Acquisition of Telecable: creating the leading integrated operator in the North of Spain

16 May 2017

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Transaction summary

Key terms	Euskaltel has reached a definitive agreement to acquire 100% of Telecable, the largest cable operator in Asturias, from Zegona Enterprise value of €686m – Purchase price represents a 10.5x EV/EBITDA 2016 pre-synergies, or c.8.5x adjusted for synergies The consideration will be paid through a combination of new shares of Euskaltel (representing a 15% stake post-capital increase) and €431m in cash (including €245m of estimated net debt as of 30 June 2017 and €186m payable in cash) Zegona will be entitled to an additional contingent payment of 35% of realized tax assets resulting from the transaction, if any, and subject to a cap of €15m Zegona has committed to customary standstill and lock-up undertakings in order to maintain its shareholding in Euskaltel within the agreed levels for a period of time
Consideration and financing	Total consideration to be financed with: – €255m capital increase fully subscribed by Zegona (26.8m new ordinary shares of Euskaltel issued at €9.5 per share) – €186m of cash, of which €163m will be funded through cash on hand and the remaining through additional debt, including refinancing of €245m of Telecable's estimated net debt Euskaltel's leverage to increase from current 4.2x to c.4.5x post-closing and expected to decrease close to 4.0x by the end of 2018(1) Euskaltel expects to maintain its shareholders' remuneration in the terms previously announced to the market(2)
Recommended transaction	The transaction has been approved unanimously by the Board of Directors of Euskaltel and Zegona, respectively Irrevocable commitment from Kutxabank to vote in favour of the transaction at Euskaltel's General Shareholders' Meeting Zegona to become a new shareholder with presence in Euskaltel's Governance bodies and fully aligned with the Company's long term objectives
Key dates	Euskaltel Shareholders' approval required at Euskaltel's General Shareholders' Meeting in June 2017 Transaction expected to close in 3Q 2017, following clearance from antitrust authorities

(1) Including fully-phased synergies. Leverage post-closing proforma to include dividends to be paid in Jul-17
(2) Subject to Euskaltel's Board of Directors and General Shareholders' Meeting approval

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Telecable: the leading fiber and convergence operator in Asturias

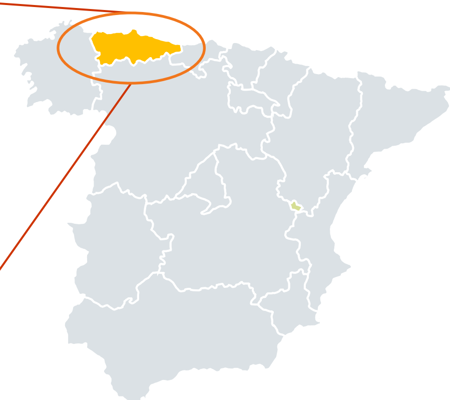
Telecable at a glance

- Telecable de Asturias was founded in 1995 in Oviedo
- The company is the **leading operator in Asturias**
- Initially focused on TV broadcasting services, Telecable developed voice, broadband and mobile services with a **strong and local brand**
- Telecable's network covers a large part **of Asturian households**, with over **452k homes passed**
- As of 2016, **Telecable had[1]:**
  - **136.3k residential clients** with an average monthly ARPU of **c.€61.6**
  - **16.5k SoHo clients** with an average monthly ARPU of c.**€81.1**
  - **3.8k large account clients** with an average monthly ARPU of **c.€461.7**
- Residential **4P / 3P clients represent c.71%** of residential client base

Asturias

Population: *c.1.0m*

Unemployment: *14.9% as of 4Q 2016 vs. 18.6% in Spain*



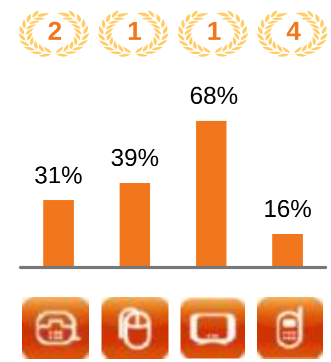
2016 Key metrics

Homes Passed ('000s):	**452**
Residential Subscribers ('000s):	**136**
Mobile penetration[2]:	**56%**
RGU/Sub (x)[3]:	**3.5x**
Revenue (€m):	**138**
Adj. EBITDA (€m)[4]:	**65**
Adj. EBITDA Margin (%)[4]:	**47%**
OpFCF conversion (%)[5]:	**29%**

