



Pursuant to article 228 of the rewritten text of the Spanish Securities Market Act, approved by Royal Legislative Decree 4/2015 of 23 October, Euskaltel, S.A. (hereinafter “**Euskaltel**” or the “**Company**”), hereby communicates the following

INSIDE INFORMATION

In accordance with the provisions of article 134.4 of the consolidated text of the Securities Market Act and article 24 of Royal Decree 1066/2007 of 27 July on the regulation of takeover bids for securities, the report approved today by the Board of Directors of Euskaltel in relation with the voluntary takeover bid for all the shares of the Company made by Kaixo Telecom, S.A.U. and authorized by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on 5 July 2021 is attached hereto.

Derio, 12 July 2021

EUSKALTEL, S.A.
Mr. José Ortiz Martínez
Secretary non-member of the Board of Directors



REPORT OF THE BOARD OF DIRECTORS OF EUSKALTEL, S.A. IN RELATION TO THE VOLUNTARY TAKEOVER BID MADE BY KAIXO TELECOM, S.A.U.

At its meeting held on 12 July 2021, by unanimous vote of its members, the board of directors of Euskaltel, S.A. (the “**Board of Directors**” and the “**Target Company**” or “**Euskaltel**”, respectively) has drawn up and approved this report in relation to the voluntary takeover bid made by Kaixo Telecom, S.A.U. (the “**Bidder**”) for all of the shares representing the share capital of Euskaltel (the “**Takeover**”).

The Takeover was authorised by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the “**CNMV**”) on 5 July 2021. Said authorisation was announced by means of a notice published on that same date by the CNMV (registry number 10468). The terms and conditions of the Takeover are described in detail in the corresponding explanatory prospectus prepared by the Bidder and reviewed by the CNMV (the “**Prospectus**”). The Prospectus is available to the public in hard copy at the offices of the CNMV and the Spanish Stock Exchanges and at the registered offices of the Bidder and Euskaltel and in digital form on the websites of the CNMV (www.cnmv.es), of Euskaltel (www.euskaltel.com) and of Masmovil Ibercom, S.A.U. (“**MasMóvil**”) (<http://www.grupomasmovil.com>).

This report is issued in compliance with the provisions of article 134.4 of the consolidated text of the Spanish Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October (*texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*, the “**Securities Market Law**”) and article 24.1 of Royal Decree 1066/2007 of 27 July on the regulation of takeover bids for securities (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*, the “**Royal Decree 1066/2007**”).

The Board of Directors notes the mandatory but non-binding nature of this report and of the opinions stated herein. The opinions stated in this report have been issued in good faith and solely on the basis of the circumstances known at the date of its issuance, and no account may be taken of circumstances or events, whether foreseeable or otherwise, occurring after said date.

This report does not constitute investment or divestment recommendation or advice and it is for each shareholder of Euskaltel to decide whether or not to accept the Takeover, taking into account, among other factors, their particular circumstances, interests and category, based on the information included in the Prospectus, this report and the attached fairness opinions regarding the consideration of the Takeover from a financial perspective, which should be read in full. The aforementioned opinions form an essential and inseparable part of this report and should be read in conjunction herewith.

1. MAIN FEATURES OF THE TAKEOVER

The features of the Takeover are described in chapters One to Three of the Prospectus, which should be read in full. Without prejudice to the foregoing, some of its main features are summarised below:

1.1 THE BIDDER

The Bidder is Kaixo Telecom, S.A.U., a Spanish public limited company (*sociedad anónima*) with registered office at Parque Empresarial Zuatzu, Edificio Easo, 2º floor, number 8, 20018 San Sebastián (Guipúzcoa), registered with the Commercial Registry of Guipúzcoa at volume (*tomos*) 2992, sheet (*folio*) 114, page (*hoja*) SS-43553, and with tax identification number (NIF) A-04982526 and Legal Entity Identifier (LEI) number 959800FS57S34NTZBB68. The shares of the Bidder are not listed on any securities market.

The Bidder is a company wholly owned by MasMóvil, a Spanish public limited company with registered office at Parque Empresarial Zuatzu, Edificio Easo, 2º floor, number 8, 20018 San Sebastián (Guipúzcoa), registered with the Commercial Registry of Guipúzcoa at volume 2172, sheet 183, page SS-13511, and with NIF A-20609459.

In turn, MasMóvil is a company wholly owned by Lorca Telecom BidCo, S.A.U., a Spanish public limited company with registered office at Avenida de Bruselas 38, 28108 Alcobendas, Madrid, registered with the Commercial Registry of Madrid at volume 40200, sheet 56, page M-714328, and with NIF A-88585906 (“**Lorca BidCo**”).

In turn, Lorca BidCo is a company wholly owned by Lorca Holdco Limited, a company incorporated according to the laws of England and Wales, with registered office at 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom, registered with the Companies House for England and Wales under number 12498656 (“**Lorca MidCo**”).

Lorca MidCo is in turn a company wholly owned by Lorca JVCo Limited, a company incorporated according to the laws of England and Wales, with registered office at 1 Bartholomew Lane, London, EC2N 2AX, United Kingdom, registered at Companies House for England and Wales under number 12497729 (“**Lorca JVCo**”). Lorca JVCo is in turn owned as follows:

- i) 86.078% by Lorca Aggregator Limited (“**Lorca TopCo**”), a company incorporated according to the laws of Jersey, with registered office at 44 Esplanade, St Helier, Jersey, JE4 9WG, registered at the Jersey Financial Services Commission Companies Registry under number 131173. The indirect shareholders of Lorca TopCo are:
 - a) funds and vehicles managed by Cinven Capital Management (VII) Limited Partnership Incorporated, acting through its managing general partner Cinven Capital Management (VII) General Partner Limited, which indirectly hold 29.87% of Lorca TopCo;
 - b) funds, vehicles and segregated accounts managed by KKR Associates Europe V SCSp, acting through its general partner KKR Europe V S.à r.l., which hold 33.33% of Lorca TopCo; and

- c) funds and vehicles managed by Providence Equity GP VII-A LP, acting through its general partner PEP VII-A International Ltd., and funds and vehicles managed by Providence Equity GP VIII L.P., acting through its general partner PEP VIII International Ltd, which indirectly hold 36.79% of Lorca TopCo,
(together, the “Investors”);
- ii) 5.022% by Onchena, S.L. a Spanish private limited company (*sociedad limitada*) with registered office at Pedro de Valdivia 10, Madrid (Spain), registered with the Commercial Registry of Madrid at volume 467, sheet 26, page M-8952, and with tax identification number (NIF) B-78871639;
- iii) 5.022% by Key Wolf, S.L.U., a Spanish private limited company with registered office at Calle Zuatzu, nº 7, Planta Baja, local nº 1, 20018, San Sebastián, Guipúzcoa (Spain), registered with the Commercial Registry of Guipúzcoa at volume 2702, sheet 112, page SS-37678, and with tax identification number (NIF) B-75135137;
- iv) 1.513% by Griasti, S.L.U., a Spanish private limited company with registered office at Calle Zurbano 76 - 7, 28010, Madrid, registered with the Commercial Registry of Madrid at volume 40843, sheet, 62, page M-724562, with tax identification number (NIF) B-27790898;
- v) 1.153% by members of the executive staff of MasMóvil via Lorca Manco LP, an English partnership with registered office at 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX, registered with Companies House with registry number LP021392;
- vi) 1.097% by Inveready Innovation Consulting, S.L.U., a Spanish private limited company with registered office at Calle dels Cavallers 50, 08034 Barcelona, registered with the Commercial Registry of Barcelona at volume 46255, sheet 13, page B-514430, with tax identification number (NIF) B67132373; and
- vii) 0.114% by Inveready Evergreen, S.C.R., S.A.U., a Spanish public limited company with registered office at Zuatzu Nº 7, Edificio Urola, Local Nº 1, Planta Baja, 20018 San Sebastián, Guipúzcoa (Spain), registered with the Commercial Registry of Guipúzcoa at volume 2927, sheet 71, page SS-42321, with tax identification number (NIF) A-66962234, and registered with the CNMV’s official registry of venture capital companies with registry number 249.

As stated by the Bidder in the Prospectus, the relationship between the shareholders of Lorca JVCo and of Lorca TopCo with regard to their indirect holding in the share capital of MasMóvil is governed by the provisions of the shareholders agreement relating to Lorca JVCo and Lorca TopCo and their group of companies (*Shareholders Agreement relating to Lorca Aggregator Limited and Lorca JVCo Limited and their group of companies*), which they entered into on 21 September 2020, amended and restated on 30 December 2020 and amended again on 12 March 2021, the terms of which are described in detail in section 1.4.2 of the Prospectus. In the opinion of the Bidder’s group, the aforementioned shareholders agreement does not constitute a concerted action under the terms of article 5 of Royal Decree 1066/2007.

