Euskaltel, S.A.

Condensed Consolidated Interim Financial Statements

30 June 2018

Consolidated Interim Directors' Report

2018

(With Limited Review Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Limited Review Report on the Condensed Consolidated Interim Financial Statements

To the Shareholders of

Euskaltel, S.A. at the request of the Audit and Control Committee

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have conducted a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of Euskaltel, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the statement of financial position at 30 June 2018 and the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes thereto, all of which are consolidated and condensed, corresponding to the six-month period ended 30 June 2018. The Company's directors are responsible for preparing the interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union and covering the preparation of condensed interim financial information, pursuant to article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on the interim financial statements based on our limited review.

Scope of the review

We have carried out our limited review in accordance with International Standard on Review Engagements (ISRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements comprises posing questions, primarily to personnel responsible for financial and accounting matters, and applying analytical procedures and other review procedures. The scope of a limited review is substantially less than that of an audit performed in accordance with prevailing auditing standards in Spain and, therefore, we are unable to provide assurance that all significant matters that would have been identified in an audit have come to our attention. Consequently, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be understood to be an audit, we did not become aware of any matters that would lead us to conclude that the accompanying interim financial statements for the six-month period ended 30 June 2018 were not prepared, in all significant aspects, in accordance with International Accounting Standard (IAS) 34, as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 on the preparation of condensed interim financial statements.

Paseo de la Castellana, 259C – Torre de Cristal – 28046 Madrid
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Emphasis of matter

We cite the accompanying note 2, which indicates that the accompanying interim financial statements do not include all the information that would be required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and that accordingly the accompanying interim financial statements should be read in conjunction with the Group's consolidated annual accounts for the year ended 31 December 2017. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim Directors' Report for the six-month period ended 30 June 2018 sets out the explanations that the Company's directors consider relevant in respect of the significant events occurred during the period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required in accordance with article 15 of Royal Decree 1362/2007. We have verified that the accounting information set out in the aforementioned Directors' Report is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2018. Our work is limited to the verification of the consolidated interim Directors' Report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Euskaltel, S.A. and subsidiaries.

Other matters

This report was prepared at the request of the Audit and Control Committee in connection with the disclosure of the interim financial report required under article 119 of the consolidated text of the Spanish Securities Market Law, implemented through Royal Decree 1362/2007 of 19 October.

KPMG Auditores, S.L.

Cosme Carral López-Tapia

26 July 2018

Condensed Consolidated Interim Financial Statements
for
for the six-month period ended
30 June 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

EUSKALTEL, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Position at 30 June 2018 and 31 December 2017

(expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ASSETS	Notes	30.06.2018	31.12.2017
NON-CURRENT ASSETS		2,737,072	2,768,346
Goodwill		1,024,923	1,024,923
Intangible assets	5	313,711	318,985
Property, plant and equipment	6	1,259,373	1,286,312
Financial assets	7	8,463	7,524
Deferred tax assets		130,602	130,602
CURRENT ASSETS		145,336	136,222
Inventories		4,250	4,144
Trade and other receivables	7	55,413	54,154
Current tax assets		-	6,745
Other current assets		12,947	12,527
Cash and cash equivalents	7	70,903	58,652
Non-current assets classified as held for sale		1,823	-
TOTAL ASSETS		2,882,408	2,904,568

EQUITY AND LIABILITIES	Notes	30.06.2018	31.12.2017
EQUITY			
Capital and reserves	8	966,020	963,341
Capital		535,936	535,936
Share premium		355,165	355,165
Retained earnings		76,555	96,815
(Own shares)		(1,636)	(1,887)
Interim dividend paid during the year		-	(22,688)
Other comprehensive income		(64)	(64)
Equity attributable to equity holders of the Parent		965,956	963,277
Non-controlling interests		332	365
		966,288	963,642
NON-CURRENT LIABILITIES		1,592,408	1,694,422
Prepayments for non-current assets		1,906	500
Non-current payables	9	1,482,859	1,583,359
Derivative financial instruments	9	1,368	976
Other financial liabilities	9	15,162	15,171
Deferred tax liabilities		91,113	94,416
CURRENT LIABILITIES		323,712	246,504
Current payables	9	126,835	50,050
Trade and other payables	9	130,379	140,082
Current tax liabilities		16,608	7,470
Provisions		1,683	1,604
Other current liabilities		47,630	47,298
Liabilities directly linked to non-current assets held for sale		577	-
TOTAL EQUITY AND LIABILITIES		2,882,408	2,904,568

Derio, 24 July 2018

EUSKALTEL, S.A. AND SUBSIDIARIES

Condensed Consolidated Income Statements for the six-month periods ended 30 June 2018 and 30 June 2017

(expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Notes	30.06.2018	30.06.2017
Revenues	4	340,311	274,138
Work performed by the entity and capitalised		8,357	5,187
Supplies	10	(79,350)	(55,635)
Other operating income		607	14
Personnel expenses	10	(22,719)	(19,804)
Other operating expenses	10	(85,011)	(76,408)
Amortisation and depreciation	5 & 6	(99,453)	(75,876)
RESULTS FROM OPERATING ACTIVITIES		62,742	51,616
Finance income		96	1
Finance cost		(24,309)	(23,213)
NET FINANCE COST	10	(24,213)	(23,212)
PROFIT/(LOSS) BEFORE INCOME TAX		38,529	28,404
Income tax	11	(9,718)	(7,289)
PROFIT/(LOSS) FOR THE YEAR		28,811	21,115
Profit for the year attributable to equity holders of the Parent		28,846	21,123
Profit for the year attributable to non-controlling interests		(35)	(8)
		28,811	21,115
Earnings/(loss) per share (euros)		0.16	0.14

Derio, 24 July 2018

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EUSKALTEL, S.A. SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income for the six-month periods ended 30 June 2018 and 30 June 2017

(expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Notes	30.06.2018	30.06.2017
a) Consolidated profit/(loss) for the year		28,811	21,115
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		28,811	21,115
Attributable to equity holders of the Parent		28,846	21,123
Attributable to non-controlling interests		(35)	(8)
		28,811	21,115

Derio, 24 July 2018

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EUSKALTEL, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Equity for the six-month periods ended 30 June 2018 and 30 June 2017

(expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Registered capital	Share premium	Accumulated gains	Own shares	Other comprehensive profit/(loss)	Interim dividend	Subtotal	Non-controlling interests	Total
Balance at 1 January 2017	**455,536**	**207,604**	**102,735**	**(1,363)**	**(64)**	**(22,777)**	**741,671**	**423**	**742,094**
Other comprehensive income	-	-	21,123	-	-	-	21,123	(8)	21,115
Transactions with shareholders									
Own shares	-	-	67	(346)	-	-	(279)	-	(279)
Dividends	-	-	(54,643)	-	-	22,777	(31,866)	-	(31,866)
Balance at 30 June 2017	**455,536**	**207,604**	**69,282**	**(1,709)**	**(64)**	**-**	**730,649**	**415**	**731,064**
Balance at 31 December 2017	**535,936**	**355,165**	**96,815**	**(1,887)**	**(64)**	**(22,688)**	**963,277**	**365**	**963,642**
First-time application adjustments - IFRS 9	-	-	976	-	-	-	976	-	976
First-time application adjustments - IFRS 15	-	-	(607)	-	-	-	(607)	-	(607)
Adjusted balance at 1 January 2018	**535,936**	**355,165**	**97,184**	**(1,887)**	**(64)**	**(22,688)**	**963,646**	**365**	**964,011**
Other comprehensive income	-	-	28,846	-	-	-	28,846	(35)	28,811
Transactions with shareholders									
Own shares	-	-	188	251	-	-	439	-	439
Dividends	-	-	(49,663)	-	-	22,688	(26,975)	-	(26,975)
Other movements	-	-	-	-	-	-	-	2	2
Balance at 30 June 2018	**535,936**	**355,165**	**76,555**	**(1,636)**	**(64)**	**-**	**965,956**	**332**	**966,288**

Derio, 24 July 2018

EUSKALTEL, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flow for the six-month periods ended 30 June 2018 and 30 June 2017

(expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

		30.06.2018	30.06.2017
Profit/(loss) for the year before tax		**38,529**	**28,404**
Adjustments for		**111,732**	**97,878**
Amortisation and depreciation	Notes 5 & 6	99,453	75,876
Impairment allowances		2,501	1,340
Other income and expense	Note 10.1	(14,435)	(2,550)
Impairment and gains/(losses) on disposals of financial instruments		-	21
Finance income	Note 10.4	(96)	(1)
Finance cost	Note 10.4	24,260	22,661
Exchange gains / (losses)	Note 10.4	(343)	(33)
Change in fair value of financial instruments	Note 10.4	392	564
Changes in operating assets and liabilities		**(9,190)**	**3,417**
Inventories		(106)	(384)
Trade and other receivables		(6,961)	(2,564)
Other current assets		(1,263)	(2,585)
Trade and other payables		3,187	9,060
Other current liabilities		(4,047)	(110)
Other cash flows from /(used in) operating activities		**(17,595)**	**(23,396)**
Interest paid		(20,090)	(20,591)
Interest received		-	-
Income tax paid		2,495	(2,805)
Cash flows from / (used in) operating activities		**123,476**	**106,303**