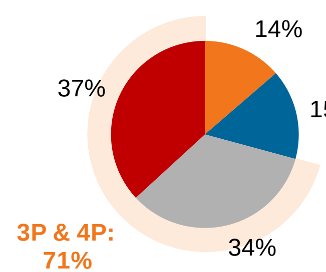
Leading market position

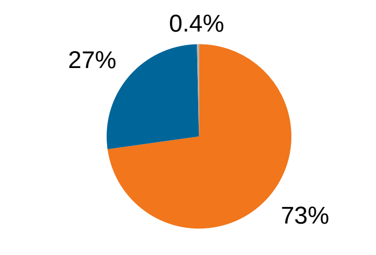
(Market share per product in Asturias)

Residential segment



Fully convergent offer





Source: Company estimates, INE figures for year 2015 unless stated

(1) Number of clients includes fixed subscribers and mobile-only subscribers. ARPU based on fixed subscribers (excluding mobile only)

(2) Measured as residential fixed subscriber with mobile (excluding mobile only) over total fixed subscribers

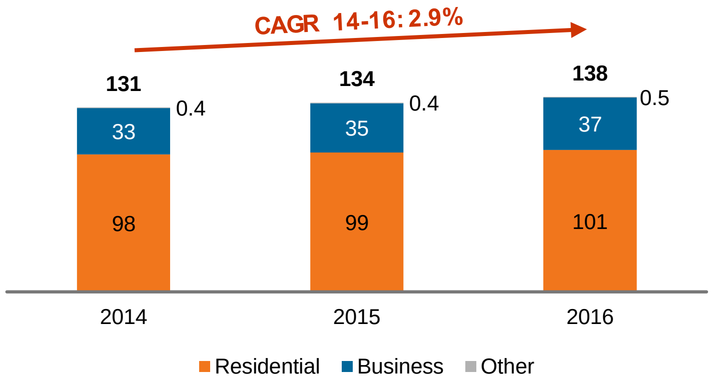
(3) Residential subscribers (excluding mobile only)

(4) Unaudited figures. Adjusted for management fees, M&A expenses, transaction bonuses and other extraordinary items

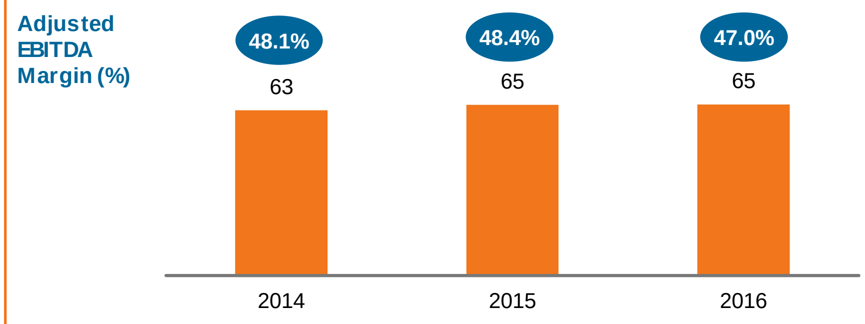
(5) Defined as (adjusted EBITDA minus capex) / revenue

