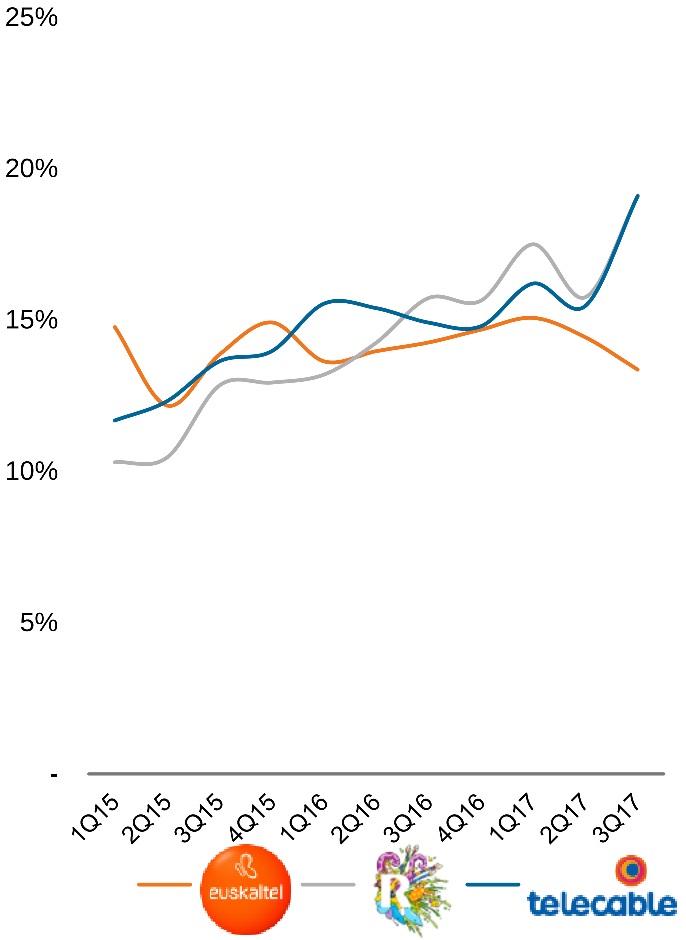
Group ARPU evolution[1]



Group churn evolution[1]



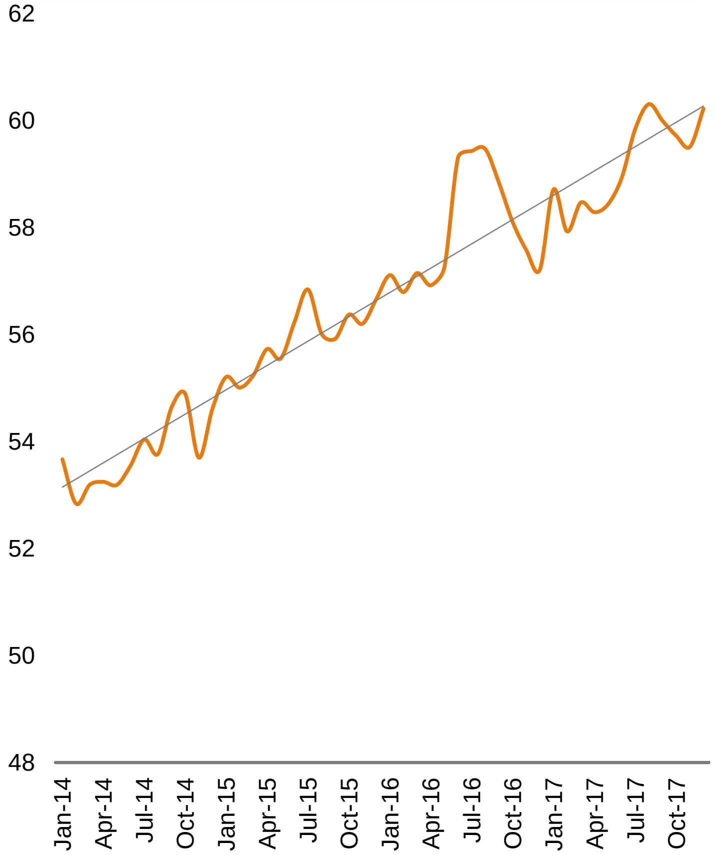
Churn evolution by region[1]



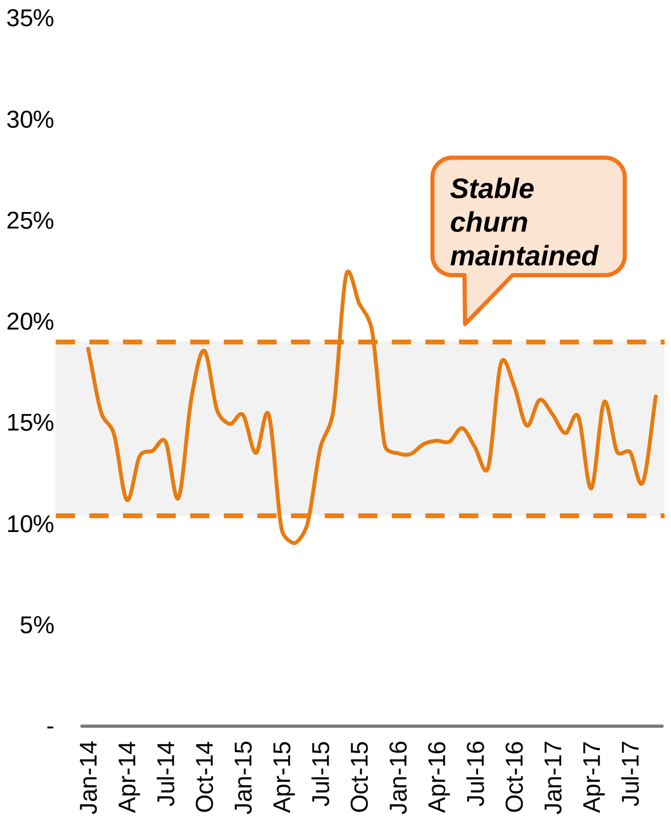
Source Company information
Note
1. TLC Churn & ARPU in line with TLC management's calculation method before acquisition

Basque Country proves our ability to compete in current market

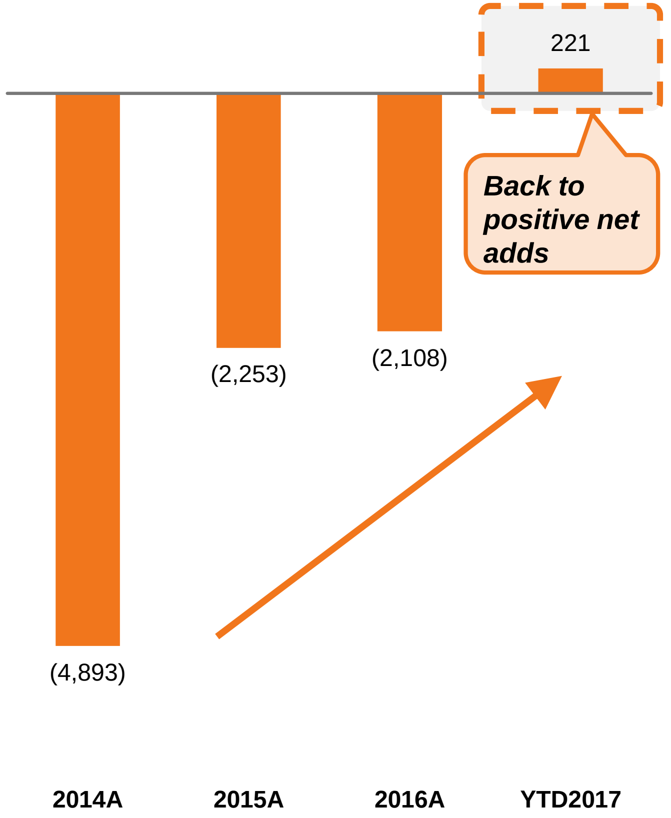
ARPU evolution in the Basque Country (€/month)



Churn evolution in the Basque Country (%)



Net adds evolution in the Basque Country ('000)



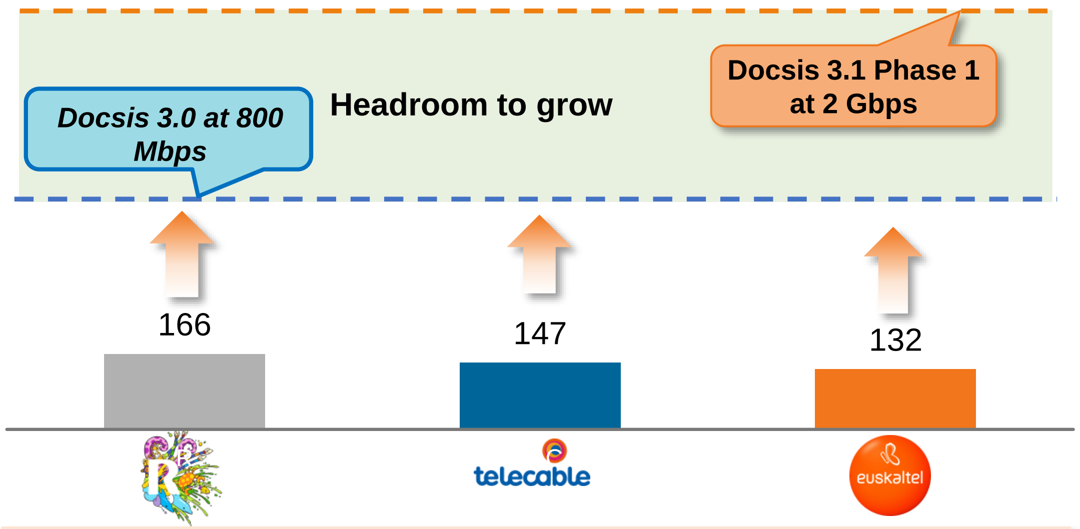
We are growing ARPU

Stable churn maintained

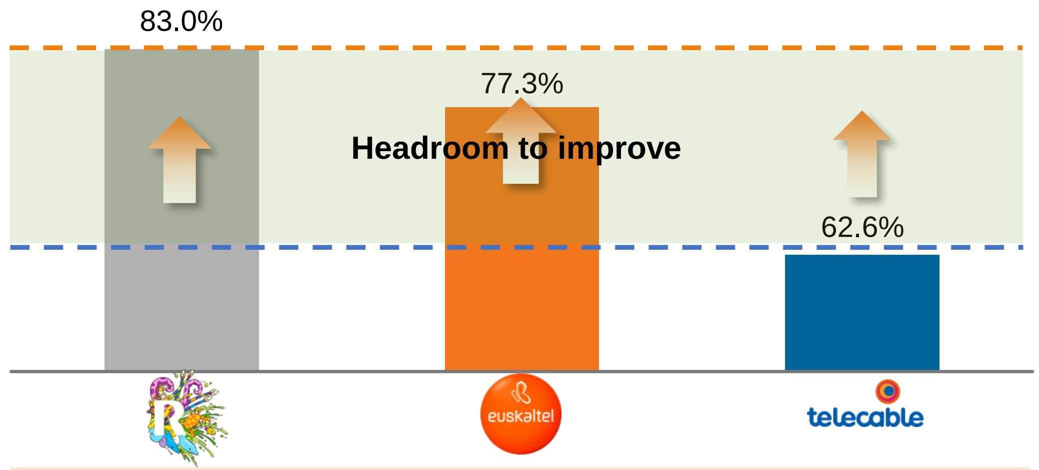
Improving our competitiveness vs. our competitors

4 Key levers to grow ARPU…

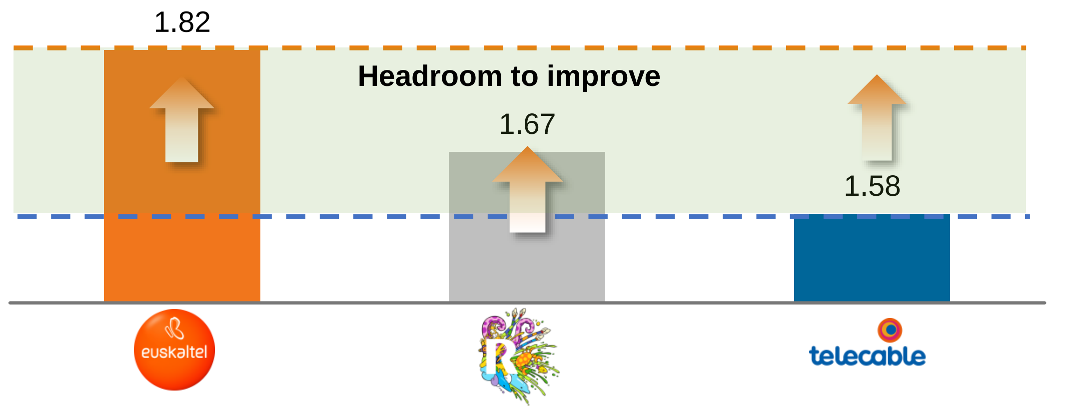
Average speed contracted – Mbps (YTD 3Q17)



