



PROPOSED RESOLUTIONS SUBMITTED BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS AT THE ORDINARY GENERAL SHAREHOLDERS' MEETING OF EUSKALTEL, S.A. CALLED TO BE HELD ON 26 JUNE 2017, ON FIRST CALL, AND 27 JUNE 2017, ON SECOND CALL

The resolutions that the Board of Directors of Euskaltel, S.A. proposes for approval by the shareholders at the General Shareholders' Meeting are the following:

Items relating to the annual accounts, company management and the auditor

1. **Examination and approval of the individual annual accounts of the Company and the consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2016.**
2. **Examination and approval of the individual management report of the Company and the consolidated report of the Company and its subsidiaries for the financial year ended 31 December 2016.**
3. **Examination and approval of company management and of the actions of Euskaltel's Board of Directors during the financial year ended 31 December 2016.**
4. **Re-election of KPMG Auditores, S.L. as auditor of the individual annual accounts of the Company for financial year 2017.**



ITEM ONE ON THE AGENDA

Examination and approval of the individual annual accounts of the Company and the consolidated accounts of the Company and its subsidiaries for the financial year ended 31 December 2016

PROPOSED RESOLUTION RELATING TO ITEM ONE

It is hereby resolved to approve the individual annual accounts of Euskaltel and the annual accounts of Euskaltel consolidated with those of its subsidiaries for the financial year ended 31 December 2016 and which were drawn up by the Board of Directors at its meeting held on 22 February 2017.



ITEM TWO ON THE AGENDA

Examination and approval of the individual management report of the Company and the consolidated report of the Company and its subsidiaries for the financial year ended 31 December 2016

PROPOSED RESOLUTION RELATING TO ITEM TWO

It is hereby resolved to approve the individual management report of Euskaltel and the management report of Euskaltel consolidated with that of its subsidiaries for the financial year ended 31 December 2016, which were approved by the Board of Directors at its meeting held on 22 February 2017.



ITEM THREE ON THE AGENDA

Examination and approval of company management and of the actions of Euskaltel's Board of Directors during the financial year ended 31 December 2016

PROPOSED RESOLUTION RELATING TO ITEM THREE

The management of the Company and the activities of the Board of Directors of the Company during the financial year ended 31 December 2016 are hereby approved.



ITEM FOUR ON THE AGENDA

Re-election of KPMG Auditores, S.L. as auditor of the individual annual accounts of the Company for financial year 2017

PROPOSED RESOLUTION RELATING TO ITEM FOUR

It is hereby resolved to re-elect the company KPMG Auditores, S.L. as auditor of the Company to perform the audit of the individual accounts of Euskaltel for the financial year ending on 31 December 2017.

It is also hereby resolved to authorise the Company's Board of Directors, with express powers of substitution, including to its authorised representatives, to determine the remuneration of the auditor in accordance with the financial terms and conditions generally applicable to said audit firm, and particularly to enter into the respective services agreement, on the terms and conditions it deems appropriate, with authority to make such amendments thereto as may be required in accordance with the law applicable at any particular time.

KPMG Auditores, S.L. shall, if elected, accept its re-election by any valid legal means.

This resolution is adopted at the proposal of the Board of Directors and upon a prior proposal, in turn, of the Audit and Control Committee.

It is stated for the record that KPMG Auditores, S.L. has its registered office at Paseo de la Castellana, 259 C, Torre Cristal, 28046 Madrid (Madrid), and tax identification number B-78.510.153. It is registered with the Commercial Registry of Madrid at volume 11,961, folio 90, section 8, page M-188,007, entry 10, and with the Official Auditors' Registry (*Registro Oficial de Auditores de Cuentas*) (ROAC) under number S-0702.



Items relating to the express authorisations and delegations that are requested

5. **Authorisation for the acquisition of all of the equity interests representing the capital of the company Parselava, S.L.U., the indirect holder of all of the share capital of Telecable de Asturias, S.A.U., from the British entity Zegona Limited (the “Transaction”), pursuant to the provisions of Section 160.f) of the Companies Act.**
6. **Approval of an increase in capital by means of non-monetary contributions, with a delegation of powers to the Board of Directors, with express power of substitution, including, among others and pursuant to the provisions of Section 297.1.a) of the Companies Act, the power to set the date on which the increases must be implemented and to amend article 6 of the Bylaws.**



ITEM FIVE ON THE AGENDA

Authorisation for the acquisition of all of the equity interests representing the capital of the company Parselaya, S.L.U., the indirect holder of all of the share capital of Telecable de Asturias, S.A.U., from the British entity Zegona Limited (the “Transaction”), pursuant to the provisions of Section 160.f) of the Companies Act.