1.2 SECURITIES AT WHICH THE TAKEOVER IS TARGETED

The Takeover is targeted at the entire share capital of Euskaltel, represented as at the date of approval of this report by 178,645,360 shares, each with a nominal value of 3.00 euros and belonging to the same class and series.

The shares at which the Takeover is targeted include 93,466,717 shares of Euskaltel, representing 52.32% of its share capital, that the shareholders: (i) Zegona Communications plc (indirect shareholder through its subsidiary Zegona Limited); (ii) Kutxabank, S.A.; and (iii) Alba Europe S.à r.l. (together, the **"Selling Shareholders"**) have irrevocably undertaken to sell in the Takeover, as described in section 3.5 below.

There are no securities of the Target Company other than the shares at which this Takeover is targeted, as Euskaltel has not issued any pre-emptive subscription rights, non-voting shares, notes that are convertible into or exchangeable for shares, warrants or any other similar instruments that might provide a direct or indirect right to acquire or subscribe for shares of Euskaltel.

As stated in the Prospectus, the Takeover is made exclusively in the Spanish market, the only market on which the shares of Euskaltel are listed, and it is targeted at all of the shareholders of Euskaltel regardless of their nationality or place of residence, and the Prospectus and its contents do not constitute an extension of the Takeover to any jurisdiction where the making of the Takeover may require the distribution or registration of documentation in addition to the Prospectus or compliance with the applicable law in said jurisdiction. In particular, the Prospectus provides that the Takeover is not made in or targeted at, and cannot be accepted in or from, Canada, Australia, New Zealand, the Republic of South Africa or Japan, and the Prospectus and all other documents related to the Takeover do not constitute or form part of any bid or request to purchase or subscribe for securities in the United States or in any other restricted jurisdiction.

In the Prospectus, the Bidder cautions shareholders of Euskaltel who are resident abroad and decide to accept the Takeover that they may be subject to legal and regulatory restrictions other than those established by Spanish law. In this regard, it is stated that those shareholders who are resident abroad and decide to accept the Takeover are solely liable for compliance with said regulations, and hence for the proper verification, applicability and implementation thereof.

The terms of the Takeover are identical for all of the shares of Euskaltel to which it applies.

1.3 TYPE OF TAKEOVER

The Takeover is voluntary in accordance with the provisions of article 137 of the Securities Market Law and article 13 of Royal Decree 1066/2007.

1.4 CONSIDERATION FOR THE TAKEOVER

The Bidder offers a price of 11.00 euros per share of Euskaltel, payable in cash (the **"Takeover Price"**).

The Takeover Price initially amounted to 11.17 euros per share (the **"Initial Price"**). However, the Bidder announced both in the prior announcement of the Takeover published on 28 March 2021 (the **"Prior**

Announcement) and in the request for authorisation of the Takeover filed on 31 March 2021 that the Takeover Price would be adjusted in the event of Euskaltel making any distribution of dividends or reserves or any other distribution to its shareholders prior to the settlement of the Takeover, whether ordinary, extraordinary, interim or supplementary. In this regard, on 4 June 2021 the Target Company notified the market through the corresponding publication of an other relevant information (registry number 9815) of the payment of a supplementary dividend with a charge to the results for the financial year ended 31 December 2020, in the amount of 0.17 euros gross per share of Euskaltel with the right to receipt. The aforementioned dividend was paid on 17 June 2021 and as a result, the Bidder announced on 18 June 2021 through the corresponding publication of an other relevant information (registry number 10100) that the Takeover Price was adjusted downwards by the same amount; that is, to 11.00 euros per share.

Without prejudice to the aforementioned adjustment and as provided in the Prospectus, the Takeover Price will be reduced by an amount equivalent to the gross amount per share of the distribution if the Target Company makes any further distribution of dividends or reserves or any other distribution to its shareholders prior to the settlement of the Takeover, whether ordinary, extraordinary, interim or supplementary (including those corresponding to the shareholder remuneration policy disseminated by Euskaltel), provided that the date of publication of the outcome of the Takeover in the listing bulletins is on or after the ex-dividend date.

The Bidder states in the Prospectus that although the Takeover is voluntary, it believes that the Takeover Price meets the requirements to be considered an equitable price for purposes of the provisions of article 137.2 of the Securities Market Law and of articles 9 and 10 of Royal Decree 1066/2007. In this respect, according to the statements of the Bidder in the Prospectus, the Takeover Price complies with the requirements of the equitable price as regulated in article 9 of Royal Decree 1066/2007, insofar as:

- (i) it represents the full price agreed by the Bidder with the Selling Shareholders in the Irrevocable Undertakings (as this term is defined in section 3.5 below) and there is no additional compensation above and beyond the price agreed and no deferral of payment has been agreed;
- (ii) it is not lower than the highest price paid or agreed to by the Bidder (pursuant to the Irrevocable Undertakings), any entity of the group to which it belongs, any other party that could be considered to be acting in concert with them for the purposes of Royal Decree 1066/2007 and its directors or managers;
- (iii) the members of the Bidder's group do not have any agreement or undertaking in force relating to the acquisition or subscription of shares of the Target Company beyond the scope of the Takeover; and
- (iv) none of the circumstances provided for in article 9 of Royal Decree 1066/2007 that could give rise to the amendment of the equitable price have occurred.

As stated in the Prospectus, the Initial Price before the adjustment from 11.17 to 11.00 euros per share as a result of the dividend distributed by Euskaltel on 17 June 2021 represented a premium of approximately:

- a) 16.5% of the closing price of the shares of Euskaltel at the trading session immediately before the publication of the Prior Announcement (9.59 euros); and
- b) 26.8% of the volume-weighted average price of the shares of Euskaltel for the six-month period immediately before the publication of the Prior Announcement (8.81 euros).

The Bidder attached a valuation report to the Prospectus dated 24 June 2021 and issued by BDO Auditores, S.L.P. (“**BDO**”) as independent expert, the purpose of which was to value the shares of Euskaltel in accordance with the valuation methods established in article 137.2 of the Securities Market Law in order to provide a rationale for the Takeover Price, and in article 10 of Royal Decree 1066/2007, for purposes of the delisting procedure established in article 11.d) of Royal Decree 1066/2007.

As stated in the Prospectus, BDO’s valuation report was produced based on the available public information and BDO’s own analysis using market sources, macroeconomics and analysts’ reports, taking into account Euskaltel’s latest audited consolidated financial statements as at 31 December 2020, the results for the first quarter of 2021 and subsequent known circumstances up to 24 June 2021. The valuation date is 31 December 2020.

BDO believes that discounted cash flow is the most appropriate method for purposes of determining the fair value per share of Euskaltel. It also considers the weighted average price in certain periods to be appropriate. The market multiples method are applied as contrasting methods, as they present limitations in order to base the conclusion of the value per share of Euskaltel on them. Likewise, BDO considers that the remaining valuation methods are not adequate to determine the value per share of Euskaltel and that there are no other valuation methods applicable for determining the value of the shares of Euskaltel other than those described.

Based on the foregoing, BDO concluded that as at both 31 December 2020 and 24 June 2021, the value per share of Euskaltel was between 9.69 and 10.81 euros per share, which is the range resulting from applying the discounted cash flow method.

According to the Bidder in the Prospectus, the Takeover Price, set at 11.00 euros per share as a result of the dividend distributed by Euskaltel on 17 June 2021, is higher than the value range resulting from BDO’s valuation report.

1.5 ACCEPTANCE PERIOD

The acceptance period for the Takeover is 24 calendar days as from the trading day following the date of publication of the first announcement of the Takeover by the Bidder on the terms established in article 22 of Royal Decree 1066/2007.

As a result, the period started on 7 July 2021 and will end at 24:00 hours (C.E.T.) on 30 July 2021, unless it is extended in accordance with the provisions of article 23 of Royal Decree 1066/2007.

1.6 CONDITIONS TO WHICH THE TAKEOVER IS SUBJECT

As at the date of approval of this report, the effectiveness of the Takeover is subject only to acceptance by holders of at least 133,984,021 shares of Euskaltel, representing 75% plus one share of the share capital of Euskaltel.

Given that the Selling Shareholders have committed in the Irrevocable Undertaking to accept the Takeover with all of their shares in Euskaltel, i.e. 93,466,717 shares representing 52.32% of the share capital of Euskaltel, the minimum acceptance condition will be met if, in addition to the Selling Shareholders, shareholders holding 40,517,304 shares representing 22.68% of the share capital accept the Takeover.

