Euskaltel Group

Q1 2020 results

April 22nd, 2020

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| Euskaltel starts the year strongly delivering on guidance and with a controlled COVID-19 impact

Operating KPIs (Q1 20 vs Q4 19)	+0.4k	Mass Market fixed customers net adds[1]	Stable customer base reflects COVID-19 restrictions[2]
	+3k	Broadband net adds	Broadband services growth
	13m	Addressable households	Significant increase in addressable footprint ready for national expansion
Financials	+0.1%	Revenue (YoY growth)	Revenue very slightly impacted by COVID-19 in the quarter
	+8.1%	EBITDA (YoY growth)	Efficiency initiatives drive significant EBITDA and cash flow growth
	+5.5%	OpCF (YoY growth)	
COVID-19	Controlled operating and financial impact		

1. Mass market fixed subs = residential fixed subs + SOHO fixed subs (exc. only mobile subs)
2. Portability restrictions imposed by the regulator as a result of the State of Emergency

Euskaltel reinforces its services during the COVID-19 situation

+65% Fixed voice traffic

+71% Fixed data traffic

+32% On-demand TV consumption

Focus on keeping customers connected…

- 70% of stores open to meet customer service requirements[1]
- Special B2B customer service and technical support platforms established
- 800 people working on a daily basis to ensure continued network robustness
- Network operating normally and traffic increases delivered without any major disruptions

… reinforcing their services…

- All TV cinema and children channels offered free of charge
- 30 Gb per month of mobile data bonus offered to every mobile customer
- Data allowances increased to customers with special needs
- TV access provided to all those hospitalized

… while keeping employees and customers safe

- All COVID-19 Government restrictions implemented
- Nearly 100% of employees and more than 90% of call centres workers teleworking
- Squad team created to help employees cope with COVID-19 issues

1. Customer service requirements imposed by the Government as a result of the State of Emergency

Controlled operating and financial impact

Controlled business impacts

- Portability restrictions imposed due to the State of Emergency have resulted in an approximately 50% reduction in both daily gross adds and churn from normal levels, resulting in a stable customer base
- Customer bill returns and customer suspensions generate limited impact on revenue to date
- Mitigation measures already implemented to support and fidelise the customer base and customer suspension requests are being monitored on a daily basis to mitigate full-year revenue impact

Solid financial position

- €98m of cash balance as of March 31st, 2020, continued operating cash flow generation
- Cash balance has increased by €150m in April due to the full drawdown of the revolving credit facility
- Average debt maturity at 4.2 years, solid balance sheet position

Limited business impact, solid financial position and all COVID-19 mitigation measures already in place

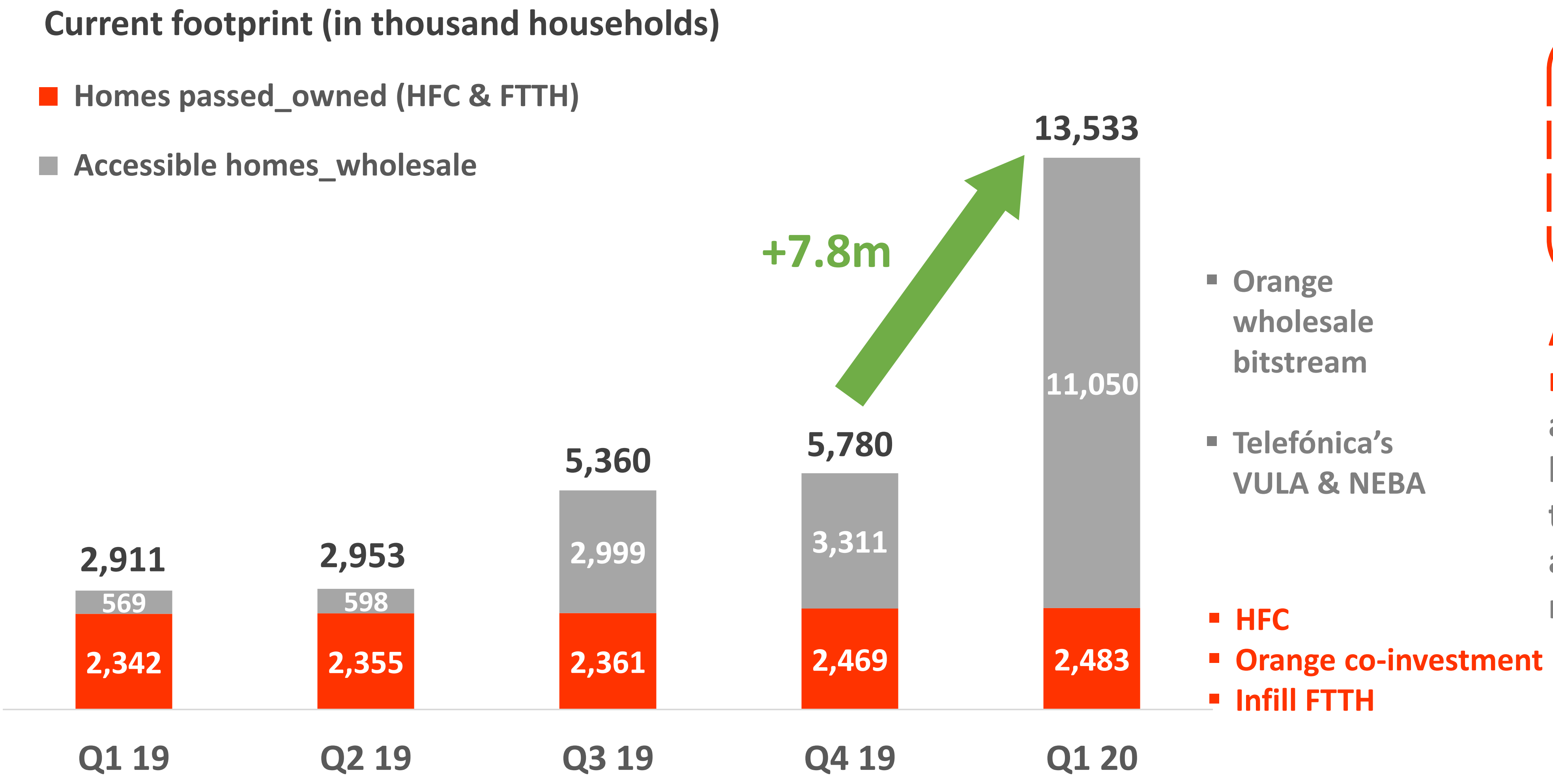
| Virgin national expansion **prepared for full commercial launch**

- More than **13 million households national coverage** in the quarter
- **Customer pilot tests already launched** with initial success
- Trial **customers already connected** at national level

Virgin brand ready for commercial launch with footprint deployment and customer trials already started

Operating review

| Access to national footprint increased by close to 8 million households in the quarter