PROPOSED RESOLUTION RELATING TO ITEM FIVE

Pursuant to the provisions of Section 160.f) of the Companies Act and to the report prepared for such purpose by the Board of Directors, the acquisition of all of the equity interests representing the capital of the company Parselaya, S.L.U., the indirect holder of all of the share capital of Telecable de Asturias, S.A.U. (“**Telecable**”), from the British entity Zegona Limited (the “**Transaction**”), is hereby approved.

As described in the aforementioned report of the Board of Directors, the Transaction is of the highest strategic importance in the telecommunications industry in northern Spain, constituting a fundamental and definitive step toward the consolidation of the three main cable operators in the north. This will give the Company greater strength and efficiency, shared synergies, and capacity for growth, among other things.

Along these lines, the local nature of Euskaltel and of Telecable is expected to be maintained, which will translate into the continuity of the respective brands, local structures and management teams, given that all of the foregoing as a whole is considered to be a key element for the success and expansion of these operators in recent years.

The acquisition of the Telecable business will entail a strengthening of the Company’s positioning and stability in the telecommunications market, creating a group that, on a pro forma basis, would have reached combined billings of more than 700 million euros, adjusted EBITDA of around 350 million euros, and a significant cash flow of more than 220 million euros in 2016, taking into account that the networks of both companies are already quite developed in their respective territories and the investments to be made in this infrastructure are not very high.

Thus, the combination of Euskaltel and Telecable will permit:

- the creation of synergies such as (i) better access to and ability to negotiate regarding products, services and content, (ii) combining systems and technologies, (iii) optimisation of contractual relations with suppliers, and/or (iv) harmonisation of growth strategies, among others;
- maximisation of the value of their customers, based on the leadership position held in their respective markets, the loyalty of their respective customers, the high value of their brands, and the positioning of the companies; and
- increasing their size and significance in the Spanish telecommunications market, while simultaneously maintaining their local strength in the Basque Country (Euskadi), Galicia and Asturias.

In sum, the Transaction will make the Company stronger, more efficient and with higher growth potential in order to compete in a demanding market as a leading operator within



its geographical areas in northern Spain, and of greater significance in the Spanish and European market, while at the same time maintaining its strong position and commitment in the Basque Country, Galicia and Asturias, where these companies have strong roots and prestige.

The Transaction consists of the acquisition of an essential asset for the Company, which will allow it to strengthen its position as a leading operator in converged offerings in the geographic area in which it does business in northern Spain.

Furthermore, the Transaction also involves all those accessory or connected legal transactions that are necessary or appropriate for the success of the Transaction, such as the increase in capital by means of non-monetary contributions referred to in item 6 of the agenda.

It is also resolved to delegate to the Company's Board of Directors, as broadly as required under the law, with powers of substitution or further delegation to any of its members, as well as to the Secretary and to the Deputy Secretary of the Board of Directors, the determination of the final terms of the Transaction and of any instruments, contracts or legal acts regarding the Transaction (to the extent that they affect the Company or that the Company is a party thereto), as well as, on the broadest terms, the power to freely determine the terms and conditions for the execution and completion of the Transaction and to carry out any acts necessary, required or appropriate for the execution, further development, effectiveness, consummation and success of the Transaction, particularly including the following acts, without limitation:

- (i) to clarify, specify and complete this resolution authorising the Transaction, resolving any questions or issues that arise with respect thereto, and to correct and complete any defects or omissions that might hinder or prevent the effectiveness or registration thereof;
- (ii) to negotiate, subscribe, sign, execute, document, perfect, agree to and implement any acts, agreements, contracts or legal acts (to the extent they affect the Company or that the Company is a party thereto) that are entered into within the framework of the Transaction, and to adopt the resolutions or sign the additional or complementary documents that are necessary or appropriate for the success of the Transaction, taking notice and/or giving their consent as appropriate;
- (iii) to adopt the resolutions that are necessary or appropriate for the further development, execution and consummation of the Transaction, signing any public or private documents that are required to such end and also executing any instruments, legal acts, contracts, declarations and transactions that are appropriate for such purpose, including the publication of any announcements that are legally required;
- (iv) to grant powers of attorney and/or grant any of the above powers by way of substitution, as many times as appropriate, to the persons they deem advisable;
- (v) to appear before a Notary and to convert this resolution authorising the Transaction into a public instrument, making the statements required to such end and correcting any clerical error; and



- (vi) to perform any other acts or take any other steps as are necessary or appropriate for purposes of the consummation of the Transaction.