Telecable: resilient financial performance

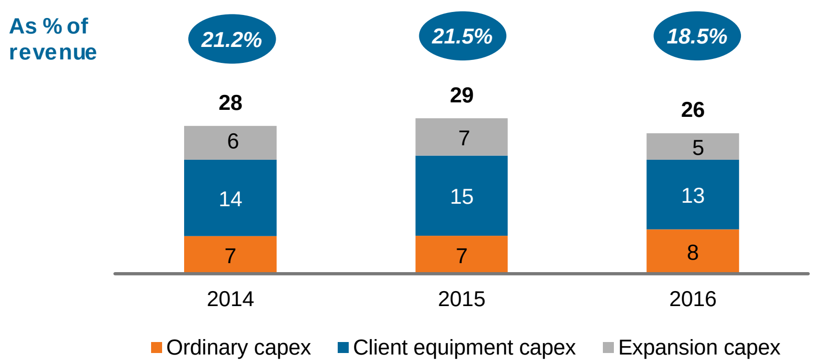
Revenue (€m)



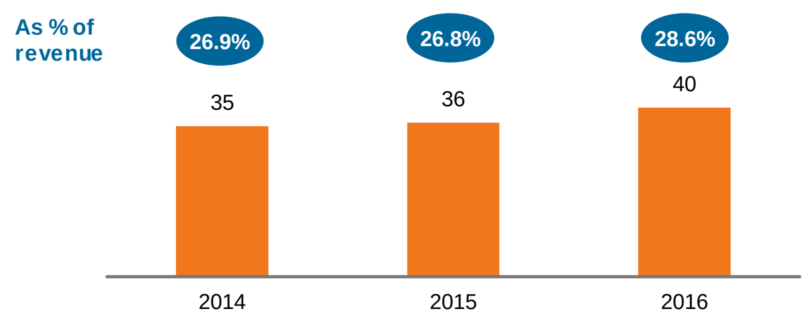
Adjusted EBITDA[1] (€m)



Capex (€m)



OpFCF[2] (€m)



(1) Unaudited figures. Adjusted for management fees, M&A expenses, transaction bonuses and other extraordinary items
(2) OpFCF defined as adjusted EBITDA minus capex

The acquisition of Telecable reinforces Euskaltel's strategy

1 Consolidator of the regional cable in the North of Spain

2 Broader expertise and enhanced network footprint drives competitiveness and innovation

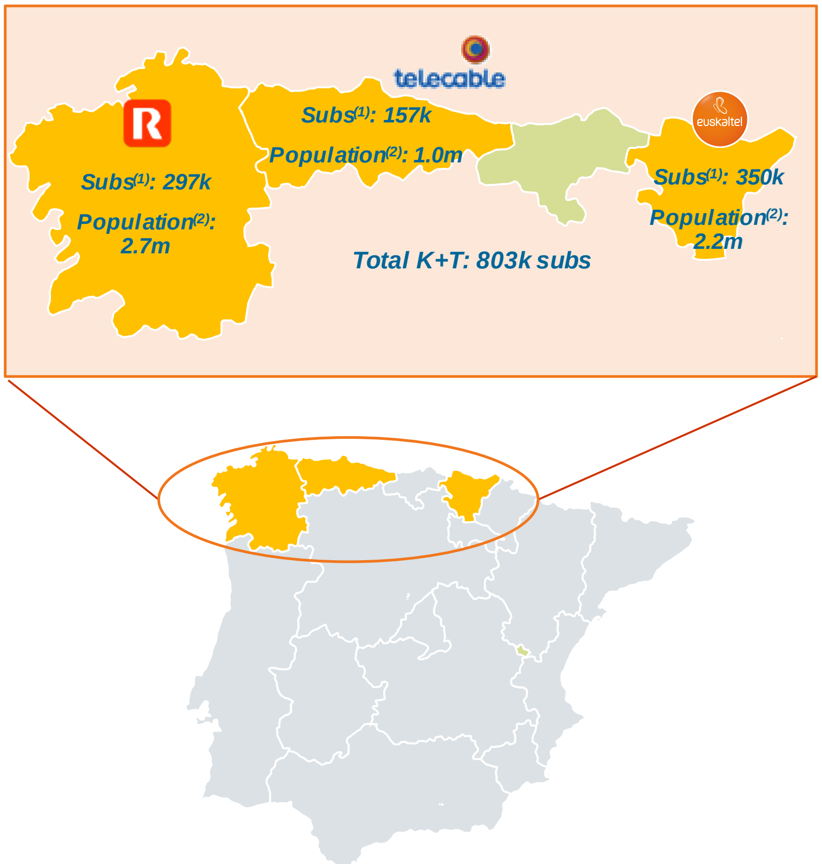
3 Significant identified synergies unlocking value for Euskaltel's shareholders

