

ANNUAL ACTIVITIES REPORT OF THE STRATEGY COMMITTEE OF EUSKALTEL, S.A. FOR FINANCIAL YEAR 2017

1. Introduction

The Strategy Committee of Euskaltel, S.A. (hereinafter, Euskaltel, the Euskaltel Group or the Company) was created on a permanent basis by the Company's Board of Directors on 26 June 2017.

The Strategy Committee of Euskaltel is an informational and consultative body without executive duties, the purview of which includes information, advisory and proposal-making powers.

The main task of the Strategy Committee is to assist, inform and make proposals to the Board of Directors on the matters from time to time assigned thereto by the Bylaws of the Company and by the Regulations of the Board of Directors and its own internal Regulations.

Pursuant to the provisions of articles 4 and 26 of the Regulations of the Board of Directors of the Company, using the external and internal means it deems appropriate in each case, the Board of Directors shall engage in an annual evaluation of the operation of its Committees in view of the report that they submit thereto.

Furthermore, article 18 of the Regulations of the Strategy Committee provides that said Committee must report to the shareholders at the General Shareholders' Meeting on the questions raised by the shareholders thereat regarding the matters within the Committee's purview, and for such purpose it must prepare an annual report on its activities, which it shall make available to the shareholders, after approval thereof by the Board of Directors, on occasion of the call to the Ordinary General Shareholders' Meeting.

This Annual Activities Report of the Strategy Committee of Euskaltel for financial year 2017 has been prepared as part of said process of evaluation and to be made available to the Company's shareholders in compliance with the duties set forth in the preceding paragraphs.

2. Regulatory framework

The rules applicable to the Strategy Committee are contained in articles 63 and 65 *bis* of the Bylaws, article 18 of the Regulations of the Board of Directors, and the Regulations of the Strategy Committee itself.

3. Principal duties and powers

Without prejudice to any other tasks that may be assigned thereto from time to time by the Board of Directors or to the duties and powers of the Audit and Control Committee and the Appointments and Remuneration Committee, the Strategy Committee shall have the following basic duties both with respect to the Company itself and to the subsidiaries of the Group:

- (i) 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.

- (ii) 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.
- (iii) 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.
- (iv) 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. Composition of the Committee

At its meeting of 26 June 2017, Euskaltel's Board of Directors adopted the following resolutions, among others, subject to a condition precedent consisting of the consummation of the acquisition of Telecable de Asturias, S.A.U. by Euskaltel during financial year 2017:

- Creation of the Strategy Committee.
- Approval of the internal Regulations of the Strategy Committee, establishing in article 6 that the Strategy Committee shall be made up of a minimum of three and a maximum of seven external Directors, a majority of whom must be independent Directors.
- Appointment of the external Directors Kartera 1, S.L., represented by Ms Alicia Vivanco González, Mr Javier Fernández Alonso, Mr Robert W. Samuelson, Mr José Ángel Corres Abasolo, Ms Belén Amatriain Corbi, Mr Iñaki Alzaga Etxeita and Mr Jon James as new members of the Strategy Committee.

Euskaltel having consummated the acquisition of Telecable de Asturias, S.A.U. on 26 July 2017, the Strategy Committee has been created with the composition mentioned above and its internal Regulations have been approved.

As a result, at 31 December 2017, the Strategy Committee is composed of the following seven external (four independent and three proprietary) directors:

Name	Committee position	Information regarding their function as director		
		Class	Date of first appointment	Date of most recent appointment
Mr José Ángel Corres Abasolo	Chair	Independent	08/03/2013	27/06/2016
Kartera 1, S.L., represented by Ms Alicia Vivanco González	Member	Proprietary	27/06/2016	27/06/2016
Mr Javier Fernández Alonso	Member	Proprietary	30/09/2015	12/11/2015
Mr Robert W. Samuelson	Member	Proprietary	26/06/2017	26/06/2017
Mr Iñaki Alzaga Etxeita	Member	Independent	31/03/2015	31/03/2015
Ms Belén Amatriain Corbi	Member	Independent	31/03/2015	31/03/2015
Mr Jon James	Member	Independent	26/06/2017	26/06/2017

The Secretary of the Board of Directors, Mr Francisco Javier Allende Arias, who is also General Secretary of the Euskaltel Group, acts as Secretary of the Strategy Committee.

5. Meetings held, reports reviewed and appearances

Article 12 of the Regulations thereof provides that the Strategy Committee shall meet two to four times per year for the ordinary review and evaluation of the status of the matters within its purview and whenever called by its Chair or requested by one third of its members if appropriate for the proper performance of its duties.

In all cases, the Chair of the Committee must also call a meeting whenever the Board of Directors or the Chair thereof requests the issuance of a report or the adoption of proposals, or whenever requested by one third of the members of the Committee itself.

During financial year 2017, the Strategy Committee formally met on one occasion at the registered office of Euskaltel, S.A., located at Parque Tecnológico, edificio 809, in Derio (Biscay).

The level of attendance at the meetings was as follows:

Number of meetings	1	
Number of possible attendees	7	100.00%
Number of attendees in person	7	100.00%
Proxies given to the Chair	0	0.00%
Other proxies	n/a	n/a
Non-proxy attendance	n/a	n/a

The Chair and the Secretary of the Committee attended such meeting.

The date of the meeting, the type of information used, and the persons invited thereto are listed below:

Date	Primary documentation reviewed
17/10/2017	• Update of the Strategic Plan and the Business Plan.

The following persons attended the meeting as guests, based on the matters discussed:

- Chair of the Board of Directors.
- CEO.
- Group Chief Financial Officer.
- Group Director of Strategy.
- Head of Investor Relations.

In the performance of its duties, the main issue discussed and favourably reported on by the Strategy Committee during financial year 2017 was the following:

Strategic Plan and Business Plan

- Favourable report on a common position relating to the proposed Strategic Plan and Update of the Business Plan for the period 2018-2022.

* * * * *