ITEM SIX ON THE AGENDA

Approval of an increase in capital by means of non-monetary contributions, with a delegation of powers to the Board of Directors, with express power of substitution, including, among others and pursuant to the provisions of Section 297.1.a) of the Companies Act, the power to set the date on which the increases must be implemented and to amend article 6 of the Bylaws

PROPOSED RESOLUTION RELATING TO ITEM SIX

It is hereby resolved to increase the share capital upon the terms set out in the report of the Board of Directors issued for said purpose and made available to the shareholders as from the call to this Ordinary General Shareholders' Meeting.

1.1. Increase in share capital by means of non-monetary contributions

Increase in the share capital of Euskaltel in the nominal amount of 80,400,000 euros, by means of the issuance and flotation of a total of 26,800,000 ordinary shares, with a par value of 3.00 euros each, of the same class and series as those currently outstanding, represented by book entries.

The increase in capital must be subscribed and paid in by Zegona Limited by means of the non-monetary contribution described in section 1.2 below.

1.2. Consideration for increase in capital

The shares issued in implementation of this resolution will be fully paid up by means of the contribution of 193,427,260 equity interests, numbered 2,945,594 to 196,372,853, both inclusive, of Parselaya, S.L.U. (“**Parselaya**”), a Spanish company with an address at calle Profesor Potter, número 190, 33203 Gijón (Asturias), and registered with the Commercial Registry of Oviedo at volume 4,169, folio 144, sheet AS-49,074, bearing Tax Identification Number (N.I.F.) B-87,273,272, with a par value of 0.01 euro, free of liens and encumbrances, and representing 98.5% of the capital of Parselaya (the “**Parselaya Equity Interests**”).

The contribution of the Parselaya Equity Interests will be made by Zegona Limited (“**Zegona**”), with a registered address at One Waverley Place Union Street, St. Helier. Jersey JE1 1AX, registered with the Companies Registry of Jersey under number 117602, and bearing Spanish Tax Identification Number (N.I.F.) N-8265893-A.

1.3. Issue price

The issue price (par value plus share premium) for each new share will be 9.50 euros per share, assuming that the consideration in cash for the equity interests representing 1.5% of the capital of Parselaya (after deducting the amount owed by Parselaya for all items under the intragroup loan dated 14 August 2015 between Parselaya and Zegona (Lux) S.à r.l. (the “**Intragroup Loan**”) and any adjustments for net debt and working capital) is not less than 3,877,157 euros. If, on the other hand, the consideration to be paid in cash for the equity interests representing 1.5% of the capital of Parselaya (after deducting the amount owed by Parselaya for all items under the Intragroup Loan and any adjustments for net debt and working capital) is less than 3,877,157 euros, the total cash amount of the increase in capital (par value plus share premium) will be set at 98.5% of the result of deducting the following two amounts from the figure initially forecast for the equity value



of Telecable (441,100,000 euros): (1) the amount owed by Parselaya under the Intragroup Loan for all items; and, if any, (2) adjustments for debt and working capital. In this case, the issue price per share will be the result of dividing the total cash amount of the Increase in Capital (441,100,000 euros less items (1) and (2) above) by the number of Euskaltel shares to be issued (i.e. 26,800,000), with a par value of 3.00 euros for each of the new shares and the rest being the share premium.

1.4. Rights corresponding to the new shares

The new shares will give the holder thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding as from the date on which the increase is declared to be subscribed and paid up, except for the right to receive the supplemental dividend with a charge to financial year 2016.

1.5. No pre-emptive rights

Pursuant to the provisions of Section 304 of the Companies Act, and as it is an increase in capital with a charge to non-monetary contributions, there is no pre-emptive right accruing to the existing shareholders of the Company.

1.6. Representation of the new shares

The new shares will be represented by book entries, the book-entry registration of which will be entrusted to Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its member entities.

1.7. Implementation of the increase

Once the full subscription of and payment for the increase in capital by Zegona has been verified, the Board of Directors, the non-member Secretary of the Board of Directors and the non-member Deputy Secretary of the Board of Directors may declare the increase in capital to be subscribed and paid up, and thus implemented, declaring the text of article 6 of the Bylaws (“Share capital”) to be amended to reflect the new share capital figure and the number of resulting shares, provided that it could not be verified and implemented by the shareholders acting at this General Meeting.

1.8. Admission of the new shares to trading

Resolve to request the admission to trading of the new shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), and proceed to request the competent bodies to include the new shares of the Company in the book-entry registers of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) as well as take any other steps and perform any other acts as are required and submit the required documents to the competent bodies.

Once the increase in capital has been implemented, the Board of Directors, or any of the persons identified in section 1.10 below by delegation therefrom, may make the corresponding requests, prepare and submit all appropriate documents upon the terms they deem advisable, and perform any acts necessary for such purpose.