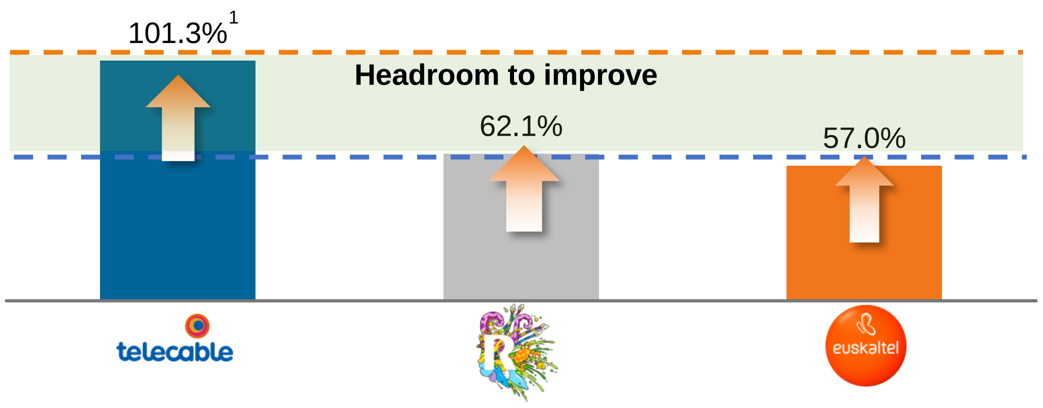
Mobile penetration (3Q17)



Mobile lines per household (3Q17)



TV Penetration (3Q17)

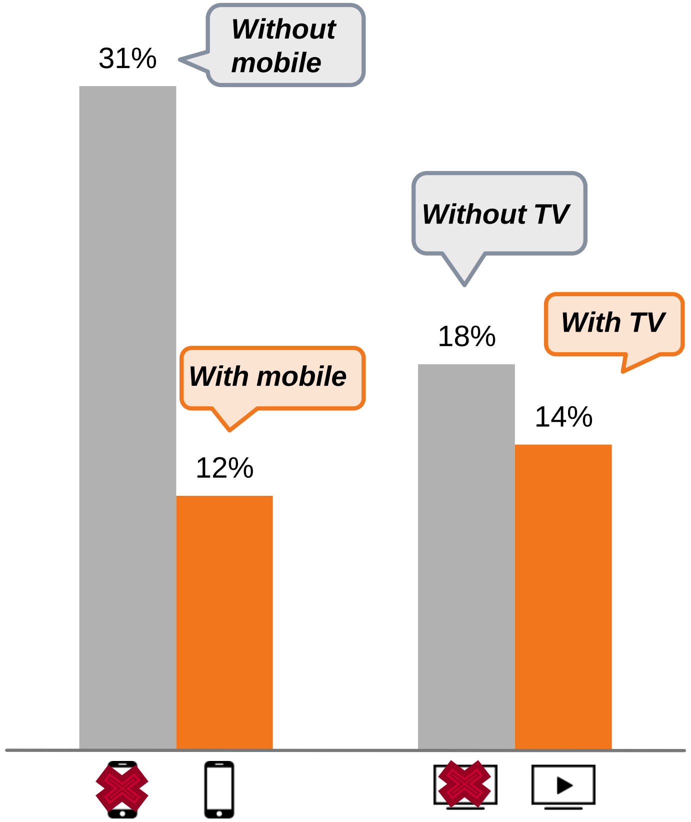


Note

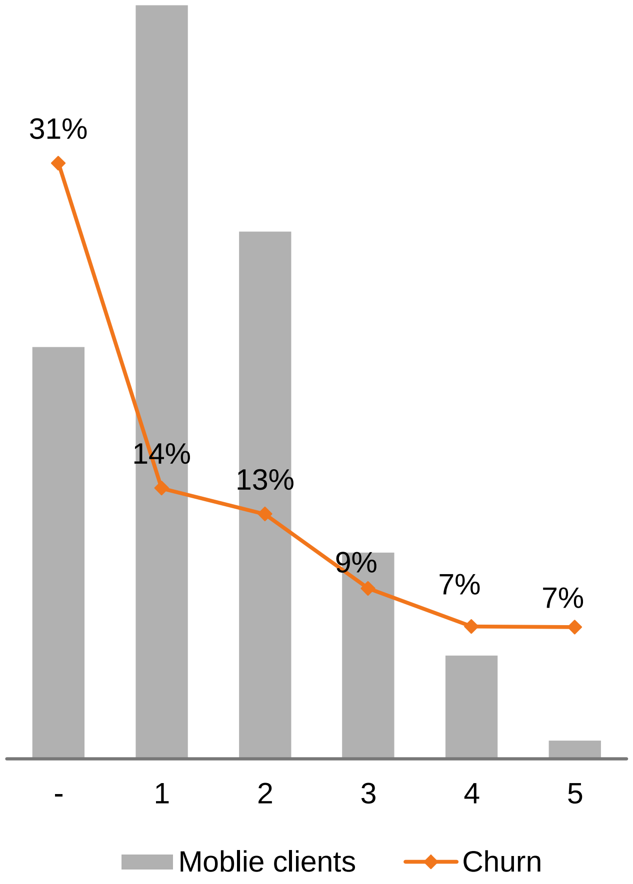
1. For TLC's clients, it is mandatory to subscribe to TV RGU which explains TV penetration exceeding 100%

… and to manage churn

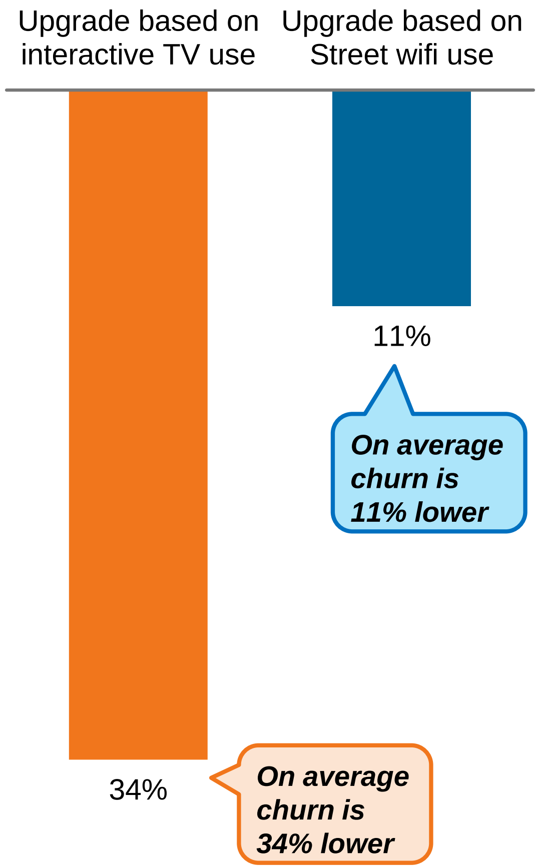
Churn depending on Mobile or TV sub[1]



Churn depending on # of lines (000')[1]



Interactive TV use and Street Wi-Fi use



Source Company information
Notes:
1. Euskaltel + R Cable YTD 3Q 2017 average

Strategy focused on our providing differential experience

TV experience

VoD

Android TV

TV apps

Catch up

Reverse EPG

androidtv

DECO4K

YouTube

- HD and evolution to 4K
- Nearly 100% of content available in VOD and Catchup
- Android TV with 3000 TV Apps

Wi-Fi experience

46K users
Total cost of €350k

Wi-Fi on holidays:
- Free 10GB data individually activated by each family when they go on holidays (2 x 15 days every year)

Best experience at home:
- Wi-Fi quality audit, house monitoring

Wi-Fi in the Streets:
- 400,000 Wi-Fi spots with unlimited
- Access for our Internet+Mobile customers

Digital home experience

Location and monitoring:
- Kids location and Home monitoring from your mobile
- Older relatives monitoring

Buy Hardware:
- Service is free for our Internet+Mobile customers

Growing set of sensors:
- Smoke, Door & Window, Movement, Smart Plugs, HD Camera

Summary

1. We enjoy a highly valuable, locally-rooted, high ARPU customer base and a superior brand recognition associated to quality ✓
2. We have proved the ability to compete in the current competitive scenario, as well as commercial momentum and churn management in the Basque Country ✓
3. We have implemented a unified commercial strategy to address churn in Galicia by replicating the successful strategy in Basque Country ✓
4. We have sufficient room to grow ARPU through increase of product penetration ✓
5. Our differential services vs. our competition will let us continue at the forefront of customer perception and recognition ✓

Back to growth in business

Business

Isidro Fernández de la Calle

Unified B2B strategy

Challenges at a glance

	1 Large accounts	2 SMEs	3 SoHo
Objective	Increase revenue	Gain new clients Increase revenue	Defend our current position Grow through expansion
Strategy	Enhance current clients value with services (Wi-Fi, cloud, digital transformation) New clients acquisition	Increase market share in current footprint New clients through indirect access in current footprint ARPU increase via VAS	Expansion Development of ARPU Retention and loyalty build-up of clients through new services
Action plan	Extend cloud and Wi-Fi portfolio to the whole group Alliances (e.g. Microsoft) Digital transformation projects (IoT, big data, RPA)	Standardize product offering throughout the group Tackle our weak links Add new VAS Launch indirect FTTH	Indirect FTTH access Expansion plans New offer and focus on current portfolio

Operating data

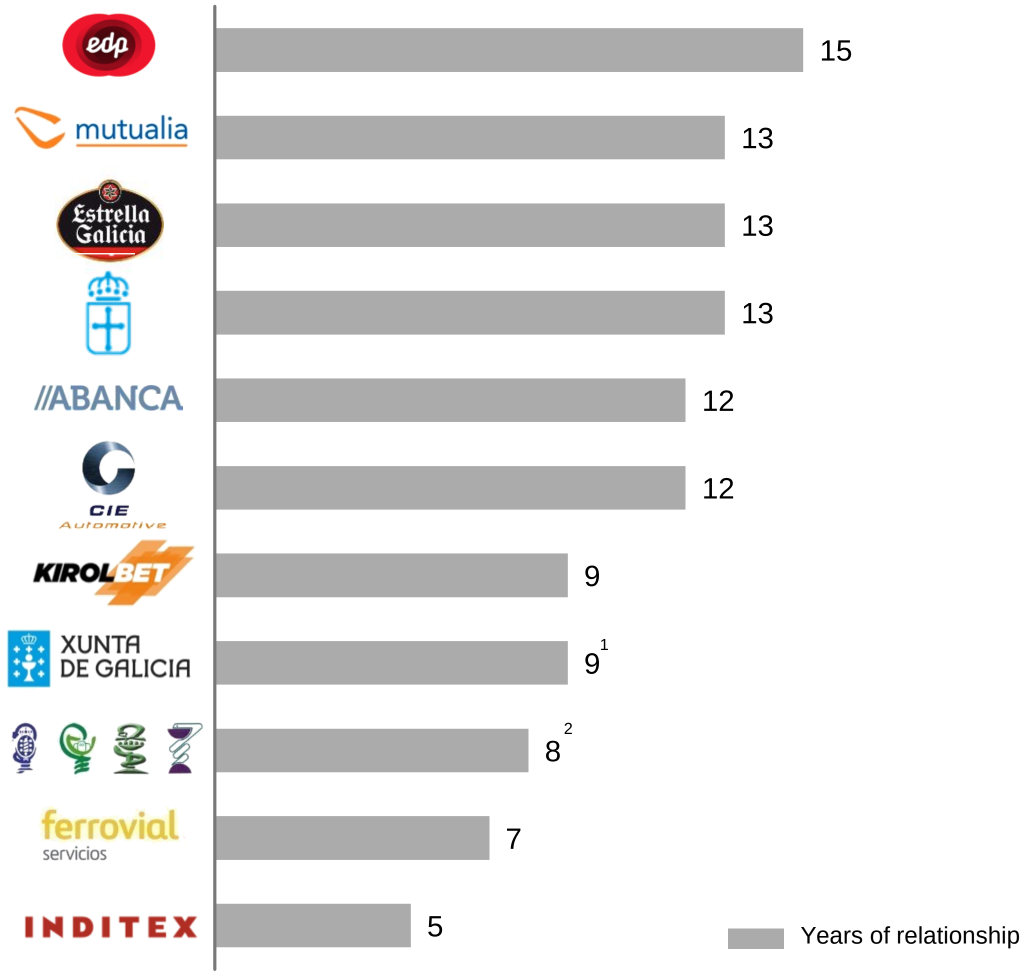
	Large accounts	SMEs	SoHo
#clients	~ 600	~ 14,000	~ 100,000
Revenue[1]	€69m	€36m	€87m
% business revenue	36%	19%	45%

Note:
1. Pf LTM 3Q 2017

We know how to deal with large accounts

We have a loyal customer base…

Selection of loyal B2B clients



… and we continue to gain and renew top clients

Note:

1. Renewed in 2017
2. Renewed in 2016

Our services can be offered everywhere: case study

1 Large Accounts

Customer need

Description and key metrics

- Multi-brand catering, in the sectors of Fast Food, Casual Dining and Traditional Food
- Headquartered in Madrid, **465 premises in Spain**, and a total **of 5 contact centers** in Madrid, Calalunya and Comunidad Valenciana