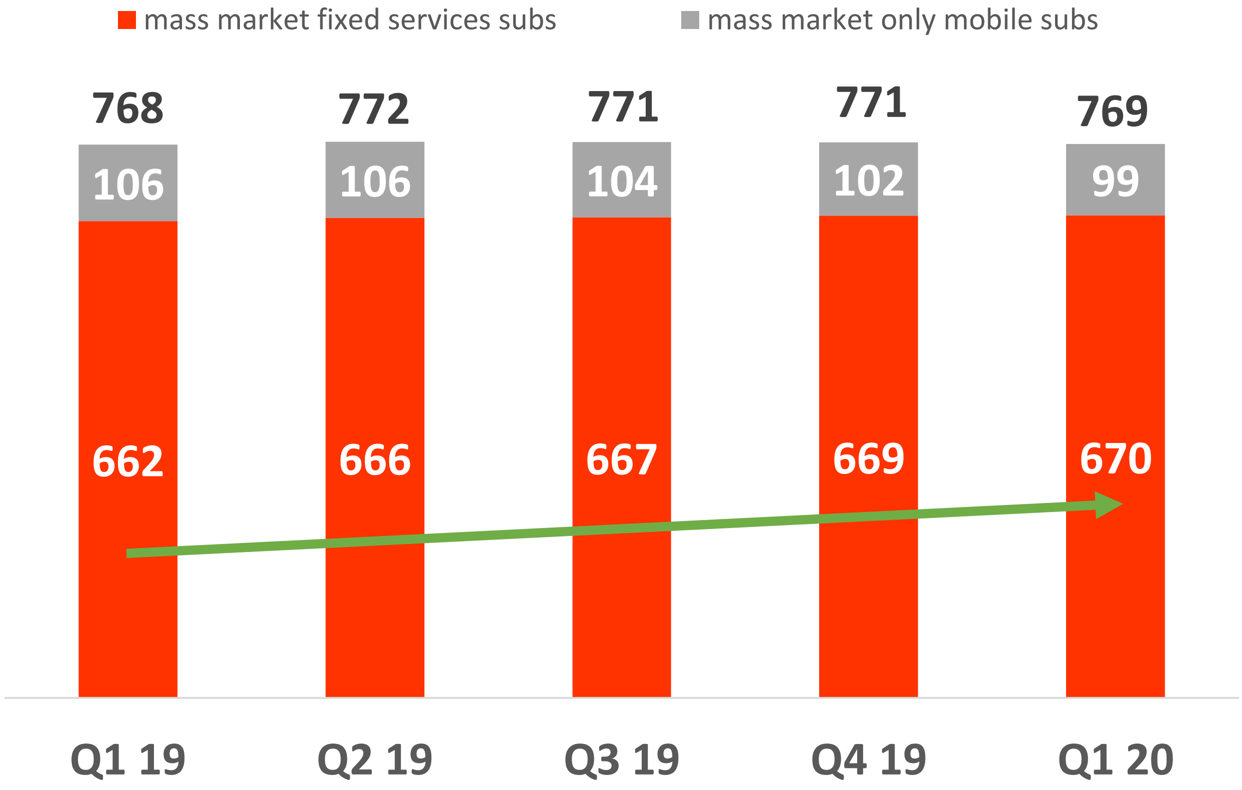


~18m households estimated for Q2 2020

Addressable footprint multiplies with the addition of accessible households through the Orange agreement and Telefonica's regulated footprint

The stable customer base reflects the lower sales volumes due to Covid-19 restrictions being balanced by reduced churn

Mass market subscribers[1, 2] (in thousands)



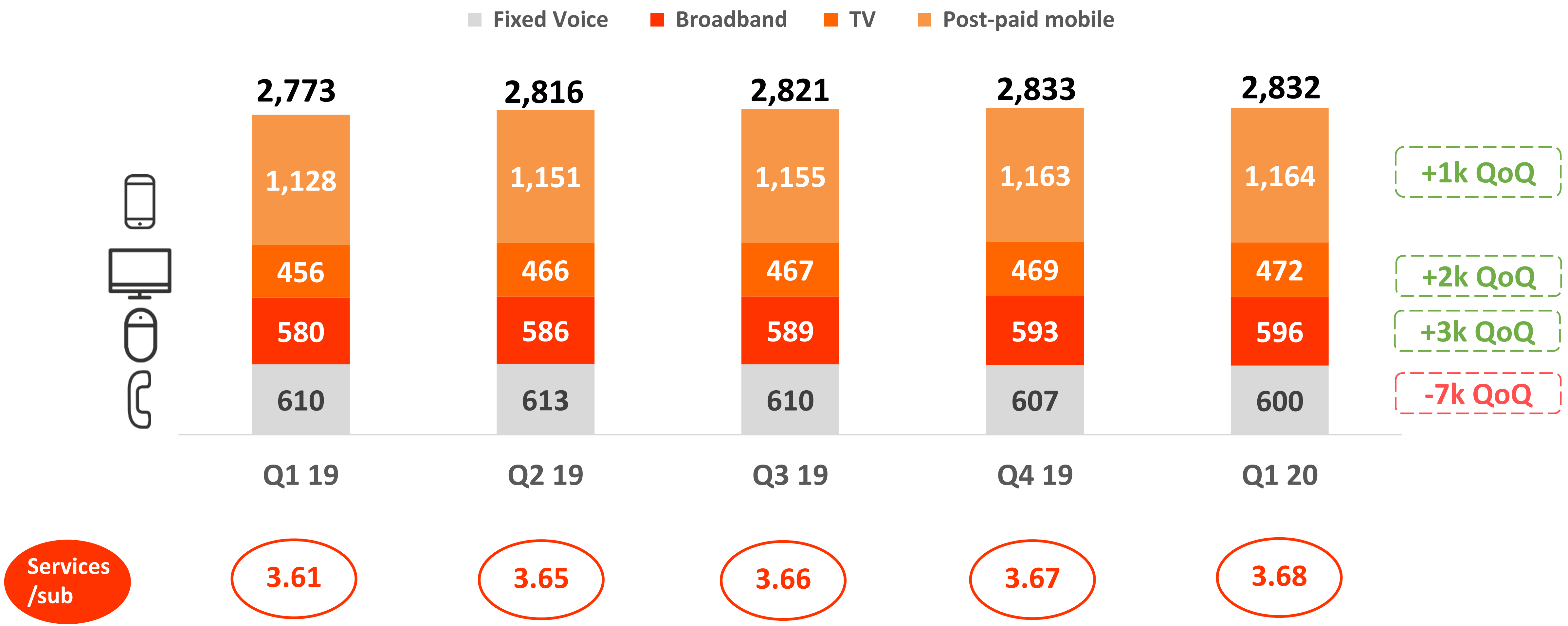
Portability restrictions imposed by the State of Emergency limited March's commercial momentum

Strong decline in daily gross adds compensated by churn reduction to maintain a stable customer base

1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs
2. Mass market subs figures impacted by a 0.2k subs reclassification from mass market to SMEs