1.9. Amendment of the Bylaws

Upon implementation of the increase in capital, article 6 of the Bylaws of Euskaltel shall read as follows:



“Article 6. Share capital

The share capital is 535,936,080 euros, divided into 178,645,360 shares, each having a par value of 3 euros, of the same class and series, numbered consecutively from 1 to 178,645,360, both inclusive, with the same political and economic rights, and which are fully subscribed and paid up.

1.10. Delegation of powers for the implementation and formalisation of the foregoing resolutions

Without prejudice to any other delegations already approved by the shareholders at the General Meeting, it is hereby resolved:

- a) To delegate authority to the members of the Board of Directors, the non-member Secretary of the Board of Directors and the non-member Deputy Secretary of the Board of Directors such that any of them, acting severally, once full subscription of and payment for the increase by Zegona has been verified, may declare the increase in capital to be subscribed and paid up, and thus implemented, declaring the text of article 6 of the Bylaws (“Share capital”) to be amended to reflect the new share capital figure and the number of resulting shares, provided that it could not be verified and implemented by the shareholders acting at this General Meeting.
- b) To authorise the members of the Board of Directors, the non-member Secretary of the Board of Directors and the non-member Deputy Secretary of the Board of Directors, severally, such that any of them, within the time limits set out in Section 297.1.a) of the Companies Act, may perform any acts and execute any public or private documents as are necessary or appropriate in relation to the foregoing resolutions, with express powers of substitution and correction, until complete registration with the Commercial Registry of the increase in capital hereby approved, and particularly, without limitation:
 - (i) to perform the acts that are necessary or appropriate in any jurisdiction in which it is requested that the shares of the Company be admitted to trading in any form;
 - (ii) to set the date on which the resolution approving the increase in share capital must be implemented, to determine the share price on the date of implementation thereof by means of the application of the mathematical formula described in item 1.3 above (provided that this is required to meet the circumstances described therein);
 - (iii) to set the terms and conditions of the increase in capital to the extent not provided for in this resolution;
 - (iv) to request the verification or authorisation of the prospectus and other documents where approval and registration thereof by the National Securities Market Commission is required; to request the registration of the new shares in the book-entry register maintained by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear); and to perform such acts as are necessary or appropriate in relation to the admission to trading of the new shares of the Company; and
 - (v) generally, to perform the acts, submit the requests, sign the documents and take the steps necessary for the full effectiveness of and compliance with the



foregoing resolutions, and for any of them to appear before a Notary and execute the corresponding notarial instrument for the capital increase and amendment of article 6 of the Bylaws regarding “Share capital” and, if applicable, to correct and clarify this resolution upon the terms necessary to achieve full registration thereof with the Commercial Registry.



Items relating to the amendment of the Bylaws

ITEM SEVEN ON THE AGENDA

Amendment of certain articles of the Bylaws, subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017

PROPOSED RESOLUTIONS RELATING TO ITEM SEVEN

Subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017, it is hereby resolved to amend the Bylaws upon the terms set out in the report of the Board of Directors issued for said purpose and made available to the shareholders as from the call to this General Meeting.

Specifically, and provided that the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017 is met, it is hereby resolved to amend the following articles of the Bylaws, which, as they are autonomous and deemed to be substantially independent of each other, are submitted to a separate vote, all upon the terms of the report of the Board of Directors prepared for said purpose:

7.1. Amendment of article 64 of the Bylaws (“Audit and Control Committee”)

Amendment of article 64 of the Bylaws (“Audit and Control Committee”), which, if the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017 is met, will hereafter read as follows:

“Article 64. Audit and Control Committee

- 1. The Board of Directors shall create a permanent Audit and Control Committee, an internal informational and consultative body without executive functions, with information, advisory and proposal-making powers within its scope of action as set forth in section 3 of this Article. The Audit and Control Committee shall be composed of a minimum of three (3) and a maximum of seven (7) directors appointed by the Board of Directors itself and who must be external directors. A majority of the members of the Audit and Control Committee shall be independent and shall be appointed, particularly as regards its chair, taking into account their knowledge and experience in accounting, auditing or risk management. The members of the Audit and Control Committee as a whole must also have pertinent technical knowledge relating to the industry to which the Company belongs. The Audit and Control Committee shall also appoint its Chair from among the independent directors forming part of said Committee. The position of Secretary of the Audit and Control Committee may be held by one of the members of the Committee or by the Secretary or the Deputy Secretary of the Board of Directors.*
- 2. Directors forming part of the Audit and Control Committee shall hold office for so long as their appointment as directors of the Company remains in effect, unless the Board of Directors decides otherwise. The renewal, re-election and removal*



of directors sitting on the Audit and Control Committee shall be governed by resolution of the Board of Directors.

The position of Chair shall be held for a maximum term of four (4) years, after which the Chair may not be re-elected as such until the passage of one (1) year from ceasing to act in that capacity, without prejudice to the continuance or re-election thereof as a member of the Audit and Control Committee.

