

## REPORT OF THE AUDIT AND CONTROL COMMITTEE REGARDING RELATED-PARTY TRANSACTIONS WITH DIRECTORS AND SIGNIFICANT SHAREHOLDERS OF EUSKALTEL, S.A. DURING FINANCIAL YEAR 2017

### 1. Object of the report

Pursuant to article 4.5.E).e) of the Regulations of the Board of Directors of Euskaltel, S.A., the approval, following a report from the Audit and Control Committee, of related-party transactions as defined by the law from time to time in effect, is within the purview of the Company's Board of Directors.

Article 38 of the Regulations adds that the Board of Directors and the Audit and Control Committee shall ensure that transactions between the Company or the companies forming part of its Group and the directors, significant shareholders or the respective connected persons are carried out under arm's length conditions and with due respect for the principle of equal treatment of shareholders that are in the same situation, disclosing such transactions to the Company in the cases and to the extent provided by law.

Moreover, as provided by article 5.3.(iv).c) of the Regulations of the Audit and Control Committee, the latter body shall report to the Board of Directors, prior to the adoption thereby of the relevant decision, regarding related-party transactions, as defined by applicable law at any particular time.

Finally, recommendation 6 of the Good Governance Code of Listed Companies approved by the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (CNMV) on 18 February 2015 recommends that listed companies prepare and publish certain reports on their websites, including the Audit and Control Committee's report on related-party transactions, sufficiently in advance of the Ordinary General Shareholders' Meeting.

In light of the foregoing, the Audit and Control Committee of Euskaltel prepares this report upon the occasion of the Ordinary General Shareholders' Meeting that is expected to be called shortly.

### 2. Related-party transactions approved during financial year 2017

In financial year 2017, and as provided by the Company's internal rules, the Audit and Control Committee reported favourably on three transactions between the Company and one or more of its significant shareholders, concluding that said transactions were conducted on arm's length terms, as described below:

#### 2.1. Hiring of Norbolsa, Sociedad de Valores, S.A. and of Banca March, among other institutions, within the framework of the Euro Commercial Paper Programme

For purposes of the Euro Commercial Paper Programme, it was proposed to hire Norbolsa, Sociedad de Valores, S.A. and Banca March as dealers for the notes.

Both contracts were considered related-party transactions for the following reasons:

- Norbolsa is a subsidiary of Kutxabank, a significant shareholder of Euskaltel.
- Banca March forms part of Grupo March together with Corporación Financiera Alba, S.A., a significant shareholder of Euskaltel.

Following the corresponding analysis by the Audit and Control Committee, the Committee concluded that the two transactions were based on arm's length terms and reported favourably thereon.

## **2.2. Agreement with Norbolsa, Sociedad de Valores, S.A. for it to act as dividend payment agent**

For purposes of paying the dividend charged to the results from financial year 2017, a proposal was made to hire Norbolsa, Sociedad de Valores, S.A. as agent for payment of the aforementioned dividend.

As Norbolsa is a subsidiary of Kutxabank, a significant shareholder of the Company, the agreement was deemed a related-party transaction.

Following the corresponding analysis by the Audit and Control Committee, the Committee concluded that the transaction was based on arm's length terms and reported favourably thereon.

In Derio, on 26 February 2018.