4 Zegona to provide increased international sector experience and reinforce current governance structure

5 Balance sheet optimization through an efficient mix of shares / cash payment

1 Consolidator of the regional cable in the North of Spain

Geographical complementarity



	euskaltel / R	telecable	euskaltel / R + telecable
Addressable market *(inhabitants)*	c.5.0m	c.1.0m	c.6.0m
Market position	1 in respective region	1 in respective region	1 in respective region
Residential RGUs ('000)s	1,892	451	2,343
RGUs / subscriber(3)	3.5x	3.5x	3.5x
3P/4P Penetration	66%	71%	67%
ARPU (€/month)(3)	58.4	61.6	c.59.1
Churn(3)	15.1%	15.5%	c.15.2%
Mobile penetration over fixed customer(4)	77%	56%	c.73%

Complementary fit with no market overlap and benefiting from increased size and scale

Note: Dec-2016 figures; INE
(1) Total subscribers figure as of Dec-16
(2) 2015 data from INE
(3) Based on residential fixed subscribers (excl. mobile only)
(4) Measured as residential fixed subscriber with mobile (excluding mobile only) over total fixed subscribers

2 Broader expertise and enhanced network footprint drives competitiveness and innovation

Fully convergent offer, increasing customer loyalty with future cross-selling / up-selling opportunities	- Customer focused strong local brands with emotionally attached clients - Fully convergent offering leading to increased customer loyalty and lower churn - Additional services to increase upselling, ARPU and improve customer lifetime value: higher broadband speeds, HD/4K, WiFi hotspots, strategic 4G rollout... - Focus on additional growth initiatives such as customer management, value-added services and targeted network expansion into new areas
Efficient commercial approach and superior customer service	- Increase penetration of homes passed through a flexible and fully convergent offer - Definition of a tailor made strategy to increase penetration in the business segment - Improve customer loyalty through efficient distribution channels, service quality and superior customer service
Operational excellence and cost efficiencies	- Continuous focus on improving margins and cash conversion ratios - Sharing of best practices and processes - Increased opportunities for employees in a larger and stronger combined operation
Reinforced management team	- Incorporation of key Zegona / Telecable managers into the key decision bodies of the enlarged Euskaltel - Deeper pool of expertise enhances management structure

3 Significant identified synergies unlocking value for Euskaltel's shareholders

NPV of estimated opex and capex synergies amounts to c.€245m

Opex synergies (c.85%)

Direct Costs
- Interconnection costs
- Improved terms with suppliers (e.g. TV content)
- Systems: mobile billing, SAP
- Structure and external services

Other Opex Costs
- SAC (e.g. handset subsidies)
- Fixed network operations
- IT and other administrative costs
- Marketing and sales

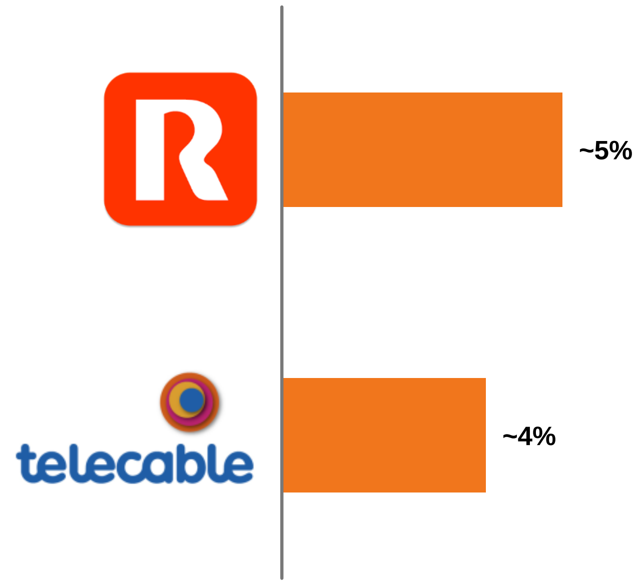
Capex synergies (c.15%)
- Network: fixed voice commutation to IMS, access to Euskaltel's core…
- Systems: mobile billing, SAP…
- Sales and installation costs
- Development of new capabilities