Broadband penetration grows in the customer base

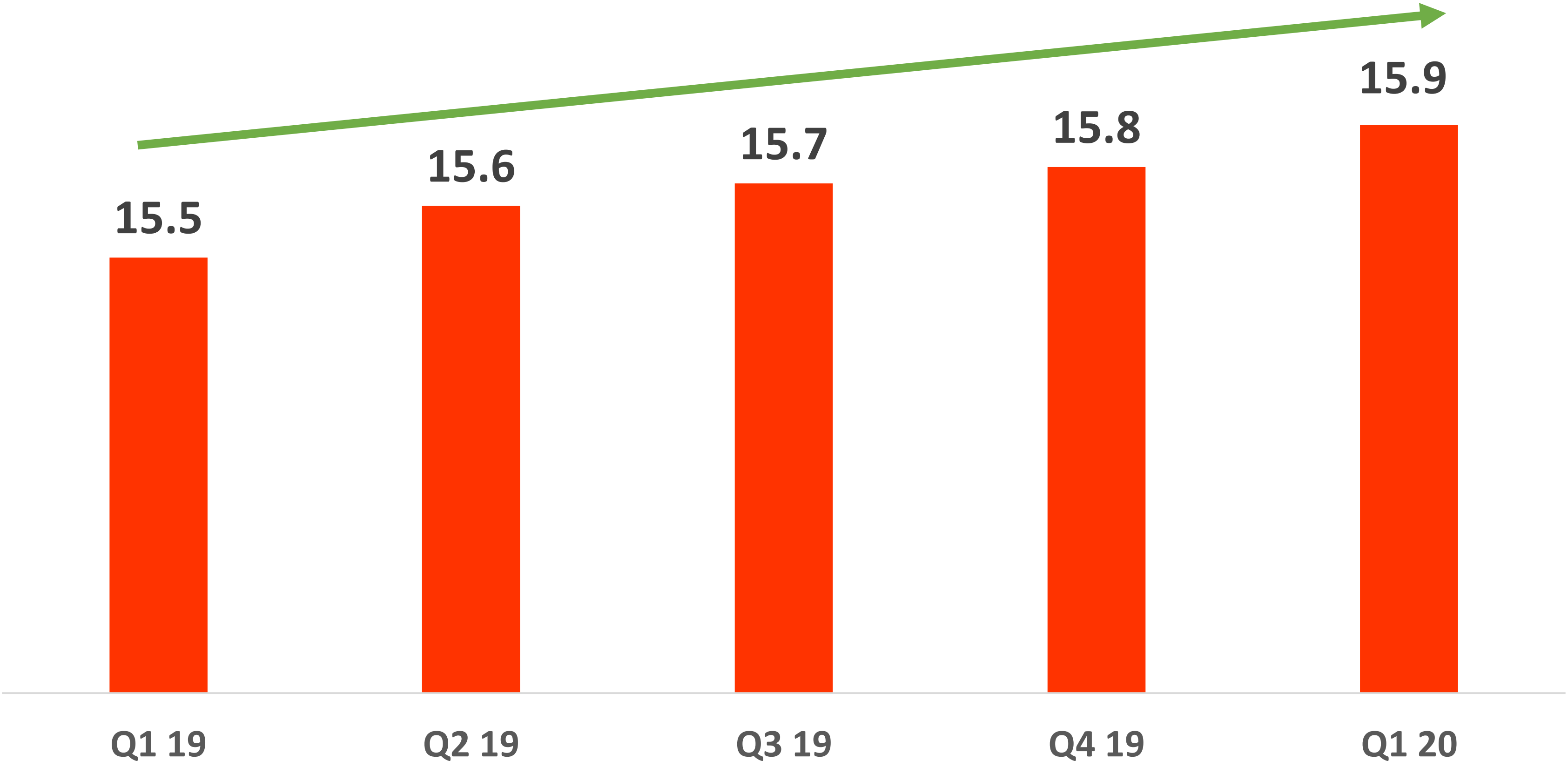
Mass market services[1] (RGUs) per type (in thousands)[2]



1. Mass market services = residential services + SOHO services + RACC only mobile services
2. RGU figures impacted by a 12k RGU reclassification from mass market to SMEs

SME and large accounts customer growth continues on a positive trend

SME and large account subscribers[1] (in thousands)

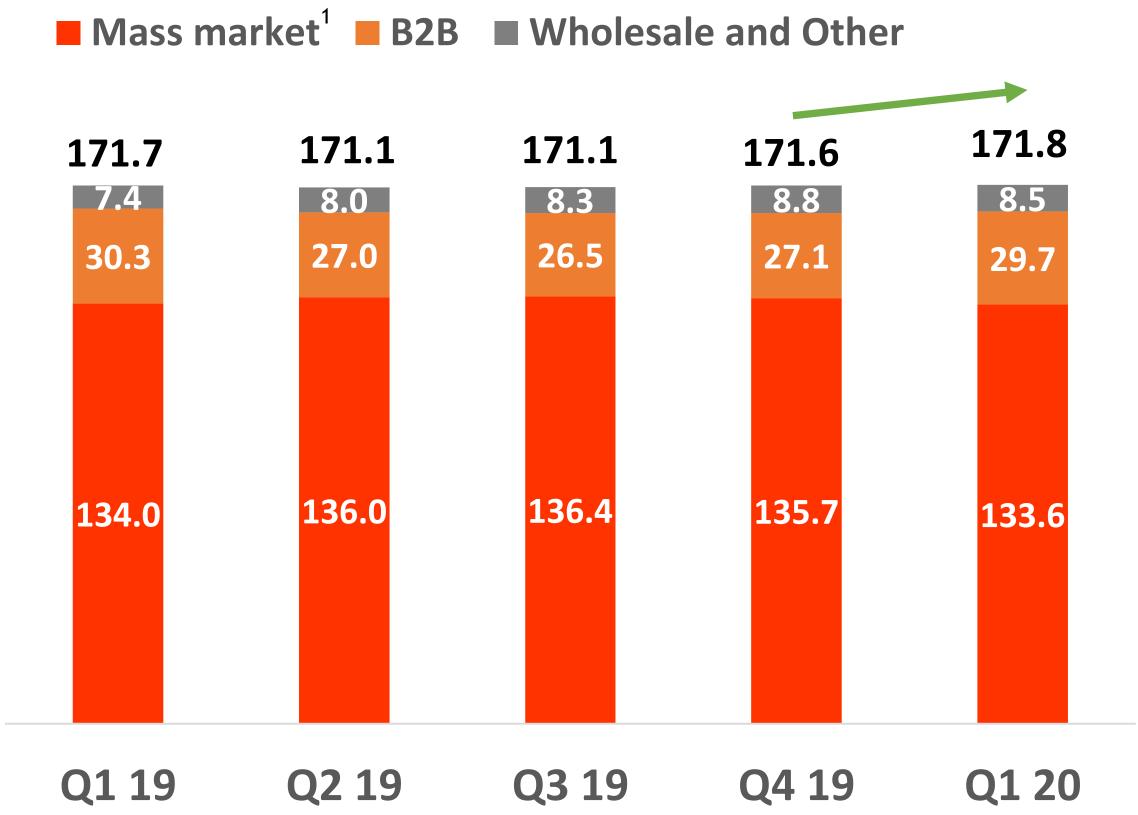


1. SME and large account subs figures impacted by a 0.2k subs reclassification from mass market to SMEs and a recognizition of 0.3k subs not previously reported