Derio, 24 July 2018

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EUSKALTEL, S.A. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flow for the six-month periods ended 30 June 2018 and 30 June 2017

(expressed in thousands of euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

		30.06.2018	30.06.2017
Payments for investments		**(67,947)**	**(46,088)**
Intangible assets	Note 5	(28, 070)	(12,230)
Property, plant and equipment	Note 6	(39,877)	(33,858)
Proceeds from sale of investments		**-**	**-**
Other financial assets		-	-
Cash flows from / (used in) investing activities		**(67,947)**	**(46,088)**
Proceeds from and payment for equity instruments		**439**	**(257)**
Acquisition of own equity instruments		-	(257)
Disposal of own equity instruments		439	
Proceeds from and payment for financial liability instruments		**(43,717)**	**(17,066)**
Issue of:		61,570	5,749
Loans and borrowings		60,070	-
Other borrowings		-	5,749
Grant payments		1,500	-
Repayment of:		(82,599)	-
Loans and borrowings		(82,599)	-
Dividends and interest on other equity instruments paid		(22,688)	(22,815)
Dividends		(22,688)	(22,815)
Cash flows from/(used in) financing activities		**(43,278)**	**(17,323)**
Cash and cash equivalents at beginning of the year		58,652	157,290
Cash and cash equivalents at year end		70,903	200,182
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,251**	**42,892**

Derio, 24 July 2018

EUSKALTEL, S.A. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

NOTE 1.- General information

Euskaltel, S.A. (hereinafter the Company) was incorporated with limited liability on 3 July 1995. Its first product was launched on the market on 23 January 1998. Its registered office is located in Derio (Bizkaia) and its products are primarily marketed and sold in the Basque Country.

The Company's statutory and principal activity since incorporation has been the rendering, management, installation, operation and marketing and sale of telecommunications networks and services in accordance with prevailing legislation, as well as the marketing and sale of goods required to carry out these services. The Company's main facilities are located at the Bizkaia technology park.

On 1 July 2015 the Company's shares were admitted to trading on the Barcelona, Bilbao, Madrid and Valencia stock exchanges.

On 27 November 2015 the Company acquired the entire share capital of R Cable y Telecomunicaciones Galicia, S.A. (hereinafter R), an entity incorporated in A Coruña on 1 August 1994 whose principal activity is the rendering of services similar to those of the Company, in Galicia. R is the leading telecommunications operator in Galicia, with access to an extensive fibre optic network, and provides mobile telephone services through an agreement with a virtual mobile operator.

On 26 July 2017 the Company acquired the entire share capital of Parselaya, S.L., indirect holder of 100% of Telecable de Asturias, S.A. (hereinafter Telecable), a company incorporated in Oviedo on 26 January 1995 whose principal activity is the rendering of services similar to those of the Company, in Asturias.

The companies that, along with Euskaltel, S.A., comprise the Euskaltel Group, and the percentage ownership of the Parent in each (direct and/or indirect) at 30 June 2018 are as follows: R Cable and Telecomunicaciones Galicia, S.A. (100%), EKT Cable y Telecomunicaciones, S.L.U. (100%), Parselaya, S.L.U. (100%), Telecable Capital Holding, S.A.U. (100%), Telecable de Asturias, S.A. (100%) and Cinfo, Contenidos Informativos Personalizados, S.L. (67.2%).

NOTE 2.- Basis of presentation

2.1. True and fair view

The accompanying condensed consolidated interim financial statements have been prepared on the basis of the accounting records of Euskaltel, S.A. and its subsidiaries. The condensed consolidated interim financial statements for the six-month period ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and, in particular, with IAS 34 Interim Financial Reporting, and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Euskaltel, S.A. and subsidiaries (the Group) at 30 June 2018 and the consolidated results of operations and changes in consolidated equity and cash flows of the Group for the six-month period then ended.

In accordance with IAS 34, interim financial information is intended to provide an update on the latest complete set of annual financial statements published by the Group. Accordingly, it focuses on new activities, events, and circumstances occurred during the six-month period ended 30 June 2018. Bearing in mind that the condensed consolidated interim financial statements do not contain all information required for the preparation of the annual statements, in order to have a proper understanding of the information set out herein, these statements should be read in conjunction with the consolidated annual accounts for the year ended 31 December 2017 in accordance with IFRS-EU.

The Company applied International Financial Reporting Standards as adopted by the European Union (IFRS-EU) for the first time when preparing its financial statements for 2012 in the context of the stock flotation mentioned in the previous note.

IFRS 15 and IFRS 9 have been applied to these financial statements for the first time. Details of changes to accounting principles are included in note 3.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the shareholders of the Company at the general meeting held on 1 June 2018.

On 24 July 2018, the directors of the Parent authorised for issue the condensed consolidated interim financial statements for the six-month period ended 30 June 2018.

The information set out in these notes is expressed in thousands of euros, except where otherwise indicated.

2.2. Comparative information

For comparative purposes, the interim financial statements include the figures for the six-month period ended 30 June 2017, except the condensed consolidated statement of financial position, where the figures refer to 31 December 2017 and coincide with the figures included in the 2017 consolidated annual accounts.

2.3. Critical issues regarding the valuation and estimation of uncertainties

Preparation of the condensed consolidated interim financial statements in accordance with IFRS-EU requires certain estimates and judgements concerning the future. These are evaluated continuously and are based on historical experience and other factors, including expectations of future events and, where applicable, the justified opinion of renowned experts.

The primary judgements made by the directors in applying the accounting policies and the main sources of uncertainties are the same as those considered in the preparation of the consolidated annual accounts for 2017, except for the new judgements and estimates relating to the adoption of IFRS 15 and IFRS 9, which are described in section 3.1.

NOTE 3.- Accounting principles

With the exception of the details set out below, in preparing the condensed consolidated interim financial statements, the same accounting principles and standards were followed as those set out in the Group's consolidated annual accounts for the year ended 31 December 2017.

The changes to accounting principles described below are expected to be reflected in the Group's consolidated annual accounts at 31 December 2018 also.

3.1. Changes in accounting criteria

The Group has adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments since 1 January 2018.

The main effects of applying these standards are:

- Reduction of Euros 607 thousand in accumulated earnings due to income from sales of equipment.

- Reduction of Euros 1.944 thousand in accumulated earnings due to recognition of financial asset impairments.

- Increase in accumulated earnings of Euros 2,920 thousand due to the effect of reflecting the financial liabilities that underwent minor changes in the original effective interest rate.

- Increase in accumulated earnings due to reflecting the tax effect of the above points.

Revenue from Contracts with Customers

(i) General

Revenue from contracts with customers is recognised in the amount expected to be received from the customer when control over the goods or services is transferred to the customer. The transfer of control may take place at a moment in time or over time. When the same contract includes more than one compliance obligation for the customer, revenue is recognised based on the sale price regardless of the various compliance obligations.

The Group has determined its main compliance obligation as the rendering of telecommunications services consisting of mobile and fixed telephony, television and Internet services to its customers. The telecommunications service consists of a number of different services that are substantially the same and have the same pattern of transfer to the customer. Revenue is recognised over the length of time those services are rendered. Euskaltel also offers equipment that constitutes a separate compliance obligation and recognises the revenue upon delivery, which is the time at which control over the equipment is transferred to the customer.

The Group determines the independent sale price based on the observable sale price of a good or service when sold separately in similar circumstances to similar customers. In those cases in which the sum of the independent sale prices of the goods or services contracted exceeds the agreed consideration, unless the Group has observable evidence that the whole discount corresponds to one or more of the contract execution obligations, but not all of them, the discount is allocated proportionally over the contract’s execution obligations.

A contract's financial component is not considered significant when the period between the time the goods or the services promised to the customer are transferred and the time at which the customer pays for those goods or services is one year or less.

(ii) Contract costs

The Group recognises incremental contract intake costs as an asset, to the extent that these costs are deemed recoverable, provided the amortisation period is more than one year.

Incremental contract intake costs are those incurred by the Group in order to gain a customer contract and which would not have been incurred otherwise. Contract intake costs which would have been incurred regardless are taken to expenses as they are incurred.

Incremental costs are amortised on a systematic basis in line with the transfer of the goods or services relating to the asset to the customer. The asset may be related to goods or services to be transferred under a specific expected contract.

The Group updates amortisation to reflect any significant changes in the expected transfer schedule of the goods and services relating to the asset to the customer. Such changes are recognised as a change in the accounting estimate.

