

REPORT

SUBMITTED BY

THE BOARD OF DIRECTORS OF



REGARDING THE RATIONALE FOR THE AMENDMENT OF ARTICLES 28, 31 AND 38 OF THE BYLAWS OF EUSKALTEL, S.A. RELATING TO THE TEXT OF THE CALL TO THE GENERAL MEETING OF SHAREHOLDERS, THE PLACE FOR HOLDING THE MEETING AND ABSENTEE VOTING

THIS REPORT CONTAINS:

- (i) RATIONALE FOR THE PROPOSED AMENDMENT;
- (ii) FULL TEXT OF THE PROPOSED BYLAW AMENDMENT; AND
- (iii) COMPARATIVE TEXT OF THE CURRENT TEXT AND THE PROPOSED TEXT OF ARTICLE 28, 31 and 38 OF THE BYLAWS.

Derio, 22 April 2020.

EUSKALTEL, S.A.

REPORT SUBMITTED BY THE BOARD OF DIRECTORS REGARDING THE RATIONALE FOR THE AMENDMENT OF ARTICLES 28, 31 AND 38 OF THE BYLAWS OF EUSKALTEL, S.A. RELATING TO THE TEXT OF THE CALL TO THE GENERAL MEETING OF SHAREHOLDERS, THE PLACE FOR HOLDING THE MEETING AND ABSENTEE VOTING

I. INTRODUCTION

This report is submitted by the Board of Directors of Euskaltel, S.A. (hereinafter, "**Euskaltel**" or the "**Company**") to provide a rationale for the proposal submitted for approval of the shareholders acting at the Annual General Meeting of Shareholders of Euskaltel, called to be held on 2 June 2020, at 12:00, on first call, and on 3 June 2020, at the same time, on second call, under item 6.1 on the Agenda relating to the amendment of the Company's Bylaws with respect to the text of the call to the General Meeting of Shareholders, the place for holding the meeting and absentee voting, pursuant to the provisions of Section 286 of the restated text of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010 of 2 July (hereinafter, the "**Act**").

II. RATIONALE FOR THE PROPOSAL

The Company's Board of Directors will submit to the shareholders at the Company's General Meeting of Shareholders the approval of a new text of articles 28, 31 and 38 of the Company's Bylaws, the principal reason for which is to adapt the Bylaws to the possibilities offered by Sections 182, 189 and 521 of the Act, particularly in order to contemplate the possibility of attendance and voting by the shareholders at the General Meeting of Shareholders through real-time means of remote communication.

This will give the Company more flexibility to offer its shareholders different ways to participate in the General Meeting of Shareholders.

It should be noted that the proposed amendment of the Regulations for the General Meeting in order to expand the shareholders' rights to attend the General Meeting of Shareholders through the use of real-time means of remote communication is also covered by a report of the Board of Directors dated as of

the date hereof.

III. FULL TEXT OF THE PROPOSED BYLAW AMENDMENT

For purposes of providing a comparison between the current text of articles 28, 31 and 38 of the Bylaws and the proposed text, attached as Annex I to this Report is a verbatim transcription of both texts, which is provided solely for informational purposes.

IV. SHAREHOLDERS' RIGHT TO RECEIVE INFORMATION REGARDING THE PROPOSED BYLAW AMENDMENTS

Pursuant to the provisions of Sections 286 and 518 of the Act and article 8 of the Regulations for the General Meeting of the Company, this report is issued in view of the Shareholders' information right to either examine at the registered office the full text of the proposed bylaw amendment and the report in support thereof or to request the free delivery or mailing thereof.

This document will also be published on the Company's website (www.euskaltel.com), together with the call to the General Meeting and the other documentation relating to the aforementioned articles of the Regulations for the General Meeting and the aforementioned sections of the Act.

ANNEX I.- COMPARATIVE TEXT

Article 28 Content of the call	
Current text	Proposed text
<p>Without prejudice to other legally required circumstances, the call to meeting shall in any event state the name of the Company, the date and time of the meeting, the agenda showing the matters to be considered, the position of the person or persons making the call, as well as the date on which shareholders must have shares registered in their name in order to be able to participate and vote at the General Meeting, the place and manner in which the full text of the documents and proposed resolutions can be obtained, and the website address of the Company where the information will be available.</p>	<p>Without prejudice to other legally required circumstances, the call to meeting shall in any event state the name of the Company, the date and time of the meeting, the agenda showing the matters to be considered, the position of the person or persons making the call, as well as the date on which shareholders must have shares registered in their name in order to be able to participate and vote at the General Meeting, the place and manner in which the full text of the documents and proposed resolutions can be obtained, and the website address of the Company where the information will be available.</p> <p>In cases of on-line attendance at the General Meeting using means that duly assure the identity of the subject, the call to meeting shall describe the deadlines, forms and manners of exercising the rights of shareholders provided for by the Board of Directors to allow for the orderly conduct of the General Meeting.</p>