3. *Without prejudice to any other tasks that may be assigned thereto from time to time by the Board of Directors, the Audit and Control Committee shall have the following basic duties:*
 - a) *Report to the shareholders at the General Shareholders' Meeting on the issues raised by the shareholders that are within its purview, and particularly regarding the results of the audit, explaining how it has contributed to the integrity of the financial information and the function that the Audit and Control Committee has performed in said process.*
 - b) *Monitor the effectiveness of the internal control of the Company and of its Group as well as their systems for managing risks, including tax risks.*
 - c) *Together with the auditors, but without diminishing the independence thereof, analyse significant weaknesses in the internal control system detected during the audit. For these purposes, it may submit any recommendations or proposals to the Board of Directors and establish the corresponding follow-up period.*
 - d) *Supervise the process of preparing and presenting regulated financial information and submit recommendations or proposals to the Board of Directors to protect the integrity thereof.*
 - e) *Propose to the Board of Directors, for submission to the shareholders at the General Shareholders' Meeting, the appointment, re-election or replacement of the auditors, taking responsibility for the selection process, in accordance with applicable legal provisions, as well as the terms of engagement thereof, and regularly collect information therefrom on the audit plan and the implementation thereof, in addition to preserving their independence in the performance of their duties.*
 - f) *Supervise the internal audit activity of the Company.*
 - g) *Establish appropriate relations with the auditors to receive information on those issues that might threaten the independence thereof, for examination by the Audit and Control Committee, and any others related to the audit process and, if applicable, the authorisation of services other than those prohibited under applicable legal provisions, as well as such other communications as are provided for in the laws on auditing and in other auditing rules. In any case, it must annually receive from the auditors written confirmation of their independence from the Company or entities directly or indirectly related thereto, as well as detailed and itemised information on additional services of any kind provided to these entities by the auditors or by persons or entities related thereto, in accordance with legal provisions governing audit activities.*

- h) *On an annual basis, and prior to the audit report, issue a report expressing an opinion as to whether the independence of the auditor is compromised. This report must in all cases and on a reasoned basis make a pronouncement regarding the provision of each and every one of the additional services referred to in the preceding letter, considered individually and as a whole, other than the legal audit, and in relation to the rules on independence or the legal provisions governing audit activities.*
 - i) *Provide an advance report to the Board of Directors on all of the matters provided by law, the Company's Bylaws and the Regulations of the Board of Directors, and particularly regarding: (i) the financial information that the Company must periodically publish; (ii) the creation or acquisition of interests in special purpose entities or entities domiciled in territories or countries considered to be tax havens; and (iii) related-party transactions.*
 - j) *Any others assigned thereto by the Board of Directors in its corresponding Regulations or in the Regulations of the Audit and Control Committee.*
4. *The Audit and Control Committee shall ordinarily meet two (2) to four (4) times per year in order to review the periodic financial information to be submitted to the securities authorities, as well as the information that the Board of Directors must approve and include within its annual public documentation. It shall also meet at the request of one third (1/3) of its members and whenever called by its Chair, who must do so whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals and, in any case, whenever appropriate for the proper performance of the duties thereof. A valid quorum shall be formed with the presence in person or by proxy of one-half plus one of the directors forming part of the Audit and Control Committee, which shall adopt its resolutions by an absolute majority of votes. In case of a tie, the Chair shall have the tie-breaking vote.*
5. *The Board of Directors may further develop all of the above rules in its corresponding Regulations and/or in the Regulations of the Audit and Control Committee."*

7.2. Amendment of article 65 of the Bylaws ("Appointments and Remuneration Committee")

Amendment of article 65 of the Bylaws ("Appointments and Remuneration Committee"), which, if the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017 is met, will hereafter read as follows:

"Article 65. Appointments and Remuneration Committee

1. *The Board of Directors shall create a permanent Appointments and Remuneration Committee, an internal informational and consultative body without executive functions, with information, advisory and proposal-making powers within its scope of action as set forth in section 3 of this Article. The Appointments and Remuneration Committee shall be composed of a minimum of three (3) and a maximum of seven (7) directors appointed by the Board of Directors itself upon a proposal of the Chair of the Board and who must be external directors. A majority of the members of the Appointments and Remuneration Committee shall be*

independent directors and shall be appointed while endeavouring to ensure that they have the knowledge, skill and experience appropriate for the duties they are called upon to perform. The Appointments and Remuneration Committee shall also appoint its Chair from among the independent directors forming part of said Committee. The position of Secretary of the Appointments and Remuneration Committee may be held by one of the members of the Committee or by the Secretary or the Deputy Secretary of the Board of Directors.