# of employees: 14,200

Revenue 2016: €500m

Problematic

- The client required a full communication services offer, including voice, data solution, datacenter management and unified Wi-Fi services

Our adapted offering

- **Voice and data solution**, to support the premises of all Spain, both main and backup communications
- **Main and backup** circuits between headquarters and external **datacenter**
- **Intelligent voice platform** enabling a better service at the contact center
- Development of **Wi-Fi solutions** for different brands

Ongoing project:

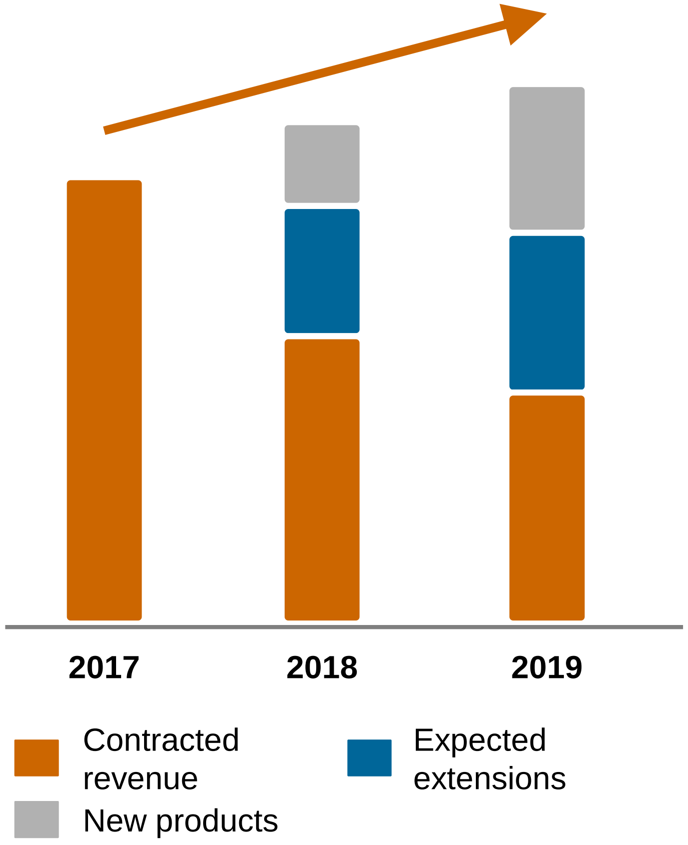
- TV channel development for a chain of restaurants

Service rendering billing for 2017: €700,000

LA: Growth driven by client growth and innovative product offering

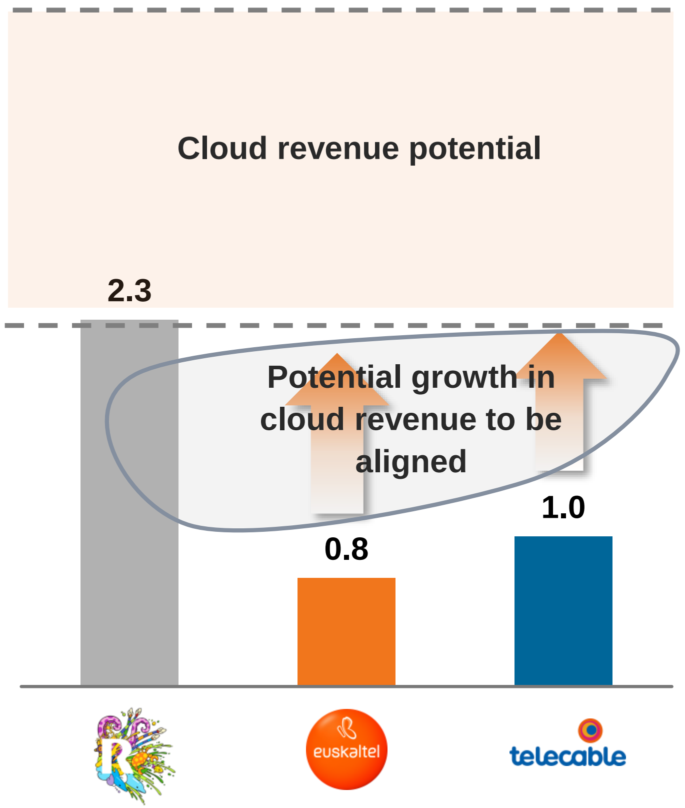
1 Large Accounts

Our objective: continue growing on the back of new products



Room for improvement sharing best practices

Cloud revenue by region (€m)



New product offering

Wi-Fi as a service

- 100% managed Wi-Fi service with no investment
- Client Wi-Fi synergies
- Over 350,000 daily users
- Over 400,000 APs

Process automatization

Big Data + IoT

Hybrid cloud: case study

1 Large Accounts

Customer need

Description and key metrics

- One of the **largest canneries in the world**, with presence in **over 9 countries**
- Headquartered in Galicia, **3 externalized data centers** (2 in Spain and 1 in Brazil)

# of employees: 4,300

Revenue 2016: €576m

Problematic

- In need of integrated tools typical of a company with logistics activity such as datacenter, international communications and security services

Our adapted offering

- **Voice IP international solution** and telephone office management
- **Data coverage** for the whole group
- **Data center** management
- Security service with a **Virtual Firewall**
- Corporate **Wi-Fi service** for national and international premises
- **Corporate email** based on Office 365

Ongoing project:

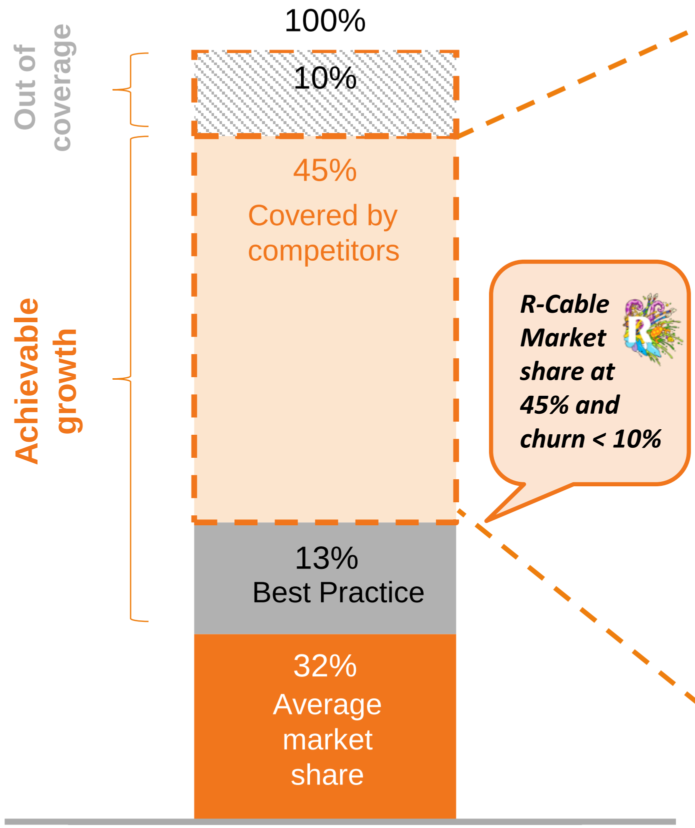
- Hybridization with Azure's platform

Service rendering billing for 2017: €230,000

Growth driven by client growth and value-add products and services

2 SMEs

Market shares across SME segment to be balanced



Potential increase in clients via indirect access

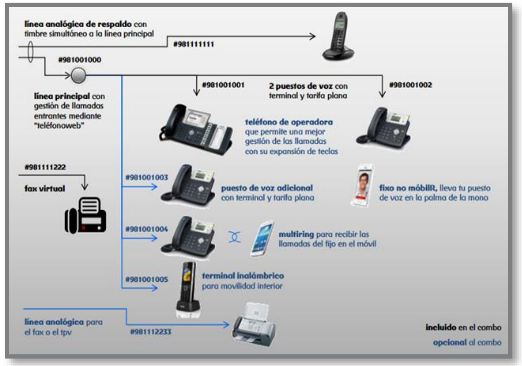
euskaltel	~30,000
R	~69,000
telecable	~12,300

~€15m potential new revenue if best practice is reached

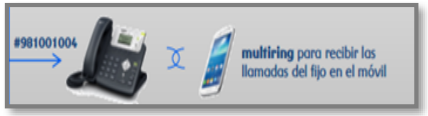
Over 110,000 potential new clients through indirect access

Clear potential to increase ARPU

Today → Simple and basic access



Tomorrow → Additional value add services



Office 365

panda

Online Backup

Additional value add services to increase future ARPU

SMEs: Addressing customer needs proactively

2 SMEs

Symmetry

What if a client requires symmetry?

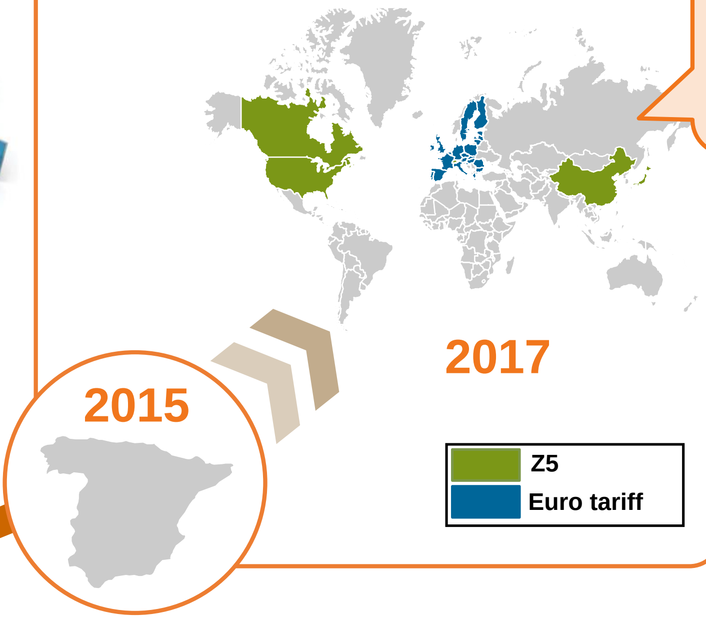
Combined offer

FTTH + HFC

Higher value add

Mobile connectivity

Renegotiation of host agreement to align data offering to current market conditions



Our current agreement covers 80% of worldwide roaming traffic

✓ Best latency

✓ 100% availability

✓ Z5: over 90% cost reduction

✓ Eurotariff: over 75% cost reduction

SoHo

New approach to SoHo

Before	*Same offer as for Residential*
Now	*New adapted offer **including Value Added Services***

✓ ***Increase ARPU***

✓ ***Reduce churn***

Examples of new product offering based on each target segment

Solución Profesional

Office 365	€ 12.90

Solución Comercio

3OllosR	€ 10.90

Solución Negocio Sala

Wi-Fi pro	€ 9.90
Promo TV	€ 14.90

Solución Horeca

Wi-Fi pro	€ 9.90
3OllosR	€ 10.90

3 SOHO

Combo X – €69[1]

- Fixed Line (optional)
- 200Mbs Broadband speed
- Unlimited calls + 10GB
- Professional maintenance
- Fax IP
- Additional SIM
- Multiring
- Shared voicemail
- Takeaway data – 10GB

Note:
1. Included in every solution

Summary

1 Re-formulated growth strategy aiming to deliver tangible results by cross-fertilisation of practices among regions and a renewed commercial approach

2 Our products and solutions ready to serve clients outside current footprint

3 We have proactively addressed symmetry and international mobility issues to offer a competitive proposition

4 Large Accounts and SME upselling through newly launched VAS that are already proving traction among customers

5 SoHo strategy will mirror B2C but incorporate additional VAS to drive up ARPU and loyalty

Network ready for future excellence

CTO

Norberto Ojinaga

- Maintain our leadership in residential through best customer experience
- Back to growth in business
- **Network ready for future excellence**
- Growth through expansion
- Systems and processes unification: one company, local brands

Network strategy focused on customer excellence

Unparalleled coverage, quality and recognition…

c.80% coverage
- Access to high capillarity areas
- > 400k Wi-Fi client hotspots
- 100% Docsis 3.0

Quality of service
- Fail-safe architecture
- Less than 500 HH per node

Recognition
- Consistently top ranked by Netflix Indicator

… fully prepared for future challenges

symmetry and capacity growth
- Symmetry no longer a threat
- Capacity addressed through targeted upgrades
- Full Docsis 3.1 roll-out by end 2018

