

REPORT FORMULATED BY THE BOARD OF DIRECTORS OF EUSKALTEL, S.A. REGARDING THE PROPOSED RATIFICATION OF THE INTERIM APPOINTMENT (CO-OPTION) AND ELECTION OF CORPORACIÓN FINANCIERA ALBA, S.A., REPRESENTED BY MR JAVIER FERNÁNDEZ ALONSO, AS A PROPRIETARY DIRECTOR, INCLUDED IN ITEM SIX ON THE AGENDA FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS CALLED TO BE HELD ON 1 AND 2 JUNE 2018, ON FIRST AND SECOND CALL, RESPECTIVELY

I. Introduction

This report has been prepared by the Board of Directors of Euskaltel, S.A. (“**Euskaltel**” or the “**Company**”) pursuant to the provisions of sections 529 *decies* of the Capital Enterprises Act (*Ley de Sociedades de Capital*) regarding the proposed ratification of the interim appointment (co-option) and election as director of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, which is submitted to the shareholders for approval at the Annual General Meeting of Shareholders under item number six on the agenda, assessing for said purposes the skill, experience and merits of the person whose ratification and election is being proposed at the Meeting.

For the purposes of section 518.e) of the Capital Enterprises Act, this report describes the identity, professional profile and biographical data of the director and other information referred to in article 8.2.(vi) of the Regulations for the General Meeting of Shareholders.

Notwithstanding the foregoing, it is stated for the record that the professional profile and biographical data of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, as well as the corresponding data, have been published on the Company’s website since the interim appointment (co-option) thereof, in accordance with the provisions of the Company’s internal rules.

Furthermore, this report includes an assessment of the Board of Directors regarding the skill, experience and merits of the various Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, in view of the report formulated by the Appointments and Remuneration Committee pursuant to said section 529 *decies* of the Capital Enterprises Act, at its meeting of 27 February 2018, and which the Board adopts as its own in its entirety.

II. Identifying data and company object of Corporación Financiera Alba, S.A. Biographical profile, training and experience of Mr Javier Fernández Alonso.

Corporación Financiera Alba, S.A. is a company that was organised for an indefinite period under the name Cementos Alba, S.A. pursuant to an instrument executed on 9 November 1953 before the notary of Madrid Mr Manuel Amorós Gozábez and recorded in his notarial book of records under number 2,920.

It is registered with the Commercial Registry of Madrid at volume 417 General, folio 196, sheet number M-8078, entry 261. It has Tax Identification Number (N.I.F.) A-28060903 and a registered address in Madrid, at calle de Castelló, nº 77, planta 5ª.

The company object of Corporación Financiera Alba, S.A. includes the acquisition through subscription, purchase, holding or transfer of public or private securities and any other type of financial asset.

Furthermore, Mr Javier Fernández Alonso, the individual representative of Corporación Financiera Alba, S.A. proposed to hold the position of director on the Board of Directors of Euskaltel, was born in Bilbao on 15 August 1977.

He holds a degree in business management and administration from Universidad de Deusto.

He has spent a portion of his career as an adviser on mergers and acquisitions at Goldman Sachs International (Londres) and ABN Amro Corporate Finance (Madrid), where he attained the position of Associate Director.

He also holds the position of Investment Manager and member of the Executive Committee of Corporación Financiera Alba, S.A., where he is also a member of the Investment Committee and of the Investor Committee of Artá Capital SGECR S.A.

III. Membership on other boards of directors

Corporación Financiera Alba, S.A. is currently a director of Ebro Foods, S.A.

For his part, Mr Javier Fernández Alonso is currently the natural person representing Corporación Financiera Alba, S.A. on the Board of Directors of Ebro Foods, S.A. and a member of the Board of Directors of Parques Reunidos Servicios Centrales, S.A.

IV. Evaluation and category to which the director should belong

The Board of Directors of the Company endorses the assessment made by the Appointments and Remuneration Committee and finds that Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, has sufficient skills, ability and merits to hold the position of director.

In addition, pursuant to the provisions of sub-section 3 of section 529 *duodecies* of the Capital Enterprises Act, Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, is deemed by the Appointments and Remuneration Committee and by the Board of Directors, which endorses the findings thereof, to be a proprietary external director, as it holds a significant interest in the Company.

V. Dates of appointment as a director of the Company

The proposed appointment of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, was reported on favourably by the Appointments and Remuneration Committee at its meeting held on 27 February 2018; Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, was appointed director on an interim basis (co-option) pursuant to a resolution of the Board of Directors at its meeting on that same date.

VI. Shares and options on shares of the company owned thereby

Corporación Financiera Alba, S.A. is the indirect holder of 19,650,990 shares of the Company.

Mr Javier Fernández Alonso is the direct holder of 3,000 shares of the Company.

VII. Proposed resolution

Pursuant to the foregoing, it has been resolved to propose the following resolution to the shareholders at the General Meeting of Shareholders of the Company:

“Six.- Ratification of the interim appointment (co-option) and election of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, as proprietary director.

It is hereby resolved to ratify the appointment of Corporación Financiera Alba, S.A., represented by Mr Javier Fernández Alonso, as director appointed on an interim basis (co-option) by resolution of the Board of Directors adopted at the meeting held on 27 February 2018, and to appoint him in accordance with the report of the Appointments and Remuneration Committee for the bylaw-mandated term of four years, with the classification of proprietary external director, as his appointment was proposed by Corporación Financiera Alba, S.A., a significant shareholder of Euskaltel.”

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In Derio (Biscay), on 27 April 2018.