

Euskaltel completes its roadmap's key milestones and closes 2019 with renewed growth in its main operational and financial indicators

The Euskaltel Group closes 2019 with profit of Euros 62 million and growth in customers and profitability

- The roadmap's main efficiency measures are under way and are bringing the company significant results.
- The company completes its fifth consecutive quarter of customer growth and closed 2019 with 8,757 new fixed network users and positive year-on-year EBITDA growth.
- The Group's high-value customer base continues to grow. The number of products under contract in the residential segment increased by 81,172 compared to the previous year, with 2.85 million products under contract at the 2019 reporting date.
- The Group consolidates its leading position in the mobile phone segment by adding 46,900 new lines.
- Broadband products are up by 17,700 new lines.
- There are 21,669 new TV users. Significantly, the Group's TV penetration is almost 80% of its customer base.
- The portfolio of high added-value customers on 3P and 4P contracts continues to grow to the industry's highest levels. In 2019, Euskaltel Group customers signed up for a record 3.69 products per user on average.
- In the business segment, the positive trend continues with a significant increase in SMEs and large accounts.
- The Group has continued the positive trend that began in previous quarters and has seen positive revenue growth of 0.7% in the fourth quarter of 2019,

compared to the same period in the prior year, what is the first quarterly revenue growth of the last quarter.

- EBITDA for the year stands at Euros 344.5 million, up 2.4% on the previous year, with a notable increase in the final quarter of the year and maintaining the positive trend seen over the last few quarters.
- The EBITDA margin has risen to 50.3% of revenue compared to last year's 48.6% –an increase of over 300 basis points- and is a benchmark among European companies in the sector.
- Euskaltel has turned this rise in profitability into greater cash generation. Operating cash flow stands at Euros 190.3 million, compared to Euros 182.9 million the previous year, reflecting growth of more than 4%.
- By renewing national wholesale contracts and signing an agreement to use the Virgin brand, the company now has all the assets it requires for its national expansion plan.
- In the first half of 2020, the Group will be able to access over 18 million homes in Spain, including its local markets, using its own network or through the wholesale agreements.
- The Group will present its national expansion Business Plan on 10 March.

Bilbao, 25 February 2020. The Euskaltel Group –comprising the Euskaltel, R and Telecable brands– has this afternoon published data for the fourth quarter of 2019, which confirm the positive results achieved in both customer base and profitability growth as a result of the efficient management initiatives implemented as part of the company's strategic roadmap.

The Group has met its financial targets for the fourth quarter of 2019. The operational and financial improvements implemented have enabled the company to close 2019 with its key operational and financial indicators on the up once again.

The company closed 2019 with annual figures of 669,671 fixed network customers on the mass market, growth of 8,757 new customers, completing its fifth consecutive quarter of customer growth compared to the loss of users reported in the previous two years (in 2018 there was a drop of 3,500 customers). 2019 has been the first in the last three years to see the fixed service customer base grow in each quarter of the year.

In 2019, Euskaltel Group customers signed up for a record number of 3.69 products per user on average, establishing the Group's position as convergent operator of high-value phone, fixed-line and mobile broadband, and pay TV bundles.

The positive trend continues in the business segment with a notable increase in customers to 15,263 SMEs and large accounts, which is the result of the unified sales

strategy based on alliances with the market's key players and the product offering through the FTTH network.

Cash generation and EBITDA growth

EBITDA stands at Euros 344.5 million, up 2.4% on the previous year, with an outstanding increase in the final quarter of the year (92.2 million compared to 86.8 in the third quarter –an increase of 10.2%–), due to the accounting in the last quarter of the lower cost of having renewed its wholesale agreements), and maintaining the year-over-year growth that it had already reached in the previous quarter.

Furthermore, the EBITDA margin has risen to 50.3% of revenue compared to last year's 48.6% –an increase of over 300 basis points–, maintaining its benchmark position among European companies in the sector. This ratio is the result of efficient cost management, as detailed in the company's roadmap.