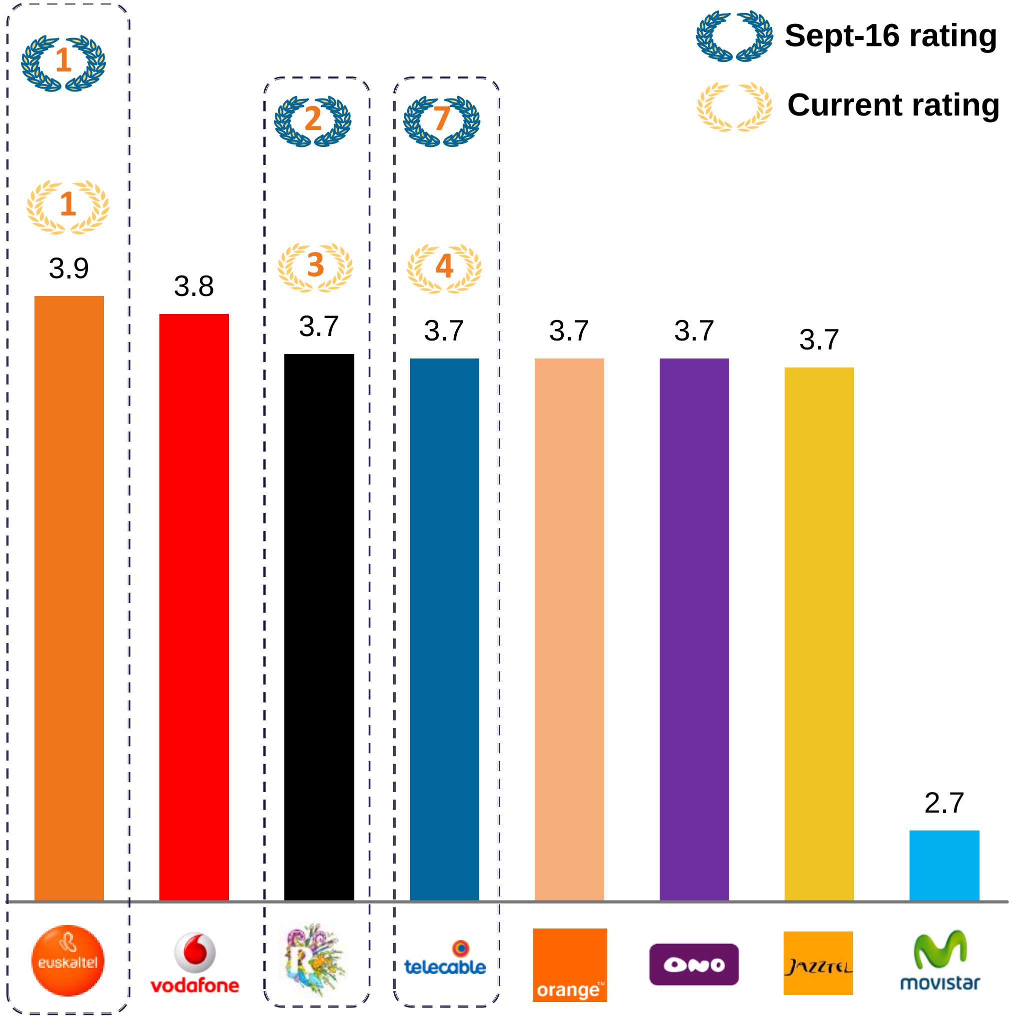
Expansion and access strategy
- Limited capex requirements for network upgrade and expansion
- Agreement with Orange minimising network upfront investments

Superior experience in mobility
- Attractive terms of mobile host agreement ensuring sufficient headroom to absorb data growth
- c.15% of 4G traffic channeled through our own 4G network
- Own 4G network

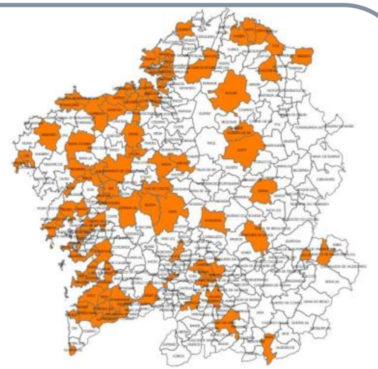
Synergies execution on track
- Detailed roadmap of synergies to be delivered by 2018, and beyond

Our network has a unparalleled coverage and recognition

September 2017 Netflix indicator



- **Coverage** to c.87% of households
- **Cable-modems:** 269k
- **Wi-Fi spots:** 187k
- **STB:** 180k



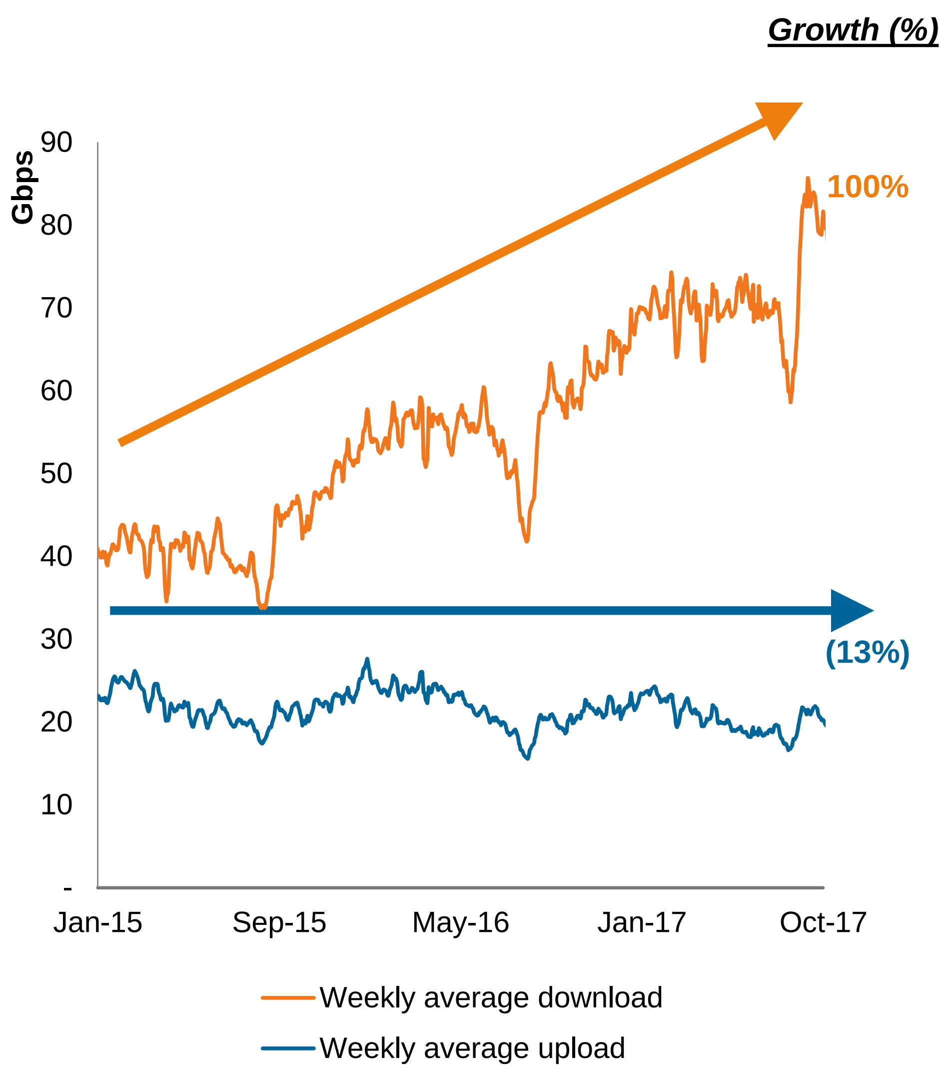
- **Coverage** to c.52% of households
- **Cable-modems**: 193k
- **Wi-Fi spots:** 132k
- **STB**: 135k

- **Coverage** to c.73% of households
- **Cable-modems:** 114k
- **Wi-Fi spots:** 104k
- **STB:** 50k

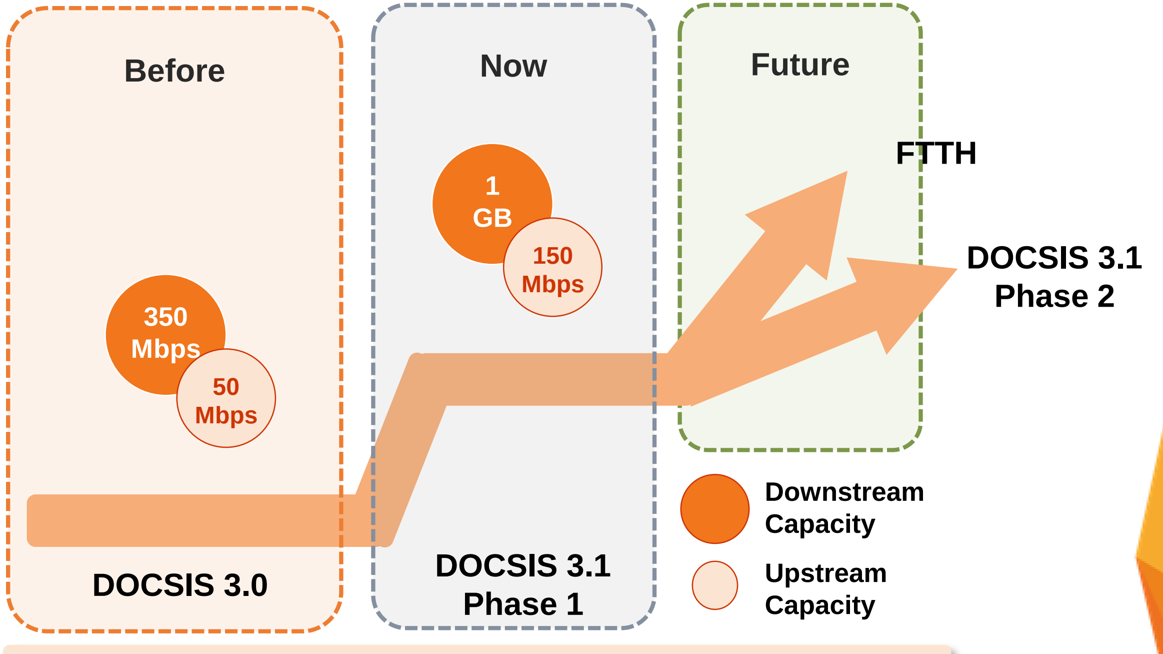
Source Netflix monthly indicator

Symmetry no longer a threat and capacity addressed through targeted upgrades

Broadband traffic evolution



Roadmap



Docsis 3.1 development by region

50% already deployed 50% to be assigned	100% to be assigned	100% already assigned

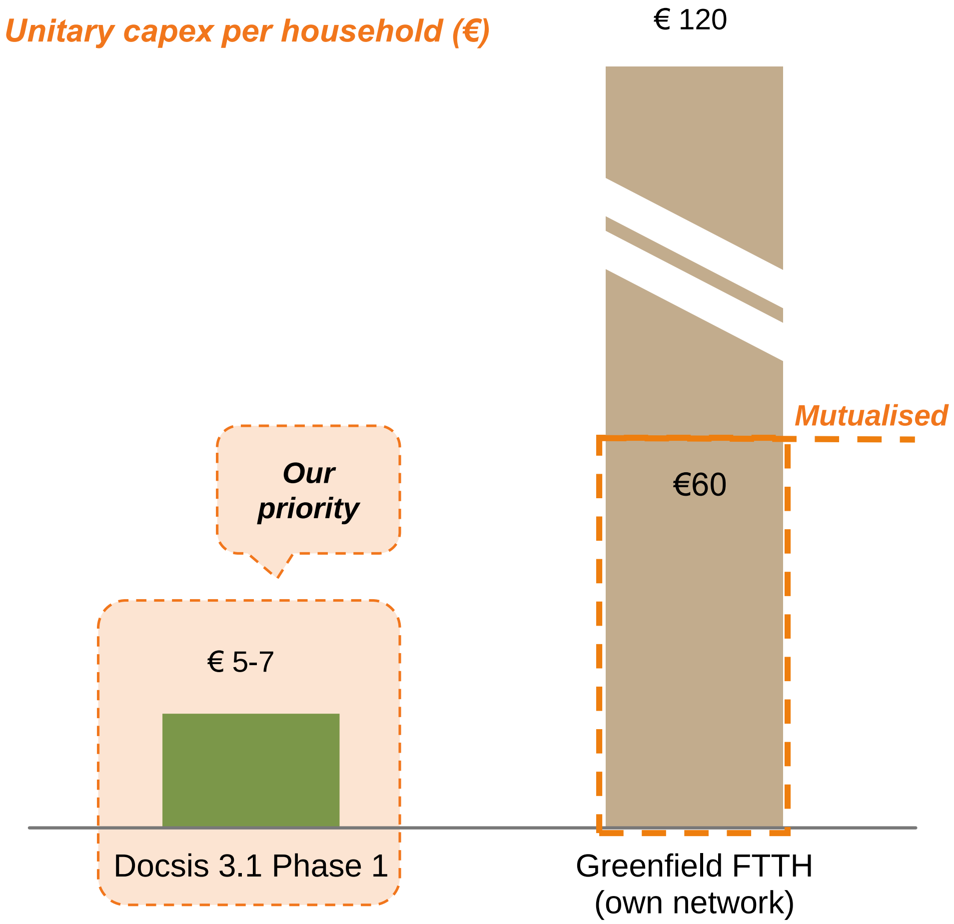
100% deployed by end 2018

2 Access and expansion with limited capex requirements

Our strategy: "smart capex"