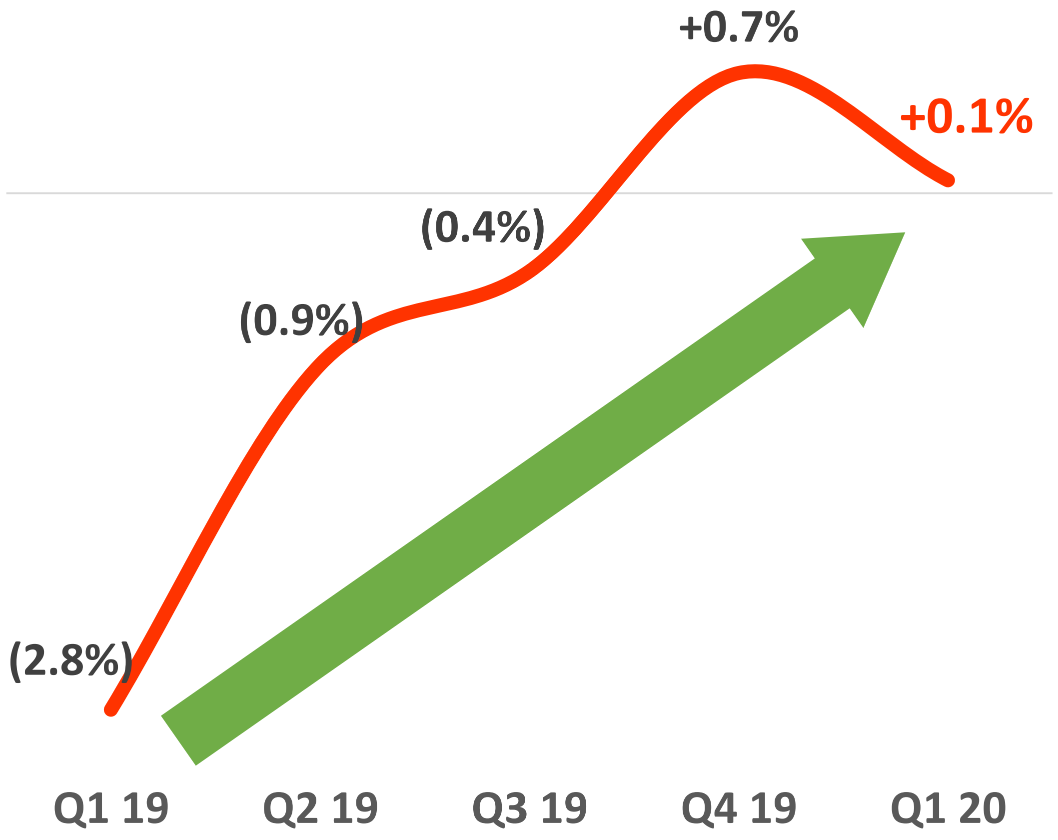
Financial review

Revenue remains stable with limited COVID-19 impact

Total revenue breakdown by segment[2] (EURm)



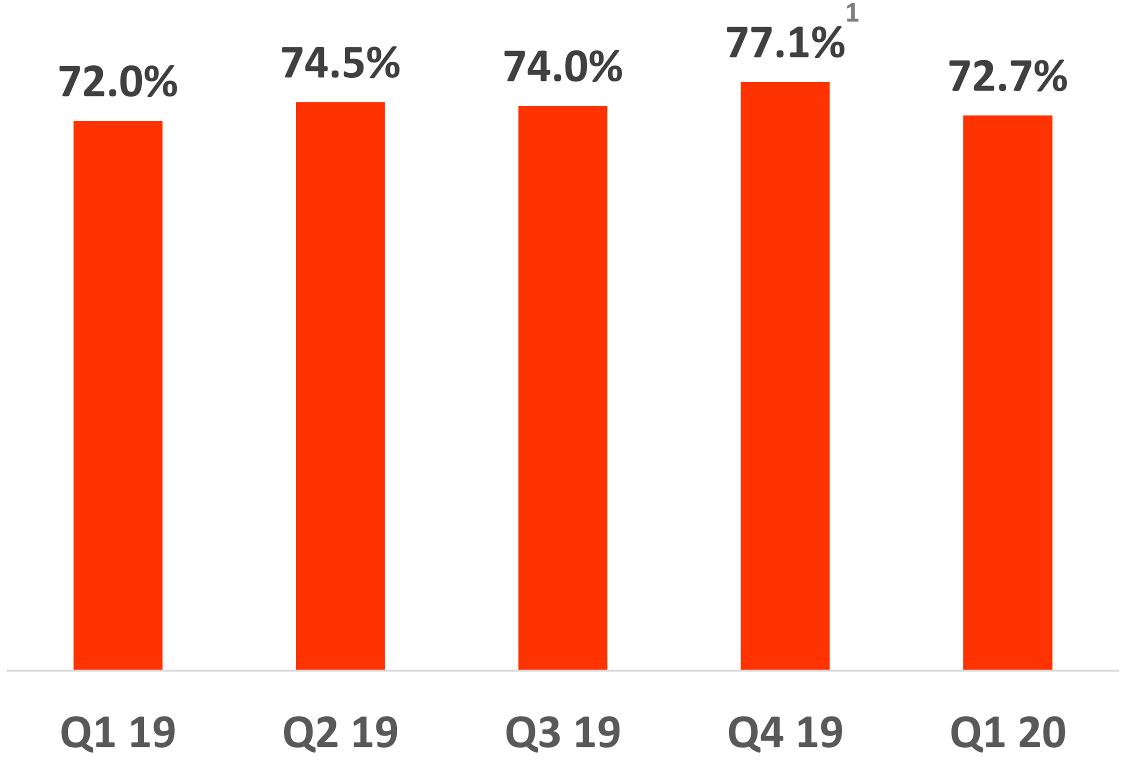
Total revenue evolution YoY (%)



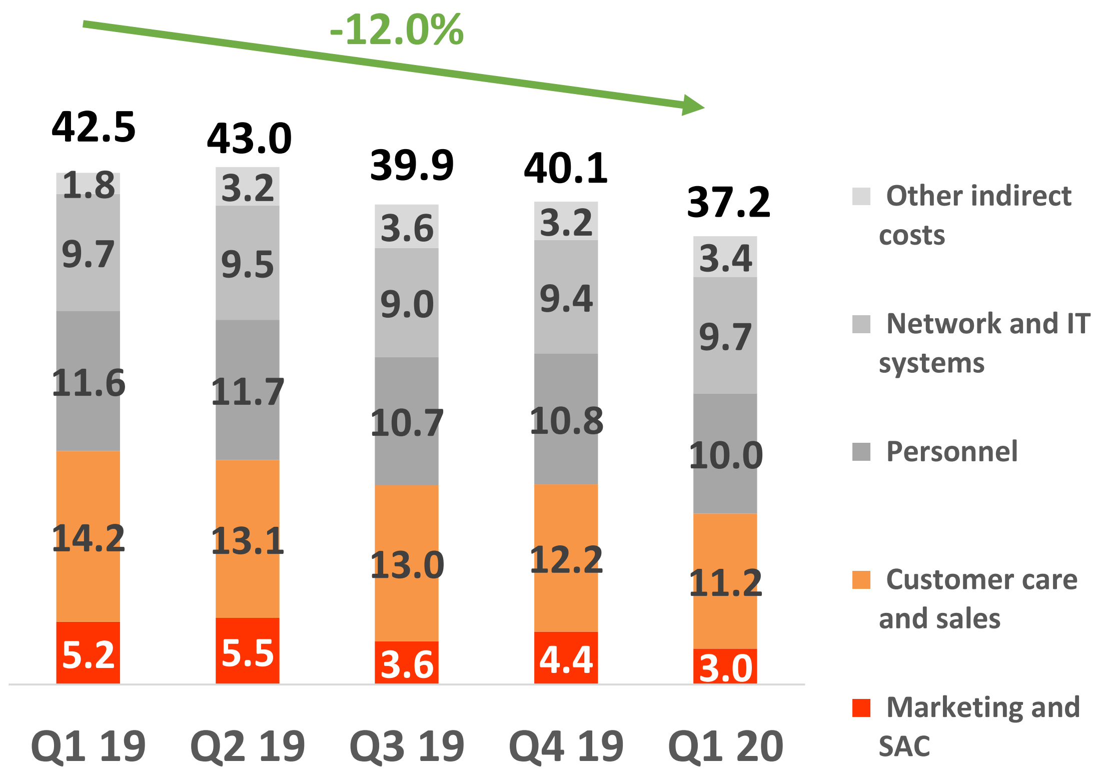
1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue
2. 2019 revenue figures impacted by a reclassification due to reporting changes to more accurately reflect the integration of the 3 companies

