



Summary of the Long-Term Incentive Plan for the period 2020-2022 addressed to the Chairman, the Chief Executive Officer, the General Secretary and certain directors, executives and key employees of Euskaltel, which is submitted for approval of the General Shareholders' Meeting of Euskaltel

1. Primary objective of the Plan

The Plan is intended to retain and provide incentives for the beneficiaries (i.e. the Chairman of the Board of Directors, the CEO, the General Secretary and certain directors, executives and key employees of Euskaltel), whose long-term employment is considered essential to meeting the challenges of the period 2020-2022, to stay at the company and to motivate such individuals to create long-term value for shareholders and other stakeholders of Euskaltel.

2. Overview and size of the Plan. Overall limit of the incentive payment.

The Plan consists of an extraordinary variable incentive payment payable, in full or in part, through the delivery of Euskaltel shares. The Plan will allow the beneficiaries to share in the total value created for the shareholder over the period 2020-2022. Overall, the beneficiaries will be entitled to up to 4% of the total value created over such period.

In order for the full amount of the incentive to be accrued, a specific target linked to operating cash-flow performance must be achieved. The operating cash-flow is one of the key metrics under Euskaltel's 2020-2022 strategic plan. The degree of achievement of this target will determine the accrual of up to 15% of the total incentive.

3. Term

The Plan has a duration of three years from the date of its approval by the Board on 27 January 2020 and will end on 31 December 2022.

4. Beneficiaries

The Plan is addressed to the Chairman of the Board, the CEO and the General Secretary, as well as to certain executives and employees with employment or business relationship that, having been invited to participate in the Plan, have accepted the terms of the same in full and in writing and have informed the Company accordingly under the terms and within the timeframes set out in the invitation letter.

The Board may invite new beneficiaries to participate in the Plan during its term, in accordance with the Regulations of the Plan.

5. Calculation of the incentive

The incentive will be calculated according to the following formula:

$$Incentive = NVC * \%_{NVC} * r$$

(A) Net Value Creation (NVC)

The net value creation is the measure of the value created for the Euskaltel shareholders during the term of the Plan. The Net Value Creation is calculated as the positive difference between the market capitalization of the company as of 31 December 2022 and the market capitalization as of 5 June 2019, including dividends paid over such period and other corporate transactions (including, but not limited to, capital increases).

(B) Percentage applicable to the Net Value Creation ($\%_{NVC}$)

The percentage applicable to the Net Value Creation will be determined in accordance with the following scale:

- (a) If the Net Value Creation is less than EUR 344.8 million, which implies a share price appreciation (including dividends) of up to 25.5% vs the initial reference value (i.e. EUR 7.57 per share), the applicable percentage will be 0%.
- (b) If the Net Value Creation is equal to or greater than EUR 2,041.9 million, which implies a minimum share price appreciation of 151% vs the initial reference value (i.e. EUR 7.57 per share), the applicable percentage will be 4%.
- (c) The percentage applicable to the Net Value Creation falling between EUR 344.8 million and EUR 2,041.9 will be determined by linear interpolation.

(C) Achievement Ratio (r)

The achievement ratio will depend on the level of achievement of an operating cash-flow target (before growth capital expenditures) to be determined by the Board, on the proposal of the Appointments and Remunerations Committee, and which will take into account the business plan approved by the Board for the term of the Plan.

In any event, the achievement ratio will fall within the range between 85% (for the minimum level of achievement of the operating cash-flow target) and 100% (for the maximum level of achievement of the operating cash-flow target), such that if the minimum operating cash-flow threshold is not achieved, and provided that the minimum share price appreciation level is met, only 85% of the total incentive will accrue.

6. Incentive corresponding to each beneficiary

The incentive payment calculated as set out in the preceding section will be allocated to the beneficiaries in the proportions determined by the Board, on the proposal of the Appointments and Remunerations Committee. Such percentages will be communicated to each beneficiary through the invitation letter.

The percentages of the incentive corresponding to the Chairman of the Board and the CEO will be 4% and 28%, respectively. The remaining 68% will be allocated between the rest of the beneficiaries. The Board may also reserve a buffer for new participants.

7. Accrual of the incentive

In order for the incentive to accrue, it will be necessary for the beneficiary to have an ongoing employment or business relationship with the company on the accrual date (i.e. 31 December 2022), without prejudice to section 9 below.

8. Settlement and delivery of the incentive

The incentive will be paid to the beneficiaries within 30 calendar days from 31 December 2022. The settlement of the incentive will be carried out as follows:

- (a) An amount of at least 75% of the incentive will be paid through the delivery of Euskaltel shares.
- (b) The Board may pay up to 25% of the incentive in cash.



The number of shares to be delivered to the beneficiaries will be made by the company net of the applicable withholdings on account of personal income taxes and the corresponding Social Security contributions.

9. Termination of the business or employment relationship

The Plan provides for customary good leaver and bad leaver provisions in the event that the employment or business contract with the beneficiary is terminated before the end of the accrual period. Specifically, in the good leaver situations the beneficiary will be entitled to receive the pro rata amount accrued up until termination of the contractual relationship, while in the bad leaver situations the beneficiary will not be entitled to receive any incentive payment.

10. Restricted period for the transfer of the shares received under the Plan

The shares awarded (if any) to the beneficiaries under the Plan will be subject to a lock-up provision for a period of 12 months from the date of the delivery.

In addition, for a period of 12 months following the end of the lock-up period, the beneficiaries may only transfer the shares awarded under the Plan in accordance with an orderly sale procedure to be set out by the Board for this purpose. During this period, the beneficiaries will only be entitled to transfer up to 25% of the shares owned by each beneficiary in each quarter.

11. Change of Control

The Plan includes customary change of control provisions in line with long-term incentive plans similar in nature, which might trigger the acceleration of vesting, whether in full or in part, of the Plan.

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