	Technologies	UIs - HH	Capex / opex
Current footprint	Docsis 3.1 Phase I	2,200,000	€10-15m
	Indirect FTTH access	On B2B demand	Low (mainly Opex)
New footprint	FTTH Infill expansion: (own network)	80,000	€10m
	New regions: Indirect FTTH access	150,000 *(mutualised)*	€10m
		350,000 *(indirect access)*	Low (mainly opex)
	Total expansion capex estimate		€20m[1]

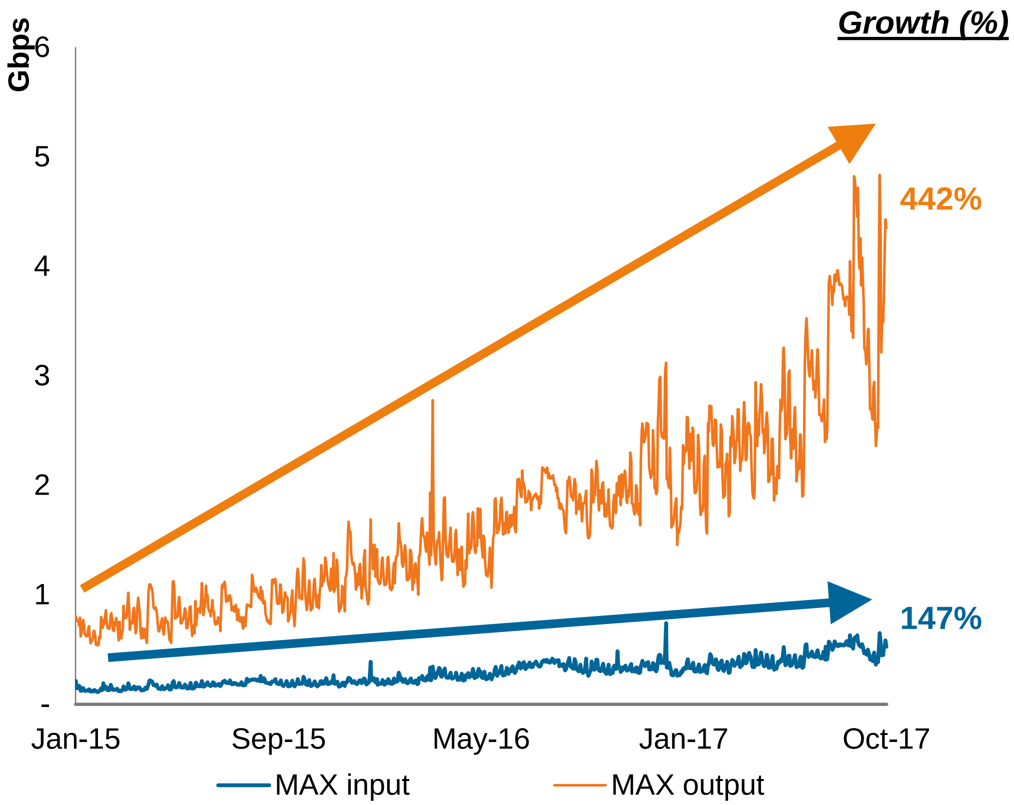
Comparison of economics



Note:
1. Includes only network access capex

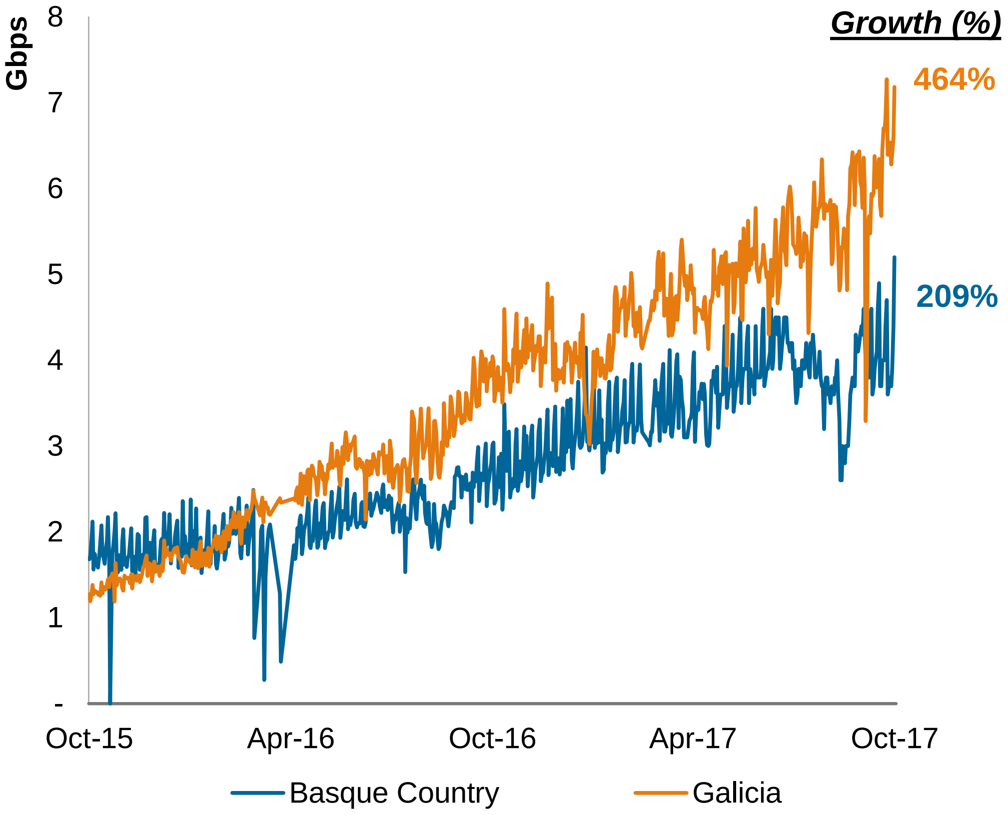
3 Superior experience in mobility with unrivalled on-street Wi-Fi intake

Mobile traffic evolution[1]



c.15% of total 4G traffic offloaded to our own 4G network
c.50% of our mobile lines use our own 4G network

Wi-Fi traffic evolution



Wi-Fi everywhere as a loyalty element reducing churn

Source Company information
Note:
1. Mobile traffic based on Euskaltel data consumption

4 Synergies execution on track

2017 | 2018 | 2019

Already completed
Under development

1 Mobile Core
- Asturias – Own mobile core
- Unify Euskaltel + R Cable – Voice and data

2 Fixed voice core
- IMS Platform
- SIP trunks & IP centres migration
- SIP service, Virtual Fax, etc.

3 IP/MPLS Data
- Agreement with provider
- Interconnection ring + POP Madrid

4 TV platforms
- Backend: live, VOD+OTT
- Set of box unified Skipper 4K

5 Datacenter
- Storage and Backup Unified
- Computer Technology Unified
- Datacenter unification

6 Additional synergies
- Unify Asturias mobile core
- Unify TV platform in Asturias

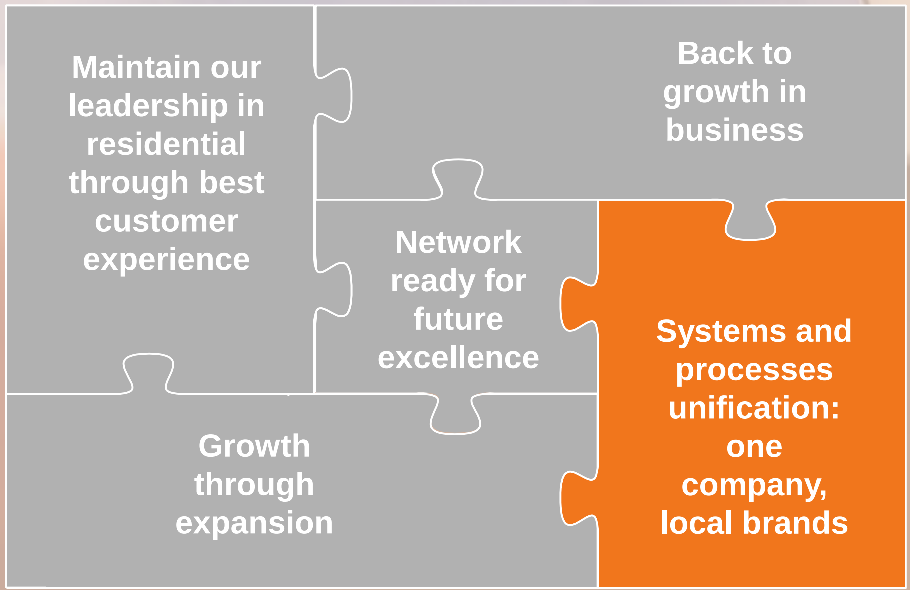
Synergies plan on track and according to expected calendar

Summary

1. Our network is fully prepared for the renewed challenges driven by market needs
2. Our approach to network expansion will be disciplined and focused on short pay-back periods ("smart capex")
3. Our cable network will be totally upgraded to Docsis 3.1 by the end of 2018 and FTTH will be deployed on a targeted basis
4. Fully upgraded 4G / Wi-Fi network to provide superior experience on mobility
5. Visible synergies on track to be delivered

Systems and processes unification: one company, local brands

CIO
Jesús Pérez



Triggering elements and pillars

Triggering elements

1. Market context
2. Customer experience evolution
3. Acquisitions

New operating model based on 4 pillars

- **Customers**
  - e-Channels
  - Personalization
- **Employees**
  - Empowerment
  - New collaborative model
- **Processes**
  - One company with multiple local brands
- **Products**
  - Digitalisation
  - Time-to-market

3 key elements triggering the need for the transformation to happen

Important benefits expected from IT Systems and Digital Transformation

Why a digital transformation and IT systems integration?

Market context

Competition increase

+

Customers' expectations

=

Digital transformation

Company context

One company with 3 regional brands

+

Consolidation efficiencies

=

Integration

Benefits

Operational efficiency
(homogenization of processes, automation of operations)

Commercial management improvement
(management of opportunities, campaigns, commercial planning)

Best-in-Class & Unified Architecture
(efficient architecture and "future-proof")

Competitive Time-to-Market
(new products, new functionalities, new business models)

Differential customer experience
(customization, self-management, multi-channel)

Cost efficiency
(integration of the 3 companies)

2 year plan (2018-2019) to digitalise and integrate IT systems

	2017	2018	2019
Digitalization projects	Unified website	Multichannels	Private website
Information and analytics		Big Data	
Customer experience	Proactive information	Communication	Self-management
Transactional systems		Unification	

- - - Current state

Unified company with different brands

- Processes
- Architecture
- Offer and products

2020 target

Estimated investment	*€15-20m*
Annual savings[1]	*€6m/year*
Payback	*2.5 – 3.3 years*

The digital IT systems and processes transformation is key for the successful execution of the 2017 – 2019 Strategic Plan

Note:
1. IT savings from 2020 onwards

Summary

1. Unification: one company / three (or more) local brands
2. Common customer experience across regions and products
3. Digital future proof processes, architecture and client relationship
4. Tangible execution time-line with a defined set of objectives to be achieved by 2019

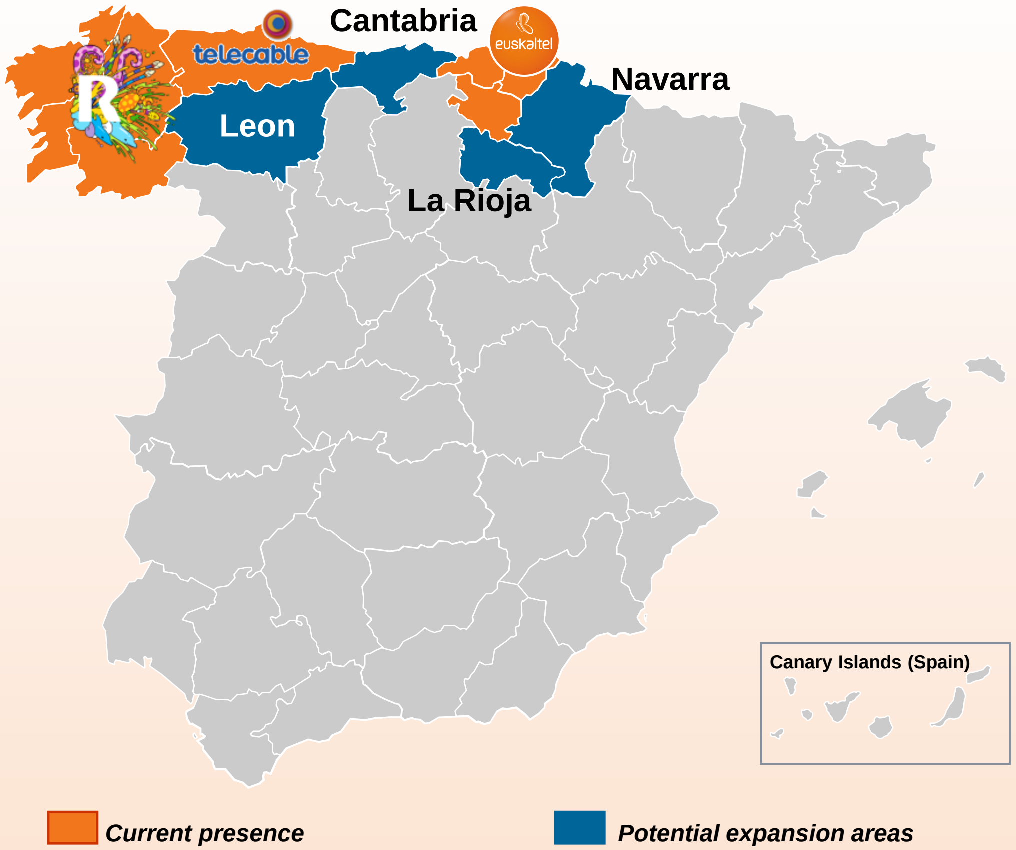
Growth through expansion

CEO
Francisco Arteche

Residential
Koldo Unanue

Expansion strategy

Market shares across all segments to be balanced



Pillars of the expansion strategy

1. Disciplined
2. Value-accretive
3. Fast time-to-market
4. Ability to leverage brand equity
5. Consistent with overall strategy

