

## REPORT ON THE INDEPENDENCE OF THE AUDITOR FOR FINANCIAL YEAR 2016

### Introduction

Pursuant to the provisions of article 64.3 of the Bylaws and article 5.2 of the Regulations of the Audit and Control Committee of Euskaltel, S.A., this Committee has the following duties, among others, regarding the independence of the auditors of the Euskaltel Group:

- Preserve the independence of the auditors in the exercise of their duties,
- Establish appropriate relations with the auditors to receive information on those issues that might risk the independence thereof,
- Annually receive from the auditors written confirmation of their independence from the Company or entities directly or indirectly related thereto, as well as information on additional services of any kind provided to these entities by the auditors or by persons or entities related thereto, in accordance with laws on auditing of accounts,
- On an annual basis, and prior to the audit report, issue a report expressing an opinion as to whether the independence of the auditor is compromised. This report must in all cases make a pronouncement regarding the provision of the additional services referred to in the preceding paragraph, considered individually and as a whole, other than the legal audit, and in relation to the rules on independence or the legal provisions governing audit activities.

This report, which is prepared in compliance with the provisions of the aforementioned articles 64.3 of Bylaws and 5.2 of the Regulations of the Audit and Control Committee, includes:

- the principal actions of the Audit and Control Committee of Euskaltel, S.A. to preserve the independence of the auditors in the performance of their duties,
- the (favourable) opinion of the Audit and Control Committee regarding the independence of the auditor, and
- an annex with the written confirmation by its auditors of their independence.

## Principal actions of the Audit and Control Committee of Euskaltel, S.A. to preserve the independence of the auditors in the performance of their duties

1. The Audit and Control Committee of Euskaltel, S.A. and its Chair have met with the group's auditors on various occasions, both in the presence of Company management and in the absence thereof, establishing that there are no issues capable of jeopardising the independence thereof.
2. The auditors have held at least one meeting with the full Board of Directors, reporting on aspects such as the work performed, updates to accounting regulations, risks relating to their work that were taken into account and the maintenance of their independence.
3. The services provided by the group's auditor during financial year 2016 were analysed, with the following results (euros):

	<u>Group</u>
Amount of audit services:	160,500
Amount of other non-audit work:	<u>58,500</u>
Total amount billed by the auditors:	<u>219,000</u>
Amount of non-audit work / Total amount billed by the audit firm (%):	26.71%

The analysis has shown that, in financial year 2016, the amounts contracted for all items do not affect the independence of the Company's auditors.

Furthermore, the amounts for non-audit work mainly corresponds to the limited review of the consolidated financial statements for the six-month period ended 30.06.16, and do not affect the independence of the company's auditors as to either the type of work performed or the amount thereof.

4. Auditors' fees are approved by the Audit and Control Committee, which, through the services of the Company's Internal Audit area, monitors to ensure that they do not impair either the quality or the independence thereof.
5. A limit has been established on the services of the auditors that can be contracted, which limit may only be approved by the Group's Audit and Control Committee.
6. An analysis was made of the appropriate rotation of the company's auditor, financial year 2016 being the fourth year that it is being audited by the same auditor for the parent company, which is the second year for the consolidated group.
7. The written confirmation of the auditors' independence vis-à-vis the Company or entities directly or indirectly connected thereto referenced in article 64.3 of Euskaltel's Bylaws has been received.

This written confirmation, attached as an **Annex** hereto, expressly states that:

*“The audit team and KPMG Auditores, S.L., with the extensions applicable thereto, have met the applicable independence requirements in accordance with the provisions of the Consolidated Text of the Audit Act issued by Royal Legislative Decree 1/2011 of 1 July and the regulations in implementation thereof.*

*(...)*

*Our Firm (sic) has designed and implemented procedures to safeguard our independence as described in section 4.3.2 of the Transparency Report for financial year 2016 of KPMG Auditores, S.L., available at <https://assets.kpmg.com/content/dam/kpmg/es/pdf/2016/12/informe-transparencia-2016.pdf>*

*The procedures contemplate those specifics intended to identify and evaluate threats that might arise from circumstances relating to audited entities, including those that might constitute grounds for disqualification and/or that might require the application of protective measures necessary to reduce the threats to an acceptably low level.*

*In this regard, no circumstances regarding said auditors have been identified, either individually or as a whole, that in our professional opinion might entail a significant threat to our independence and thus require the application of protective measures, or that might be grounds for disqualification.”*

### **Opinion of the Audit and Control Committee regarding the independence of the auditor**

Based on the actions taken, the Audit and Control Committee of Euskaltel, S.A. believes that during financial year 2016, the independence of the auditors of the Company and the consolidated Group was maintained, in accordance with the provisions of the Consolidated Text of the Audit Act issued by Royal Legislative Decree 1/2011 of 1 July, Law 22/2015 of 20 July on Auditing, and the regulations in implementation thereof.