As stated in the Prospectus, prior to the issuance of this report the Bidder obtained the following authorisations, which were established, at the time of submission of the Offer, as a condition for the effectiveness of the Takeover:

- (i) authorisation from the Spanish National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia*, the “**CNMC**”), pursuant to the provisions of Law 15/2007 of 3 July on Protection of Competition (*Ley 15/2007, de 3 de julio, de Defensa de la Competencia*, the “**Law 15/2007**”), which was obtained on 16 June 2021.
- (ii) authorisation, non-opposition or administrative verification from other competent competition authorities, where necessary.

In this respect and as notified by the Bidder on 31 March 2021 in the request for authorisation of the Takeover, having performed the relevant analysis, the Bidder considered that the takeover of the Target Company was subject to competition law-related notification and authorisation procedures in Serbia.

As a result and in accordance with the provisions of article 26.1 of Royal Decree 1066/2007, together with the other conditions indicated in the Prior Announcement, the effectiveness of the Takeover was made subject to the authorisation of the Serbian Commission for the Protection of Competition in accordance with the Law on Protection of Competition no. 51/2009 and 95/2013 and its implementing regulations. In this respect, on 20 May 2021 the Serbian Commission for the Protection of Competition cleared the acquisition of sole control by MasMóvil (through the Bidder).

- (iii) authorisation from the Council of Ministers in accordance with the provisions of Law 19/2003 of 4 July on the legal regime for movements of capital and international economic transactions (*Ley 19/2003, de 4 de julio, sobre régimen jurídico de los movimientos de capitales y de las transacciones económicas con el exterior*), which was obtained through resolution of the Council of Ministers of 22 June 2021.
- (iv) authorisation from the CNMC in accordance with the provisions of article 34 of Royal Decree-Law 6/2000 of 23 June on urgent measures to intensify competition in goods and services markets (*Real Decreto-Ley 6/2000, de 23 de junio, de Medidas Urgentes de Intensificación de la*

Competencia en Mercados de Bienes y Servicios) and of Royal Decree 1232/2001 of 12 November approving the Regulations for the authorisation procedure provided for in article 34 of the aforementioned Royal Decree-Law 6/2000 (*Real Decreto 1232/2001, de 12 de noviembre, por el que se aprueba el Reglamento del procedimiento de autorización previsto en el artículo 34 del citado Real Decreto-ley 6/2000*). In this regard, on 24 June 2021, the CNMC issued a resolution stating that such authorization was not necessary in view of the previous non-conditional authorization granted by the CNMC on 16 June 2021 regarding the concentration to which the Takeover was subject and referred to in item (i) above.

- (v) authorisation from the Secretary of State for Telecommunications and Digital Infrastructures of the Ministry of Economic Affairs and Digital Transformation, in accordance with the provisions of the General Telecommunications Law 9/2014 of 9 May (*Ley 9/2014, de 9 de mayo, General de Telecomunicaciones*) and of the Regulations on the use of the public radio domain, approved by Royal Decree 123/2017 of 24 February (*Reglamento sobre el uso del dominio público radioeléctrico, aprobado por Real Decreto 123/2017, de 24 de febrero*). In this regard, on 15 June 2021, the Secretary of State for Telecommunications and Digital Infrastructures of the Ministry of Economic Affairs and Digital Transformation authorized the transfer in favor of the Bidder, by assumption of effective control of Euskaltel and its subsidiary R Cable and Telecable Comunicaciones, S.A.U. of the enabling titles of rights of private use of the public radioelectric domain of these entities.

The Bidder states in the Prospectus that it will need consent from the bank entities that have subscribed the financing of the Takeover, described in more detail in section 2.5 of the Prospectus, to amend the percentage of the minimum acceptance condition to below 50.01% of the share capital of the Target Company; that is, below 89,322,681 shares.

Other than above, the Bidder confirms that it is not subject to any limitations or restrictions of any kind imposed by agreements entered into with third parties, including the Irrevocable Undertakings, by applicable law or for any other reason, to waive the minimum acceptance condition to which the Takeover is subject.

Likewise, the Bidder will not need the authorization of the Selling Shareholders to withdraw the Offer or for the Offer to be terminated in the event that the minimum acceptance condition is not met.

1.7 GUARANTEES AND FINANCING OF THE TAKEOVER

1.7.1 Guarantees of the Takeover

In accordance with article 15 of Royal Decree 1066/2007 and in order to guarantee compliance with the obligations arising from the Takeover, the Bidder has submitted ten first-demand bank guarantees (*avales a primer requerimiento*) to the CNMV, issued on 12 May 2021, in an aggregate amount of 1,965,098,960.00 euros.

1.7.2 Financing of the Takeover

The Bidder has confirmed that if the Takeover has a positive outcome, the settlement of the Takeover will be financed in full through financial indebtedness, as described in section 2.5.2 of the Prospectus.

The financial indebtedness will depend on: (i) the acceptance level of the Takeover, and with it the debt to be used to finance it (the “**Acquisition Debt**”); and (ii) the amount of debt of the Euskaltel Group that is subject to refinancing (the “**Refinancing Debt**”).

Assuming a 100% acceptance level of the Takeover, the amount of the Acquisition Debt, equivalent in this case to the maximum total to be paid by the Bidder for the shares of Euskaltel (1,965 million euros, as indicated in section 2.2.1 of the Prospectus), plus the transaction costs to be incurred (69 million euros), amounts to 2,034 million euros.

With regard to the Refinancing Debt, taking into account the existing financial indebtedness of the Euskaltel Group, whose net financial debt at 31 March 2021 amounted to 1,486 million euros, and the dividend of 30 million euros in cash distributed on 17 June 2021, the total refinancing to be undertaken following the acquisition of the Euskaltel Group, and therefore the amount of the Refinancing Debt, amounts to 1,516 million euros.

As stated in the Prospectus, the Bidder will have the funds required to pay the consideration for the Takeover on the settlement date thereof. For these purposes, the Bidder will finance both the Acquisition Debt and the Refinancing Debt in full through external financing, granted on a certain funds basis already agreed with a group of international credit entities. It is also stated in the Prospectus that it is not expected that the Bidder will require financing through the own funds of the Investors that make up its ownership and control structure.

In this regard, apart from the aforementioned certain funds basis, the Bidder highlights that the availability of all the funds with which the Bidder will finance both the Acquisition Debt and the Refinancing Debt is not subject to compliance by either the Bidder or any company of the MasMóvil Group or the Euskaltel Group with any financial ratio, since the Syndicated Financing (as this term is defined below) does not require compliance with any financial ratio to draw down and maintain the financial debt to be disbursed under the Acquisition Debt and the Refinancing Debt.

The Bidder expects that the external financing granted by a syndicate of financial entities that is briefly described below (the “**Syndicated Financing**”) will be allocated, as described in the Prospectus, to: (a) payment of the consideration for the Takeover; (b) refinancing of the debt of the Euskaltel Group where necessary; (c) payment of operation and financing costs; and (d) financing of the Euskaltel Group’s working capital needs in relation to Revolving Facility 2 (as this term is defined below).

As described in section 2.5.2 of the Prospectus, the Syndicated Financing will encompass the following financing facilities:

- i) increase in the available amounts granted under certain senior financing agreements originally entered into with Lorca MidCo on 3 July 2020, and which were amended and restated under amendment and restatement agreements dated 13 July 2020 and 26 August 2020, respectively

(as amended up to the latter date, the “**Original Senior Financing Agreement**”), through the execution of:

- a) a new term loan facility in the amount of 800 million euros (the “**B2 Facility**”), and
- b) an additional revolving credit facility in the amount of 250 million euros (“**Revolving Facility 2**”)

(together, the “**New Long-Term Facilities**”).

The execution of these New Long-Term Facilities as additional financing to that already granted under the Original Senior Financing Agreement was agreed by means of the parties formalising a new amendment and restatement of the Original Senior Financing Agreement on 26 March 2021 (the “**First Amendment Agreement 2021**”), which was subsequently amended on 12 May 2021 to implement, among others, the lead credit entity syndication of these New Long-Term Facilities, as well as the amendment and restatement of the Bridge Financing (as this term is defined below) (the “**Second Amendment Agreement 2021**”).

The Original Senior Financing Agreement, as amended or amended and restated at any time and including but not limited to the First Amendment Agreement 2021 and the Second Amendment Agreement 2021, will hereinafter be referred to as the “**Senior Financing Agreement**”, and the financing granted thereunder as the “**Long-Term Senior Financing**”. The main conditions of the Long-Term Senior Financing, whose aggregate principal amounts to 3.75 billion euros (of which 1.05 billion euros correspond to the New Long-Term Facilities), are described in detail in section 2.5.2(A) of the Prospectus.