Expansion plan will add over 500,000 households

A two-fold approach

Two-fold strategy

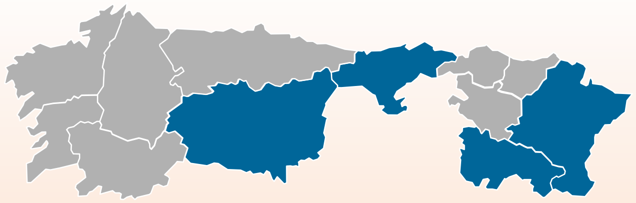
Infill projects

- Agreement with Orange
- Targeted deployment (FTTH – HFC)
- Support from regional governments
- Limited competition in targeted areas

80,000 residential premises

6,200 enterprises

New regions



- Agreement with Orange (mutualised / indirect access model)
- Fast time-to-market
- Well-defined commercial plan

5 year roll out plan

Break-even in 2-3 years

Project IRR > 15%

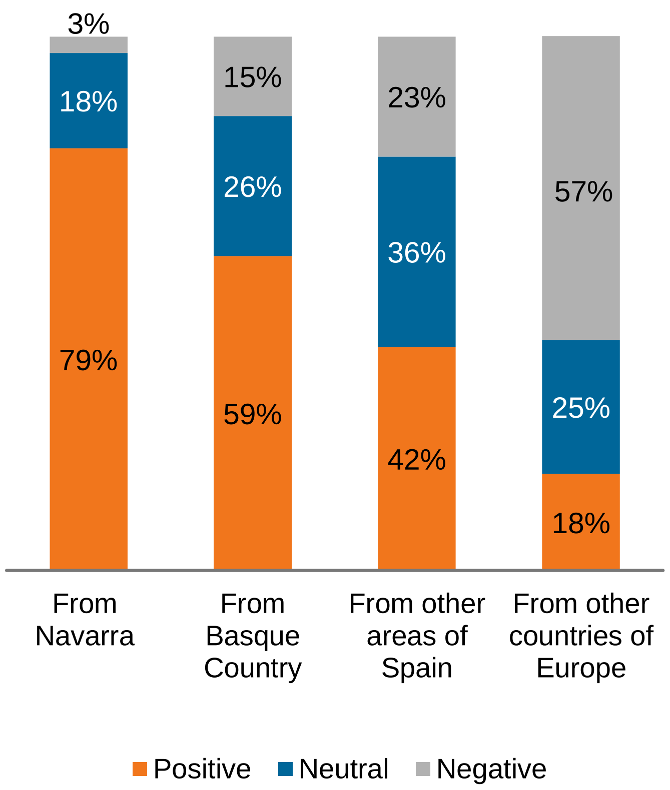
Key details of the agreement with Orange

- ✓ Framework agreement with leading operator
- ✓ Flexible agreement in terms of:
  - Economics: Indirect (opex) vs. co-investment (capex)
  - Products and services
- ✓ Symmetric and up to 1 GB
- ✓ ICX services included
- ✓ No difference in customer experience

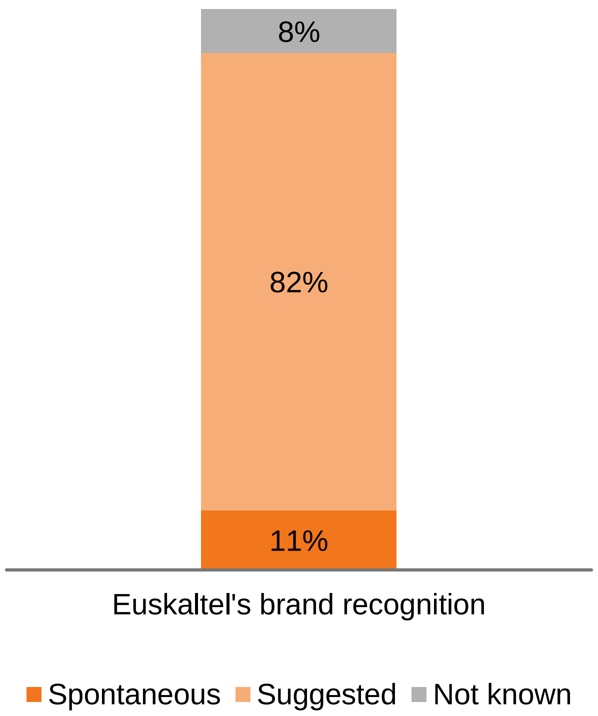
NAVARRA EXPANSION

Why Navarra?

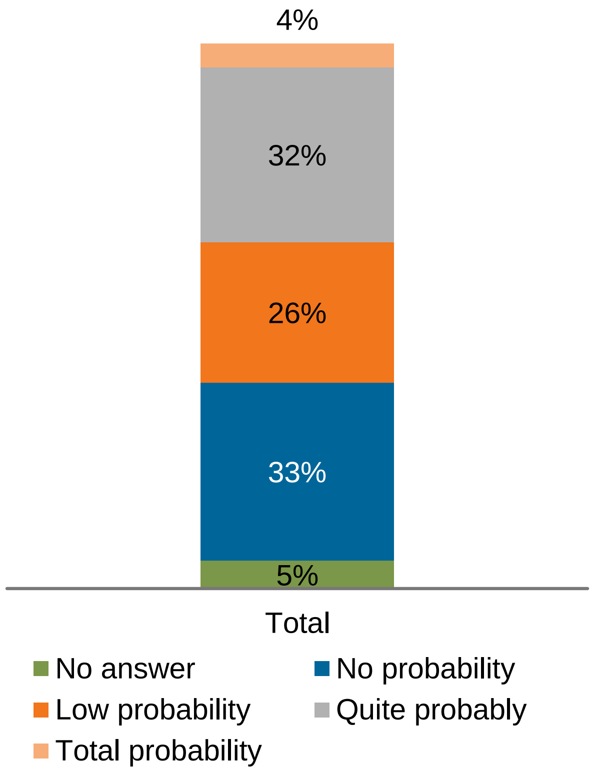
Attitude towards Basque Companies



Euskaltel brand awareness



Ready to purchase



Source Company information

Preliminary household delivery calendar

January 2018	December 2022
Households delivered ~ 78,500	Households delivered ~ 150,000

Key regions:

Pamplona

Ansoain

Key regions:

Tudela

Altsasu / Etxarri-Aranatz / Huarte

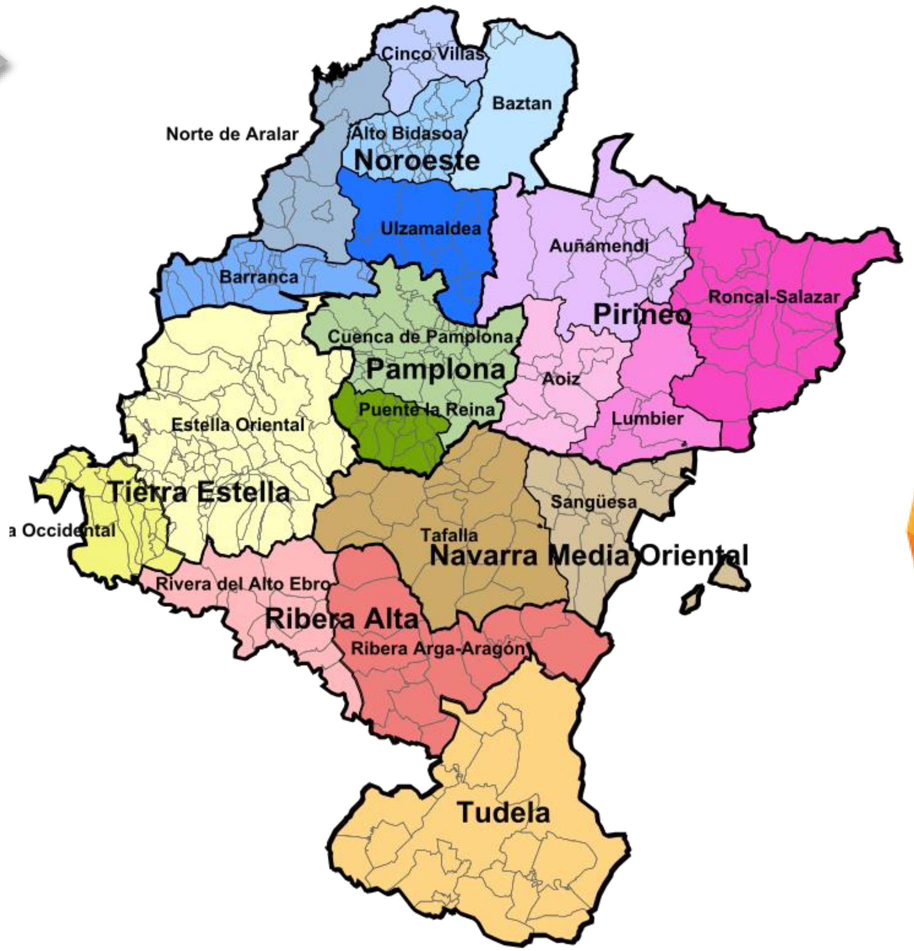
Estella / Lizarra

Burlada

Valle de Egüés

Zizur Mayor

Objective: ~ 150,000 households delivered by Dec-22



Sales & marketing plan

Key marketing initiatives

Sale channels	✓ *Push & Pull*
	✓ *Local salesforce*
Products	✓ *Euskaltel standard products*
	✓ *Ad-hoc promotional campaigns*
Media agreements	✓ *Extend our Basque Country media agreements*
	✓ *ATL & BTL campaigns*
Public relationship program	✓ *Public institutions*
	✓ *Educational institutions*
	✓ *Culture / sport*

Key targets

2022E target	
Households delivered	*~ 150,000*
Clients	*~ 30,000*
Penetration	*~ 20%*
Investment	*€10m (excluding SAC)*
Payback	*< 6 years*
Target IRR	*> 25%*

Summary

1

Strong similarities between Navarra and Basque Country markets

2

Low capex requirements to launch Euskaltel brand in Navarra

3

Clear operational and commercial synergies with our ongoing business in the Basque Country

Financial performance and guidance

CFO
Jon Ander de las Fuentes

Strong operational and financial profile while doubling size

Statutory figures

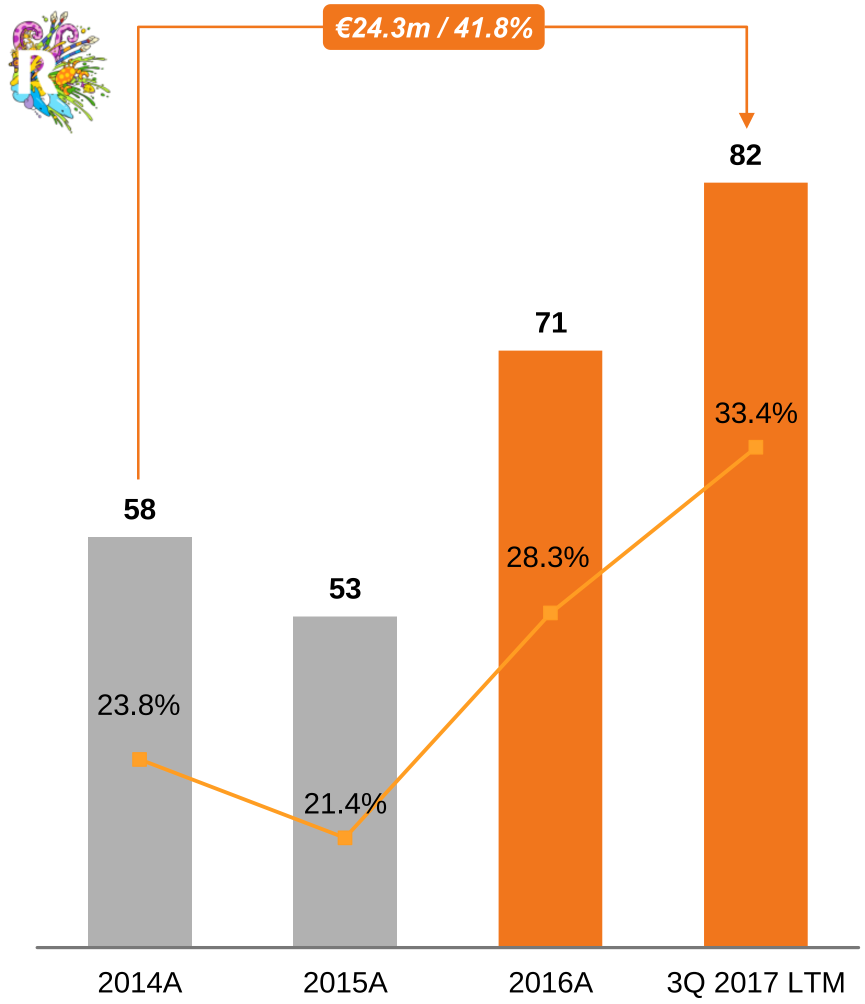
		IPO (Mar-15)	FY2015	FY2016	Current (LTM 3Q17)
KPIs	3P / 4P (%)	57.6%	63.3%	65.8%	67.6%
	Mobility (%)[1]	53.3%	71.7%	77.2%	76.1%
	ARPU (€)[2]	€55.7	€56.0	€58.4	€59.6
Financial statements	EBITDA (€m)	€156m	€167m	€281m	€290m
	EBITDA Margin (%)	48.7%	47.8%	49.0%	49.5%
	OpCF (€m)	€113m	€114m	€185m	€192m
	OpCF margin (%)	35.1%	32.6%	32.2%	32.7%
	Net income[3] (€m)	€37m	€7m	€62m	€47m
	EPS[3] (€)	€0.29	€0.13	€0.72	€0.46
	Eq. CF per share[3] (€)	€0.69[4]	€0.23	€0.87	€0.76

