Euskaltel Group

<u>**The General Shareholders' Meeting approves the annual accounts and gives the green light to the Group's proposed distribution of profit and dividend payment**</u>

Euskaltel Group shareholders support the management of the company and the successful compliance of all the roadmap milestones

- ***The Euskaltel Group's shareholders have approved by a large majority last year's annual accounts, directors' report and other proposals included on the agenda of the General Shareholders' Meeting held this morning in the Company's headquarters.***

- ***The final dividend to be distributed to shareholders, after today's General Meeting approval, is Euros 31 cents per share, which means a distribution of over Euros 55 million in dividends.***

- ***During this first year since the change in management team and approval of the new roadmap, Euskaltel has met all the milestones announced to the market, successfully completing this roadmap and increasing the company's customer base and profitability.***

- ***José Miguel García: "We have followed the roadmap to the letter: we have achieved a unique organisational structure, transformed and consolidated the current business and expanded on a national scale with the launch of the Virgin telco brand, all of which has led to the improvement in results".***

- ***The Euskaltel Group's Business Plan ensures growth and value creation for the shareholder and forecasts growth in the main financial indicators and business areas in the coming years, mainly based on the rolling out of its national expansion plan with the Virgin telco brand.***

Derio, 2 June 2020. The Euskaltel Group's shareholders have approved by a vast majority all the proposals in the agreement drawn up by the Board at the Ordinary General Meeting held this morning at the Company's headquarters in Derio (Bizkaia).

The General Shareholders' Meeting has approved the Annual Accounts of the Euskaltel Group, the Directors' Reports and the Non-Financial Information Statement for 2019. These reports 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.

Speaking to shareholders, the Euskaltel Group's CEO, José Miguel García, highlighted that all of the objectives announced to the market have been met. "*This past year has been a period of execution and compliance for Euskaltel, with the successful completion of the roadmap we set out for ourselves, which has brought growth in the customer base and increased the company's profitability. The milestones in our roadmap were to achieve a unique organisational structure, to consolidate and transform our current business and to launch the Virgin telco brand nationwide*".

Unique organisation and business transformation

The first milestone in the roadmap was to create an integrated company structured into just five divisions and providing support for its four brands. This integrated and efficient structure generates a multitude of efficiencies and has become the perfect platform from which to launch the nationwide expansion.

The second milestone was to consolidate and transform the traditional business by changing the company's distribution model in favour of a model that is more focused on the online and telemarketing channels, and also by streamlining the offer into the three companies that continue to maintain their traditional brands but make joint, enhanced offerings. The last milestone was to set up "La Fábrica", which groups together the Network and Operations divisions, and has promoted generating efficiencies, being rolled out to half a million homes through wholesale agreements, enabling growth in the target market of the Group's traditional regions.

The Company's figures reflect its continued positive evolution over the last quarters. Revenues in the first quarter of the year show an upturn in growth and profitability, which enabled the Company's level of borrowing to be reduced significantly: income was up 0.1% compared to the same period last year, profitability grew significantly with an 8.1% rise in Ebitda, while debt reduction accelerated to 4.1 times Ebitda.

Growth and value creation for the shareholder

From this solid base, the 2020-2025 Business Plan ensures growth and value creation for the shareholder. It is worth noting that this plan, presented on 10 March, forecasts growth in the main financial indicators and the business overall for the coming years, mainly based on rolling out its nationwide expansion plan, transforming the company into a growing business.

The Group expects the move to expand nationally will more than double the current customer base both in terms of fixed and mobile services. The Group therefore expects to multiply its current fixed telecommunications customer base by 2.3, exceeding 1.5 million customers and integrating around 800,000 new fixed-line customers to the base from the nationwide expansion with the Virgin brand. In five years' time, 50% of the Group's customer base will come from its current markets and 50% from the remaining 85% of the market that it hasn't operated in up until now.

As a result of both mobile and fixed-line customer base growth, revenue will virtually double in the next five years with average annual growth of 11%. Income generated by the Group will come to Euros 1.3 billion, compared to 685 million at 2019 year-end. By 2025 it is expected that 40% of the Group's total revenue comes from the business generated by expanding to the rest of Spain.

The Group's EBITDA will grow on average by 6% a year until it reaches around Euros 470 to 520 million from its current Euros 345 million. This will represent 45% growth compared to current levels. This growth will be based on the outcome of the move towards national expansion, on expanding the current markets' footprints and the efficiency measures put in place.

