

RULES REGARDING ABSENTEE VOTING AND PROXY-GRANTING

1. CASTING AN ABSENTEE VOTE

According to the provisions of article 38 of the Bylaws, article 26 of the Regulations for the General Shareholders' Meeting, and the terms set out in the Companies Act (*Ley de Sociedades de Capital*) (LSC), shareholders entitled to attend and vote may cast their vote on the proposals regarding the items on the Agenda prior the holding of the Meeting through the following remote means of communication.

1.1 Means for casting an absentee vote

The remote means of communication that are valid for purposes of casting an absentee vote are the following:

(a) Personal delivery or post:

In order to cast an absentee vote by post, shareholders must complete and sign the "Absentee Voting by Post" section of the attendance, proxy, and absentee voting card issued in paper format by the IBERCLEAR participant with which their shares are deposited. Once the attendance, proxy and absentee voting card has been completed and signed by hand in the "Absentee Voting by Post" section, shareholders may send it:

1. By personal delivery, post or equivalent courier service to the following address: Parque Tecnológico-Teknologi Elkartegia, Edificio 809, C.P. 41860, Derio, Biscay.

If the attendance card issued by the IBERCLEAR participant does not include an "Absentee Voting by Post" section or is incomplete, shareholders wishing to cast an absentee vote by post may also download and print a paper version of the Absentee Voting Card from the Company's website (www.euskaltel.com), complete it and sign it, together with the document in the name of the shareholder evidencing ownership of the shares issued by the depository thereof, and photocopy of the shareholder's National Identity Document (DNI) or passport, or, if the shareholder is a legal entity, a photocopy of a power of representation sufficient to show the powers of the individual signing the attendance card and a photocopy of such individual's DNI. Once both documents have been completed and manually signed, the shareholder may send them:

1. By personal delivery, post or equivalent courier service to the following address: Parque Tecnológico-Teknologi Elkartegia, Edificio 809, C.P. 41860, Derio, Biscay.

(b) Electronic means:

To cast an absentee vote by electronic communication with the Company, shareholders of EUSKALTEL, S.A. must do so through the Company's website (www.euskaltel.com), accessing Electronic Proxy-granting and Voting section of the area dedicated to Shareholders and Investors - General Meeting 2016.

Pursuant to the provisions of the Bylaws and the Regulations for the General Shareholders' Meeting, the mechanism for the casting of votes electronically must be able to duly guarantee the authenticity and identification of the shareholder exercising the right to vote. The guarantees that the Board of Directors considers appropriate to ensure the authenticity and identification of a shareholder exercising their right to vote are the recognised electronic signature and the advanced Electronic Signature, as

provided by Law 59/2003 of 19 December on electronic signatures, provided they are based on a recognised electronic certificate in respect of which there is no evidence of revocation and issued by the Spanish Public Certification Authority (*Autoridad Pública de Certificación Española*) (CERES) within the Royal Spanish Mint (*Fábrica Nacional de Moneda y Timbre*).

Prior to the expiration of the deadline for casting the vote, shareholders may view or revoke the previously cast electronic vote through the Company's website, following the instructions provided on said website

1.2 Specific rules for casting a vote by remote means of communication

To be valid, votes cast by any of said means of remote communication (postal or electronic) must be received by the Company before midnight (24:00) on the day immediately prior to the day set for the holding of the General Shareholders' Meeting upon first call, i.e. before midnight (24:00) on 26 June 2016. Otherwise, the absentee vote shall be deemed to have not been cast.

Shareholders casting their absentee vote as provided in the Bylaws and in the Regulations for the General Shareholders' Meeting shall be deemed to be present for purposes of constituting a quorum for the General Shareholders' Meeting in question. Accordingly, absentee votes cast previously shall be deemed to have been revoked and those cast subsequently shall be deemed not to have been cast.

An absentee vote shall only be deprived of effect: (i) by subsequent and express revocation made by the same means used to cast the vote and within the period established for such purpose, (ii) by attendance at the meeting of the shareholder who cast the vote, or (iii) by transfer of the shares the ownership of which grants the right to vote, of which the Company has notice prior to the date provided for the holding of the Meeting.