Integration costs
- Integration costs expected to be incurred within 18 months from closing

Acquisition price represents EV/EBITDA of 8.5x adjusted for synergies

Synergies benchmark

Total synergies as % of combined opex and capex[(1)]



Our experience in R Cable gives us great confidence in delivering the level of synergies that we are envisaging with the acquisition of Telecable

Source Euskaltel estimates
Note:
(1) 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

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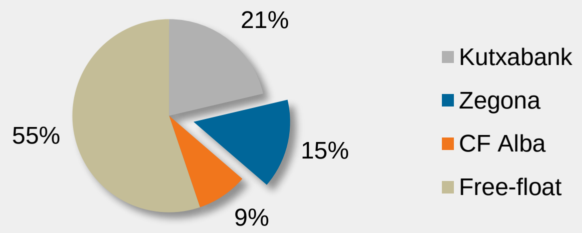
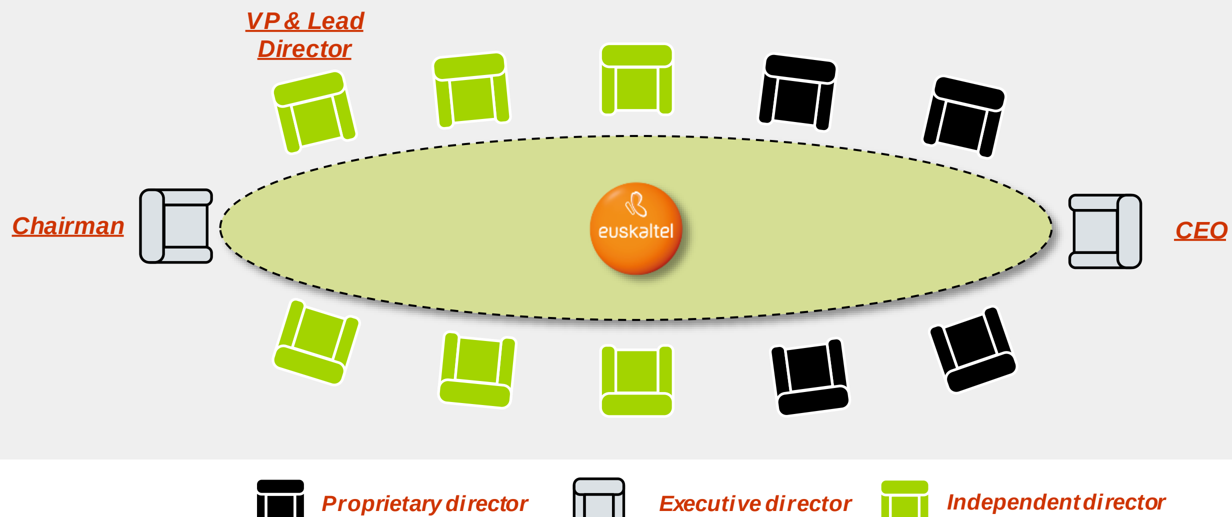
Zegona to provide increased international sector experience and reinforce current governance structure

Pro Forma Shareholder structure



1. Reinforcement of current Corporate Governance structure with the appointment of two new Board Members
2. Creation of a new consultative Strategy Committee with 7 members (including 3 representatives of Kutxabank, Zegona and Alba, and 4 independent Board members)
3. Increase of the maximum number of members of both the Audit and Control and Appointments and Remuneration Commissions
4. Zegona's involvement to bring increased international cable experience and attract other international investors

Board of Directors(1)



Note: New corporate governance structure subject to approval by Euskaltel's General Shareholders' Meeting