In addition to the external financing available to the Bidder under the New Long-Term Facilities, on 26 March 2021 the following bridge financing facilities were also granted to the Bidder and certain subsidiaries as at such date with an aggregate principal amounting to 2.75 billion euros:

- i) senior secured bridge financing in the amount of 1.75 billion euros (the “**Senior Secured Bridge Financing**”);
- ii) senior bridge financing in the amount of 500 million euros (the “**Senior Bridge Financing**”); and
- iii) asset bridge financing in the amount of 500 million euros (the “**Asset Bridge Financing**”).

The financing described in sections (i) to (iii) above will be jointly referred to as the “**Bridge Financing**” or the “**Bridge Financing Facilities**”, and the agreements pursuant to which said Bridge Financing has been granted, as amended or amended and restated at any time, including but not limited to the amendment and restatement of the three Bridge Financing Facilities executed under the Second Amendment Agreement 2021, will be jointly referred to as the “**Bridge Financing Agreements**”. The main conditions of the Bridge Financing Agreements are described in detail in section 2.5.2(A) of the Prospectus.

The funds drawn under the Long-Term Senior Financing and the Bridge Financing are expected to be allocated, among other things, to paying the consideration for the Takeover, as well as to paying transaction and financing costs and of the Euskaltel Group's debt refinancing where necessary. The other amounts drawn under the B2 Facility and the Bridge Financing will be allocated to repaying the debt of the Euskaltel Group where necessary (that is, the Refinancing Debt) and to paying the operation and financing and/or refinancing costs.

The Bidder has also stated in the Prospectus that following the settlement of the Takeover it is expected that:

- i) Kaixo Bondco Telecom, S.A.U., a group company wholly owned by Lorca BidCo, is expected to draw the Senior Bridge Financing Agreement in full, and will in turn grant an intragroup loan to Lorca Finco plc; and
- ii) the B2 Facility, the Senior Secured Bridge Financing and the Asset Bridge Financing are expected to be drawn in full by Lorca Finco Plc, which will in turn use said income, as well as the amounts obtained under the intragroup loan granted by Kaixo Bondco Telecom, S.A.U. as described in the above paragraph, to grant: (i) an intragroup loan to MasMóvil that will enable it to provide funds through a capital contribution to the Bidder; (ii) an intragroup loan to the Bidder; and/or (iii) an intragroup loan to Euskaltel and the subsidiaries whose debt requires refinancing in the total amount of the Euskaltel Group's debt to be refinanced (i.e. the Refinancing Debt).

An intragroup debt will arise between Lorca Finco plc as creditor and the borrowers of the Euskaltel Group as a result of the intragroup loan that Lorca Finco plc grants to Euskaltel and certain of its subsidiaries for the repayment of the Refinancing Debt. The Bidder expects that the amounts of principal and interest paid to Lorca Finco plc by the debtor entities of the Euskaltel Group under this intragroup debt, together with other available sources of financing, will enable Lorca Finco plc to pay all or practically all of the interest and principal instalments owed by Lorca Finco plc in relation to the B2 Facility (and if said B2 Facility is drawn, the Revolving Credit Facilities (as this term is defined in section 2.5.2.(A) of the Prospectus) and the Bridge Financing Facilities, while they are in effect. The leverage will be adjusted to the cash flow generation profile of the Euskaltel Group and will be reduced in accordance with factors including the amount of excess consolidated cash that is allocated to the prepayment of the Syndicated Financing, so that the capital structure will be consistent with financing structures for operations of a similar nature.

The loan that Lorca Finco plc will grant to the Bidder in order for it to pay the consideration for the Takeover will generate an additional intragroup debt, which may be: (i) repaid upon maturity (i.e., in 2027) with the company's cash generation; and/or (ii) refinanced upon maturity in 2027, depending on the available options at that time on the debt markets, and without resorting to financial assistance in any case.

The Revolving Facility 2 may also be drawn by the Bidder and, subject to certain conditions and exceptions, by the subsidiaries of the Euskaltel Group in order to finance their operating needs.

As a result of the change of control arising from the settlement of the Takeover, each financial entity that is a creditor under the Euskaltel Group syndicated financing agreement entered into on 7 May 2019, as amended and increased at any time to date (the “**Euskaltel Group Syndicated Financing**”), will be entitled to demand prepayment of the Euskaltel Group Syndicated Financing on an individual basis (which amounts to approximately 1,516 million euros). The Bidder’s group expects to refinance Euskaltel Group’s current indebtedness that will be early repaid as a result of the settlement of the Takeover. It is therefore expected that part of the amounts available under the Syndicated Financing will be allocated to the repayment of all outstanding sums under the Euskaltel Group Syndicated Financing on the date of or immediately following the settlement of the Takeover, as described in section 2.5.2 of the Prospectus.

The financing structure of the Takeover is described in more detail in section 2.5.2 of the Prospectus.

2. PURPOSE OF THE TAKEOVER AND THE BIDDER’S STRATEGIC PLANS AND INTENTIONS REGARDING EUSKALTEL

A full description of the purpose of the Takeover and of the Bidder’s strategic plans and intentions regarding Euskaltel is included in chapter Four of the Prospectus and should be read in full. Without prejudice to the foregoing, certain of such issues are summarised below.

2.1 PURPOSE OF THE TAKEOVER

As the Bidder has stated in the Prospectus, the purpose of the Takeover is to acquire control over the Euskaltel Group in order to subsequently delist the shares of Euskaltel from the Spanish Stock Exchanges.

The Bidder also declares that its intention is to actively contribute, by means of the experience and know-how of MasMóvil and the Investors in the telecommunications sector and in corporate development and growth, to supporting the Euskaltel Group in the growth and development of its opportunities as a telecommunications operator.

The Bidder believes that Euskaltel is an attractive investment alternative for reasons including the following:

- i) its position as the lead operator in northern Spain, with 847,000 customers in the first quarter of financial year 2021 according to its website, over twenty five years of experience in the telecommunications industry, and the value and strength of its brands, Euskaltel in Euskadi (which brand the Bidder has undertaken to maintain for at least five years under the Irrevocable Undertakings) as well as R in Galicia, Telecable in Asturias and Virgin Telco, with which Euskaltel has recently started its national expansion, brands that the Bidder also intends to maintain.
- ii) its strong position in the markets of Euskadi, where Euskaltel’s headquarters will remain, Asturias and Galicia, where the headquarters of RCable and Telecable Telecomunicaciones, S.A.U. will remain, with a broad range of technological services including Internet, fixed telephony, mobile telephony, digital television and broadband, supplemented with a “Business to Business” business that offers advanced services to large companies and public authorities.

- iii) its own network connecting approximately 2.6 million households, with a coverage rate of over 70% in its home markets.
- iv) its commitment to quality and customer service, which are especially appreciated by a high-value and loyal customer base, resulting in a strong brand image.

In relation to the foregoing, the Bidder believes that the Takeover will represent a great business opportunity for the Bidder's group, since together the MasMóvil Group and the Euskaltel Group will form a solid and complementary industrial project. In this regard, the combination of the Euskaltel Group's regional focus with the MasMóvil Group's national growth dynamic will foreseeably enable the MasMóvil Group to strengthen its position as the fourth-largest group in mobile telephony and fixed broadband, with an aim of continued growth.

The Bidder believes that the acquisition of Euskaltel will reinforce its position and declares that it has identified multiple opportunities, some of which have been set as strategic aims:

- i) creation of an industrial project with a strong position in Euskadi, Galicia and Asturias, with a more attractive commercial offer for Euskaltel's customers.
- ii) improvement of the Euskaltel Group's networks in the markets in which it carries on its activities, making it possible to provide Euskaltel Group customers with access to the high-speed Fibre to the Home network ("FTTH") already developed by MasMóvil.
- iii) acceleration of access to 5G networks in Euskadi, Galicia and Asturias, as well as other future investments required in a highly competitive market such as the Spanish one, with a capacity to generate cash through synergies yet to be quantified.
- iv) potential access to innovative MasMóvil services such as telemedicine, consumer finance and 100% green energy for consumers in the traditional territory of Euskaltel, R and Telecable.
- v) implementation of good practices from the MasMóvil Group in the operations of the Euskaltel Group, including, for example, its management tools for fibre provision and service quality monitoring and optimisation to ensure that Euskaltel Group customers receive the best possible service.
- vi) assessment and, if applicable, implementation of suitable actions so that the Euskaltel Group separates part of its infrastructure network (and eventually to transfer a minority or control stake should market conditions so advise), particularly the part that does not overlap with the infrastructure owned by the Bidder or its group companies (including rights of use). In this regard, MasMóvil Group will analyse the infrastructure overlaps of its fibre networks with Euskaltel's cable network in order to manage the update of the non-overlapping networks to FTTH/next generation fibre, as explained in section 4.4.1 of the Prospectus.