2. PROXY-GRANTING BY REMOTE MEANS OF COMMUNICATION

Pursuant to the provisions of article 32 of the Bylaws, article 13 of the Regulations for the General Shareholders' Meeting, and on the terms established in the Companies Act (LSC), all shareholders having the right to attend may be represented at a General Meeting by another person, even though not a shareholder, by complying with the requisites and formalities required by Law, the Bylaws and the other internal rules of the Company to the extent applicable, and in accordance with the following instructions.

2.1 Means for granting a proxy

The remote means of communication that are valid for purposes of granting a proxy are the following:

(a) Personal delivery or post:

In order to grant their proxy vote by post, shareholders must complete and sign the "Proxy" section of the attendance, proxy, and absentee voting card issued in paper format by the IBERCLEAR participant with which their shares are deposited or the card issued by the Company.

Shareholders may send the duly completed and signed card by personal delivery, post or equivalent courier service to the following address: Parque Tecnológico-Teknologi Elkartegia, Edificio 809, C.P. 41860, Derio, Biscay.

The proxy must be accepted by the proxy representative, absent which it shall not be deemed valid. To such end, the proxy representative may sign the attendance card itself in the space provided for such purpose. The proxy representative may only cast a vote by attending the Meeting in person. On the day and place set for the holding of the Annual General Shareholders' Meeting, the appointed proxy representatives must identify themselves with their National Identity Document or Passport in order to allow the Company to verify the proxy granted, attaching a copy of such proxy.

(b) Electronic means:

To grant their proxy by electronic communication with the Company, shareholders of EUSKALTEL, S.A. must do so through the Company's website (www.euskaltel.com), accessing Electronic Proxy-granting and Voting section of the area dedicated to Shareholders and Investors - General Meeting 2016.

Pursuant to the provisions of the Bylaws and the Regulations for the General Shareholders' Meeting, the mechanism for the casting of votes electronically must be able to duly guarantee the authenticity and identification of the shareholder exercising the right to vote. The guarantees that the Board of Directors considers appropriate to ensure the authenticity and identification of a shareholder exercising their right to vote are the recognised electronic signature and the advanced Electronic Signature, as provided by Law 59/2003 of 19 December on electronic signatures, provided they are based on a recognised electronic certificate in respect of which there is no evidence of revocation and issued by the Spanish Public Certification Authority (*Autoridad Pública de Certificación Española*) (CERES) within the Royal Spanish Mint (*Fábrica Nacional de Moneda y Timbre*).

Shareholders granting a proxy by electronic means undertake to give notice to the designated proxy representative of the proxy granted.

Prior to the expiration of the deadline for granting the proxy, shareholders may view or revoke the previously granted electronic proxy through the Company's website, following the instructions that will be provided on said website

2.2 Rules for granting proxies by remote means of communication

To be valid, proxies granted by any of said means of remote communication (postal or electronic) must be received by the Company before midnight (24:00) on the day prior to the day set for the holding of the General Meeting upon first call, i.e. before midnight (24:00) on 26 June 2016. Otherwise, the proxy shall be deemed to have not been granted.

Shareholders who grant a proxy by post or remote electric communication undertake to give notice to the designated proxy representative of the proxy granted thereto. If the proxy is granted to a director or to the Secretary of the Board of Directors of the Company, such notice shall be deemed to have been given by means of the receipt by the Company of said proxy by postal correspondence or electronic communication.

On the day and place set for the holding of the Meeting, the appointed proxy representatives must identify themselves by showing their National Identity Document or any other valid official document that is generally accepted for these purposes, in order to allow the Company to verify the proxy granted to them, attaching a printed copy of such proxy duly signed by the proxy representative and the shareholder represented thereby, as well as the power of representation, if applicable.

The proxy representative may only cast the vote of the shareholder they represent by attending the General Meeting in person. A proxy is always revocable. Attendance by the shareholder at the General Meeting entails the revocation of any proxy, regardless of the date thereof.