2. *Directors forming part of the Appointments and Remuneration Committee shall hold office for so long as their appointment as directors of the Company remains in effect, unless the Board of Directors decides otherwise. The renewal, re-election and removal of directors sitting on the Committee shall be governed by resolution of the Board of Directors.*

The position of Chair shall be held for a maximum term of four (4) years, after which the Chair may not be re-elected as such until the passage of one (1) year from ceasing to act in that capacity, without prejudice to the continuance or re-election thereof as a member of the Committee.

3. *Without prejudice to any other tasks that may be assigned thereto from time to time by the Board of Directors, the Appointments and Remuneration Committee shall have the following basic duties:*
 - a) *Evaluate the skills, knowledge and experience needed on the Board of Directors. For these purposes, it shall define the functions and skills necessary in the candidates to fill each vacancy and shall evaluate the time and dedication required for them to effectively perform their duties.*
 - b) *Establish a goal for representation of the less represented gender on the Board of Directors and prepare guidelines on how to achieve this goal.*
 - c) *Submit to the Board of Directors proposals for the appointment of independent directors on an interim basis or for submission to a decision of the shareholders at a General Shareholders' Meeting, as well as proposals for the re-election or removal of said directors by the shareholders.*
 - d) *Report on proposals for the appointment of the other directors on an interim basis or for submission to a decision of the shareholders at a General Shareholders' Meeting, as well as proposals for the re-election or removal thereof by the shareholders.*
 - e) *Report on proposals for the appointment and removal of senior officers and the basic terms of their contracts.*
 - f) *Examine and organise the succession of the chair of the Board of Directors and the chief executive of the Company and, if applicable, make proposals to the Board of Directors so that said succession occurs in an orderly and planned manner.*
 - g) *Propose to the Board of Directors the remuneration policy for directors and general managers or whomsoever performs the duties of senior management reporting directly to the Board, to executive committees or to chief executive officers, as well as the individual remuneration and other contractual conditions for the executive directors, ensuring compliance therewith.*



4. *The Appointments and Remuneration Committee shall ordinarily meet two (2) to four (4) times per year in order to review the status of the matters within its purview. It shall also meet at the request of one-third (1/3) of its members and whenever called by its Chair, who must do so whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals and, in any case, whenever appropriate for the proper performance of the duties thereof. A valid quorum shall be formed with the presence in person or by proxy of one-half plus one of the directors forming part of the Committee, which shall adopt its resolutions by an absolute majority of votes. In case of a tie, the Chair shall have the tie-breaking vote.*
5. *The Board of Directors may further develop all of the above rules in its corresponding Regulations and/or in the Regulations of the Appointments and Remuneration Committee.”*

7.3. Introduction of a new article 65 bis in the Bylaws (“Strategy Committee”).

Introduction of a new article 65 bis (“Strategy Committee”), which, if the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017 is met, will hereafter read as follows:

“Article 65 bis. Strategy Committee

1. *The Board of Directors shall create a permanent Strategy Committee, an internal informational and consultative body, without executive functions, with information, advisory and proposal-making powers within its scope of action as set forth in section 3 of this Article. The Strategy Committee shall be composed of a minimum of three (3) and a maximum of seven (7) directors appointed by the Board of Directors itself upon a proposal of the Chair of the Board and who must be external directors. A majority of the members of the Strategy Committee shall be independent directors and shall be appointed while endeavouring to ensure that they have the knowledge, skill and experience appropriate for the duties they are called upon to perform. The Strategy Committee shall also appoint its Chair from among the independent directors forming part of said Committee. The position of Secretary of the Strategy Committee may be held by one of the members of the Committee or by the Secretary or the Deputy Secretary of the Board of Directors.*
2. *Directors forming part of the Strategy Committee shall hold office for so long as their appointment as directors of the Company remains in effect, unless the Board of Directors decides otherwise. The renewal, re-election and removal of directors sitting on the Committee shall be governed by resolution of the Board of Directors.*

The position of Chair shall be held for a maximum term of four (4) years, after which the Chair may not be re-elected as such until the passage of one (1) year from ceasing to act in that capacity, without prejudice to the continuance or re-election thereof as a member of the Committee.
3. *Without prejudice to any other tasks that may be assigned thereto from time to time by the Board of Directors or to the powers of the Audit and Control and*



Appointments and Remuneration Committees, the Strategy Committee shall have the following basic duties:

