

REPORT

FORMULATED BY

THE BOARD OF DIRECTORS OF



REGARDING THE RATIONALE FOR THE AMENDMENT OF ARTICLE 4 OF THE BYLAWS OF EUSKALTEL, S.A. RELATING TO THE COMPANY OBJECT.

THIS REPORT CONTAINS:

- (i) RATIONALE FOR THE PROPOSED AMENDMENT;
- (ii) FULL TEXT OF THE PROPOSED BYLAW AMENDMENT; AND
- (iii) COMPARATIVE TEXT OF THE CURRENT TEXT AND THE PROPOSED TEXT OF ARTICLE 4 OF THE BYLAWS.

Derio, 27 February 2019.

EUSKALTEL, S.A.

REPORT ISSUED BY THE BOARD OF DIRECTORS REGARDING THE RATIONALE FOR THE AMENDMENT OF ARTICLE 4 OF THE BYLAWS OF EUSKALTEL, S.A. RELATING TO THE COMPANY OBJECT.

I. INTRODUCTION

This report is formulated by the Board of Directors of Euskaltel, S.A. (hereinafter, "**Euskaltel**" or the "**Company**") to provide a rationale for the proposal submitted for approval of the shareholders acting at the Annual General Meeting of Shareholders of Euskaltel, called to be held on 1 April 2019, at 12:00, on first call, and on 2 April 2019, at the same time, on second call, under item six on the Agenda relating to the Amendment of the Company's Bylaws, in relation to its company object, pursuant to the provisions of Section 286 of the restated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July (hereinafter, the "**Act**").

This Board of Directors deems it appropriate to amend the Company's Bylaws as regards the company object, in order to specify in greater detail the services provided by the Company within the framework of its current company object, in accordance with the terms used in the current technology market.

For this purpose, it is deemed suitable for the interests of the Company to propose to the shareholders at the General Meeting of Shareholders of Euskaltel to amend article 4 of the Bylaws with respect to the "*Company object*".

To facilitate the Shareholders' understanding of the change giving rise to the amendment submitted for their approval at the General Meeting of Shareholders, a description of the purpose and rationale for said amendment is first provided, followed by the full proposed text.

Furthermore, and to facilitate a comparison between the new text of the proposed article 4 and the current text, attached as an **Annex** to this report, for informational purposes, is a document showing the proposed amendment to the current text of article 4 of the Bylaws of the Company.

II. RATIONALE FOR THE PROPOSAL

The proposed amendment of article 4 of the Bylaws is mainly intended to describe and specify in greater detail the services provided by the Company within the company object of Euskaltel that are not specifically determined in the current text thereof. The Company thus intends to be expressly recognised as a provider of such services in the area of public tenders offering the provision of telecommunication services.

Until now, the broad nature of the current text of Euskaltel's company object has hampered the award of various public tenders, as well as other contracts, due to the services being demanded under such tenders and/or contracts not being expressly included and described in the company object.

The new text of Euskaltel's company object, which in no case entails a material change thereof, thus allows access to a number of public or private tenders, which in turn will give it access to better positioning with respect to new customers in an increasingly demanding and developed technological market.

For this reason, Euskaltel's Board of Directors finds it appropriate to amend article 4 of the Company's Bylaws, regarding its company object, upon the terms described in section III below.

III. FULL TEXT OF THE PROPOSED BYLAW AMENDMENT

As a result of the foregoing, the full text of the proposed bylaw amendment is included below:

"Article 4. Company object

1. The company's object is:

- a) The provision, management, development, implementation, operation and sale of all types of public or private telecommunications services in any of the ways allowed by Law and subject to the legislation from time to time in effect and, if applicable, by means of indirect management of the services, including, by way of example and not of limitation, the design, installation, management, maintenance, improvement, acquisition, transfer or interconnection of all kinds of telecommunication equipment, systems, lines or networks or any technical telecommunications infrastructure currently existing or hereafter developed, including any real property in which any of them may be located, as well as Internet-related activities and services, e-commerce and electronic signatures; the creation, design and operation of portals; the provision of services, advice, supplies, technical support and management regarding Internet portals, websites, advertising and multimedia content, payment gateways, hosting, server hosting, development of Internet tools, products and applications, access to applications via Internet, retail sales solutions, services for business*

process management and optimisation of relations between companies and digital transformation services.

