



EUSKALTEL, S.A. (Euskaltel o la Sociedad), in accordance with article 82 of Law 24/1988 dated 28 July, on the Securities Markets, hereby announces the following

RELEVANT FACT

Further to the Relevant Fact filed with the CNMV on 23 July 2015 (number 226,582), Euskaltel and the shareholders of R Cable y Telecomunicaciones Galicia, S.A. (R Cable) have entered on 5 October 2015 into a sale and purchase agreement in respect of all the shares of R Cable (the Transaction).

As a result of the agreement reached, Euskaltel will acquire control over R Cable through the purchase of 100% of the share capital of R Cable from Rede Brigantium, S.L., a holder of shares representing 70% of the share capital of R Cable, and Abanca Corporación Industrial y Empresarial, S.L.U. (Abanca), a holder of shares representing the remaining 30% of R Cable's share capital.

The final price of the Transaction has been fixed at €1,190 million, including approximately 300 million of estimated debt of R Cable as of September, 30 2015 (which will be refinanced by Euskaltel), with the consideration being fully payable in cash, accruing interests from 1 October 2015.

This consideration will be financed by Euskaltel through the extension of the existing financial facilities by €600 million, the raising of an institutional debt tranche of €300 million underwritten by four banks, the issuance of new shares and with cash on hand, all of the foregoing with full observance of Euskaltel's undertakings in the context of its recent initial public offering (IPO).

Regarding the newly issued shares (the Issue), Abanca, as a shareholder of R Cable and in line with the initial agreement announced in the above mentioned Relevant Fact, has expressed to Euskaltel its desire to subscribe in the above mentioned capital increase a number of newly issued shares of Euskaltel for a minimum of €80,690,000 at the issue price determined according to market conditions. Furthermore, Abanca has committed not to transfer the shares that it subscribe, as the case may be, under the same terms and conditions than the lock-up commitment undertaken by Kutxabank in the IPO.

Additionally, Euskaltel has entered into a Standby Underwriting Letter for an amount of €255 million with Citigroup Global Markets Limited and UBS Limited (the Joint Global Coordinators to the Issue) to finance the Transaction, which is subject to customary conditions for this type of letters.

Changes in the terms of the Transaction in relation to the terms announced in the Relevant Fact dated 23 July 2015 are mainly due to an improved operational outlook of R Cable and the desire of Euskaltel to add into its shareholding structure shareholders that wish to remain in the long run and add strategic value for the company.

The effectiveness of the Transaction, which is binding on R Cable's shareholders, is subject to the approval by the Extraordinary General Shareholders Meeting of Euskaltel which will be convened



shortly and the authorization by the Spanish Competition Authority (CNMC). To that effect, Kutxabank, S.A., Corporación Financiera Alba. S-A- and the management team of the Company, joint holders of approximately 39% of Euskaltel, have committed to vote in favour of the acquisition of R Cable in the Extraordinary General Shareholders Meeting.

The Transaction represents a key milestone in the history of both companies in the context of a new step towards consolidation in the Spanish telecommunications market.

This Transaction provides the combined group with greater strength, efficiency and growth profile to compete in a demanding market as leading operator in the North of Spain, and a relevant player in the Spanish and european markets, while reinforcing its strong footing and commitment in Galicia and the Basque Country, where both companies are deeply rooted.

For further information, Euskaltel will hold a conference call for analysts and investors Tuesday 6 October 2015, at 13:00 hours CET to discuss the Transaction in greater detail.

In Derio, October 6, 2015.

EUSKALTEL, S.A.

Francisco Javier Allende Arias
Secretary to the Board of Directors



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Citigroup Global Markets Limited and UBS Limited (together, the "Joint Global Coordinators") are acting for the Company in connection with the Rights Issue and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Rights Issue or any other matter referred to herein. This announcement has been issued by and is the sole responsibility of the Company. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by the Joint Global Coordinators or by any of its affiliates or agents as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

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connection with their services. In addition, one or more of the Banks are lenders (either directly or through their affiliates) to the Company.

Forward-looking statements

This communication contains forward-looking statements (within the meaning of the *U.S. Private Securities Litigation Reform Act of 1995*) and information relating to Euskaltel that are based on the beliefs of its management as well as assumptions made and information currently available to Euskaltel, S.A. Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "plan", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. Such statements reflect the current views of Euskaltel with respect to future events and are subject to risks, uncertainties and assumptions about Euskaltel and its subsidiaries and investments, including, among other things, the development of its business, trends in its operating industry, and future capital expenditures. In light of these risks, uncertainties and assumptions, the events or circumstances referred to in the forward-looking statements may not occur. None of the future projections, expectations, estimates or prospects in this communication should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, firm communication. Many factors could cause the actual results, performance or achievements of Euskaltel to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, the factors contained in the "Risk Factors" section of the Prospectus for the initial public offering of Euskaltel, S.A. registered with the Spanish National Securities Market Commission on June, 19 de 2015.

Euskaltel undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, new events or any other type of development.