Operating efficiencies allow for a significant SG&A reduction in the quarter

Gross margin[2] (% over revenue)



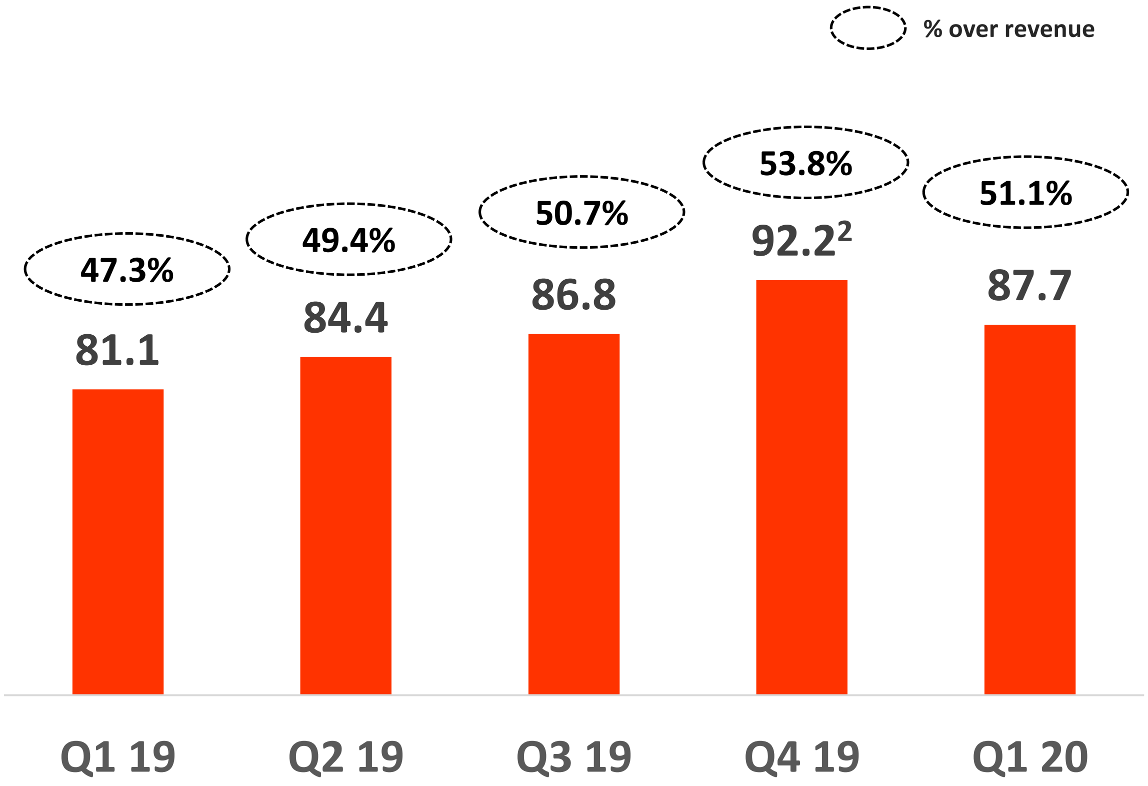
Selling, general and administrative expenses[2] (EURm)



1. Gross margin includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement
2. Change in 2019 gross margin and SG&A figures is due to an expenses reclassification due to reporting changes to more accurately reflect the integration of the 3 companies

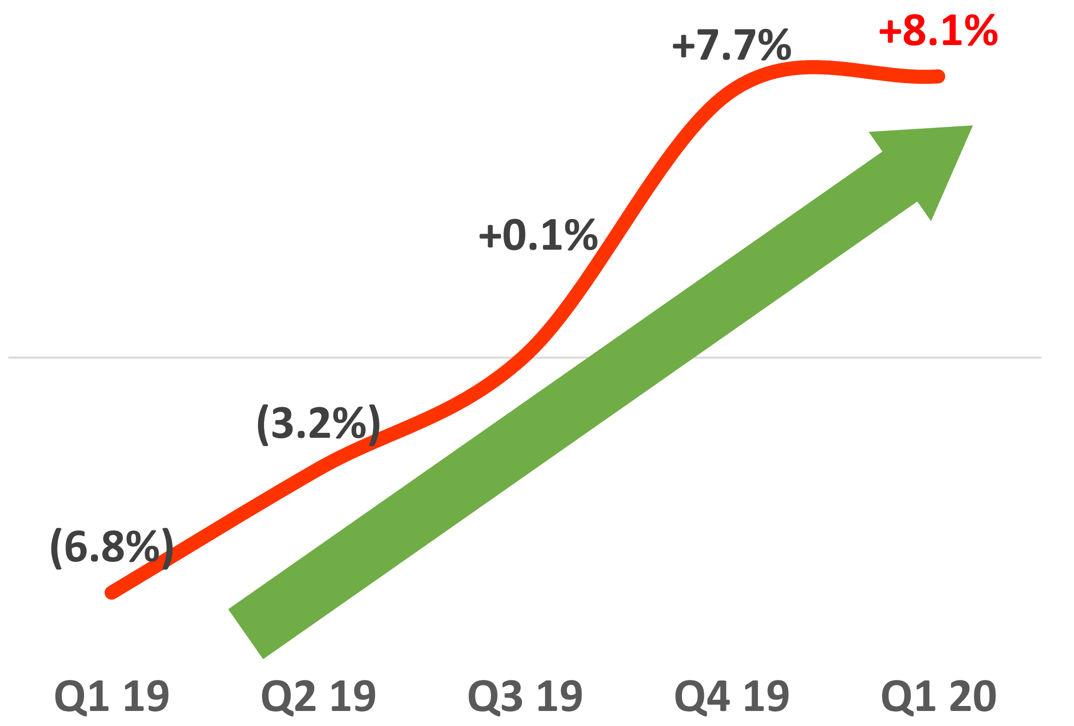
Efficiency implementation drives strong EBITDA growth in the quarter

EBITDA[1] (EURm)



1. EBITDA definition as per 'alternative performance measures': EBIT + depreciation and amortization +/- impairment + other non recurrent results
2. Q4 19 EBITDA includes €6.9 million of positive impacts mainly from the renewal of the Orange wholesale agreement