(1) Proprietary directors in the Board of Directors representing Kutxabank (2), Zegona (1) and Corporación Financiera Alba (1)

5 Balance sheet optimization through an efficient mix of shares/cash payment

Proforma capital structure

- Total transaction consideration to be financed with:
  - €255m capital increase fully subscribed by Zegona (26.8m new ordinary shares of Euskaltel issued at €9.5 per share)
  - €163m of cash on balance sheet
  - €268m of additional debt, including refinancing of €245m of Telecable's estimated net debt as of 30 June 2017
- Euskaltel's leverage to increase from current 4.2x to c.4.5x post-closing and expected to decrease close to 4.0x by the end of 2018(1)
- New debt expected to be included within current existing facilities and to be implemented based on market conditions at closing

Prudent and clear financial policy

- Approach to leverage as per IPO guidance
- Targeted leverage of 3.0x-4.0x ND/EBITDA
- Shareholders remuneration to be maintained in the terms previously announced to the market(2)

(1) Including fully-phased synergies. Leverage post-closing proforma to include dividends to be paid in Jul-17
(2) Subject to Euskaltel's Board of Directors and General Shareholders' Meeting approval

Strong financials with positive prospects and FCF per share accretive

	PF figures[(1)]	Guidance
Revenue (€m)	**€711m**	Revenue to grow by 1% to 2% in 2017 in line with Euskaltel guidance +24% growth vs. Euskaltel standalone
Adjusted EBITDA (€m)[(2)]	**€346m** *48.6% margin*	2016 PF adjusted EBITDA margin at 48.6% vs. 49.0% for Euskaltel pre-transaction Medium term target of 50%
Capex (€m)	**€121m** *17.1% of revenue*	2016 PF capex as a % of revenue at 17.1% vs. 16.7% for Euskaltel stand alone Capex to remain around 17% of revenue in the mid-term, in line with Euskaltel announced targets
OpFCF (€m)	**€224m** *31.5% of revenue*	OpFCF growth expected to grow by over 5% for the year 2017
EqFCF accretion	**>6-7%**	EqFCF accretive deal since year 1 pro forma fully-phased synergies
Leverage	**c.4.5x**	Leverage post transaction not to exceed 4.5x[(3)]

Double digit dividend growth[(4)]

(1) Unaudited preliminary 2016 pro-forma financial statements of Euskaltel post-acquisition of Telecable
(2) Unaudited figures. Adjusted for management fees, M&A expenses, transaction bonuses and other extraordinary items (+€2.8m in 2016)
(3) Including fully-phased synergies and proforma to include dividends to be paid in Jul-17
(4) Subject to Euskaltel's Board of Directors and General Shareholders' Meeting approval

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Transaction benchmark: R Cable vs. Telecable

	R cable	Telecable
Date	Oct-15	May-17
EV (€m)	1,190	686
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%
Leverage PF transaction	~5.1x	~4.5x
EqCF Accretion *(fully phased synergies)*	>15%	>6-7%

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

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Key transaction dates

	Milestones	Date	Status
1	Due-Diligence process	1Q 2017	✓
2	Execution of legal documentation	May 2017	✓
3	Euskaltel's General Shareholders' Meeting	June 2017	
4	Spanish antitrust clearance	3Q 2017	
5	Approval of the Prospectus by the CNMV	3Q 2017	
6	Financing	3Q 2017	
7	Expected closing	3Q 2017	

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Creating the leading integrated operator in the North of Spain

1. Undisputed leading cable and convergence operator in the North of Spain
2. Attractive local brands with strong emotional attachment and loyal high-quality clients
3. State-of-the art fully invested fiber network, providing best-in-class service and acting as an entry barrier
4. Strong resilient performance with a proven ability to outperform the market
5. Identified opportunities for further upside from pricing, up-selling, cross-selling and increasing penetration
6. Strong business segment providing diversification with identified upside potential
7. Efficient and prudent financing structure combined with a superior cash conversion allowing to maintain shareholder remuneration policy previously announced to the market
8. Reinforcement of the current shareholding and corporate governance structure

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Thank you!