Financial instruments

(i) Recognition and classification of financial instruments

For measurement purposes, the Group classifies financial instruments into financial assets and financial liabilities at fair value through profit or loss, separating those initially designated from those held for trading, or measured necessarily at fair value through profit and loss, financial assets and liabilities measured at amortised cost and financial assets at fair value through other comprehensive income, separating equity instruments initially designated from other financial assets. Financial assets other than those at fair value through profit and loss and equity instruments at fair value through other comprehensive income are classified based on the business model and the nature of the contractual cash flows. Financial liabilities are measured at amortised cost, except those designated at fair value through profit and loss and those held for trading.

A financial asset or liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, or
- It is an obligation to deliver financial assets obtained on loans no longer held.

The Group classifies a financial asset at amortised cost if held within the framework of a business model whose purpose is to hold financial assets in order to obtain contractual cash flows and the contractual conditions of the financial asset give rise, on the specified dates, to cash flows constituting solely payments of principal plus interest on the outstanding principal (SPPI).

The Group classifies a financial asset at fair value through other comprehensive income if held within the framework of a business model whose purpose is to obtain contractual cash flows and sell financial assets and the contractual conditions of the financial asset give rise, on the specified dates, to cash flows constituting SPPI.

The business model is determined by the Group’s key personnel at a level that reflects the way in which the groups of financial assets are jointly managed to serve the specific business purpose. The Group’s business model represents the manner in which it manages its financial assets to generate cash flows.

(i) Impairment

The Group recognises impairments on expected credit losses of financial assets measured at amortised cost, fair value through other comprehensive income, accounts receivable on financial leases, assets under contract, loan commitments and financial guarantees.

For financial assets measured at fair value through other comprehensive income, the expected credit loss is recognised in other comprehensive income and does not impair the fair value of the assets.

At the end of each reporting period, the Group measures an impairment equivalent to the credit losses expected in the next twelve months for financial assets whose credit risk has not increased significantly since the initial date of recognition, or when the credit risk of a financial asset is deemed to have already increased significantly.

Notwithstanding the above, the Group recognises the expected credit loss over the life of the instrument for trade debtors or assets under contract.

(ii) Derecognition and modifications of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

Debt instrument exchanges between the Group and the counterparty or substantial modifications in liabilities initially recorded are recognised as a settlement of the original financial liability and the new financial liability is accounted for, as long as the instruments have substantially different conditions.

The Group deems that the conditions are substantially different if the present value of the cash flows discounted under the new conditions -including any commission paid, less any commission received, and using the original effective interest rate- differs by at least 10% from the present value of the discounted cash flows still remaining from the original financial liability.

If the exchange is recognised as a settlement of the original financial liability, costs or commissions are recognised as profit or loss in the income statement. Otherwise, modified cash flows are discounted at the original effective interest rate, recognising any difference with the previous carrying value in profit and loss. Similarly, costs or commissions adjust the carrying value of the financial liability and are amortised over the remaining life of the modified liability using the amortised cost method.

The table below contains a summary of the impact of adopting IFRS 15 and IFRS 9 on the condensed consolidated statement of financial position. The impact of adoption on the condensed consolidated income statement and the condensed statement of cash flows at 30 June 2018 was not significant.

Impact on the condensed consolidated statement of financial position

30 June 2018 *Thousands of Euros*	**Amount before adoption of IFRS 15 & 9**	**Adjustments IFRS 15**	**Adjustments IFRS 9**	**Amount Statement of Position**
Assets				
Non-current assets	**2,736,072**	**339**	**661**	**2,737,072**
Current assets	**147,468**	**473**	**(2,605)**	**145,336**
Total assets	**2,883,540**	**812**	**(1,944)**	**2,882,408**
Equity				
Retained earnings	75,921	(342)	976	76,555
Equity attributable				
to equity holders of the Parent	**965,332**	**(342)**	**976**	**965,956**
Non-controlling interests	**332**	-		**332**
Total equity	**965,654**	(342)	976	**966,288**
Non-current liabilities	**1,595,110**	**218**	**(2,920)**	**1,592,408**
Current liabilities	**322,776**	**936**	**-**	**323,712**
Total liabilities	**1,917,886**	**1,154**	**(2,920)**	**1,916,120**
Total equity and liabilities	**2,883,540**	**812**	**(1,944)**	**2,882,408**

3.2. Standards and interpretations not yet in force at 30 June 2018

IFRS 16 – Leases

Under the new requirements, and with certain exceptions, lessees must recognise a right-of-use asset at the present value of the future lease payments, and a lease liability.

The Group is the lessee in a series of lease agreements covering several assets. Under current legislation a significant portion of these contracts are classified as operating leases and the relevant payments are generally recognised on a straight-line basis over the term of the contract.

The Group is currently estimating the impact of this new standard on those contracts. This analysis includes an estimation of the lease term, based on the period of that term that cannot be cancelled and the periods covered by the renewal options available to Euskatel and which are considered to be reasonably certain. Assumptions are also used to calculate the discount rate, which primarily depends on the incremental financing rate for the estimated terms. The Group is assessing not recognising the non-lease components separately from those that are lease components for certain classes of assets when the materiality of the non-lease components is not significant compared to the total value of the lease.

The Group has not yet completed the implementation process and therefore it is currently not possible to reliably estimate the impact that the application of this standard will have, although it is believed that the amendments introduced by IFRS 16 will have a significant impact on the Group's financial statements as from the date of adoption, including the recognition in the balance sheet of the assets relating to the usage rights and obligations relating to some of the contracts that are classified as operating leases under current legislation. The amortisation of the right to use the assets and the recognition of the interest on the lease obligation will replace a significant part of the amount recognised in the income statement as an operating lease expense under the current standard.

3.3. New applicable accounting and measurement standards

Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups whose carrying amount will be largely recovered through a sale transaction instead of recognised at the value in use are recognised as non-current assets held for sale. In order to classify non-current assets or disposal groups as held for sale, they must be available for disposal in their current condition, exclusively subject to the usual terms and conditions of sale transactions, and the transaction must also be deemed to be highly probable.

Non-current assets and disposal groups classified as held for sale are not amortised or depreciated, and are recorded at their carrying amount or fair value, whichever is lower, less costs to sell or of disposal by other means.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or has been classified as held for sale and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to being sold.

The component classified as held for sale does not represent a major line of business.

NOTA 4.- Segment reporting

The activity of the companies comprising the Group primarily includes: the provision of combined broadband, Pay TV, mobile and fixed-line telephone services to residential customers, self-employed workers ("Small Office / Home Office – SOHOs"), small and medium-sized enterprises (SMEs), large accounts (including the public sector) and the wholesale market. These transactions constitute the Group's only segment of activity.

For internal management purposes, the Group differentiates between the following types of customers:

- Residential
- Business
- Wholesale market and others

Details of revenues by type of customer at 30 June are as follows:

	30.06.2018	30.06.2017
Residential	232,122	185,697
Business		
SOHOs	*41,067*	*34,945*
SMEs	*17,743*	*15,293*
Large accounts	*38,406*	*27,391*
Wholesale and other	19,937	16,013
Total	**349,275**	**279,339**
Work performed by the entity and capitalised	*(8,357)*	*(5,187)*
Other operating income	(607)	(14)
Revenues	**340,311**	**274,138**

Residential

The Group offers customers in this category a combination of fixed-line and mobile telecommunication services, as well as other added-value services which it renders through its fibre optic network and a virtual mobile operator agreement. These customers receive combined offers of broadband access, Pay TV and fixed-line and mobile telephone services which are invoiced as a bundle at competitive prices.

Business

Customers in this category - SOHOs, SMEs and large accounts, including the public sector - also receive fixed-line and mobile telecommunication services. In the case of SMEs and large accounts, our sales team is able to offer, among other aspects, integrated, tailor-made services to financial institutions, large companies, healthcare providers and public entities.

- SOHOs: We have a specific commercial package for these types of customers, which include businesses with less than 10 employees. The services we sell include, inter alia, technical support, online support and electronic mail. As in the residential segment, we offer a wide range of combined packages such as broadband access, Pay TV and fixed-line and mobile telephone.

- SMEs: We offer a broad array of solutions adapted to businesses with between 10 and 40 employees. Our services include broadband access with speeds of up to 350 Mbps, symmetrical fibre access with speeds of up to 1 Gbps, MPLS access, fixed-line/mobile convergence, IP Switch and advanced IT services.

- Large accounts: Our large accounts include public sector customers and large companies. Large accounts require technically complex solutions that demand tailor-made responses, including fibre access with speeds of up to 1 Gbps, MPLS access, fixed-line/mobile convergence, IP Switch, cloud firewalls and virtual data centres. We offer these types of services through a dedicated sales team that includes engineers who participate in the life cycle of the project (pre-sales, implementation and after sales service).