Euskaltel has turned this growth in profitability into greater cash generation. Operating cash flow has thus increased to Euros 190.3 million compared to Euros 182.9 million the previous year (4% higher), with a revenue margin of 27.8% compared to 26.4% in 2018 (growth of 130 basis points).

Thanks to the solid cash flow generation, cash generated in 2019 has enabled the leverage ratio to continue improving with debt at 4.2 times EBITDA, having reduced the debt by Euros 45.8 million in 2019. During this year the company distributed dividends of Euros 55.3 million to shareholders, representing profitability of approximately 4%.

Growth in high-value customers and products under contract

The Group's high-value customer base continues to grow. The number of products under contract in the residential segment increased by 81,172 compared to the previous year, with 2.85 million products under contract at the 2019 reporting date.

By product type, the Group consolidates its lead position in the mobile phone segment by adding 46,900 new lines, while broadband products increase by 17,700 new lines and there are 21,669 new TV users, thanks to the 4K decoder and the inclusion of access to the most requested OTT platforms and services by users from the remote control. Significantly, the Group's TV penetration is almost 80% of its customer base.

Positive revenue trend

As a result of customer growth and a stable ARPU, the company has continued the positive trend that began in previous quarters and has seen positive revenue growth of 0.7% in the fourth quarter of 2019, compared to the same period in the prior year. This positive revenue growth reverses the negative trend seen over the last four quarters and confirms the well executed roadmap presented in June 2019 whereby the main aims

were to introduce efficiency measures to the traditional business and adopt the preparatory measures required to expand the company's business on a national level.

The Euskaltel Group has thus ended the year having implemented and completed the planned key efficiency measures, including:

- The restructuring and integration of the Group's three regional management structures into one single executive team that manages all of the company's business.
- Changes to the company's sales strategy, including the inclusion of new sales channels which have resulted in significant sales growth and a decrease in the unit cost per transaction.
- The creation of a single technical platform which is currently integrating the company's three technical infrastructures into one single, efficient platform that will support the company's national expansion.

National expansion alongside the Virgin brand

By applying these measures, total operating costs have been significantly reduced and the company's operating margin has increased. Furthermore, the roadmap's other primary objective has been achieved by hitting the key national expansion milestones. These achievements include the following:

- Renewed and improved wholesale agreements with Orange and Telefónica with significantly improved terms that enable the company to offer services on a national level under extremely advantageous conditions.
- The Euskaltel Group is prepared to grow in the 85% of the Spanish market that it does not yet operate in. The company therefore expects that in the first half of 2020 the Group will be able to access over 18 million homes in Spain, including its local markets, using its own network or via the wholesale agreements with Orange and Telefónica.
- The signing of a trade mark licensing agreement with the Virgin Group to use its brand as part of the company's national expansion plans. Given its strong brand recognition and its excellent attributes, the Virgin brand will be a key asset to speeding up the company's national expansion plans.

The achievement of these milestones alongside internal preparations will enable the company to begin its national expansion in the coming weeks. The business plan will be announced on 10 March 2020, including the operational and financial targets for the company's national expansion.

Dividend distribution

Moreover, the Euskaltel Group paid out an interim dividend to shareholders on 5 February for a gross amount of Euros 0.14 per share, totalling Euros 25 million. The interim dividend distribution was agreed by the Euskaltel Group's Board of Directors on 29 October 2019.

This is the fourth consecutive year that a dividend has been paid out since the company was floated on the stock exchange in July 2015. The final dividend to be paid against 2019 results will be determined at the General Shareholders' Meeting to be held in 2020 following a proposal from the Board of Directors.

The markets have recognised the Company's positive progress and the price of Euskaltel shares increased over 30% in 2019, almost tripling progress in the Spanish market's reference index. Consequently, in December 2019 Euskaltel joined the Ibex Medium Cap, which comprises the top 20 companies on the Spanish stock market outside the Ibex 35.

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