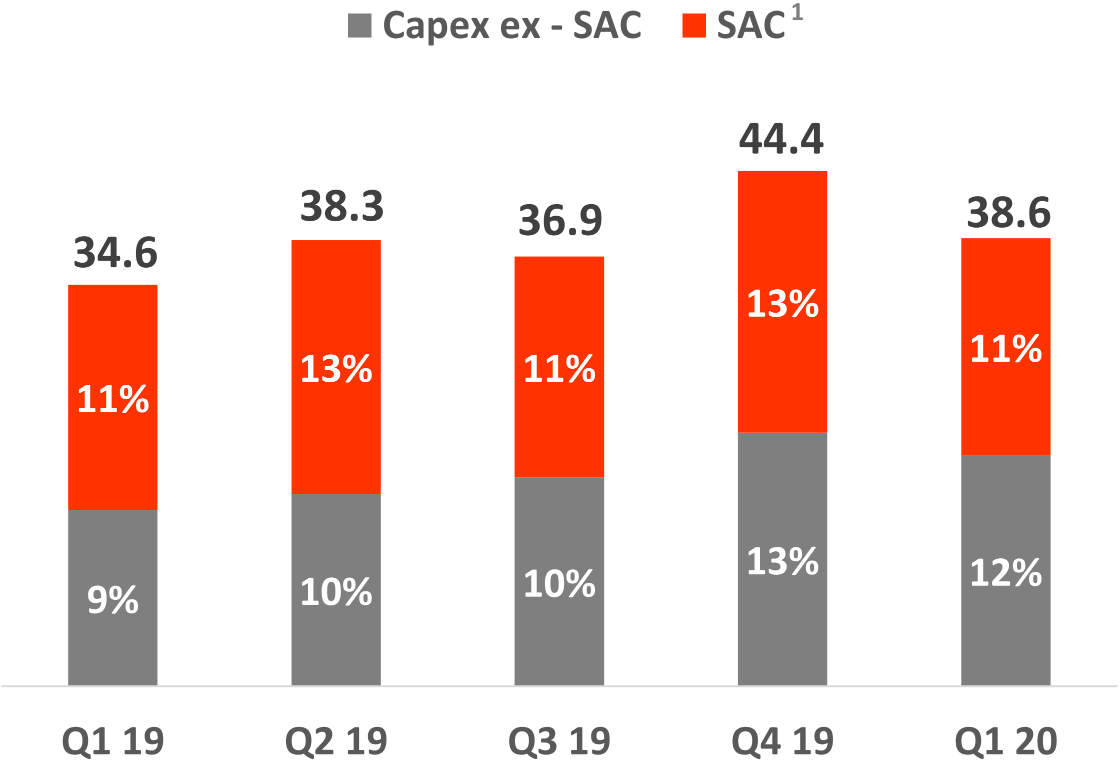
Total EBITDA evolution[3] YoY (%)



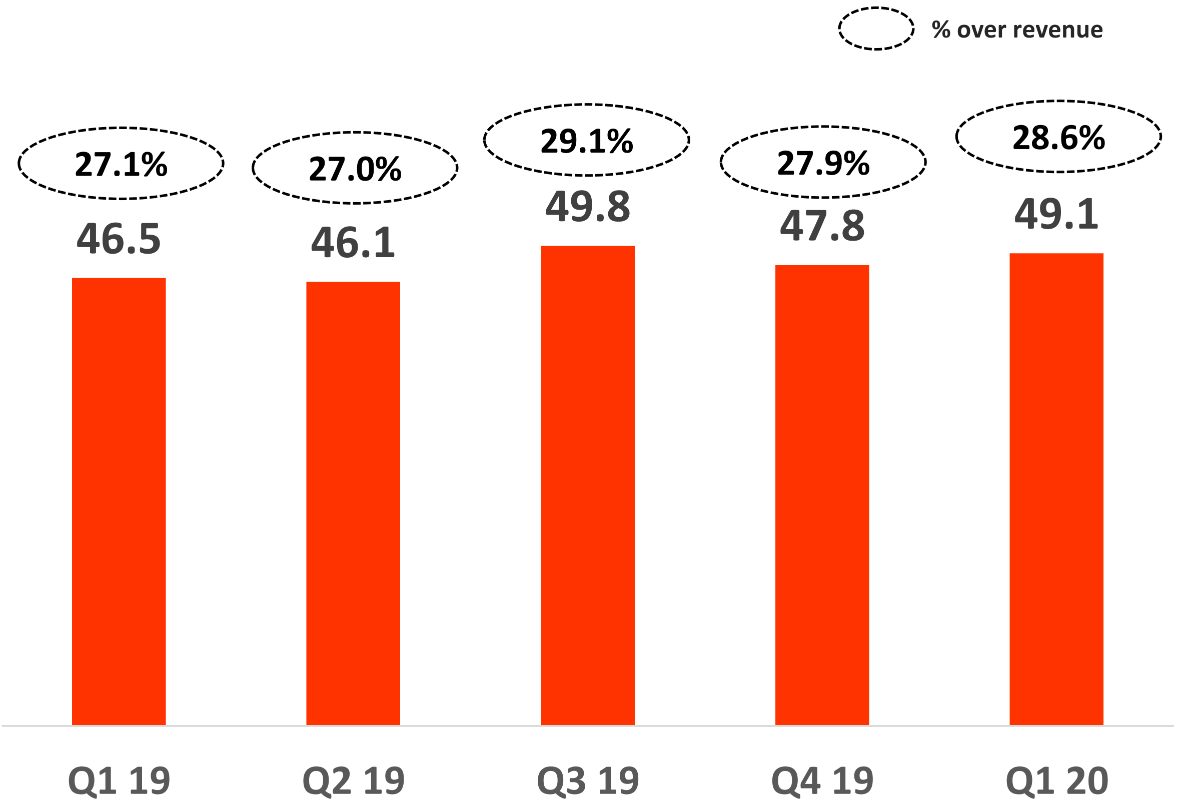
3. EBITDA evolution excluding the impact of IFRS 16 (€10.1m in the year) in 2019 from reported EBITDA

Cash flow generation grows to 29% of revenue in the quarter

Capex² (EURm and as % of revenue)



OpCF (EBITDA – capex) (EURm)



1. SAC capex includes commercial costs, customer installation and customer equipment
2. Change in 2019 capex breakdown is due to a capex reclassification due to reporting changes to more accurately reflect the integration of the 3 companies