Wholesale market and others

We offer communication services including line access, and voice and data services to other operators in the telecommunications sector which use our infrastructure and installations for providing services to their customers. Part of the revenues generated in the wholesale market come from the Group's main direct competitors, to which we provide services such as SDH (Synchronous Digital Hierarchy) line access, Ethernet and Dark Fibre technologies, voice services (which allow distributors to complete the termination of calls originating or ending in our territory) and enabling services, which are based on our BSS networks and mobile backhaul network. We also offer services related to the placement and resale of voice services. As a result of the agreements with the Catalonia Automobile Association (RACC) we offer mobile telephone services in the Catalan market under the brand "RACC Móvil".

NOTE 5.- Intangible assets

During the six-month period ended 30 June 2018 , additions totalled Euros 28,070 thousand (Euros 12,230 thousand at 30 June 2017) and primarily related to the capitalisation of costs incurred on the acquisition of customers and the capitalisation of internal costs. There were no significant disposals during the first half of 2018.

Amortisation of intangible assets stood at Euros 32,501 thousand in the period (Euros 18,871 thousand at 30 June 2017).

NOTE 6.- Property, plant and equipment

Investments in items of property, plant and equipment during the period totalled Euros 39,877 thousand (Euros 33,985 thousand at 30 June 2017) and mainly related to the deployment of the network. There were no significant disposals during the first half of 2018.

Depreciation for the period stood at Euros 66,952 thousand (Euros 57,005 thousand at 30 June 2017).

At 30 June 2018, the estimated value of commitments to acquire items of property, plant and equipment amounted to Euros 23,673 thousand (Euros 11,425 thousand at 30 June 2017).

NOTE 7.- Financial assets

Details of the Group's financial assets are as follows:

	Financial assets at amortised cost		Assets designated at fair value through profit and loss		Total	
	30.06.18	31.12.17	30.06.18	31.12.17	30.06.18	31.12.17
Non-current						
Equity instruments	-	-	859	859	859	859
Loans extended	7,021	6,085	-	-	7,021	6,085
Other non-current assets	583	580	-	-	583	580
	7,604	6,665	859	859	8,463	7,524
Current						
Trade receivables	53,470	54,154	-	-	53,470	54,154
Investments	455	438	-	-	455	438
Cash and cash equivalents	70,903	58,652	-	-	70,903	58,652
	124,828	113,244	-	-	124,828	113,244

The carrying amount of financial assets does not differ significantly from their fair value.

NOTE 8.- Equity

At their general meeting held on 1 June 2018, the shareholders resolved to distribute a complementary dividend of Euros 26,976 thousand (Euros 0.151 per share), as follows:

Basis of application	
Profit for the year	77,112
Distribution	
Legal reserve	7,711
Voluntary reserves	19,737
Interim dividend	22,688
Complementary dividend	26,976
	77,112

The dividend payable totalling Euros 26,976 thousand is recognised in other current liabilities.

At 30 June 2018, the Company held 205,879 own shares. During the six-month period, a total of 1,643,304 shares were acquired and 1,702,756 were sold.

NOTE 9.- Financial liabilities

Details of financial liabilities classified by category are as follows:

	Financial liabilities at amortised cost		Liabilities designated at fair value	
	30.06.18	31.12.17	30.06.18	31.12.17
Non-current				
Related parties				
Non-current loans received	139,892	171,250	-	-
Unrelated parties				
Loans received	1,342,967	1,412,109	-	-
Derivative financial instruments	-	-	1,368	976
Other financial liabilities	12,725	12,658	-	-
	1,495,584	1,596,017	1,368	976
Current				
Related parties				
Current loans received	15,000	6,750		-
Unrelated parties				
Bonds and other marketable securities	60,000	-	-	-
Loans received	51,835	43,300	-	-
Dividend payable	26,976	22,688	-	-
Suppliers and asset purchase payables	136,402	140,083	-	-
Salaries payable	5,695	7,878	-	-
Other liabilities	3,143	1,742	-	-
	299,051	222,441	-	-

Details of non-current payables are as follows:

Tranche	Nominal amount outstanding 30.06.18	31.12.17	Initial nominal amount	Interest	Maturity
B-1	235,000	235,000	235,000	2.75%	30/06/2022
A-2	277,500	300,000	300,000	2.25%	30/06/2021
B-4	835,000	835,000	835,000	2.75%	30/11/2024
Credit facility	220,000	280,000	300,000	2.25%	30/06/2021
	1,567,500	1,650,000			
Current portion	60,000	45,000			
Non-current portion	1,507,500	1,605,000			

Tranches B-1 and B-4 are repayable in a single sum as they fall due. Tranche A-2 is repayable according to the following schedule:

	No. of six-month periods	**(1)**
Six-monthly maturity		
Period 30-06-18 to 31-12-18	2	15%
Period 30-06-19 to 30-12-19	2	25%
Period 30-06-20 to 30-12-20	2	30%
30 June 2021	1	30%

(1) *Repayment percentage calculated based on the nominal of the loans repaid on the last day of each six-month period included in the period.*

During the period April to June 2018, Euskaltel issued promissory notes for a nominal value of Euros 60,000 in the context of a short-term commercial paper issue implemented in 2017 for an overall limit of Euros 200 million. These promissory notes have maturities between July and October 2018 and accrue interest at an average annual rate of 0.26%. Additionally, the Group has recorded a repayment of Euros 60,000 in the credit facility.

At 30 June 2018 and 2017, the consolidated Group has short-term credit facilities of Euros 50 million which have not been drawn down, in addition to the Euros 80 million of the aforementioned credit facility.

Accrued interest payable at 30 June 2018 and 31 December 2017 stood at Euros 7,387 thousand and Euros 5,587 thousand, respectively.

Interest is pegged to Euribor plus a spread calculated by dividing net consolidated debt by consolidated EBITDA (the coefficient), both of which are defined in the loan clauses. Early repayment of the loans may be demanded if the coefficient exceeds the parameters established. Early repayment of the loan may also be demanded if there is a change in control, understood as the acquisition of more than 50% of shares with voting rights. Details of the maturity of non-current loans with financial institutions, including interest, are as follows (millions of euros):

2 years	3 years	4 years	5 years	> 5 years	Total
121	396	263	23	868	1,671

For the six-month period ended 30 June 2018, had interest rates risen by 100 basis points, with other variables remaining constant, consolidated profit (after tax) would have fallen by Euros 4.93 million (Euros 7.2 million for the year ended 31 December 2017).

The Company may not distribute extraordinary dividends or redeem own shares in its own share portfolio if the coefficient exceeds 4 after the extraordinary dividend distribution. However, the financing contract stipulates that there shall be no restrictions on the payment of dividends with profit from ordinary activities.

Upon availing of the financing arrangements, the Company pledged certain shares in Group companies, loans granted and bank accounts as collateral. Similarly, during 2016, a collateral right over the Parent's telecommunications network was lodged.

Other non-current and current financial liabilities include loans carried at amortised cost granted by different public administrations for network deployment work in certain population centres. The nominal value of the loans at 30 June 2018 comes to Euros 15,086 thousand (Euros 10,086 thousand at 31 December 2017).

The fair values of loans and payables do not differ significantly from their carrying amount. The fair value is calculated based on cash flows discounted at a rate pegged to the effective interest rate for borrowings.

NOTE 10.- Income and expenses

10.1. Supplies

Details are as follows:

	30.06.18	30.06.17
Merchandise used		
Purchases	16,927	11,106
Changes in inventories	(129)	(384)
	16,798	10,722
Subcontracted work		
Interconnection expenses	41,701	35,586
Other supplies	20,851	9,327
	62,552	44,913
Impairment of merchandise	-	-
	79,350	55,635

Interconnection expenses includes discounts for certain services rendered by third parties, for an amount of Euros 23,577 thousand (Euros 16,476 thousand in the comparative period). The negotiated changes to agreements during 2018 led to a significant increase in the amount of merchandise used that could be subject to such discounts.

Discounts pending collection amounted to Euros 43,603 thousand (Euros 29,168 thousand at 31 December 2017).

Management has prepared a sensitivity analysis for the accrued discount covering +/- 5% changes in expected purchases eligible for discount and there has been no significant change to the estimates made (impact of less than +/- Euros 300 thousand.

10.2. Personnel expenses

Details are as follows:

	30.06.18	30.06.17
Salaries and wages	18,783	16,085
Employee benefits expense (other employee benefits expense)	3,936	3,719
Total	22,719	19,804

The average headcount by gender at 30 June 2018 and 2017 is as follows:

	Average number of employees	
	30.06.18	30.06.17
Female	304	254
Male	437	312
	741	566

10.3. Other operating expenses

Details are as follows:

	30.06.18	30.06.17
Advertising	6,052	5,257
Repairs and maintenance	31,999	25,786
Services provided by third parties	18,492	16,918
Other external services and utilities	11,999	10,369
Tax	7,400	6,349
Losses, impairment and changes in trade provisions	2,513	1,340
Other profit/(loss)	6,556	10,389
	85,011	76,408

Other profit / (loss) at 30 June 2018 includes indemnities totalling Euros 2,724 thousand, an expense for contributions to the Euskaltel Foundation amounting to Euros 972 thousand and an advisory services expense relating to Telecable's integration totalling Euros 649 thousand. At 30 June 2017 this caption included Euros 4,628 thousand allocated to the provision for risks and expenses, Euros 464 thousand in advisory services expenses relating to the acquisition of Telecable described in note 1, indemnities totalling Euros 2,776 thousand and a risk prevention provision amounting to Euros 1.1 million.