- a) Evaluate and propose to the Board of Directors strategies for diversifying the business of the Company, based on its industry, its expected performance, the applicable regulatory framework, and the Company's resources, abilities and potential for development and growth.*
 - b) Submit to the Board of Directors new investment opportunities, formulating alternatives for investment in assets that entail a long-term increase in the value of the Company.*
 - c) Study and propose recommendations or improvements to strategic plans that are from time to time submitted to the Board of Directors, in light of the Company's competitive position.*
 - d) On an annual basis, issue and submit to the Board of Directors a report that contains the proposals, evaluations, studies and work performed by the Strategy Committee with respect to the above matters.*
- 4. The Strategy Committee shall ordinarily meet two (2) to four (4) times per year in order to review the status of the matters within its purview. It shall also meet at the request of one-third (1/3) of its members and whenever called by its Chair, who must do so whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals and, in any case, whenever appropriate for the proper performance of the duties thereof. A valid quorum shall be formed with the presence in person or by proxy of one-half plus one of the directors forming part of the Committee, which shall adopt its resolutions by an absolute majority of votes. In case of a tie, the Chair shall have the tie-breaking vote.*
- 5. The Board of Directors may further develop all of the above rules in its corresponding Regulations and/or in the Regulations of the Strategy Committee."*



Items relating to the composition of the Board of Directors

8. Setting the number of members of Euskaltel's Board of Directors at 12 directors, subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017:
9. Appointment of directors:
 - 9.1. Appointment of Mr Luis Ramón Arrieta Durana as proprietary director for the bylaw-mandated 4-year term.
 - 9.2. Appointment of Mr Robert W. Samuelson as proprietary director for the bylaw-mandated 4-year term, which appointment is subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017.
 - 9.3. Appointment of Mr Jon James as independent director for the bylaw-mandated 4-year term, which appointment is subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017.



ITEM EIGHT ON THE AGENDA

Setting the number of members of Euskaltel's Board of Directors at 12 directors, subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017

PROPOSED RESOLUTIONS RELATING TO ITEM EIGHT

Pursuant to the provisions of article 44 of the Bylaws and subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017, it is hereby resolved to increase the number of members of the Board of Directors by two (2), such that the number of members of said body shall hereafter be set at twelve (12).



ITEM NINE ON THE AGENDA

Appointment of directors

PROPOSED RESOLUTIONS RELATING TO ITEM NINE

9.1. Appointment of Mr Luis Ramón Arrieta Durana as proprietary director for the bylaw-mandated 4-year term

Considering that the 8 March 2013 appointment of Mr Alfonso Basagoiti Zabala is lapsing due to the term having ended upon the holding of the 2017 Ordinary General Shareholders' Meeting, it is hereby resolved to appoint Mr Luis Ramón Arrieta Durana as director, after a report of the Appointments and Remuneration Committee and a proposal of the Board of Directors, for the bylaw-mandated term of four (4) years, with the classification of proprietary external director, as his appointment was proposed by Kutxabank, S.A., a significant shareholder of Euskaltel.

Mr Arrieta Durana shall accept the appointment by any valid legal means.

9.2. Appointment of Mr Robert W. Samuelson as proprietary director for the bylaw-mandated 4-year term, which appointment is subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017

It is hereby resolved to appoint Mr Robert W. Samuelson as director, after a report of the Appointments and Remuneration Committee and a proposal of the Board of Directors, for the bylaw-mandated term of four (4) years, with the classification of proprietary external director, as his appointment was proposed by Zegona Limited, a significant shareholder of Euskaltel, all subject to compliance with the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda within the financial year ending on 31 December 2017.

Mr Samuelson shall accept any such appointment by any valid legal means.

9.3. Appointment of Mr Jon James as independent director for the bylaw-mandated 4-year term, which appointment is subject to the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda during the financial year ending on 31 December 2017

It is hereby resolved to appoint Mr Jon James as director, upon a proposal of the Appointments and Remuneration Committee which has also been approved by the Board of Directors, for the bylaw-mandated term of four (4) years, with the classification of independent director, all subject to compliance with the condition precedent consisting of the consummation of the Transaction provided for in item 5 of the agenda within the financial year ending on 31 December 2017.

Mr James shall accept any such appointment by any valid legal means.



Items relating to remuneration provided to the shareholders, to the Executive Directors and to management personnel

10. **Approval of the proposed application of results of Euskaltel and distribution of dividends for the financial year ended 31 December 2016.**
11. **Amendment of the term of the plan to pay a portion of the remuneration of the executive directors by means of the delivery of shares of the Company in implementation of incentive plans, share purchase incentive plans or other similar instruments that are approved by the Board of Directors.**



ITEM TEN ON THE AGENDA

Approval of the proposed application of results of Euskaltel and distribution of dividends for the financial year ended 31 December 2016

PROPOSED RESOLUTION RELATING TO ITEM TEN

In compliance with the provisions of Section 273.1 of the Companies Act, and as there has been a net profit during financial year 2016 in the amount of 75,324,000 euros, it is hereby resolved to distribute, with a charge to the results from the financial year ended 31 December 2016, a dividend of 21 euro cents (gross) per share of Euskaltel with the right to receive it and that is outstanding on the date that the corresponding payment is made.