Notes:
1. Mobile penetration as a percentage of fixed-line customers
2. For the residential segment
3. Statutory figures including extraordinary and non-recurrent elements
4. EqCF per share at IPO calculated as of 31-Dec-2014

Value-accretive M&A delivered

	R cable	Telecable
Announcement date	Jul-15	May-17
EV/ EBITDA[1] *(post-synergies)*	9.2x	8.5x
Delta vs. market average[2]	0.4x below market average	1.3x below market average
Synergies a % of total opex and capex[3]	~5%	~4% Ongoing
Leverage PF transaction	~5.1x	~4.5x
EqCF Accretion *(fully phased synergies)*	>15%	>6-7%

R Cable OpCF (€m) and cash conversion (%)



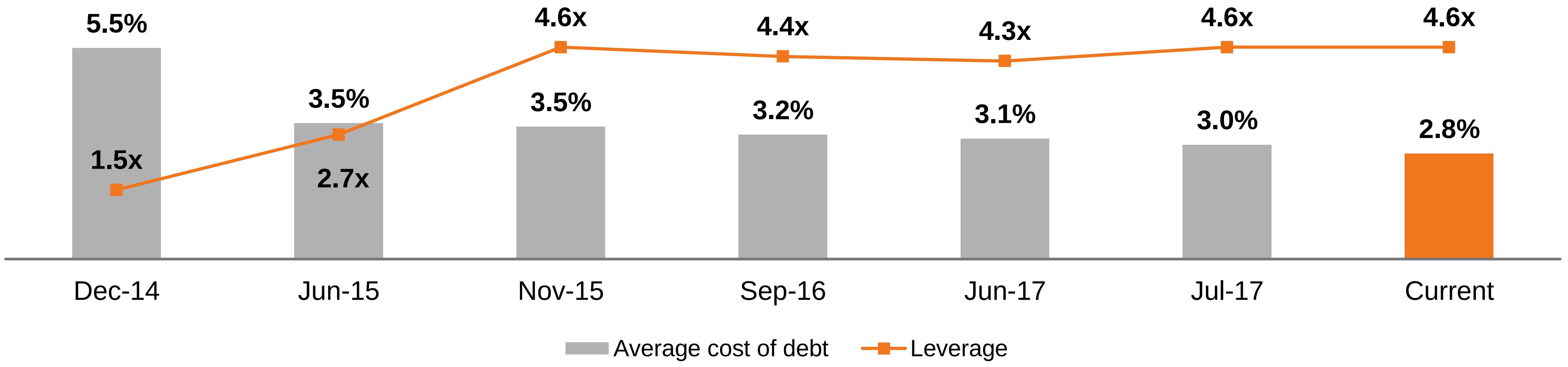
Source Company information, Factset

Note:

1. EV/EBITDA calculated as EBITDA last financial year pro forma for fully phased opex synergies
2. Delta versus market average based on Telenet, Com Hem, Telecolumbus and Liberty Global at the time of the transaction for R Cable (9.6x) and current market multiples for Telecable (9.8x)
3. Based on synergies level announced at the time of the transaction and PF combined figures based on latest historical (Dec-14 for R Cable and Dec-16 for Telecable) excluding implementation costs

Strong support from debt and equity capital markets

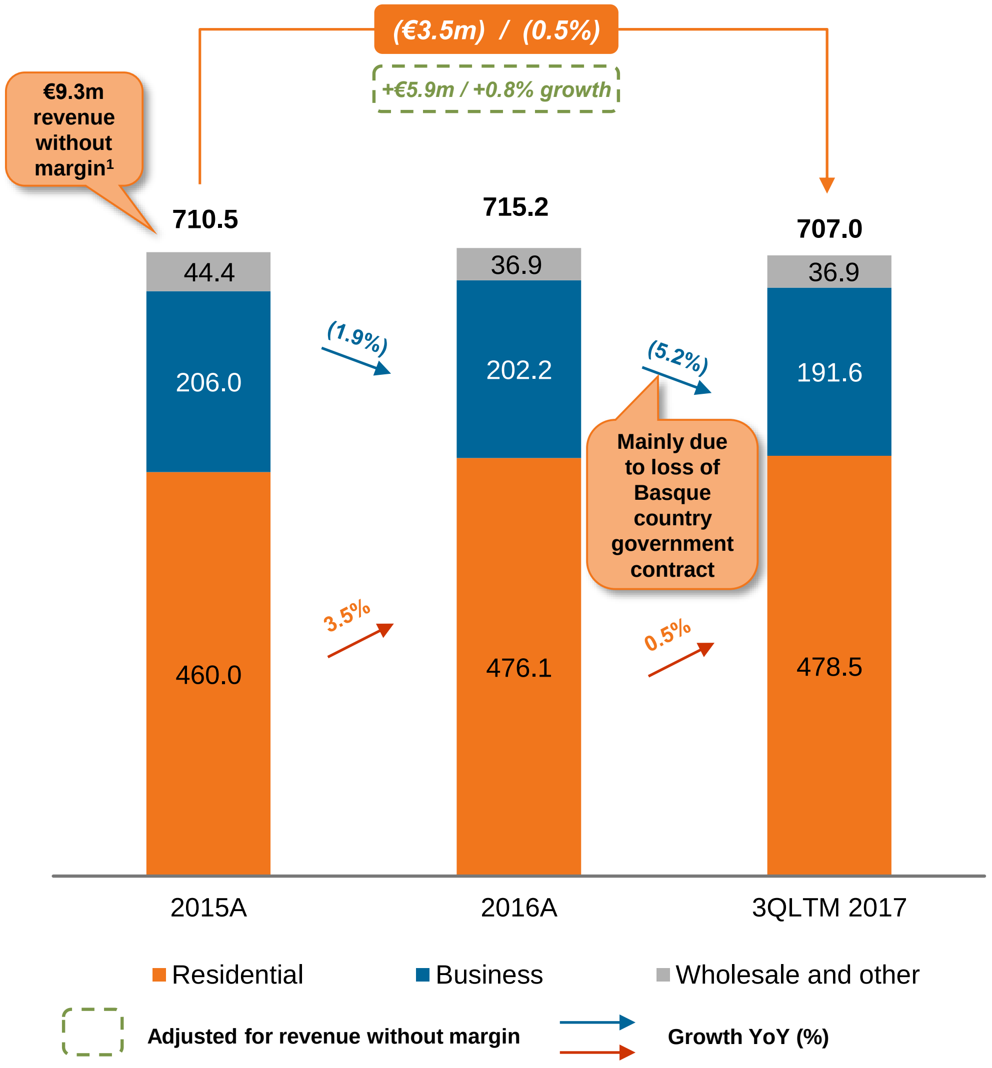
	Pre-IPO	IPO + Debt refinancing	R Cable acquisition + Debt refinancing	Repricing of the institutional tranche	Commercial paper[1]	Acquisition of Telecable	Debt refinancing
Total debt (€m)		€500m	€900m		Up to €200m	€437m	€835m
Total equity placed (€m)		€840m	€255m			€250m	



Source Company information
Note:
1. Commercial paper issued as of Mar-17

Proforma revenue and outlook

Proforma revenue evolution



Revenue outlook

✓ *Stable - Low single digit revenue growth*

Residential

- Stable net subscriber evolution preserving current market share
- Target churn below 14% amid implementation of specific measures in Galicia and Asturias
- ARPU growth linked to attractive value proposals
  - Increase 3P&4P penetration in existing customer base
  - New services will include
    - Increase mobile offering and penetration in Asturias
    - Improved TV functionalities and 4K Deco
    - New products penetration: Home connectivity, on-street Wi-Fi…
- Revenue of new regions to amount for 5% of total revenue by 2022
  - Around 10-15% subscriber penetration over targeted new regions

Business

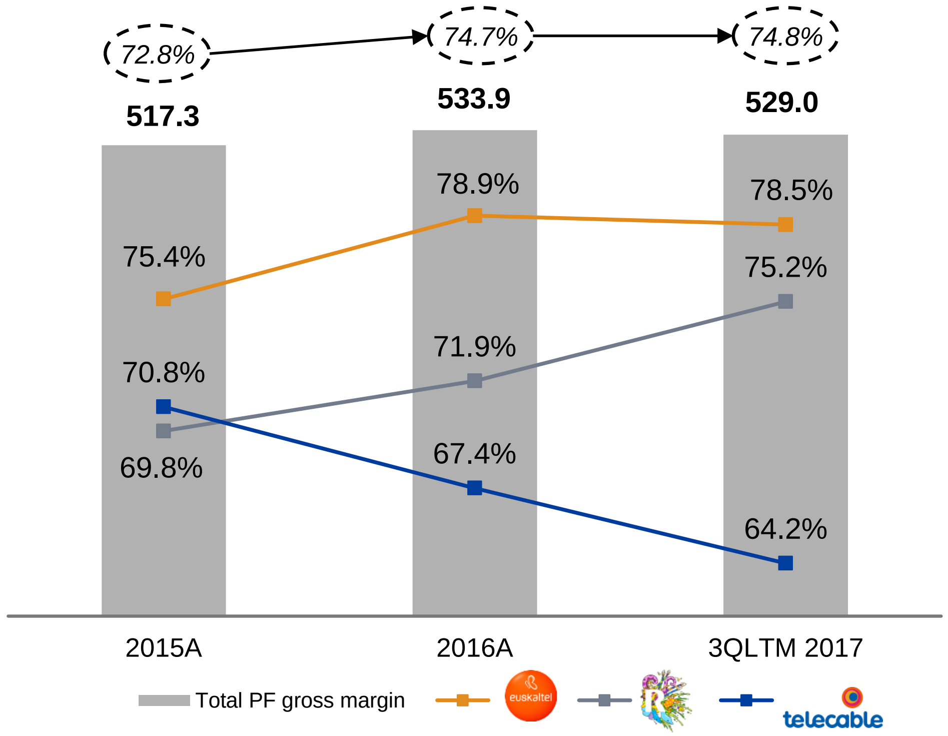
- SoHo will mirror similar trends than residential
- Renewed commercial push in SMEs and LA targeting to drive superior growth rates than residential over the medium term
  - Penetration of hybrid-cloud, security, big data and alliances
- Targeted commercial offering in new expansion areas

Source Company information
Note:
1. Change of accounting method in 2016: revenue without margin no longer accounted for (2015 revenue without margin included in €713m revenue at €9.3m)

Proforma Gross margin and EBITDA outlook

Proforma gross margin outlook (€m)

Gross margin as a % of sales (%)