Article 31 Place of the Meeting, chair and secretary

Current text	Proposed text
<p>The General Meeting of Shareholders shall be held at the place indicated in the call to meeting within the municipal territory of the registered office or within the municipal territory of Bilbao.</p> <p>The General Meeting of Shareholders shall be presided by the Chair of the Board of Directors, with the secretary thereof acting as secretary for the Meeting.</p>	<p>The General Meeting of Shareholders shall be held at the place indicated in the call to meeting within the municipal territory of the registered office or within the municipal territory of Bilbao.</p> <p>Attendance at the General Meeting of Shareholders may take place either at the place where the meeting is to be held, or at any other locations provided by the Company, with a statement to this effect in the call to meeting, that are connected to such place by any valid systems that permit recognition and identification of the attendees, permanent communication among the attendees regardless of their location, and participation and the casting of votes, all in real time.</p> <p>The General Meeting of Shareholders shall be presided by the Chair of the Board of Directors, with the secretary thereof acting as secretary for the Meeting.</p>

Article 38 Absentee voting

Current text	Proposed text
<p>1. Shareholders with the right to attend may cast an absentee vote regarding proposals relating to the items included on the agenda for any type of General Meeting of Shareholders by post or any other means of remote communication that the Board of Directors may determine on occasion of the call to each General Meeting of Shareholders pursuant to the provisions of the Regulations for the General Meeting of Shareholders, and that duly assures the identity of the person exercising their right to vote.</p> <p>2. A vote cast by remote means of communication shall only be valid if received by the Company before midnight (24:00) on the day immediately prior to the day set for the holding of the General Meeting of Shareholders upon first call. Otherwise, the vote shall be deemed to have not been cast.</p> <p>3. Pursuant to the provisions of the Regulations for the General Meeting of Shareholders, the Board of Directors may expand upon the foregoing provisions, establishing state-of-the-art rules, means and procedures to implement voting and proxy-granting by remote means of communication, conforming in each case to the legal provisions applicable for such purpose. The implementing rules adopted under</p>	<p>1. Shareholders with the right to attend may cast an absentee vote regarding proposals relating to the items included on the agenda for any type of General Meeting of Shareholders by post or any other means of remote communication that the Board of Directors may determine on occasion of the call to each General Meeting of Shareholders pursuant to the provisions of the Regulations for the General Meeting of Shareholders, and that duly assures the identity of the person exercising their right to vote.</p> <p>2. A vote cast by remote means of communication shall only be valid if received by the Company before midnight (24:00) on the day immediately prior to the day set for the holding of the General Meeting of Shareholders upon first call. Otherwise, the vote shall be deemed to have not been cast.</p> <p>3. Pursuant to the provisions of the Regulations for the General Meeting of Shareholders, the Board of Directors may expand upon the foregoing provisions, establishing state-of-the-art rules, means and procedures to implement voting and proxy-granting by remote means of communication, conforming in each case to the legal provisions applicable for such purpose. The implementing rules adopted under</p>

<p>the provisions of this section shall be published on the Company's website.</p> <p>4. Personal attendance at the General Meeting by the shareholder or the proxy representative thereof shall have the effect of revoking the vote cast by post or other remote means of communication.</p>	<p>the provisions of this section shall be published on the Company's website.</p> <p>4. Personal attendance at the General Meeting by the shareholder or the proxy representative thereof shall have the effect of revoking the vote cast by post or other remote means of communication referred to in numbers 1 to 3 of this article.</p> <p>5. Remote attendance at the General Shareholders' Meeting by simultaneous on-line means and the casting of electronic absentee votes during the course of the General Meeting of Shareholders shall be governed by the provisions of the Regulations for the General Meeting. The Regulations for the General Meeting may assign to the Board of Directors the regulation, with due observance of the provisions of law, the Bylaws and the Regulations for the General Meeting, of all required procedural aspects, including, among others, the minimum advance period to make the connection in order for a shareholder to be deemed present, the applicable procedure and rules for shareholders attending remotely to be able to exercise their rights, the period before the valid formation of the General Meeting during which those attending by on-line means who wish to submit presentations and proposed resolutions must do so, the identification requirements that</p>
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	must be met by said remote attendees, and the influence thereof on the system for preparing the list of attendees.
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