10.4. Net finance income/(cost)

Details are as follows:

	2018	2017
Finance income		
Third parties	96	1
Finance cost		
On third party loans	(24,260)	(22,661)
	(24,164)	(22,660)
Exchange gains / (losses)	343	33
Change in fair value of financial instruments	(392)	(564)
Impairment and gains/(losses) on disposal of financial instruments	-	(21)
	(24,213)	**(23,212)**

NOTE 11.- Income tax

On 27 March 2018 Regional Standard 2/2018 of 21 March was published in the Bizkaia Official Regional Gazette, modifying certain regulations and taxes in the Bizkaia regional tax system, affecting, inter alia, certain articles of Regional Corporation Tax Standard 11/2013. The modifications approved include, inter alia, reduction of tax rates from 28% to 26% in 2018 and to 24% in 2019 and subsequent years, establishing a minimum taxation rate of 15% of the gross tax base for 2018 and 17% for 2019 and subsequent years; and reduction of the application limit of deductions to 35% of the gross tax payable, although the period of application is extended to 30 years. These changes have not had a significant effect on the six-monthly financial statements.

Income tax expense is calculated based on the directors' best estimation of the weighted tax rate corresponding to the full year, multiplied by the consolidated pre-tax profit for the half-year period.

The effective tax rate for the six-year period ended 30 June 2018 is estimated to be 25% (this rate was 26% in the six-month period ended 30 June 2017).

NOTE 12.- Related party transactions

12.1 Transactions and balances with key personnel

Details of transactions with key Company personnel during the six-month periods ended 30 June 2018 and 30 June 2017 are as follows:

	30.06.2018		30.06.2017	
	Board members	Senior management	Board members	Senior management
Salaries and wages	530	1,325	519	858
Other remuneration	482	-	335	-
	1,012	**1,325**	**854**	**858**

12.2 Transactions and balances with other related parties

Details of transactions and balances with significant shareholders during the six-month periods ended 30 June 2018 and 30 June 2017 are as follows:

	30.06.2018	30.06.2017
Sales	6,311	7,545
Services	(157)	(1,537)
Finance cost	(2,348)	(2,948)
	3,806	**3,060**

Details of outstanding collections and payments related to transactions with significant shareholders are as follows:

	30.06.18		31.12.17	
	Current	Non-current	Current	Non-current
Receivables	788	-	3	-
Current account	22,064	-	29,752	-
Loans extended	(15,000)	(139,892)	(6,750)	(171,250)
Payables	(1,132)	-	(866)	-
	6,720	**(139,892)**	**22,139**	**(171,250)**

The directors of the Parent have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Parent or any other Group company.

NOTE 13.- Subsequent events

On 1 June 2018, the General Shareholders' Meeting agreed to pay an interim complementary dividend against 2017 results for a gross amount of Euros 0.151 per share outstanding with dividend rights (which amounts to a maximum dividend of Euros 26.98 million). This interim dividend, totalling Euros 26.98 million, was paid to shareholders on 5 July 2018.

On 11 July 2018 a sales contract was signed for the subsidiary Cinfo, Contenidos Informativos Personalizados, S.L. The result of the transaction has not been significant and the subsidiary has been excluded from the consolidation scope.

Directors' Report
for the six-month period ended 30 June 2018
Euskaltel, S.A. and subsidiaries

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

CONTENTS

1.- Introduction

Euskaltel, S.A. (hereinafter Euskaltel) was incorporated with limited liability under the Spanish Companies Act on 3 July 1995. Its statutory activity consists of the installation, management, development, execution, operation and marketing and sale of telecommunications networks and services in accordance with prevailing legislation, as well as the marketing and sale of goods required to carry out these services.

The Company was created by the Basque Government and three savings banks (BBK, Kutxa and Vital) in 1995 to become the Basque Country's alternative telecommunications operator and, thus, bring an end to Telefónica's monopoly over the sector.

On 1 July 2015 the Company's shares were admitted to trading on the Barcelona, Bilbao, Madrid and Valencia stock exchanges.

All of the shares in R Cable y Telecomunicaciones Galicia, S.A. (hereinafter R Cable) were acquired on 27 November 2015. This company was incorporated in A Coruña on 1 August 1994.

On 26 July 2017 Euskaltel acquired all of the shares in Telecable de Asturias, S.A.U. (hereinafter Telecable), which was incorporated in Oviedo on 29 December 1994.

The primary business of both R Cable and Telecable consists of the rendering in Galicia and Asturias of services similar to those carried out by the Company, thereby creating a new, leading telecommunications group in the North of Spain.

The increase in size and scale will enable the new group to gain buying and negotiating power, thereby boosting competitiveness.

The Euskaltel Group offers its services to a market of 6 million people, serving over 800,000 residential and business customers. Euskaltel, R and Telecable are leaders in optic fibre (broadband, phones, Pay TV and convergent telecommunications services) in the Basque Country, Galicia and Asturias, respectively, with a solid customer base and complementary business models. A mobile phone operator with its own 4G licence in the Basque Country, Galicia and Asturias, it has the largest proprietary fibre optic network in place on the market.

2.-Commercial activity and customer relations

Residential market

During the first half of 2018 we continued our strategy of directing our new and existing customer bases towards convergent bundles with the highest added value. In 2018, we continue to renew the convergent product offering, resulting in improvements, especially in mobile phone and TV services. Flexibility is what distinguishes our convergent product, allowing customers to configure their services according to their needs. This strategy has brought our portfolio of customers on 3P or 4P contracts to 69.3% of the total at the end of this first six months, compared to 68.0% for these high added-value customers at the 2017 close.

The first half of 2018 ends with 662,501 residential customers, up 0.2% compared to December 2017.

This growth is backed up by a strong performance in the mobile phone and pay TV segments and by an increase in customers taking up our convergent product offering.

In the case of fixed-line phone customers who have also contracted a mobile service, the increase was 3.4% with 547,636 customers. Overall, we have seen an increase in postpaid mobile lines from 914,668 at the end of 2017 to 951,663 in June 2018.

In the other driving force of convergent growth, Pay TV, the offering was improved with better content, improved functionalities, a better user interface, the consolidation of Replay and Rebobina services and TV Everywhere, and an increase in video library content and the 4K service. Pay TV products are up 3.8% from 393,356 at the end of 2017 to 408,252.

Broadband products reached 496,045, representing 1.5% growth.

As a result, the Product/Customer ratio at 30 June 2018 stood at 3.6 products per customer, up 2.2% compared to December 2017.

At the same time, the ARPU of our fixed-line customers has grown slightly, increasing by Euros 0.03 (up 0.1%) during the six-month period to Euros 60.02 at 30 June 2018.

Business Market

The business segment has performed well in the first half of 2018, with year-on-year growth once again.

In line with the strategy outlined, the large accounts segment shows the best performance in terms of revenue.

All major customers in our TOP20 whose contracts expired in the first half of the year have renewed their trust in the Euskaltel Group. Furthermore, the majority of renewed contracts have maintained or even increased turnover through sales of new services, further strengthening the Group's bond with TOP Corporate customers.

We have successfully completed the implementation of the first Digital Transformation projects, allowing us to be optimistic about making the most of this opportunity for growth in the present and especially in the future.

We continue to develop new strategic lines of growth (Cloud, WiFi, Security and Digital Transformation) and the map of alliances to translate our expansion strategy into new revenues. Along these lines, the first half of the year has brought us a funnel of opportunities relating to the new strategic lines of growth we intend to materialise in the coming quarters.

In the last quarter, we have carried out our first Disaster Recovery as a Service (DRaaS) projects, which allow our Cloud services customers to replicate their main services from the Bilbao/Coruña Datacenter in Coruña/Bilbao. This is a new service which significantly reinforces our competitive position in cloud services for Large Companies.

The entire first half of the year sustained very intense commercial activity, focused on our Large Companies portfolio. With different on-site formats (Breakfast events, Seminars and One-to-One Workshops), we are making sure that our customers know all about our new potential to work together implementing new services.

SMEs recorded net growth in customers in the first few months, pointing towards a positive performance in revenue in the medium term. In line with the strategy laid out, we are continuing to industrialise service bundles for the SME segment with different in-house and third-party access solutions, thereby broadening the accessible market and sales volumes. In the first half of the year, we have launched new WiFi as a Service and Microsoft Office 365 services for the SME segment, and in July we will review the value proposal and prices of fixed services for this customer segment, which will contribute to ARPU and revenue growth.