By 2025 operating cash flow is expected to reach Euros 240 to 280 million, representing 40% growth compared to 2019.

Dividend distribution

The General Meeting held today has approved the proposed distribution of profit for the Euskaltel Group and the dividend distribution for the year ended 31 December 2019. The final dividend to be distributed to the shareholders, after today's General Meeting approval, is Euros 0.31 per share.

It is important to note that Euskaltel's Board of Directors agreed in October 2019 to pay an interim dividend to the Company's shareholders against 2019 profits for a gross amount of Euros 0.14 per share outstanding with dividend rights, which was paid out on 5 February 2020.

Subsequently, the Board of Directors agreed to submit to the General Shareholders' Meeting the approval of a complementary dividend of Euros 0.17 per share, which will be paid out on the date agreed by the Board of Directors.

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. Furthermore, this dividend distribution demonstrates the Group's commitment to its shareholders and reinforces the objective to add value to investors.

Nationwide expansion plan. Launch of Virgin telco

The third milestone in the aforementioned roadmap was to start the expansion plan with the 20 May launch of the Virgin telco brand, aimed at reaching 85% of the as yet untapped area of the national market, bringing service to a total of 18.4 million homes, from the stronghold of its original markets in the Basque Country, Galicia and Asturias, where it operates under three brands – Euskaltel, R and Telecable.

The Virgin brand's strength, together with Euskaltel's market expertise, quality service and high-value products will ensure that the Virgin telco brand's positioning in the Spanish market is a value positioning, combining great customer service and competitive prices aimed at providing value to customers.

In the opinion of the Euskaltel Group's CEO, "*Spain is a market with one of the most comprehensive telecommunications infrastructures in Europe and the world, and now it needs a nationwide product offering that is more aligned with these needs and, above all, that defends the decisions of each customer, giving them control, respecting them and removing obsolete rules*".

Good Corporate Governance. Reduction of the number of members of the Board of Directors

Euskaltel's General Meeting of Shareholders has approved a reduction of Board of Director members from 13 to 11, in line with Corporate Governance recommendations aimed at effective operation, active participation of all board members, and enhancing decision-making. To this end, Luis Ramón Arrieta and Jon James tendered their resignations in advance of the General Meeting.

Therefore, the Company's Board of Directors now comprises 11 members: 4 proprietary directors, 5 independent, one external and one executive director.

Also, in response to the recommendations for better governance of listed companies, the separation of the Appointments and Remuneration Committee has been approved, separating it into two committees: the Appointments Committee and the Remuneration Committee.

General Meeting held online due to COVID-19

Euskaltel's General Meeting of Shareholders was held online due to the current travel restrictions in place as a result of the coronavirus pandemic (COVID-19). All shareholder participation and voting rights have been guaranteed.

The healthcare crisis itself was one of the main focuses of attention in the presentation given by José Miguel García, who highlighted the Company's successful response to this highly exceptional situation. The Euskaltel Group has tackled a major increase in traffic without disruption, managing to adapt the network's capacity at all times to sustain a good user experience, with a human team of over 800 professionals working 24/7 at optimum network capacity, while increasing telecommunications services offered for free in order to help customers during the confinement period, and all with the focus on keeping customers and staff safe and complying with the standards and restrictions imposed by the Government. With regards to patterns of network use during the confinement period, the Euskaltel Group has recorded a 65% increase in fixed voice traffic, 71% in data on the fixed network and 32% in on-demand TV.

Environmental sustainability

The Euskaltel Group remains committed to excellence in environmental management as evidenced by its commitment to fighting against climate change, contributing towards the Sustainable Development Goals and aligning its activity with best market practices.

Once again this year, reflecting the Euskaltel Group's commitment to the environment, this General Shareholders' Meeting has been held with the Basque Government's "Erronka Garbia" sustainable events endorsement, which certifies that the event was held implementing measures that minimise negative environmental impacts. In the case of the 2020 Shareholders' Meeting, in addition to further reducing emissions to the point that from 2020 all energy consumed at the Euskaltel headquarters is exclusively from 100% renewable sources, the fact that the General Meeting was held remotely, without physical attendance by the shareholders and their representatives, has meant an even more significant reduction in its environmental impact.

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