The Bidder has also declared its intention to support Euskaltel through its industrial focus, its experience in the sector and in numerous previous integrations of companies, as well as through the extensive experience of its team.

The Bidder also believes that at this stage it is beneficial for the Euskaltel Group to be delisted, stating that this would permit the management team to focus on the implementation of the aforementioned initiatives with a long-term approach and without the distractions generated by fluctuations in share prices or the need to meet short-term expectations on the capital markets. As a result, the Bidder intends to delist the shares of Euskaltel as described in section 2.2.6 below.

2.2 STRATEGIC PLANS AND INTENTIONS OF THE BIDDER REGARDING EUSKALTEL

2.2.1 Future activities, location of centres of activity and use or disposal of assets

According to the information provided by the Bidder in the Prospectus, if the Takeover is settled, the Bidder has assumed a series of undertakings related to the future strategy of Euskaltel. Specifically, the Bidder has undertaken, among other things and subject to the prevailing market conditions, to: (i) prioritise the rollout of the 5G network in Euskadi; (ii) engage in actions to ensure that Euskaltel Group customers can access high-speed broadband services using FTTH technology as soon as possible; (iii) assess and, if applicable, implement suitable actions for the Euskaltel Group to separate its infrastructure network (except for the part thereof that overlaps with the infrastructure owned by the Bidder or the companies of its group, including rights of use) and transfer it to a newly-created company that will have its registered office and tax domicile in Euskadi for a period of at least five years as from the settlement of the Takeover.

Taking into account said undertakings, the Bidder expects that the project will permit an acceleration of the national-level investments required in terms of fibre optic networks and 5G, which will benefit consumers through increased acceleration of the availability of these new technologies and improved levels of customer satisfaction with the services of the MasMóvil Group.

The Bidder, through active control of Euskaltel, will support corporate and commercial development of Euskaltel Group and will reinforce the generation of synergies between the MasMóvil Group and the Euskaltel Group (that cannot be accurately quantified until the Bidder's group takes control and has access to the necessary information). As such and in line with the above-described strategic aims, and as inferred from the undertakings assumed pursuant to the Irrevocable Undertakings, the Bidder does not intend to substantially change the nature of the activities currently carried on by the Euskaltel Group or to modify the location of its centres of activity. In relation to the latter, the Bidder has stated that RCable and Telecable Telecomunicaciones, S.A.U. will maintain its corporate headquarters in Galicia.

Without prejudice to the foregoing, the Bidder does not rule out the implementation of a new business plan for Euskaltel (different from the current business plan 2020-2025) after the settlement of the Takeover, with purposes including the achievement of the strategic aims identified in section 4.2 of the Prospectus and the adaptation of Euskaltel to the MasMóvil Group. In this regard, the Bidder is in the process of analysing Euskaltel's new 2020-2025 business plan.

In relation to the use or disposal of assets, the Bidder has stated in the Prospectus that it intends to support the growth of the Euskaltel Group. In this regard, the Bidder expects to review the strategy that Euskaltel's management team has been implementing for the use and disposal of certain assets of the Euskaltel Group. Particularly, the Bidder will assess the potential disposal of those assets that do not

overlap with the infrastructure owned by the Bidder or the companies of its group (including rights of use), either directly or indirectly by transferring a majority or minority stake in Euskaltel's fiber network (FibreCo) to certain investors. See section 4.4.1 of the Prospectus for more information on the analysis to be carried out by the Bidder on asset overlapping.

2.2.2 Employment and incentive plans

The Bidder states in the Prospectus that it expects to maintain the job positions of the Euskaltel Group (without prejudice to potential changes arising from the evolution of the business) and that it does not expect to make material changes to the employment conditions of the employees and managers of the Euskaltel Group. Additionally, as described in section 1.5 of the Prospectus and subject to prevailing market conditions, the Bidder has undertaken not to implement a workforce adjustment plan (*expediente regulador de empleo*, or ERE) at Euskaltel for at least five years as from the settlement of the Takeover, and it does not intend to implement an ERE at its work centres located in Asturias and Galicia. The Bidder does not have any commitment for the retention or dismissal of Euskaltel's management team.

The Bidder has also stated in the Prospectus that it is aware of the Euskaltel Extraordinary Share-Based Remuneration Plan (2020-2022) aimed at a group of managers and employees of Euskaltel with a current employment or business relationship, in addition to the Chairman of the Board, the CEO and the General Secretary (the "LTIP"), which was approved by the General Shareholders' Meeting of Euskaltel held on 2 June 2020.

In this respect, the Prospectus states that the LTIP establishes change of control clauses that may give rise to the early accrual thereof in part or in full. Specifically, the LTIP establishes the change of control of Euskaltel, and hence the change of control that may arise from the settlement of the Takeover, as an early liquidation event.

In the event that, as a result of the Takeover, there is a change of control of Euskaltel, the Bidder notes that the beneficiaries of the LTIP will consolidate the incentive fully and in advance, calculated as 4% of the net value creation. For such purpose, the Bidder has indicated in the Prospectus that it will support the necessary decisions and actions through its participation in the management decision-making body of Euskaltel. In such case, given that Euskaltel may settle the entire amount of the incentive in cash or in shares and cash, the Bidder indicates in the Prospectus that its intention is to settle the LTIP in cash. The amount to be disbursed by Euskaltel, as a consequence of the early accrual of the LTIP and its settlement in cash, will amount to 26,798,947.74 euros.

2.2.3 Indebtedness

The Bidder states in the Prospectus that as a result of the change of control arising from the settlement of the Takeover, each creditor entity under the Euskaltel Group Syndicated Financing will be entitled to demand prepayment of the Euskaltel Group Syndicated Financing on an individual basis (which amounts to approximately 1,516 million euros).

Taking into account the existing financial indebtedness of the Euskaltel Group, the total refinancing to be undertaken after the acquisition of the Euskaltel Group, and therefore the amount of the Refinancing Debt, amounts to 1,516 million euros.

The Bidder's group plans to refinance the current debt of the Euskaltel Group that will be early repaid as a result of the settlement of the Takeover. The Bidder therefore plans for part of the amounts available under the new Syndicated Financing to be allocated to the repayment of all outstanding sums under the Euskaltel Group Syndicated Financing on the date of or immediately following the settlement of the Takeover.

Said financing (which will be recorded as an intragroup debt with other entities of the MasMóvil Group (Lorca Finco plc) after the Takeover) does not imply a change in the Euskaltel Group's level of consolidated gross indebtedness, and the new debt will replace the existing debt on a euro-for-euro basis and under identical conditions in terms of maturity and interests, as described in sections 2.5.2 and 2.5.3 of the Prospectus.

The Bidder also intends for Euskaltel to repay any intragroup loans with other entities of the MasMóvil Group (Lorca Finco plc) arising as a result of the Refinancing Debt, as described in section 2.5.2 of the Prospectus, with funds generated by the ordinary activity of the company. In this regard, the leverage will be reduced in accordance with factors including the amount of excess consolidated cash that is allocated to the prepayment of the Syndicated Financing.

The Bidder declares that through a prudent fund generation management, the MasMóvil Group will ensure that Euskaltel, as it has been doing in recent years, has the necessary funds at all times to make the investments required for the proper development of its business, as well as any other investment requirements that might arise from the evolution of Euskaltel's strategy after the Takeover's settlement. Consequently, the Bidder indicates in the Prospectus that it does not foresee an increase in the gross financial indebtedness of Euskaltel and its group to undertake the investments that the Bidder considers will be necessary.

As stated in the Prospectus, the Euskaltel Group's Syndicated Financing is secured by Euskaltel (as creditor) and certain subsidiaries of the Euskaltel Group (as guarantors), as well as with a security right over the shares representing the share capital of various subsidiaries of the Euskaltel Group, with a pledge over certain bank accounts and intragroup credit rights, and with a mortgage commitment over brands (the "**Euskaltel Group Security**").