In the SME and Large Account segments, the separation between communications and information technologies is becoming increasingly more vague, with companies seeking integrated solutions including communications, but also security and cloud services. Similarly, corporate globalisation makes it necessary to avail of solutions to reach any point with these services in the Basque Country, Asturias, Galicia and the rest of the world, calling for the necessary agreements at international level to cater for this demand.

3.- Marketing activity

The first six months of 2018 has seen ongoing growth in contracts for and the use of telecommunications services by the group's customers and also greater efforts made in terms of building loyalty among our customer base. These efforts include driving new products and technologies with regards both households and mobile phones. The increase in convergent customers, the penetration of mobile services and greater numbers of customers with STBs enables us to achieve better customer loyalty, offering all services through a single provider and guaranteeing the best service quality.

During the first 6 months of 2018 it is important to note the increased penetration of TV and mobile phone services and the higher numbers of customers taking up the convergent product offering. In particular:

- The percentage of households with mobile phone services has increased from 77.0% to 80.1% in the residential segment and from 66.7% to 69.8% in the Soho segment.
- The percentage of households with TV has increased from 68.4% to 70.6% in the residential segment and from 30.6% to 33.4% in the Soho segment._
- 4G service penetration, which is understood to be the percentage of postpaid mobile lines with 4G technology, has increased significantly in the final months of 2017 and the first few months of 2018 to 88% within the Group.
- In terms of customer distribution by bundle, the increase in convergent 4P bundles particularly stands out compared to the other combinations available.

This growth is based on a range of different rates, services and actions that enable us to adapt the characteristics of our offering to the needs of our customers. Below is a description of the most important events during the last few months:

- In April 2018 the IPTV solution for the Navarre region will be launched. With one headend and decoder, TV service can be rolled out over a conventional cable network such as DVBT and IPTV, facilitating a very efficient development and operation of the service.

- In May 2018 the WiFi Vacaciones service was improved (Internet Conmigo in Galicia), which will allow Euskaltel and R customers to bring their WiFi away on holiday or outside of their home. This service entails two free mobile data bundles per year (tripling their capacity from 5 to 15Gb per bundle) and is valid for any customer line, or a MiFi device for use in the home. And for customers who need even more data for one-offs, there will be improvements to pay-as-you-go data bundles from June, bringing the growing demand for data on the market into line with a growing monetisation potential.

- In May 2018 the Netflix service launched in Galicia and the Basque Country. The Euskaltel Group has become the top Spanish operator offering its customers the option to access Netflix with just one click of the decoder. Apart from all the functions the 4K decoder offers, customers installing this equipment can view, at just the touch of a button, all the top series, films, comedies, kids' shows and documentaries offered by Netflix in Spain.

- In June 2018, Euskaltel and R have improved the GB capacity of some of their mobile tariffs with a greater presence in the installed base (Unlimited + 3 GB, Family Equipo-Más, Redonda 3 GB...), adapting to the consumer's increasing mobile data use. These enhanced offerings have led to increased revenue in a logical "more for more" progression. The price and service offerings of the SIMple tariff have also been adjusted, increasing the price of high-value convergent bundles, thereby boosting revenue and securing their competitive position in the market.

- New channels and services are incorporated into the offer in order to strengthen and unify the content proposal.

A series of different initiatives will be undertaken in the near future, of which the following should be highlighted:

- Launch by Euskaltel and R of the New Mobile Only Offer, consisting of highly competitive tariffs including specific social, music and video content for free. These tariffs will also be paired with a special hardware offer depending on the tariff purchased: video consoles, smartphones, etc.
- Launch of a new convergent offer for the 3 brands, based on a bundle that can be adapted to the needs of our customers, enhancing it through OTT content agreements and more link-ups with mobile terminals, home equipment and wearables. This will be backed up with a new hardware equipment offer for the 3 brands, promoting customer loyalty and boosting revenues.

4.- Economic-financial activity and key business indicators

Key performance indicators (KPIs)

The following tables show some of our operating and financial KPIs for the first six months of 2018. The most relevant growth factor in the first half of 2018 has been the addition of Telecable into the Euskaltel Group at the end of July 2017.

Residential

KPI	31/12/2017	30/06/2018
Homes passed_In-house deployment	2,166,001	2,167,207
Homes passed_Agreement with Orange	0	62,866
Total customers	660,946	662,501
fixed-lines	*575,354*	*578,503*
mobile only customers	*85,592*	*83,998*
1P (%)	19.5%	18.7%
2P (%)	12.5%	12.0%
3P (%)	26.3%	24.8%
4P (%)	41.7%	44.5%
Total RGUs	2,324,640	2,381,419
RGUs / sub	*3.5*	*3.6*
Churn Ratio	17.4%	14.9%
Global ARPU fixed customers (annual)	59.99	60.02

KPI	31/12/2017	30/06/2018
Fixed line RGUs	527,908	525,459
as % of fixed customers	*91.8%*	*90.8%*
Broadband RGUs	488,708	496,045
as % of fixed customers	*84.9%*	*85.7%*
Pay TV RGUs	393,356	408,252
as % of fixed customers	*68.4%*	*70.6%*
Postpaid mobile RGUs	914,668	951,663
Postpaid mobile customers	529,459	547,636
as % of fixed customers (mobile only excluded)	*77.0%*	*80.1%*
Mobile lines / customer	*1.7*	*1.7*

Deployment continues under way, both in terms of general deployment (geared towards the Residential segment) and deployment in industrial parks (geared towards the Business segment).

In mobile communications, growth is underpinned by the strong performance and improvements in mobile telephony, the possibility of financing purchases of mobile devices and the launch of the 4G service, which have all contributed to the strong performance in this area. This is also seen in residential postpaid mobile contract customers, with an increase in products from 914,668 in 2017 to 951,663 in 2018.

Broadband has also grown from 488,708 products in 2017 to 496,045 in 2018.

Despite the competition, we have improved churn compared to 2017 year-end (14.9% in 2018 compared to 17.4% in December 2017).

ARPU has grown by Euros 0.03 (+0.1%) in the first six months of 2018. Sales policies vis-á-vis mobile telephones, higher-added value services (upgrading) and additional services to existing customers (up-selling) have contributed to this growth. The number of customers with three or four products contracted rose from 68.0% in 2017 to 69.3% in 2018.

Business

KPI	31/12/2017	30/06/2018
Total subs	101,378	99,667
1P (%)	26.7%	25.7%
2P (%)	14.7%	13.4%
3P (%)	39.3%	38.6%
4P (%)	19.4%	22.2%
Total RGUs	353,641	355,535
RGUs / sub	*3.5*	*3.6*
Churn Ratio	*22.2%*	*20.7%*
Global ARPU fixed customers (annual)	67.04	68.06

KPI	31/12/2017	30/06/2018
Fixed-line products RGUs	110,201	107,973
as % of fixed customers	*123.7%*	*123.0%*
Broadband RGUs	82,176	81,612
as % of fixed customers	*92.3%*	*93.0%*
Pay TV RGUs	27,266	29,343
as % of fixed customers	*30.6%*	*33.4%*
Postpaid mobile products	133,998	136,607
Postpaid mobile customers	71,702	73,136
as % of fixed customers (mobile only excluded)	*66.7%*	*69.8%*
Mobile lines / customer	*1.9*	*1.9*

The business segment has been affected by increasing competition from fibre networks, leading to a drop of 1.7% in customer numbers (99,667 at June 2018 compared to 101,378 customers at the end of 2017). The number of contracts for products taken on by companies has however grown 0.5% to 355,535 products. ARPU grew in the first half of the year, increasing Euros 1.02 (a 1.5% rise) in the period, up to Euros 68.06 at 30 June 2018. The increased ARPU was driven by higher bundling, reaching a ratio of 3.6 products per customer at 30 June 2018, compared to 3.5 in December 2017. As forecast, we will roll out new elements within the SOHO offering during the second half of the year, which will help increase ARPU within the customer portfolio and reduce churn (this dropped from 22.2% in December 2017 to 20.7% in June 2018). In addition, we will also review our value proposal and rates of fixed-line and mobile services in the business segment in July.

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Financial data

	30/06/2017	30/06/2018
Total revenues	**279,338.7**	**349,274.5**
Y-o-y change		*25.0%*
Residential	185,696.9	232,121.8
Y-o-y change		*25.0%*
Business	77,629.1	97,215.9
Y-o-y change		*25.2%*
Wholesale and other	16,012.7	19,936.9
Y-o-y change		*24.5%*
EBITDA	**137,881.7**	**168,751.1**
Y-o-y change		*22.4%*
Margin	*49.4%*	*48.3%*
Investments	**(46,213.3)**	**(67,946.4)**
Y-o-y change		*47.0%*
as % of total revenues	*-16.5%*	*-19.5%*
Operating cash flow	**91,668.4**	**100,804.7**
Y-o-y change		*10.0%*
as % of adjusted EBITDA	*66.5%*	*59.7%*
Profit/(loss) for the year	**21,122.6**	**28,846.3**
Earnings per share (euros)	0.14	0.16
Cash flow per share (euros)	0.60	0.56

Residential revenues reflected positive performance, rising by 25.0% compared to the prior year. This is a result of including Telecable's revenue in the revenue for the period as a result of Telecable's integration into the Group at the end of July 2017.