- b) The design, research, development, construction, sale, installation, management, improvement, maintenance, operation, acquisition, disposal and interconnection of all types of telecommunications equipment, products (including hardware and software), networks and systems.*
 - c) The lease, acquisition and sale of electric, electronic, optical, photographic, audio and video equipment, material and devices and hardware and software products related to telecommunications and electronic communications services, telephony, television and Internet.*
 - d) The provision and operation of all types of auxiliary, supplementary and derivative services, as well as services directly or indirectly related to telecommunications services.*
 - e) The production, development, transmission, acquisition and sale of television content and content related to communications and entertainment using audiovisual means.*
 - f) The production and transmission of images and sounds simultaneously, as well as the production and transmission of information, text and sound.*
 - g) The acquisition, sale or licensing of patents, trademarks and trade names and any other industrial property rights, as well as intellectual property rights relating to its purposes and object, especially for the sales, promotion and/or marketing activities of the company.*
 - h) The sale of licences or sub-licences for software and hardware products, as well as the provision of evolutionary and corrective maintenance of such software developments and products.*
 - i) The design, development, production, integration, operation, maintenance, repair and sale of systems, solutions and products that use information and telecommunications technologies and any service related thereto.*
 - j) The design, development, production, integration, operation, maintenance, repair and sale of security, home automation and connected home systems, solutions and products, as well as tele-assistance services and services relating to the Internet of Things, at both the residential and business levels.*
 - k) The provision of business consulting and technological management and consulting services, both in the telecommunications area.*
- 2. All operations and activities making up the company object described in the preceding paragraphs may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by the Company or through the ownership of shares or equity interests in companies or other legal entities with the same or a similar object.*
- 3. Excluded from the foregoing is the direct performance of those activities restricted*

by special legislation, as well as the indirect performance thereof when applicable. If legal provisions require any professional degree or any type of governmental approval or other requirements for the performance of any activity included in the company object, such activity may not be commenced until all required legal and governmental requirements have been met."

IV. SHAREHOLDERS' RIGHT TO RECEIVE INFORMATION REGARDING THE PROPOSED BYLAW AMENDMENTS

Pursuant to the provisions of sections 286 and 518 of the Act and article 8 of the Regulations for the General Meeting of the Company, this report is issued in view of the Shareholders' information right to either examine at the registered office the full text of the proposed bylaw amendment and the report in support thereof or to request the free delivery or shipment thereof.

This document will also be published on the Company's website (www.euskaltel.com), together with the call to the General Meeting and the other documentation relating to the aforementioned articles of the Regulations for the General Meeting and the Act.

ANNEX.- COMPARATIVE TEXT

Article 4. Company object

The company's object ~~of the Company shall be theis:~~

- a) ~~The provision, management, development, implementation, ~~exploitation~~operation and ~~marketing~~sale of all types of public or private telecommunications ~~networks and services in accordance with~~any of the ways allowed by Law and subject to the ~~legislation from time to time in effect and, if applicable law,~~ by means of indirect management of the services, including, by way of example and not of limitation, the ~~design, installation, management, maintenance, improvement, acquisition, transfer or interconnection of all kinds of telecommunication equipment, systems, lines or networks or any technical telecommunications infrastructure currently existing or hereafter developed, including any real property in which any of them may be located, as well as the marketing of assets to carry out said~~Internet-related activities and services, e-commerce and electronic signatures; the creation, design and operation of portals; the provision of services, advice, supplies, technical support and management regarding Internet portals, websites, advertising and multimedia content, payment gateways, hosting, server hosting, development of Internet tools, products and applications, access to applications via Internet, retail sales solutions, services for business process management and optimisation of relations between companies and digital transformation services.~~
- b) ~~The Company may engage in the activities included within its object either completely or partially~~design, research, development, construction, sale, installation, management, improvement, maintenance, operation, acquisition, disposal and ~~either~~interconnection of all types of telecommunications equipment, products (including hardware and software), networks and systems.
- c) ~~The lease, acquisition and sale of electric, electronic, optical, photographic, audio and video equipment, material and devices and hardware and software products related to telecommunications and electronic communications services, telephony, television and Internet.~~
- d) ~~The provision and operation of all types of auxiliary, supplementary and derivative services, as well as services directly or indirectly related to telecommunications services.~~
- e) ~~The production, development, transmission, acquisition and sale of television content and content related to communications and entertainment using audiovisual means.~~
- f) ~~The production and transmission of images and sounds simultaneously, as well as the production and transmission of information, text and sound.~~
- g) ~~The acquisition, sale or licensing of patents, trademarks and trade names and any other industrial property rights, as well as intellectual property rights relating to its purposes and object, especially for the sales, promotion and/or marketing activities of the company.~~
- h) ~~The sale of licences or sub-licences for software and hardware products, as well as the provision of evolutionary and corrective maintenance of such software developments and products.~~
- i) ~~The design, development, production, integration, operation, maintenance, repair and sale of systems, solutions and products that use information and telecommunications technologies and any service related thereto.~~
- j) ~~The design, development, production, integration, operation, maintenance, repair and sale of security, home automation and connected home systems, solutions and~~

products, as well as tele-assistance services and services relating to the Internet of Things, at both the residential and business levels.

- k) The provision of business consulting and technological management and consulting services, both in the telecommunications area.
- 2. All operations and activities making up the company object described in the preceding paragraphs may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by the Company or through the ownership of shares or equity interests in companies or ~~businesses~~ other legal entities with the same or a similar object.
- 3. ~~Article 5.~~ Excluded from the foregoing is the direct performance of those activities restricted by special legislation, as well as the indirect performance thereof when applicable. If legal provisions require any professional degree or any type of governmental approval or other requirements for the performance of any activity included in the company object, such activity may not be commenced until all required legal and governmental requirements have been met.