The Bidder states that as part of this process of refinancing the debt of the Euskaltel Group, the Euskaltel Group Security will be cancelled, and those subsidiaries of the Euskaltel Group that become part of the

MasMóvil Group and are considered to be Material Subsidiaries (as this term is defined in section 2.5.2(A) of the Prospectus) will adhere as guarantors and execute guarantees over their shares, Material Accounts and Material Intragroup Loans (as these terms are defined in section 2.5.2(A) of the Prospectus) to secure the obligations assumed by Lorca Finco plc and other obligors under the Syndicated Financing (except for any obligations assumed as Acquisition Debt). Additionally, after settlement of the Takeover, the financing of the Takeover requires the creation of securities over the shares of Euskaltel owned by the Bidder and over the intragroup loans that Lorca Finco plc grants to Euskaltel or any company of its group.

As stated in the Prospectus, the Syndicated Financing requires compliance with certain financial ratios and restrictions at a consolidated level in order to implement certain transactions (for example, increasing the level of indebtedness) by all companies of the Bidder's group including Euskaltel and its subsidiaries (incurrence covenants) following the takeover. However, the Bidder has stated that the Syndicated Financing does not limit the 2020-2025 business plan presented by the Board of Directors on 10 March 2020 and it does not restrict Euskaltel Group's investment policy, provided there is compliance with the financial ratios that enable the Euskaltel Group to assume additional indebtedness.

The Bidder has also stated that the Syndicated Financing will include a financial covenant (specifically, the ratio of secured senior debt over consolidated EBITDA), which will only be calculated and checked as from a certain percentage of drawdown of the Revolving Credit Facilities and which, in the event of non-compliance, could give rise to a breach of the Revolving Credit Facilities, but not of the Term Facilities, including the B2 Facility. This ratio will affect the Euskaltel Group after settlement of the Takeover, as Euskaltel and its subsidiaries will become part of the consolidated group to which the Bidder belongs.

2.2.4 Issuance of securities, corporate restructuring and changes to the management decision-making body and to the internal regulations of the Target Company

The Bidder has stated that it has no plans or intentions to promote the issuance of shares or any other type of equity securities of Euskaltel or of its subsidiaries.

Regarding potential corporate restructuring, as previously mentioned and in accordance with the provisions of the Irrevocable Undertakings, the Bidder will evaluate in due course the potential spin-off of part of the infrastructure network of the Euskaltel Group.

The Bidder does not plan to implement any other corporate restructuring involving the Euskaltel Group. In this respect, the Bidder repeats in section 4.6 of the Prospectus that it has undertaken that Euskaltel will continue to exist as a separate company in which the Bidder has a holding, with registered office and tax domicile in Euskadi and maintaining the "Euskaltel" brand, for a period of at least five years as from the settlement of the Takeover.

As regards Euskaltel's administrative, management and supervisory bodies, as stated in the Prospectus, the Bidder intends exercise its right of proportional representation to appoint a number of directors in proportion to the majority shareholding that it obtains after the settlement of the Takeover in Euskaltel's administrative, management and supervisory bodies, promoting the appointment of a number of members of the Board of Directors and of its various committees that corresponds, as far as possible, to said

majority shareholding, although maintaining the number of independent directors that is legally required as long as the shares of Euskaltel continue to be listed.

If Euskaltel's shares are delisted, the Bidder also intends to implement the necessary changes to adapt the Board of Directors to that of an unlisted company, in order to simplify the governance structure by reducing the number of committees and delegated bodies.

Along the same lines, the Bidder states that it does not intend to make any changes to the by-laws and other internal regulations until Euskaltel's shares have been delisted, and, therefore, will not modify the existing system of qualified majorities for the adoption of certain resolutions. Following delisting of the shares of Euskaltel from the Spanish Stock Exchanges, the Bidder will promote the amendment of Euskaltel's by-laws and other internal regulations as it deems necessary or appropriate to bring said documents into line with its status as an unlisted company, including the amendment of the existing system of qualified majorities for the adoption of certain resolutions, without prejudice to compliance with the undertakings assumed by the Bidder and described in section 1.5 of the Prospectus.

2.2.5 Dividend policy

As stated in the Prospectus, the Bidder intends to amend Euskaltel's current dividend policy by initially suspending (although for an indefinite term) the payment of dividends, in order for the Euskaltel Group to generate sufficient financial resources to secure the servicing of its financial undertakings as described in section 4.4.2 of the Prospectus and cover the investments required to fulfil the future business plan as explained in section 4.1 of the Prospectus.

In any event, the dividend policy may be adjusted in the medium or long term depending on the evolution of level of indebtedness and the investment policy, as well as the financial and business evolution of the Target Company and its group. However, the Bidder indicates that Euskaltel's dividend distribution will not be affected by the financial structure of the MasMóvil Group.

2.2.6 Stock exchange initiatives

As stated in the Prospectus, the Bidder intends to delist the shares of Euskaltel from the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges through: (i) exercise of the right of squeeze-out, if the requirements therefor are satisfied; or (ii) if the aforementioned requirements are not satisfied and provided that the Bidder owns at least 75% of the Euskaltel share capital with voting rights at the date of settlement of the Takeover, the application of the delisting bid exception procedure regulated in article 11.d) of Royal Decree 1066/2007 and in article 82 of the Securities Market Law.

In this latter case, the Bidder has confirmed that it will call an extraordinary General Shareholders' Meeting of Euskaltel in order to resolve to delist the shares of Euskaltel and that it will facilitate the sale of the shares of Euskaltel via a permanent order to purchase all of the circulating shares for a minimum period of one month.

The shares of Euskaltel will be delisted as soon as possible following approval of the delisting by the shareholders at a General Meeting of Euskaltel and, in any event, within six months following the settlement of the Takeover. The price of the aforementioned permanent order to purchase will be cash

consideration equal to the price per share at which the Takeover is settled, adjusted downwards by the gross amount per share of any distributions made by Euskaltel between the settlement of the Takeover and the date on which each acquisition order is executed.

In the event that the Takeover is settled but the Bidder does not reach 75% of the share capital of Euskaltel on the settlement date of the Takeover in accordance with the requirements of article 82.2 of the Securities Market Law, the Bidder will analyse the advisability of (i) maintaining the shares of Euskaltel listed; or (ii) launching a new delisting takeover for the shares of Euskaltel in accordance with the terms set forth in article 10 of Royal Decree 1066/2007.

3. AGREEMENTS BETWEEN THE TARGET COMPANY AND THE BIDDER, ITS DIRECTORS OR SHAREHOLDERS, OR BETWEEN ANY OF THE FOREGOING AND THE DIRECTORS OF THE TARGET COMPANY

3.1 AGREEMENTS BETWEEN THE TARGET COMPANY AND THE BIDDER

On 15 March 2021, the Target Company received a non-binding offer from MasMóvil expressing its interest in assessing the possibility of making the Takeover on the essential terms that are explained in the Prospectus and subject to certain conditions (including the performance of confirmatory due diligence).

On 17 March 2021, the Chairman of the Board of Directors informed MasMóvil of Euskaltel's interest in the Takeover and its willingness to expedite the necessary steps to announce the transaction as soon as possible. For this purpose, in addition to asking MasMóvil for certain additional information regarding the terms of the Takeover, the Board of Directors resolved to open the requested confirmatory due diligence process for a period of ten calendar days, until 28 March 2021.

On that same date, MasMóvil answered the letter from the Chairman of the Board of Directors, expressing its agreement therewith and supplying the requested additional information.

On 17 March 2021, following the exchange of letters described in the above paragraphs, Euskaltel and the Bidder entered into a confidentiality agreement that included a Clean Team Protocol regulating access to commercial and strategically sensitive information in the context of the requested confirmatory due diligence.

Upon the conclusion of the aforementioned confirmatory due diligence process, on 28 March 2021 Euskaltel and the Bidder then entered into an agreement, as described in detail in section 1.5.1 of the Prospectus, in which they formalised various arrangements reached in relation to the Takeover (the "**Collaboration Agreement**"), and pursuant to which:

- a) the Bidder undertook to publish the Prior Announcement before the start of trading on 29 March 2021;
- b) Euskaltel undertook, among other things, that both the Target Company and the other companies of the Euskaltel Group would provide the Bidder with all information relating to the Euskaltel

Group that was reasonably necessary in relation to the Takeover, all subject to certain limitations that are described in the Prospectus; and

- c) Euskaltel's administrative and management decision-making bodies undertook not to carry out any of the following actions (and also to ensure compliance with the same commitment by the companies of the Euskaltel Group):
- i) to approve or enter into any agreements entailing a transfer, disposal or contribution of infrastructure assets of the Euskaltel Group for an aggregate value in excess of five million euros;
 - ii) to approve or enter into any agreements for access to or use of infrastructure networks with other telecommunications operators entailing the assumption of obligations or commitments by the Euskaltel Group, including any material amendment of any agreement already in force as at the date of the Collaboration Agreement; and
 - iii) in general, to take any actions that could lead to non-fulfilment of any of the conditions for the Takeover or that could otherwise prevent or frustrate the Takeover, as well as any agreements that might reasonably significantly reduce the potential synergies that the Bidder could achieve following the takeover of the Target Company in the context of the Takeover.