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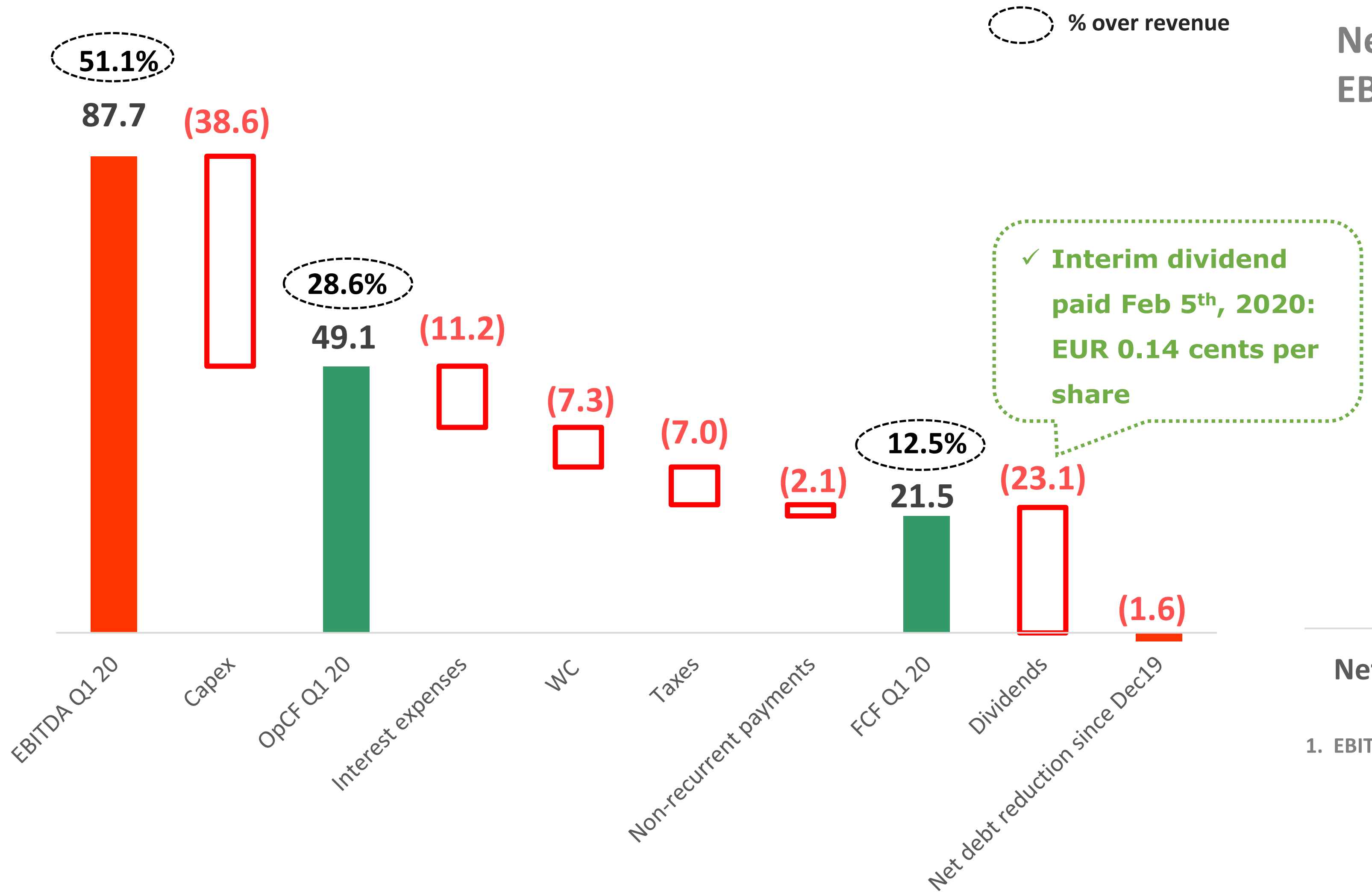
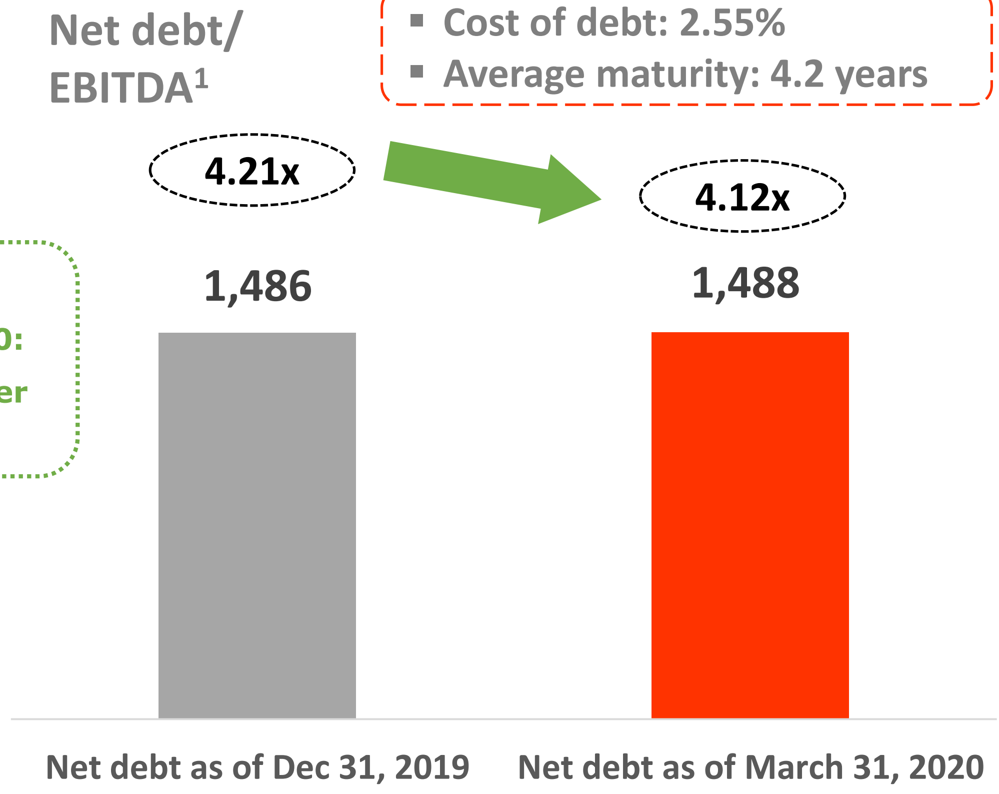
EBITDA growth allows for leverage reduction to 4.1x in the quarter

Q1 20 cash allocation (EURm)



Q1 20 net debt (EURm)

- Cost of debt: 2.55%
- Average maturity: 4.2 years



1. EBITDA adjusted by identified potential synergies

| The company confirms 2020 guidance and a maintained dividend policy for 2019

The company **confirms 2020 guidance**

The company confirms a **€0.31 dividend payment for 2019**
(a €0.17 complementary payment will be **made on July 2020**)

2020 guidance confirmation and a maintained dividend policy for 2019 is supported by a **strong financial performance in Q1 2020 and a controlled COVID-19 impact:**

- ✓ Strong **8% yoy EBITDA growth** in the quarter
- ✓ Strong **6% yoy operating cash flow growth**
- ✓ **Significant deleverage** to 4.1x in the quarter
- ✓ **Controlled** operating and financial **COVID-19 impact**

| Q1 2020 results show strong guidance delivery in the COVID-19 situation

- Controlled COVID-19 impact in the business ✓
- National expansion ready for full commercial launch ✓
- Stable customer and revenue base ✓
- Continued efficiency implementation drives strong EBITDA growth ✓
- EBITDA growth and cash flow drive strong deleverage ✓
- 2020 guidance and 2019 dividend policy maintained ✓

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Appendix

Euskaltel Group Q1 2020 consolidated results and KPIs

Euskaltel Group consolidated - KPIs (i/iii)

Mass market		Annual	Quarterly				
KPIs	**Unit**	**2019**	**Q1 19**	**Q2 19**	**Q3 19**	**Q4 19**	**Q1 20**
Homes passed_owned (HFC & FTTH)	#	2,468,822	2,341,655	2,355,173	2,360,891	2,468,822	2,482,870
Accessible homes_wholesale	#	3,310,812	569,092	598,061	2,999,183	3,310,812	11,050,114
Mass market subs[1]	#	770,865	767,616	771,646	771,167	770,865	768,891
o/w fixed services subs	#	669,317	661,558	666,138	667,022	669,317	669,678
o/w only mobile subs	#	101,548	106,058	105,508	104,145	101,548	99,213
Total services (RGUs)[2]	#	2,832,680	2,773,355	2,815,918	2,821,188	2,832,680	2,831,975
Fixed Voice	#	606,809	610,105	612,549	609,981	606,809	599,972
Broadband	#	593,338	579,523	586,080	589,090	593,338	596,292
TV	#	469,370	456,119	465,872	467,280	469,370	471,610
Post-paid mobile	#	1,163,163	1,127,608	1,151,417	1,154,837	1,163,163	1,164,101
Services (RGUs) per subscriber	#	3.67	3.61	3.65	3.66	3.67	3.68
Global ARPU fixed customers (quarterly standalone)	€/month	60.07	59.98	60.00	60.37	60.07	60.04

SMEs and Large Accounts		Annual	Quarterly				
KPIs	**Unit**	**2019**	**Q1 19**	**Q2 19**	**Q3 19**	**Q4 19**	**Q1 20**
Customers	#	15,763	15,460	15,633	15,708	15,763	15,904

1. Mass market subs = residential subs + SOHO subs + RACC only mobile subs
2. Mass market services = residential services + SOHO services + RACC only mobile services

Note: The change in 2019 subs and ARPU figures is due to a reclassification of 0.2k subs from mass market to SMEs and a recognizition of not previously reported 0.3k SME subs.

