

REPORT

ISSUED BY

THE BOARD OF BOARD OF DIRECTORS OF



STATING THE GROUNDS FOR THE AMENDMENT OF ARTICLE 65 BIS OF THE ARTICLES OF ASSOCIATION OF EUSKALTEL, S.A. PERTAINING TO THE STRATEGY COMMITTEE.

THIS REPORT CONTAINS:

- (i) GROUNDS FOR THE PROPOSED AMENDMENT; AND
- (ii) FULL TEXT OF THE PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION.

Derio, 24 July 2019

EUSKALTEL, S.A.

REPORT ISSUED BY THE BOARD OF DIRECTORS STATING THE GROUNDS FOR THE AMENDMENT OF ARTICLE 65BIS OF THE ARTICLES OF ASSOCIATION OF EUSKALTEL, S.A. PERTAINING TO THE STRATEGY COMMITTEE.

I. INTRODUCTION

This report has been prepared by the Board of Directors of Euskaltel, S.A. (hereinafter "**Euskaltel**" or the "**Company**") to state the grounds for the proposal to be submitted for the approval of the next General Shareholders' Meeting of Euskaltel to be called by the Board of Directors, in accordance with article 286 of the rewritten text of the Spanish Enterprises Act, approved by Royal Legislative Decree 1/2010 of 2 July (hereinafter, the "**Act**").

The current Board of Directors deems it convenient to remove the Company's Strategy Committee in order to simplify internal management, achieve greater efficiency and agility in the meetings of the Board of Directors and its Committees and cut costs associated with the Strategy Committee.

Therefore, it is deemed to be in the company's interest to propose to the upcoming General Shareholders' Meeting the amendment of article 65bis of the Articles of Association, pertaining to the "*Strategy Committee*", requesting its removal.

In order to help the Shareholders understand the change leading to the amendment to be submitted for the approval of the next General Shareholders' Meeting, this report sets out, first of all, the purposes and grounds of the amendment, and then includes the full text of the proposed wording.

II. GROUNDS FOR THE PROPOSAL

The main aim of the proposal to withdraw article 65bis from the Articles of Association is to remove the Strategy Committee from the list of Board of Directors' Committees.

The Strategy Committee was created in order to inform and support the Board of Directors in the different business strategies to be followed by the Company, in making investments and in preparing strategic plans, inter alia.

However, it is in the Company's interest to remove this Strategy Committee at

present, having the Board of Directors take on these functions directly and first-hand, and simplifying and easing the decision-making process in this regard.

This will enable the Company to achieve greater efficiency, ensure greater involvement by the Board of Directors in devising the Company's strategic plans, and reduce the costs deriving from maintaining a third Board of Directors' Committee.

Hence, the Board of Directors of Euskaltel deems it convenient to modify article 65bis of the Company's Articles of Association, by removing it altogether, leaving it devoid of content in the terms detailed in section III below.

III. FULL TEXT OF THE PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

As a result of the points set forth above, the current text of article 65bis of the Articles of Association will be left devoid of content and the full text of the proposed amendment to the articles of association is as follows:

"Article 65bis. Repealed"

IV. SHAREHOLDERS' RIGHT TO INFORMATION ON THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with articles 286 and 518 of the Act, and article 8 of the Company's General Shareholders' Meeting Regulations, this report is issued for the purposes of fulfilling the Shareholders' right to information and the full text of the proposed amendment to the articles of association and the reports on the grounds thereof may be examined at the Company's registered offices or shareholders may request free delivery of a copy for their perusal.

In addition, this document will be published on the Company's website (www.euskaltel.com), together with the announcement of the General Shareholders' Meeting and the other documentation pertaining to the aforementioned articles of the General Shareholders' Meeting Regulations and the Act.