The Collaboration Agreement will be in force and effective between the parties until the earlier of the following dates: (a) the date on which the parties terminate it by mutual agreement; (b) the date of settlement of the Takeover; or (c) the date on which: (i) the Bidder withdraws the Takeover; (ii) the Takeover is not authorised by the CNMV; (iii) the condition to which the effectiveness of the Takeover is subject cannot be satisfied, and the Bidder does not waive such condition; or (iv) the Takeover is declared unsuccessful.

As at the date of this report, the Board of Directors is not aware of any other agreement between the Target Company and the Bidder relating to the Takeover.

3.2 AGREEMENTS BETWEEN THE TARGET COMPANY AND THE DIRECTORS OF THE BIDDER

The Board of Directors states that, as at the date of this report, there is no agreement between Euskaltel and the directors of the Bidder relating to the Takeover.

3.3 AGREEMENTS BETWEEN THE TARGET COMPANY AND THE SHAREHOLDERS OF THE BIDDER

The Board of Directors states that, as at the date of this report, there is no agreement between Euskaltel and the shareholders of the Bidder relating to the Takeover.

3.4 AGREEMENTS BETWEEN THE DIRECTORS OF THE TARGET COMPANY AND THE BIDDER, ITS DIRECTORS OR ITS SHAREHOLDERS

The members of the Board of Directors state that, as at the date of this report, there is no agreement between the directors of Euskaltel in their capacity as such and the Bidder, its directors or its shareholders relating to the Takeover, without prejudice to the Irrevocable Undertakings described in section 3.5 below.

3.5 AGREEMENTS BETWEEN THE SHAREHOLDERS OF THE TARGET COMPANY AND THE BIDDER, ITS DIRECTORS OR ITS SHAREHOLDERS

As stated in section 1.5.1 of the Prospectus, on 27 March 2021 the Bidder and Zegona Communications plc, Kutxabank, S.A. and Alba Europe S.à r.l., significant shareholders of Euskaltel holding shares representing a total of 52.32% of the share capital of Euskaltel, entered into various irrevocable undertakings by virtue of which, among others, the Bidder undertook to launch the Takeover and undertook certain commitments once the Takeover was settled, and the Selling Shareholders undertook to accept the Takeover and to sell the shares held by them (the “Irrevocable Undertakings”).

The terms and conditions of the Irrevocable Undertakings entered into by the Selling Shareholders are described in detail in section 1.5.1(a) of the Prospectus.

4. SECURITIES OF THE BIDDER HELD DIRECTLY OR INDIRECTLY BY EUSKALTEL, PERSONS WITH WHOM IT IS ACTING IN CONCERT OR ITS DIRECTORS

4.1 SECURITIES OF THE BIDDER HELD BY EUSKALTEL OR PERSONS WITH WHOM IT IS ACTING IN CONCERT

As at the date of this report, Euskaltel does not hold, directly or indirectly or in concert with third parties, securities of the Bidder or of its direct or indirect shareholders, or securities or instruments conferring a right to acquire or subscribe for said securities.

4.2 SECURITIES OF THE BIDDER HELD BY THE DIRECTORS OF EUSKALTEL

As at the date of this report, the directors of Euskaltel do not hold, directly or indirectly or in concert with third parties, securities of the Bidder or of its direct or indirect shareholders, or securities or instruments conferring a right to acquire or subscribe for said securities.

5. SECURITIES OF THE TARGET COMPANY DIRECTLY OR INDIRECTLY HELD OR REPRESENTED BY MEMBERS OF THE BOARD OF DIRECTORS

As at the date of this report and according to the CNMV's information registers, the directors of the Target Company directly or indirectly hold the following shares of Euskaltel:

Director	Position	Category	Number of shares	% of share capital
Mr Xabier Iturbe Otaegui	Member and Chairperson	Other External	6,000	0.003%
Mr José Miguel García Fernández ¹	Member and CEO	Executive	23,810	0.013%
Mr Jon Iñaki Alzaga Etxeita	Member	Independent	3,000	0.002%
Ms María Belén Amatriain Corbi	Member	Independent	3,000	0.002%
Corporación Financiera Alba, S.A. ²	Member	Proprietary	19,650,990 ³	11.000%

¹ Indirect holder through Acebo Investments 2016, S.L.

² Represented by Mr Javier Fernández Alonso as natural-personal representative of the legal-person director Corporación Financiera Alba, S.A. Mr Javier Fernández Alonso holds shares of Euskaltel in a personal capacity that represent 0.002% of its share capital.

³ Indirect holder through Alba Europe S.à r.l.

Director	Position	Category	Number of shares	% of share capital
Ms Ana García Fau	Member	Independent	0	0%
Kartera 1, S.L. (holder Kutxabank, S.A.) ⁴	Member	Proprietary	35,518,041 ⁵	19.882%
Ms Beatriz Mato Otero	Member	Independent	0	0%
Mr Eamonn O'Hare ⁶	Member	Proprietary	0	0%
Mr Robert W. Samuelson ⁷	Member	Proprietary	0	0%

6. CONFLICTS OF INTEREST OF THE DIRECTORS OF EUSKALTEL AND EXPLANATION OF THEIR NATURE

It is stated that as shareholders of the Company who are directly represented or represented through proprietary directors on the Board of Directors, the Selling Shareholders have entered into Irrevocable Undertakings with the Bidder pursuant to which they have undertaken, among other things, to accept the Takeover and to sell their respective shares of Euskaltel.

The Irrevocable Undertakings also include an undertaking by the Selling Shareholders to use their best efforts to ensure, to the extent legally possible and subject to compliance with the fiduciary and other legal duties of the directors, taking into account any possible conflict of interest and/or those obligations of the directors which may arise from the existence of competing bids and any applicable law or regulation, that the proprietary directors of the Target Company appointed at the proposal of the Selling Shareholders vote in favour of resolutions submitted to the Board of Directors in a manner that facilitates the implementation of the Takeover and any related transactions (including the issuance of a report which is favourable to the Takeover).

Pursuant to the foregoing, directors Mr Eamonn O'Hare, Mr Robert Samuelson, Kartera 1, S.L. (represented by Ms Alicia Vivanco González) and Corporación Financiera Alba, S.A. (represented by Mr Javier Fernández Alonso) are in a situation of conflict of interest with respect to the Takeover.

In order to fully comply with their duty of loyalty and the rules of good governance, all of the directors subject to a conflict have refrained from participating in the deliberation and voting on matters relating to the Takeover, and a Takeover Monitoring Committee has also been created to oversee the process, to which reference is made in the following section.

⁴ Represented by Ms Alicia Vivanco González as natural-person representative of the legal-person director Kartera 1, S.L.

⁵ Indirect holder through Kutxabank, S.A.

⁶ Appointed director of Euskaltel representing Zegona Communications plc, indirect holder of 38,297,686 shares through Zegona Limited.

⁷ Appointed director of Euskaltel representing Zegona Communications plc, indirect holder of 38,297,686 shares through Zegona Limited.

Without prejudice to the foregoing, the directors subject to a conflict have participated in the deliberation and voting on this report, as the other directors of the Target Company are fully aware of their situations, which have been disseminated through the Prospectus and this report, and Royal Decree 1066/2007 only requires that situations involving a conflict of interest that might affect members of the Board of Directors be stated for the record and explained in the report, without preventing their participation in the approval thereof.

The other directors of Euskaltel have stated that they are not in a situation of conflict of interest with respect to the Takeover, without prejudice to their intention to accept it or otherwise.

7. ACTIONS BY EUSKALTEL IN THE CONTEXT OF THE TAKEOVER

7.1 ACTIONS BEFORE THE PRIOR ANNOUNCEMENT

As described in section 3.1 above, on 15 March 2021 the Target Company received a letter from MasMóvil expressing its interest in assessing the possibility of making the Takeover, subject to certain conditions (including the performance of confirmatory due diligence).

After Euskaltel received the offer letter, the Board of Directors held a meeting on 17 March 2021 at which it resolved, among other things, to answer the letter received from MasMóvil on the terms described in the following paragraph. Additionally, in order to best perform its duties and in accordance with the provisions of article 29 of the Regulations of the Board of Directors and recommendation 29 of the Good Governance Code of Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*), the Board of Directors resolved to engage Uría Menéndez Abogados, S.L.P. ("**Uría Menéndez**") as legal advisor and Citigroup Global Markets Europe AG ("**Citi**") as financial advisor.