Revenue from the business market amounted to Euros 97.2 million, up 25.2% on the prior year. This situation is chiefly down to Telecable's contribution.

Wholesale and other revenue grew by 24.5% to Euros 19.9 million, essentially as a result of the contribution made by Telecable.

EBITDA amounts to Euros 168.8 million at 30 June 2018, with a revenue margin of 48.3%, which is up Euros 30.9 million (22.4%) compared to June 2017. This increase is due to the incorporation of Telecable and the efficiencies achieved in the Euskaltel Group.

Investments stood at Euros 67.9 million at 30 June 2018, up Euros 21.7 million on the same month in the previous year. This rise is mainly due to the incorporation of Telecable's investments and to the continuation in 2018 of relevant projects in the Euskaltel Group. This increase was underpinned by the plan to wire 51,000 homes and industrial parks, the repositioning of broadband speeds, the WiFi Kalean project and the agreements reached with Orange to expand into Navarre. These projects involve technological, customer-oriented innovations allowing users to enjoy the best services and enabling the Group to increase the commercial offering and revenues in the coming years. It is also important to note the investments in the Group as a result of the process of integrating Euskaltel, R and Telecable.

Operating cash flow, defined as the difference between EBITDA and investments, resulted in a conversion rate of over 59.7%, maintaining our leading position in comparison with similar sector companies in Europe. Cash flow per share was Euros 0.56.

The improvement in EBITDA mentioned above, the inclusion of Telecable's results, the decrease in extraordinary and other non-recurring expenses have led profit after taxes to be Euros 28.8 million in the first six months of 2018, reflected in the profit per share of Euros 0.16.

5.- Financial risks

Our activities are exposed to credit risk, liquidity risk, and market risk, the latter of which includes currency and interest rate risk.

We use financial risk evaluation and mitigation methods suited to our activity and scope of operations, which are sufficient to adequately manage risks.

A summary of the main financial risks affecting us, and the measures in place to mitigate their potential affect, is as follows:

Credit risk

Credit risk is the risk of financial loss to which we are exposed in the event that a customer or counterparty to a financial instrument fails to discharge a contractual obligation. This risk is mainly concentrated in receivables.

The probability of customer credit risk materialising is mitigated by the application of different policies, and the high level of dispersion of receivables. Among the different policies and specific practices are the customer acceptance policy, continual monitoring of customer credit, which reduces the possibility of default on the main receivables, and collection management.

The impact of bad trade debts on the income statement at 30 June 2018 was Euros 2.51 million (Euros 1.34 million in the first half of 2016), equivalent to 0.74% of turnover in the firs six months of 2018 (0.49% in the first half of 2016). Aged, non-impaired receivables past due by more than 90 days at 30 June 2018 amount to Euros 3.9 million (Euros 9.9 million at the end of 2017).

Liquidity risk

Liquidity risk is the risk that the we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. Our approach to managing liquidity risk is to ensure, as far as possible, that it has enough liquidity to settle its debts as they fall due, in both normal and stressed conditions, without incurring unacceptable losses or compromising its reputation.

At 30 June 2018 the consolidated Group had a non-current revolving credit facility of Euros 300 million, with Euros 220 million drawn down, and current undrawn credit facilities totalling Euros 49.25 million.

Cash and cash equivalents reflect the amounts available with financial institutions that have high credit ratings.

At 30 June 2018, cash and cash equivalents amounted to Euros 70.90 million (Euros 58.65 million at the end of 2017).

We adjust the maturities of our debts to our capacity to generate cash flows to settle them. To do this, we have implemented a seven-year financing plan with annual reviews and periodic analyses of our financial position, which includes long-term projections, together with daily monitoring of bank balances and transactions.

Market risk

Market risk is the risk that changes in prices could affect our revenue or the value of our financial instruments. The objective of managing market risk is to control exposure to this risk, within parameters we consider reasonable, and optimise returns.

Our scope of operations barely exposes the Group to currency or price risks, which may arise from occasional purchases in foreign currency of insignificant amounts.

Interest rate risks arise on variable-rate loans from financial institutions and related parties, which expose us to fluctuations in future cash flows. To mitigate the risk of the effect of a potential rise in interest rates, during 2017 the Company finalised agreements with certain financial institutions to hedge against increases in the Euribor, over a nominal amount of Euros 825 million, equivalent to 50% of the nominal amount drawn down on loans with financial institutions.

Since the second quarter of 2016, the Group has been settling interest on a quarterly basis, which allows it to closely monitor the performance of interest rates in the financial market.

In March 2017, Euskaltel formally implemented an issue of short-term commercial paper (EuroCommercial Paper Programme -ECP-, "the Programme"), which was registered with the Irish Stock Exchange. The overall maximum limit of the Programme totals Euros 200 million and serves as an alternative to bank financing to cover working capital requirements. This programme was renewed under the same terms on 22 March 2018.

At 30 June 2018, had interest rates risen by 100 basis points, with other variables remaining constant, consolidated profit (after tax) would have fallen by Euros 4.9 million (Euros 3.3 million for the same period in 2017).

6.- Legal factors and regulatory framework

The EUSKALTEL Group performs its main activity –telecommunications– in a market characterised by a strong regulatory hold, which means that it needs to take this into account in all of its decision making; i.e. the decisions likely to be adopted by the various public administrations comprising the Spanish institutional structure (the state administration, autonomous communities, regional authorities, city councils), which are not always uniform and consistent with each other and can at times be unpredictable.

The first half of 2018 was not marked by a particularly intense regulatory activity, having consolidated the following series of initiatives:

Repeal of the Order for calculating copyright management charges

In March 2018 the Supreme Court issued a sentence (STS 1140/2018 of 22 March 2018), repealing the Order formerly applied by the Euskaltel Group (and other copyright consumers) to calculate the charges payable to the different copyright management agencies. This new scenario reopens the debate about calculating these charges and, foreseeably, in the coming months new negotiations will take place between the parties, leading to new agreements, although substantial changes are not expected regarding the economic side of the matter.

Tender for frequency bandwidths 3.6 – 3.8 GHz

Within the context of the incorporation of new-generation 5G mobile technology, the first stage of the tender process for the frequencies used by this service is being executed -frequency bandwidths from 3.6 to 3.8 GHz (Order ETU/531/2018). This tender process is not the most relevant one in terms of implementing the new technology, which will be fully in place by 2020, subject to the tender and concession of frequencies for the 700 MHz bandwidth.

Procedure for calculating the cost of the 2015 universal service

Over the first half of 2018, the Spanish National Markets and Competition Commission (CNMC) has launched the procedure for calculating the cost of the universal service for the year 2015. Once Law 9/2014 is enacted, the Euskaltel Group will be required to contribute to the fund established for this purpose and, hence, the Group is currently waiting for the regulator to establish the final contribution figures, based on the data reported by each operator. Without prejudice to the authority of the actions or appeals that may be filed, the Euskaltel Group's contribution is expected to be in line with the contribution established in 2014, since there are no arguments or grounds for substantially modifying this amount.

Financing of Corporación de Radio y Televisión Española (CRTVE)

After a series of controversies, the entry into force on 28 June 2017 of the reform of Financing Law 8/2009 of 28 August enacted through the 2017 General State Budget, has meant the Group is obligated to contribute to financing the Spanish Radio and Television Corporation in its capacity as an electronic communication service operator to the sum of 0.9% of its related revenue and 1.5% of its revenue on audiovisual services.
The respective payments are made quarterly in arrears (as income on account) and it should be noted that there are administrative claims currently being processed by the courts against the mandatory payment of this fee in 2016, and the instances corresponding to the charge itself are also being contested on the grounds of failure to follow due process of law.

Public Sector Concession Contracts Act

On 9 March 2018 the new law on Public Sector Concession Contracts came into force which transposes Directives 2014/23/EU and 2014/24/EU of the European Parliament and of the Council of 26 February 2014 into Spanish internal legislation. The entry into force of the Law has led to the introduction of new criteria for contracting public works and services in Spain, particularly with regard to quality/price, increased presence in SMEs, the incorporation of social and environmental criteria and the simplification of administration fees. The new scenario has involved redoubling efforts in the organisation, as the public administrations have accelerated contracting processes before the entry into force of the new Law, thereby increasing the workload in the affected areas. At the same time in-house training efforts have also been made to disseminate the new features introduced by the new standard with regard to contracting.

Entry into force of the new European General Data Protection Act

The new European GDPA (General Data Protection Act) was approved on 14 April 2016 and entered into force on 25 May 2018, with the Spanish Organic Law on Data Protection, which will enforce the standards of the aforementioned EU Act, being currently in the course of parliamentary process.