Furthermore, proxies granted after the casting of an absentee vote shall be deemed not to have been granted.

3. RULES OF PRIORITY AND OTHER PROVISIONS

3.1 Rules of priority among proxies, absentee voting and attendance in person at the meeting

3.1.1 Priorities among proxies, absentee voting and physical attendance

(i) Attendance in person at the General Meeting by the shareholder who previously granted a proxy or cast an absentee vote, regardless of the means used for such purpose, shall render void said proxy or vote.

(ii) Regardless of the means used to cast them, a vote shall render ineffective any proxy, whether granted previously, in which case it shall be deemed revoked, or subsequently, in which case it shall be deemed not to have been granted.

3.1.2 Priority in the event that several proxies are granted or votes cast by remote means of communication

(i) If a shareholder validly grants a proxy by electronic communication and also grants it using the attendance, proxy and absentee voting card printed and issued by the entity or entities in charge of the book-entry registry or by the Company, the latter shall prevail over the one granted by electronic communication, regardless of the respective dates on which they were granted

(ii) Without prejudice to other specific rules, in the event that a shareholder validly grants several proxies or casts several votes by electronic communication, the last proxy granted or the last vote cast received by the Company within the established period shall prevail.

3.2 Joint Ownership

In the event of joint ownership of the shares, for purposes of section 126 of the Companies Act, the joint owner voting or granting a proxy by remote means of communication shall be deemed to have been appointed by the other joint owners to exercise the rights deriving from the shares.

3.3 Other provisions

Both a proxy granted and an absentee vote shall be rendered void by a transfer shares of which the Company is aware.

For purposes of compliance with the provisions of the Regulations for the General Shareholders' Meeting and the Bylaws for granting a proxy and casting a vote by electronic correspondence, the electronic document completed by the shareholder through the Company's website and confirmed with the shareholder's recognised electronic signature shall be deemed to be a copy in inalterable electronic form of the attendance and proxy card.

Shareholders granting a proxy by postal correspondence or electronic communication and failing to check any of the voting instruction boxes with respect to the items on the Agenda shall be deemed to wish to vote in favour of the respective proposals made by the Board of Directors.

Similarly, shareholders casting their vote by postal correspondence or electronic communication and failing to check any of the voting boxes with respect to the items on the Agenda shall be deemed to wish to vote in favour of the respective proposals made by the Board of Directors.

The validity of a proxy granted and of a vote cast by remote communication is subject to verification of the shareholder's status using the file provided by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR). In the event of discrepancy between the number of shares reported by the shareholder granting the proxy or casting his vote by remote communication and the number appearing on the book-entry records reported by IBERCLEAR, the number of shares provided by IBERCLEAR shall be deemed valid for voting and quorum purposes, in the absence of proof to the contrary.

The Company shall make available to shareholders on its website the forms that must be used to vote by proxy or on an absentee basis.

The custody of the shareholder's electronic signature to vote or grant a proxy by electronic communication is the sole responsibility of the shareholder.

3.4. Technical incidents

The Company reserves the right to modify, suspend, cancel or restrict the mechanisms for electronic voting and proxy-granting when so required for technical or security reasons. The Company also reserves the right to ask shareholders for such additional means of identification as it deems appropriate to guarantee the identity of participants, the authenticity of votes or of the proxies granted and, in general, the legal security of the proceedings of the General Shareholders' Meeting.

The Company shall not be liable for any damages that shareholders may sustain as a result of failures, overloads, fallen lines, connection failures, malfunction of the postal service or any other events of the same or a similar nature that are beyond the Company's control and prevent the use of the mechanisms for absentee voting and remote proxy-granting.

3.5 Special rules

Shareholders that are legal entities or that do not reside in Spain should contact Shareholder Service Department at accionista@euskaltel.com to examine any possibility of adjusting the absentee voting and remote proxy-granting mechanisms to their particular situation.

Furthermore, if the shareholder is a legal entity, it must disclose to the Company any modification or revocation of the powers vested in its proxy representative, and the Company therefore disclaims any and all liability until said notice is given.