It is expected that the payment of the aforementioned dividend will take place no later than 27 July 2017.

This dividend will be distributed through the entities members of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal” (IBERCLEAR), the Board of Directors being hereby authorised for such purpose, with express power of substitution, to establish the specific date for payment of the dividend, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the distribution.

Therefore, the distribution of profits for financial year 2016 is as follows:

<u>Statutory reserve</u>	7,532,000 euros
<u>Voluntary reserves (minimum amount)</u>	13,127,000 euros
<u>Interim dividend</u>	22,777,000 euros
<u>Supplemental dividend (maximum amount to distribute: 0.21 euros (gross) per share for all outstanding shares)</u>	31,888,000 euros



ITEM ELEVEN ON THE AGENDA

Amendment of the term of the plan to pay a portion of the remuneration of the executive directors by means of the delivery of shares of the Company in implementation of incentive plans, share purchase incentive plans or other similar instruments that are approved by the Board of Directors

PROPOSED RESOLUTION RELATING TO ITEM ELEVEN

Pursuant to the provisions of Section 219 of the Companies Act, and without prejudice to the resolution of the shareholders acting at the Ordinary General Shareholders' Meeting of 27 June 2016, it is hereby resolved to amend the term of the plan to pay a portion of the remuneration of the executive directors by means of the delivery of shares of the Company in implementation of incentive plans, share purchase incentive plans or other similar instruments that are approved by the Board of Directors (the “**Plans**”).

In particular, it is resolved to set the term of the Plans such that they hereafter apply during this financial year 2017 and during financial years 2018 and 2019.

For purposes of clarification, the resolution of the shareholders acting at the Ordinary General Shareholders' Meeting of 27 June 2016 regarding the payment of a portion of the remuneration of the executive directors by means of the delivery of shares of the Company within the framework of the Plans shall remain in effect upon all of the terms and conditions thereof, except for the provisions regarding the new term of the Plans provided for in this resolution.



Item relating to general matters

ITEM TWELVE ON THE AGENDA

Delegation of powers to formalise and implement all resolutions adopted by the shareholders at the General Meeting, for conversion thereof into a public instrument, and for the interpretation, correction and supplementation thereof, further elaboration thereon, and registration thereof, and to carry out the mandatory filing of accounts

PROPOSED RESOLUTION RELATING TO ITEM TWELVE

Without prejudice to the delegations already approved by the shareholders acting at the General Meeting, it is hereby resolved on the broadest of terms to delegate authority to the Board of Directors, with powers of substitution or authorisation to any of its members, to the non-member Secretary of the Board of Directors and to the non-member Deputy Secretary of the Board of Directors, such that any of them, severally and as broadly as required under the law, may supplement, implement and further develop, with any technical modifications, all of the foregoing resolutions, correcting any omissions or errors therein, and for the interpretation thereof, giving said persons severally the power to execute any appropriate public documents containing the resolutions adopted, with the broadest powers to perform any acts required with respect to the resolutions approved at this General Meeting, executing the documents required to obtain the registration of said resolutions with the Commercial Registry, and particularly to:

- a) Correct, clarify, specify or complete the resolutions adopted at this General Meeting or those produced in any instruments or documents approved in implementation thereof, and particularly any omissions, defects or errors in form or substance that prevent the access of these resolutions and the consequences hereof to the Commercial Registry, Property Registry, Industrial Property Registry or any others, and particularly to carry out the mandatory filing of accounts with the Commercial Registry.
- b) To make any announcements, instruments or transactions, contracts or operations as are necessary or appropriate to adopt, and execute the resolutions required for the purposes provided by law to implement the resolutions adopted at this General Meeting, particularly including, among other powers, the power to appear before a Notary to execute or formalise any public or private documents deemed necessary or appropriate for the full effectiveness of these resolutions.
- c) To jointly or severally delegate all or part of the powers they deem appropriate that have been expressly granted to them by the shareholders acting at this General Shareholders' Meeting.
- d) In sum, to determine all other circumstances that may be required, taking any appropriate steps and complying with all requirements under applicable law to fully implement the resolutions of the shareholders at this General Meeting.



Item relating to the resolution submitted to a consultative vote

ITEM THIRTEEN ON THE AGENDA

Consultative vote regarding the Company's Annual Director Remuneration Report for financial year 2016

PROPOSED RESOLUTION RELATING TO ITEM THIRTEEN

It is hereby resolved to approve the Annual Director Remuneration Report for financial year 2016 on a consultative basis.

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