

REPORT FORMULATED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE OF EUSKALTEL, S.A. REGARDING THE PROPOSED INTERIM APPOINTMENT (CO-OPTION) OF CORPORACIÓN FINANCIERA ALBA, S.A., REPRESENTED BY MR JAVIER FERNÁNDEZ ALONSO, AS A MEMBER OF THE BOARD OF DIRECTORS OF EUSKALTEL, S.A. AND OF THE AUDIT AND CONTROL, APPOINTMENTS AND REMUNERATION AND STRATEGY COMMITTEES OF EUSKALTEL

I. Introduction

According to information available to Euskaltel, S.A., Corporación Financiera Alba, S.A. has stated its desire for the position of proprietary Director of said Company on the Board of Directors of Euskaltel be held by Corporación Financiera Alba, S.A. itself, represented by Mr Javier Fernández Alonso, instead of by Mr Fernández, current member of the Board of Directors of Euskaltel.

In view of the foregoing, this report is formulated by the Appointments and Remuneration Committee of Euskaltel in accordance with the provisions of sections 529 *decies* and 529 *quindecies* of the Capital Enterprises Act (*Ley de Sociedades de Capital*) as well as article 5 of the Regulations of the Appointments and Remuneration Committee of the Company, with respect to the proposed interim appointment (co-option) of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, as a director of Euskaltel and as a member of the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee of the Company.

In particular, this report is intended to provide a detailed report, with special attention on skill, experience and merits, regarding the proposed appointment of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, as director of the Company and member of the Audit and Control, Appointments and Remuneration and Strategy Committees of the Company.

In preparing this report, it has been verified that the guidelines provided in the Director Selection Policy approved by the Company's Board of Directors on 26 April 2016 have been followed.

II. Identifying data and company object of Corporación Financiera Alba, S.A. Biographical profile, training and experience of Mr Javier Fernández Alonso

Corporación Financiera Alba, S.A. is a company that was organised for an indefinite period under the name Cementos Alba, S.A. pursuant to an instrument executed on 9 November 1953 before the notary of Madrid Mr Manuel Amorós Gozábez and recorded in his notarial book of records under number 2,920; subsequently amended with a change in its name to the current one by instrument dated 29 September 1986 and notarised by the notary of this city Mr Rafael Ruiz Gallardón and recorded in his notarial book of records under number 2,813; the bylaws of which were conformed to the Companies Act (*Ley de Sociedades Anónimas*) by means of an instrument executed before the notary of Madrid Mr Luis Coronel de Palma on 13 July 1990 and recorded in his notarial book of records under number 3,599, supplemented by another also executed before the same notary on 15 October 1990 under number 4,723, transcribing the restated text of the new bylaws. It is registered with the Commercial Registry of Madrid at volume 417 General, folio 196, sheet number M-8078, entry 261.

It is registered with the Commercial Registry of Madrid at volume 417 General, folio 196, sheet number M-8078, entry 261. It has Tax Identification Number (N.I.F.) A-28060903 and an address at 28006 Madrid, calle de Castelló, nº 77, planta 5ª.

The company purpose of Corporación Financiera Alba, S.A. is the industrial manufacture of Portland artificial cement and natural grey and white cement in any of their forms, in accordance with current manufacturing procedures as well as those that may be established in the future. The Company may also dedicate itself to activities that are related or similar to its purpose as stated above, such as the construction, acquisition and operation, via any means including sale or leasing, of urban real-estate property, whether in the form of residences, offices, retail units or industrial buildings; and the acquisition, operation, leasing and sale of non-fixed assets of any nature or category. The acquisition through subscription, purchase, holding or transfer of public or private securities and any other type of financial asset; and the incorporation and development of companies. The activities that comprise the above purpose may be undertaken by the company indirectly, in full or in part, through ownership of shares or other holdings in companies with the same or similar corporate purpose.

Mr Javier Fernández Alonso, the individual representative of Corporación Financiera Alba, S.A. proposed to hold the position of director on the Board of Directors of Euskaltel, was born in Bilbao on 15 August 1977.

He holds a degree in business management and administration from Universidad de Deusto.

He has spent a portion of his career as an adviser on mergers and acquisitions at Goldman Sachs International (Londres) and ABN Amro Corporate Finance (Madrid), where he attained the position of Associate Director.

He also holds the position of Investment Manager and member of the Executive Committee of Corporación Financiera Alba, S.A., where he is also a member of the Investment Committee and of the Investor Committee of Artá Capital SGEGR S.A.

III. Membership on other boards of directors

Corporación Financiera Alba, S.A. is a director of Ebro Foods, S.A.

For his part, Mr Javier Fernández Alonso is currently a director of Ebro Foods, S.A. and of Parques Reunidos Servicios Centrales, S.A.

IV. Category to which the director should belong

Pursuant to the provisions of sub-section 3 of section 529 *duodecies* of the Capital Enterprises Act, Corporación Financiera Alba, S.A. is ascribed to the category of proprietary external director, as it holds a significant interest in the Company. As a natural person representing Corporación Financiera Alba, S.A., Mr Javier Fernández Alonso is ascribed to the same category, as he represents a significant shareholder of the Company.

V. Shares and options on shares of the company owned thereby

Corporación Financiera Alba, S.A. is the indirect holder of 19,650,990 shares of the Company.

Mr Javier Fernández Alonso is the direct holder of 3,000 shares of the Company.

VI. Requirements

Based on the information available to the Company and the prior history of Mr Fernández Alonso as a director of Euskaltel (he has been a member of the Board of Directors for the past

3 years and as of the date of preparation of this report is a member of the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee of the Company), both Corporación Financiera Alba, S.A. and Mr Fernández Alonso (i) meet the requirements of respectability, suitability, expertise, competence, experience, qualification, training, availability and commitment to their duties to hold the positions of proprietary director of the Board of Directors of the Company and members of the committees of the Board of Directors of the Company; and (ii) meet the general requirements demanded of all directors of the Company as provided by law and the Director Selection Policy of Euskaltel.

Specifically, the Appointments and Remuneration Committee finds that, in the particular case of Corporación Financiera Alba, S.A. and Mr Fernández Alonso, in order to be able to properly perform the duties inherent to the proposed positions, they adequately combine sufficient abilities, skills and experience in the following areas:

- (i) the telecommunications industry and market, in which Euskaltel does business;
- (ii) strategic vision for the businesses;
- (iii) history of value creation;
- (iv) management of human resources and teams of people;
- (v) experience in management, leadership and business strategy as a director;
- (vi) highest level of ethics and respect of the business community generally;
- (vii) absence of conflict of interests and available time to attend scheduled meetings of the Board and, if applicable, of its various committees; and
- (viii) highest level of loyalty, commitment and sufficient and proven dedication to the Company's enterprise.

It has also verified that they are not affected, directly or indirectly, by any of the instances of disqualification, prohibition, conflict with or opposition of interests to the corporate interest as set forth in provisions of a general nature or in the internal rules of Euskaltel.

VII. Conclusion

In view of the foregoing, Corporación Financiera Alba, S.A. and Mr Fernández have sufficient skill, experience and merit to perform the duties of their positions. In particular, the knowledge and experience of Mr Fernández in the area of mergers, acquisitions and investments, thanks to his preparation, career and ability, make him an ideal person to hold the position of director.

In accordance with the above, it is resolved to favourably report on the proposed interim appointment (co-option) of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, as a member of the Board of Directors of Euskaltel and as a member of the Audit and Control Committee, the Appointments and Remuneration Committee and the Strategy Committee of the Company.

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In Derio (Biscay), on 27 February 2018.