Euskaltel Group consolidated – Consolidated financials (ii/iii)

Profit and Loss Statement	Unit	Annual 2019	Quarterly Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Total revenue	**€m**	**685.5**	**171.7**	**171.1**	**171.1**	**171.6**	**171.8**
Y-o-y change	%	*-0.9%*	*-2.8%*	*-0.9%*	*-0.4%*	*0.7%*	*0.1%*
o/w Mass market revenue [1]	€m	542.1	134.0	136.0	136.4	135.7	133.6
o/w B2B revenue	€m	110.9	30.3	27.0	26.5	27.1	29.7
o/w Wholesale and Other revenue	€m	32.5	7.4	8.0	8.3	8.8	8.5
Gross margin	**€m**	**510.0**	**123.6**	**127.4**	**126.6**	**132.3**	**124.9**
% of total revenue	%	*74.4%*	*72.0%*	*74.5%*	*74.0%*	*77.1%*	*72.7%*
Selling, General & Admin. Expenses (SG&A)	€m	(165.4)	(42.5)	(43.0)	(39.9)	(40.1)	(37.2)
o/w marketing and SAC	€m	(18.7)	(5.2)	(5.5)	(3.6)	(4.4)	(3.0)
o/w customer care and sales	€m	(52.5)	(14.2)	(13.1)	(13.0)	(12.2)	(11.2)
o/w personnel	€m	(44.8)	(11.6)	(11.7)	(10.7)	(10.8)	(10.0)
o/w network and IT systems	€m	(37.7)	(9.7)	(9.5)	(9.0)	(9.4)	(9.7)
o/w other indirect costs	€m	(11.8)	(1.8)	(3.2)	(3.6)	(3.2)	(3.4)
Adjusted EBITDA	**€m**	**344.5**	**81.1**	**84.4**	**86.8**	**92.2**	**87.7**
% of total revenue	%	*50.3%*	*47.3%*	*49.4%*	*50.7%*	*53.8%*	*51.1%*
Y-o-y change	%	2.4%	-3.7%	-0.1%	2.6%	10.4%	8.1%
Depreciation and Amortization	€m	(202.7)	(50.2)	(51.0)	(51.1)	(50.4)	(49.9)
Extraordinary items	€m	(21.0)	(2.9)	(7.6)	(5.2)	(5.3)	(2.2)
Net financial expenses	€m	(49.3)	(12.6)	(12.1)	(12.4)	(12.1)	(11.9)
Net profit before taxes	**€m**	**71.5**	**15.4**	**13.7**	**18.0**	**24.4**	**23.7**
Taxes	€m	(9.5)	(3.4)	(2.8)	1.0	(4.3)	(4.6)
NET PROFIT	**€m**	**62.0**	**11.9**	**11.0**	**19.0**	**20.1**	**19.1**

1. Mass market revenue = residential revenue + SOHO revenue + RACC only mobile revenue

Note: 2019 revenue figures impacted by a reclassification due to reporting changes to more accurately reflect the integration of the 3 companies. Change in 2019 gross margin and SG&A figures is due to an expenses reclassification due to reporting changes to more accurately reflect the integration of the 3 companies.

Euskaltel Group consolidated – Consolidated financials (iii/iii)

Cash Flow Statement	Unit	Annual 2019	Quarterly Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
EBITDA	**€m**	**344.5**	**81.1**	**84.4**	**86.8**	**92.2**	**87.7**
Capex	**€m**	**(154.3)**	**(34.6)**	**(38.3)**	**(36.9)**	**(44.4)**	**(38.6)**
% of total revenue	*%*	-22.5%	-20.2%	-22.4%	-21.6%	-25.9%	-22.5%
Operating Cash Flow	**€m**	**190.3**	**46.5**	**46.1**	**49.8**	**47.8**	**49.1**
% of total revenue	*%*	27.8%	27.1%	27.0%	29.1%	27.9%	28.6%
Interests	€m	(42.1)	(12.3)	(9.3)	(11.4)	(9.1)	(11.2)
Working Capital	€m	(7.4)	(32.0)	15.2	1.1	8.4	(7.3)
Taxes	€m	(16.8)	(6.8)	(2.6)	(1.0)	(6.4)	(7.0)
Others	€m	(23.0)	(5.9)	(7.7)	(5.3)	(4.2)	(2.1)
Free Cash Flow	**€m**	**101.1**	**(10.5)**	**41.8**	**33.3**	**36.5**	**21.5**
Dividends	€m	(55.3)	(25.0)	-	(30.3)	-	(23.1)
Net debt variation	**€m**	**45.8**	**(35.5)**	**41.8**	**3.0**	**36.5**	**(1.6)**
NET DEBT	**€m**	**1,486.3**	**1,567.5**	**1,525.8**	**1,522.8**	**1,486.3**	**1,487.8**

Balance Sheet	Unit	Annual 2019	Quarterly Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Non-current Assets	€m	**2,749.0**	**2,779.1**	**2,765.1**	**2,754.5**	**2,749.0**	**2,738.0**
Intangible assets	€m	1,324.2	1,332.7	1,329.5	1,324.9	1,324.2	1,322.4
Tangible assets	€m	1,288.8	1,312.2	1,302.7	1,292.9	1,288.8	1,280.5
Financial assets	€m	8.9	9.1	9.0	8.4	8.9	8.0
Deferred tax assets	€m	127.1	125.1	123.8	128.3	127.1	127.1
Current Assets	€m	**168.2**	**144.1**	**149.5**	**158.8**	**168.2**	**174.4**
Inventories	€m	4.2	5.7	6.4	6.1	4.2	5.7
Trade and other receivables	€m	65.8	66.6	62.5	71.4	65.8	70.9
Cash and cash equivalents	€m	98.2	71.8	80.6	81.3	98.2	97.9
TOTAL ASSETS	**€m**	**2,917.3**	**2,923.3**	**2,914.6**	**2,913.4**	**2,917.3**	**2,912.4**
Total Shareholders' Equity	€m	**982.0**	**987.3**	**967.9**	**986.8**	**982.0**	**1,001.1**
Non-current Liabilities	€m	**1,533.9**	**1,619.7**	**1,554.7**	**1,558.6**	**1,533.9**	**1,532.8**
Long term debt	€m	1,369.0	1,444.9	1,388.5	1,390.1	1,369.0	1,370.3
Provisions	€m	-	-	-	-	-	-
Other non-current liabilities	€m	164.9	174.8	166.2	168.5	164.9	162.5
Current Liabilities	€m	**401.4**	**316.3**	**392.0**	**367.9**	**401.4**	**378.5**
Short term debt	€m	195.3	154.4	185.5	192.1	195.3	194.7
Trade and other payables	€m	206.1	161.9	206.5	175.8	206.1	183.8
Total Liabilities	€m	**1,935.3**	**1,936.0**	**1,946.7**	**1,926.5**	**1,935.3**	**1,911.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**€m**	**2,917.3**	**2,923.3**	**2,914.6**	**2,913.4**	**2,917.3**	**2,912.4**