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## ANNEX. LETTER REGARDING INDEPENDENCE OF THE AUDITORS



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A la atención de D. Iñaki Alzaga

8 de febrero de 2017

Muy señores nuestros:

Con fechas 27 de junio de 2016 y 12 de noviembre de 2015 fuimos nombrados, auditores de las cuentas anuales individuales y consolidadas de Euskaltel, S.A. (la Sociedad) y sus sociedades dependientes (el Grupo) correspondientes al ejercicio terminado el 31 de diciembre de 2016, en el caso de la Sociedad, y a los ejercicios terminados en 31 de diciembre de 2015, 2016 y 2017 en el caso del Grupo.

En relación con nuestros nombramientos como auditores y según lo requerido por la Norma Técnica de Auditoría (NIA-ES) 260 de "Comunicación con los responsables del gobierno de la entidad" para Entidades de Interés Público (EIPs) y a los efectos exclusivos de lo dispuesto en la normativa reguladora de la actividad de auditoría de cuentas, según se define en el Artículo 15 del Real Decreto 1517/2011, de 31 de octubre, por el que se aprueba el Reglamento que desarrolla el Texto Refundido de la Ley de Auditoría de Cuentas, les confirmamos que:

- El equipo a cargo del encargo de auditoría y KPMG Auditores, S.L., con las extensiones que les son aplicables, han cumplido con los requerimientos de independencia aplicables de acuerdo con lo establecido en el Texto Refundido de la Ley de Auditoría de Cuentas, emitido por Real Decreto Legislativo 1/2011, de 1 de julio, y su normativa de desarrollo.
- Los honorarios cargados a la Sociedad y las sociedades vinculadas directa o indirectamente a ésta, desglosados por concepto, tanto por servicios de auditoría como por servicios distintos de la auditoría, durante el ejercicio finalizado el 31 de diciembre de 2016 por KPMG Auditores, S.L. y otras firmas miembro de la red KPMG ha ascendido a 222.500 euros.



8 de febrero de 2017

- El desglose del mencionado importe para facilitarles la evaluación de los servicios prestados en el marco de nuestra independencia se detalla a continuación:

	Euros
<b>Por servicios de auditoría</b>	
Euskaltel, S.A.	65.000
Euskaltel, S.A. y sociedades dependientes	21.500
R Cable y Telecomunicaciones Galicia, S.A.	65.000
Cinfo Contenidos informáticos Personalizados, S.L.	9.000
<b>Otros servicios relacionados con la auditoría</b>	
Revisión limitada de los estados financieros consolidados correspondientes al periodo de seis meses terminado en 30.06.16	58.500
Informe de procedimientos acordados sobre el cumplimiento de ratios	3.500
	<b>222.500</b>

Nuestra Firma tiene diseñados e implantados procedimientos generales para salvaguardar nuestra independencia según se describe en el apartado 4.3.2 del Informe de Transparencia del ejercicio 2016 de KPMG Auditores, S.L. disponible en el siguiente enlace <https://assets.kpmg.com/content/dam/kpmg/es/pdf/2016/12/informe-transparencia-2016.pdf>

Estos procedimientos contemplan aquellos específicos dirigidos a identificar y evaluar amenazas que puedan surgir de circunstancias relacionadas con entidades auditadas, incluidas las que puedan suponer causas de incompatibilidad y/o las que pueden requerir la aplicación de medidas de salvaguarda necesarias para reducir las amenazas a un nivel aceptablemente bajo.

En este sentido en relación con las auditorías indicadas no se han identificado circunstancias, que de forma individual o en su conjunto, según nuestro juicio profesional pudieran suponer una amenaza significativa a nuestra independencia y que por tanto, requiriesen la aplicación de medidas de salvaguarda o que pudieran suponer causas de incompatibilidad.

Esta confirmación ha sido preparada exclusivamente para los destinatarios de esta carta y en consecuencia no debe de ser distribuida, ni utilizada para cualquier otro propósito.

Atentamente.



Enrique Asla  
Socio