During the first half of the year, the Euskaltel Group has striven to implement in its procedures the most critical aspects of the new data protection regulations, including the appointment of the new Data Protection Officer. The Group has also developed very intense staff training actions on this subject.

TV Content (football)

The Spanish Professional Football League has entered into insolvency proceedings for the wholesale adjudication of television broadcasting rights to the football matches of the Spanish Liga for the next three seasons (2019/2020, 2020/2021, 2021/2022), as well as the Champions League for home viewing. The Group is awaiting the conditions to be established by TELEFONICA for selling these to the rest of the operators for retail distribution, since based on the Resolution of the Spanish National Markets and Competition Commission (CNMC) authorising the TELEFONICA/DTS concentration of 22 April 2015, TELEFONICA is obligated to offer this product to third parties, at least until the year 2020, when the conditions of the said Resolution are up for revision. It is hereby noted that the Euskaltel Group has filed an administrative dispute with the Spanish National High Court against this Resolution, which remains pending sentencing.

Regulatory projects underway or in the pipeline

- Draft bill to modify Royal Decree 424/2005 of 15 April on matters regarding telephone books, the customer number information service and public payphones.

  The approval of this bill is not expected to involve any economic risk for the Group.

- Draft bill regarding security on networks and information systems.

  This bill aims to transpose EU Directive 2016/1148 of the European Parliament and Council issued on 6 June 2016 into Spanish legislation. The aim being to establish measures that guarantee a high common level of security in the networks and information systems of the European Union.

- New Digital Tax

  The Spanish government has established, among its legislative plans, to make laws aimed at creating a new tax for major companies with a significant digital presence, in line with the European Union bill currently in the pipeline.

  In principle, the new tax would seem to be only targeted at large transnational corporations in the digital sector that are not currently being taxed in Spain, although they carry out significant digital activity on the market. Theoretically, there is a risk that the Euskaltel Group and other Spanish telecommunications operators could be affected, however, if this were the case, we would be dealing with an unjust levy, bordering on double taxation. Based on contacts made with the Spanish tax authorities, we understand that this new tax does not pose a risk that requires consideration.

- New Data Protection Act

  The Spanish parliament is currently processing the draft bill of the new Spanish Data Protection Act, which will adapt the new EU data protection regulations into Spanish legislation. All indications suggest that this new Act, within the scope of the Spanish legislator, will be formulated as an added risk for active subjects handling personal data, as is the case of the Euskaltel Group, whilst it is also expected to incorporate additional demands, and to fully enact the points of the EU Regulations.

- Digital Copying Levy

  The scope of the private copying levy has been modified by virtue of the approval of Royal Decree 12/2017 of 3 July, which amends the Spanish Intellectual Property Rights Act. The most significant modification states that buyers of equipment, devices and supporting materials outside Spain for commercial distribution shall be liable to pay this levy. This has not had significant consequences for the Euskaltel Group to date. However, regulations have still to be developed in this regard, which could give rise to new considerations. The Royal Decree on procedures and the Ministerial Order for final tariffs are pending approval and are expected to enter into force in August 2019.

It should also be noted that European legislation remains to be drawn up on Cybersecurity, a new ePrivacy regulation, and new directives on the Free Flow of Data, Audiovisuals and Copyrights.
Other matters to consider regarding unconsolidated regulatory risks could arise from the development of the General Telecommunications Act in the area of technical parameters, TICs and model Ordinances, the Digital Strategy Plan, the Aid Scheme for remediation technologies, the redefinition of the scope of the Universal Service, and the piracy self-regulation code, all initiatives to be monitored, since their regulation could affect the business performance of the Group.

7.- Corporate governance

Board of directors

At the first call to the general meeting held on 1 June 2018, the shareholders ratified the appointment of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, to the post of director, who was co-opted by the board of directors in an agreement adopted at the meeting held on 27 February 2018 and appointed in accordance with the Appointments and Remunerations Committee report for the statutory period of four years, as external proprietary director, the appointment having been proposed by Corporación Financiera Alba, S.A., an important Euskaltel shareholder.

Secretary and vice-secretary of the Board of Directors

The meeting of the board of directors held on 1 June 2018 appointed Mr Luis Alba Ferré as non-member Secretary of Euskaltel's board of directors, replacing Mr Francisco Javier Allende Arias with effect from 1 July 2018 onwards.

Similarly, the board of directors appointed Mr Gonzalo Silveiro Regulez as non-member vice-secretary of Euskaltel's board of directors, replacing Mr Javier Ruiz-Cámara Bayo with effect from 1 July 2018 onwards.

Secretary and vice-secretary of the committees reporting to the board of directors

Mr Luis Alba Ferré was appointed Secretary of Euskaltel's Appointments and Remunerations Committee, the Audit and Control Committee and the Strategy Committee, replacing Mr Francisco Javier Allende with effect from 1 July 2018 onwards.

The meeting of the board of directors held on 1 June 2018 approved the creation of the position titled vice-secretary of the committees reporting to the board of directors. This post carries the same powers as those given to the vice-secretary of the board (replacing the secretary in the event of vacancy, absence, illness or inability).

In line with the foregoing, the vice-secretary of the board of directors, Mr Gonzalo Silveiro Regulez, was appointed vice-secretary of Euskaltel's Appointments and Remunerations Committee, the Audit and Control Committee and the Strategy Committee with effect from 1 July 2018 onwards.

8.- Events after the reporting period

On 1 June 2018, the Company's Board of Directors agreed to pay an interim dividend against 2017 results for a gross amount of Euros 0.151 per share outstanding with dividend rights (which amounts to a maximum dividend of Euros 26.98 million). This interim dividend, totalling Euros 26.98 million, was paid to shareholders on 5 July 2018.

On 11 July 2018 a sales contract was signed for the subsidiary Cinfo, Contenidos Informativos Personalizados, S.L. The result of the transaction has not been significant.

9.- Definition of alternative performance measures

An explanation of the alternative performance measures used in this Directors' Report is as follows:

- EBITDA: Net income + depreciation and amortisation +/- impairment + other results (see note 10.3)
- Operating cash flow: EBITDA - Investments
- Conversion rate: Operating cash flow / EBITDA
- Investments: Additions of intangible assets and property, plant and equipment
- NFD (Net Financial Debt): nominal values payable on bank borrowings and other loans - liquid funds available at financial entities (cash and cash equivalents) (*).

(*) As a result of the sale described in Note 13, the cash contributed by Cinfo, Contenidos Informativos Personalizados, S.L. is grouped under the caption Non-current assets held for sale in the statement of financial position.

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Derio, 24 July 2018

In compliance with prevailing legislation, the directors of Euskaltel, S.A. have authorised for issue the condensed consolidated interim financial statements (comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes thereto) and the consolidated interim Directors' Report for the six-month period ended 30 June 2018.

The directors declare that they have signed each of the above-mentioned documents in their own hand, and in witness thereof sign below.

Signed:

Mr. Alberto García Erauzkin
Chairperson

Mr. Francisco Manuel Arteche Fernández-Miranda
Chief Executive Officer

Mr. José Ángel Corres Abasolo
Vice Chairman

Kartera 1, S.L., represented by
Ms. Alicia Vivanco González
Board member

Mr. Luis Ramón Arrieta Durana
Board member

Mr. Robert W. Samuelson
Board member

Corporación Financiera Alba, S.A., represented by
Mr. Javier Fernández Alonso
Board member

Ms. Belén Amatriain Corbi
Board member

Mr. Iñaki Alzaga Etxeita
Board member

Ms. Elisabetta Castiglioni
Board member

Mr. Miguel Ángel Lujua Murga
Board member

Mr. Jonathan Glynn James
Board member

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL REPORT FOR THE FIRST HALF OF 2018

The members of the Board of Directors of EUSKALTEL, S.A. state that, to the best of their knowledge, the Condensed Consolidated Interim Financial Statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes thereto) for the six-month period ended 30 June 2018, prepared by the Board of Directors at the meeting held on 24 June 2018 and drawn up in accordance with applicable accounting standards, give a true and fair view of the equity, financial situation and the results of EUSKALTEL, S.A., and subsidiaries, taken as a whole, and that the Consolidated Interim Directors' Report for the six-month period ended 30 June 2018 includes a fair analysis of the required information.

Derio, 24 July 2018.

Mr. Alberto García Erauzkin
Chairperson

Mr. Francisco Manuel Arteche Fernández-Miranda
Chief Executive Officer

Mr. José Ángel Corres Abasolo
Vice Chairman

Kartera 1, S.L., represented by
Ms. Alicia Vivanco González
Board member

Mr. Luis Ramón Arrieta Durana
Board member

Mr. Robert W. Samuelson
Board member

Corporación Financiera Alba, S.A., represented by
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Board member

Mr. Iñaki Alzaga Etxeita
Board member

Ms. Elisabetta Castiglioni
Board member

Mr. Miguel Ángel Lujua Murga
Board member

Mr. Jonathan Glynn James
Board member