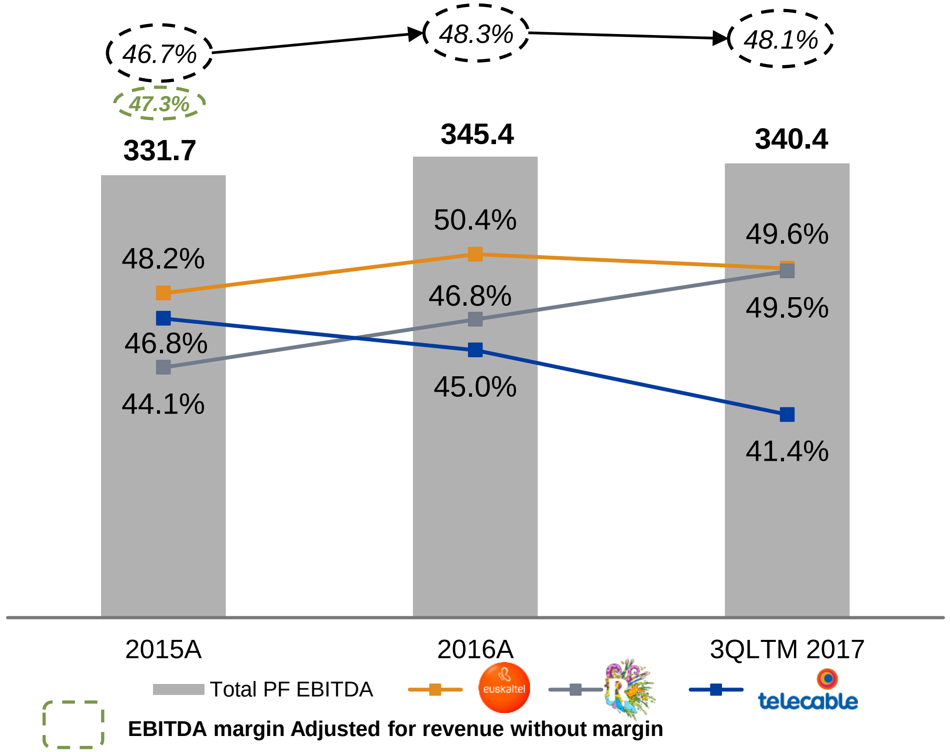
✓ *Efficient management of Content and ITX costs driving gross margin over 75% in the medium term*

✓ *TV strategy focused on functionality and customer experience with disciplined approach to new content investment*

✓ *Sufficient data allowances under current host agreements to mitigate ITX costs growth*

Proforma EBITDA outlook (€m)

EBITDA margin (%)



✓ *Integration synergies and structure optimisation driving EBITDA margin c.50% in the medium term*

✓ *Renewed commercial effort in brand equity and expansion*

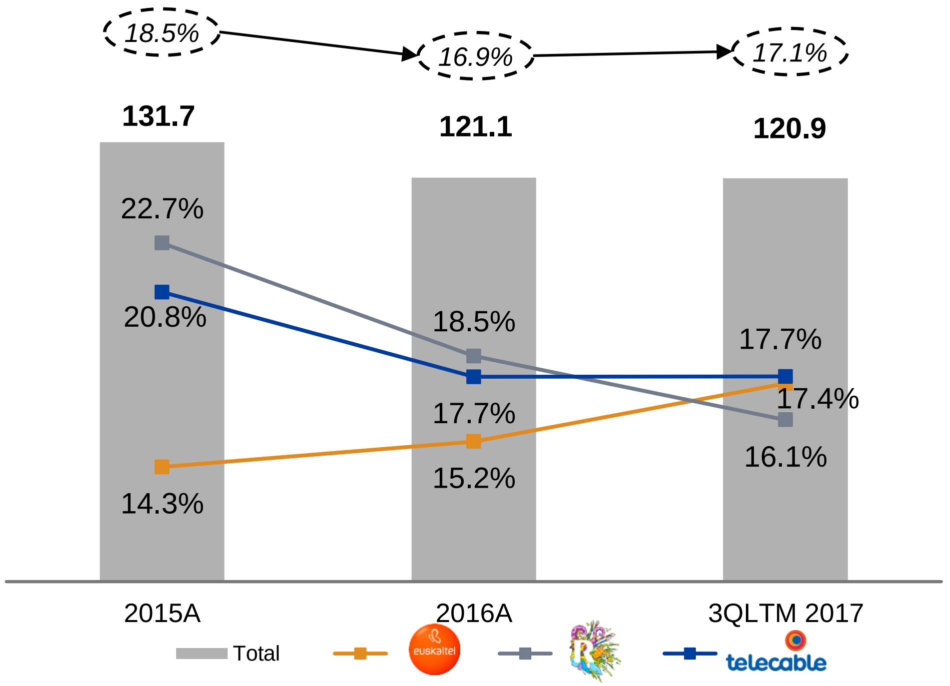
✓ *Unified organisation leading to leaner and more flexible operations*

✓ *Systems integration, network management and talent management driving structure optimisation*

Proforma capex, capex breakdown and outlook

Proforma capex

Capex (as a % of sales)



✓ *Recurrent capex to remain in the 16-17% revenue range once platform integration has concluded*

Source Company information

Capex breakdown and outlook

Business as usual capex → **< 17% revenue**

\+

Business integration and strategic projects investments → **€20m - €25m** *(2018 - 2019 accum.)*

\+

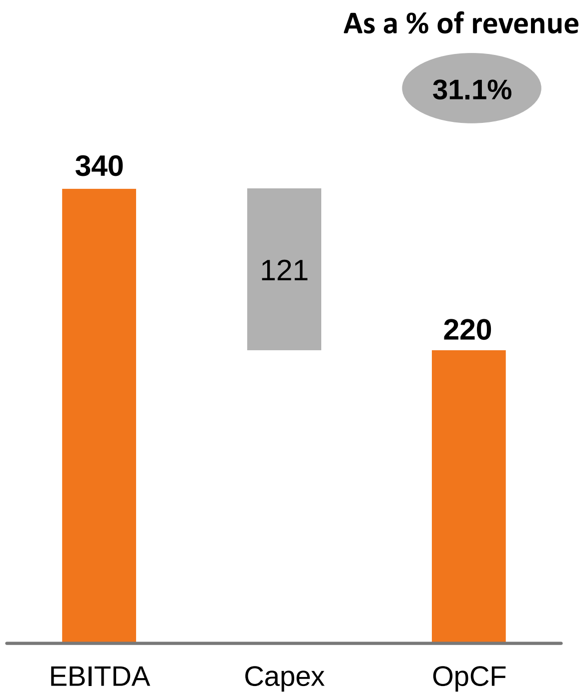
Footprint expansion investments → **€20m (excluding SAC)** *(2018 – 2019 accum.)*

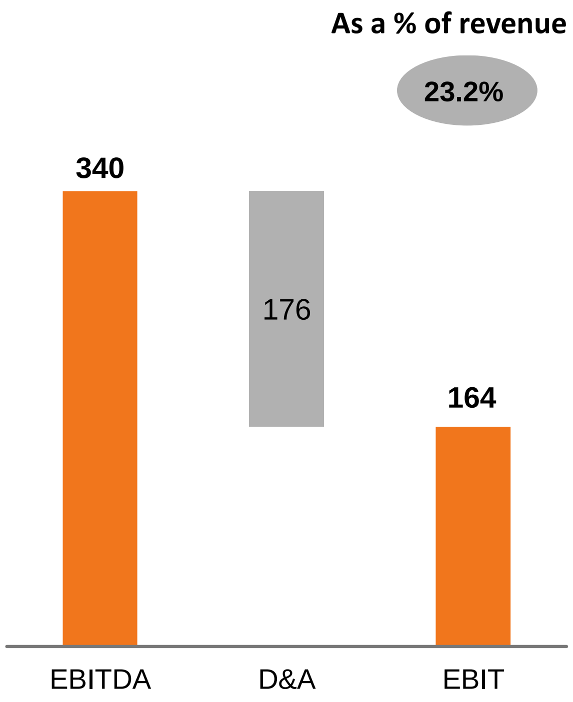
✓ *Business as usual capex expected to remain below 17% of revenue*

✓ *Additional extraordinary capex to be incurred in 2018-2019 period corresponding to business integration, strategic projects and footprint expansion investments*

Cash flow and EBIT bridge

PF OpCF and EBIT bridge LTM 3Q 2017



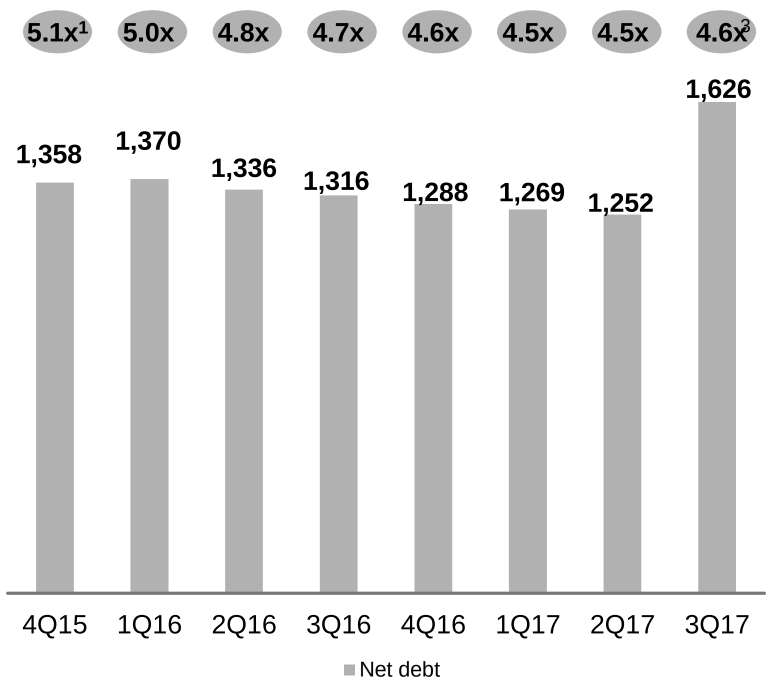


Outlook

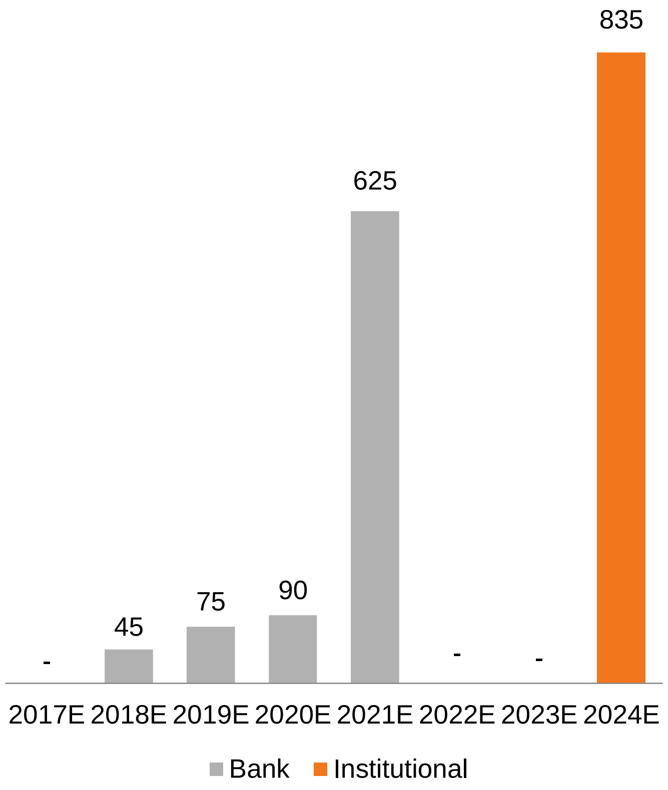
- ✓ *OpCF margin in 2018 – 2019 affected by extraordinary elements but expected to converge to 30% in the medium term*
- ✓ *D&A impacted by the PPA amortisation of Telecable*

Capital structure and distribution policy

Our robust deleveraging capacity …



… and the balanced maturity profile[2]…



… reinforces our announced financial and distribution policy

✓ ***Target leverage < 4x by 2019E***

✓ ***Maximize net income pay out***

✓ ***Room to accelerate cash distribution to shareholders when leverage is reduced to 3-4x***

Source Company information
Note:
1. 2015 leverage based on adjusted 2015 annual EBITDA of Euskaltel (€158.1m) and R Cable (€108.6m) excluding potential synergies
2. Maturity profile displayed is post 3Q 2017, including the €835m refinancing announced on November 10th 2017
3. Leverage including fully phased synergies

Closing remarks

CEO

Francisco Arteche

Closing remarks

Residential

- Deliver an attractive and competitive offering in a new competition scenario
- Address churn issues in Galicia and Asturias
- Re-boost brand equity

Cash flow

- Develop a smart capex strategy
- Balance cash flow optimization with value-accretive growth projects

Best customer experience while maintaining our leadership in residential

- **CEX** (Customer Experience) at our DNA
- **Brand investment** to promote attachment
- **End to end best broadband and TV experience**

Back to growth in B2B

- **Unified** commercial strategy
- **A reality of new products** and services
- **Smart alliances**
- **Global reach**

Network ready for future excellence

- **CEX driving** network strategy
- **Efficient** access and roll-out
- **Superior** experience on **mobility**
- **Addressing symmetry** needs
- Tangible synergies

Platform integration and digitalisation

- One company, multiple local brands
- **Digital-future** proof organisation

Targeted expansion to boost growth

- **Infill expansion** and **new regions**
- **Fast time-to-market** and brand recognition
- Strategy combining own and indirect access

B2B

- Demonstrate our readiness to compete in a transforming ICT market
- Implement an unified B2B strategy

Communication

- Visibility on mid-term strategy
- Performance traceability

Q&A

Thank you for your support