Following the aforementioned meeting, on 17 March 2021 the Chairman of the Board of Directors informed MasMóvil of Euskaltel's interest in the Takeover and its willingness to expedite the necessary steps to announce the transaction as soon as possible. For this purpose, in addition to asking MasMóvil for certain additional information, Euskaltel agreed to open the requested confirmatory due diligence process and to enter into the Collaboration Agreement.

On that same date, MasMóvil answered the letter from the Chairman of the Board of Directors, expressing its agreement therewith and supplying the requested additional information.

On 17 March 2021, following the exchange of letters described in the above paragraphs, Euskaltel and the Bidder entered into a confidentiality agreement that included a Clean Team Protocol regulating access to commercial and strategically sensitive information in the context of the requested confirmatory due diligence.

On 28 March 2021, Euskaltel and the Bidder then entered into the Collaboration Agreement described in section 3.1 above.

7.2 ACTIONS AFTER THE PRIOR ANNOUNCEMENT

Following the publication of the Prior Announcement, the Board of Directors and the management team have diligently observed the applicable regulation regarding public takeover bids for securities. In particular, the directors have at all times complied with the general duty to defend the interests of the Company and its shareholders, as well as with the action regime established in article 134 of the Securities Market Law and article 28 of Royal Decree 1066/2007.

The directors have also strictly observed their general duties of diligence and loyalty, including but not limited to their duties to act with appropriate dedication, to demand the information necessary to comply with their obligations, to obtain external advice, to uphold confidentiality and to comply with rules on conflicts of interest, as stated in section 6 above and in this section 7. The following actions carried out by the Board of Directors and management team of Euskaltel are of particular note due to their importance:

- (i) at its meeting held on 31 March 2021, the Board of Directors resolved by unanimous vote of its members not subject to a conflict (i.e., all the members of the Board of Directors except for those representing the Selling Shareholders) to create an internal Takeover Monitoring Committee responsible for overseeing the Takeover process together with the Target Company's external advisors, defending the interests of all the shareholders, and securing compliance with the obligations of the Target Company's management decision-making body from a perspective free from conflicts of interest. It was resolved that the Takeover Monitoring Committee would be made up of the independent directors Ms Ana García Fau and Mr Iñaki Alzaga, Mr Xabier Iturbe in his capacity as an external director, as well as Mr José Ortiz as secretary of the Committee.

With the assistance of the Target Company's legal and financial advisors, the Takeover Monitoring Committee has monitored the Takeover process and its implications for the Target Company's shareholders, employees and other stakeholders on an ongoing basis, duly recording said oversight in the minutes of its meetings. The Takeover Monitoring Committee has met regularly and has invited the external advisors to its meetings in order to obtain updated information on the development of the Takeover and the market reaction thereto.

The Committee has shared with the Board of Directors its observations with respect to the Takeover solely for the purposes of preparing this report, as well as the external advice received during the process.

- (ii) at its meeting held on 31 March 2021, the Board of Directors resolved by unanimous vote of its members not subject to a conflict (i.e., all the members of the Board of Directors except for those representing the Selling Shareholders) to appoint J.P. Morgan AG ("**JP Morgan**") as Euskaltel's financial advisor, including engaging it to issue an additional fairness opinion on the price to be paid, if applicable, by the Bidder to Euskaltel's shareholders in the Takeover.

- (iii) as provided in the Collaboration Agreement, Euskaltel has cooperated with the Bidder in good faith, providing the information required to process and obtain the various regulatory and competition authorisations of the Takeover.
- (iv) in line with the provisions of article 28.3.a) of Royal Decree 1066/2007, the Takeover Monitoring Committee instructed Citi, in its capacity as financial advisor in relation to the Takeover, to identify industrial and financial investors potentially interested in Euskaltel and to contact them to evaluate their interest in a potential competing bid at a higher price than the Takeover Price or in offering other potential strategic options with respect to the Company.

In this context, Citi has contacted a significant number of potential financial and industrial investors but no competing bid has been made for Euskaltel's shares as at the date of this report. However, the period for presenting competing bids remains open and will expire on the fifth calendar day before the end of the Takeover acceptance period. It is expressly stated that in the course of these actions, the Target Company has strictly observed its obligation to guarantee equality of information among bidders and potential bidders acting in good faith on the terms of article 46 of Royal Decree 1066/2007.

- (v) the Takeover Monitoring Committee has dedicated various meetings with financial advisors to understand and assess the valuation methodology and different valuation criteria for Euskaltel, and particularly those they have used to issue their fairness opinions.
- (vi) the Takeover Monitoring Committee also analysed the request to collaborate on planning tasks to facilitate integration received from MasMóvil on 30 April 2021, in which MasMóvil requested the establishment of a communication channel as soon as possible in order to facilitate the performance of tasks aimed at achieving significant cost savings, maximising potential synergies and guaranteeing service quality for customers following the consummation of the Takeover.

In this respect, the Takeover Monitoring Committee unanimously resolved to report on the matter and submit it to the Board of Directors in order for the management decision-making body to make a decision on the establishment of the aforementioned communication channel. In this regard, on 14 May 2021 and without the participation of the directors representing the Selling Shareholders due to their being in a situation of conflict of interest, the Board of Directors decided to limit its agreement to the request to matters relating to the network and to internal organisation, and provided that the transfer of information could in no case harm Euskaltel if the transaction was not completed for any reason, in addition to making the implementation of the communication channel subject to the prior execution by both parties of an addendum to the confidentiality agreement entered into on 17 March 2021 and of a clean team protocol.

- (vii) the Board of Directors has ensured strict compliance with the Target Company's obligations in relation to the publication of the Prospectus on its website, as well as with the obligations to provide information to employee representatives or, in the absence thereof, to the employees of all the companies of its group, including sending the Prior Announcement and the Prospectus thereto.

7.3 ADVICE RECEIVED BY THE BOARD OF DIRECTORS

As stated in sections 7.1 and 7.2, the Board of Directors appointed Uría Menéndez as legal advisor and Citi and JP Morgan as financial advisors in relation to the Takeover.

Additionally, in line with common practice for this type of transactions, the Board of Directors engaged Citi and JP Morgan to prepare fairness opinions addressed to the Board of Directors on the fairness from a financial perspective, as at the date of issuing the corresponding opinions, of the Takeover Price to be paid to the shareholders of Euskaltel, as described in more detail in section 8.2 below.

8. OPINION AND OBSERVATIONS OF THE BOARD OF DIRECTORS REGARDING THE TAKEOVER

8.1 GENERAL OBSERVATIONS

All the members of the Board of Directors make a positive assessment regarding the following aspects of the Takeover:

- (i) the Takeover extends to all the shares of the Target Company and has been accepted by significant shareholders of Euskaltel holding shares representing a total of 52.32% of the share capital, by means of Irrevocable Undertakings.
- (ii) the Takeover Price will be fully paid in cash.
- (iii) the Bidder recognises the successful previous record of the Target Company and supports the continuity and growth of its business activities and project, as well as the maintenance of the Company's work centres, of its workforce and of their employment conditions.
- (iv) the CNMV has confirmed that the Takeover Price is justified in the Prospectus in accordance with the rules on equitable price and valuation criteria established in articles 9 and 10 of Royal Decree 1066/2007.

8.2 OBSERVATIONS IN RELATION TO THE TAKEOVER PRICE

As stated in section 7.3 above, the Board of Directors engaged Citi and JP Morgan to provide fairness opinions on the fairness from a financial perspective, as at the date of issuing the corresponding opinions, of the Takeover Price to be paid to the shareholders of Euskaltel.

In this regard, on 12 July 2021 Citi and JP Morgan issued opinions addressed to the Board of Directors in which they conclude that as at the date of issuing the corresponding opinions, and based on and subject to the assumptions, limitations and disclosures set forth therein and which should be read in full, the Takeover Price of 11.00 euros per share payable in cash is fair for the shareholders of Euskaltel from a financial perspective.

The corresponding opinions of Citi and JP Morgan have been issued in English. In the event of discrepancy between the English version of the opinions and any translation thereof, the English version will prevail over any translation. The opinions in English and loose translations into Spanish thereof are attached as an **Annex** to this report, should be read in full and are an essential and integral part hereof.

Each opinion should be read in full to assess their scope, assumptions and limitations, the information and experience upon which they have been based, the procedures applied, the issues considered, the limitations of the reviews performed, the services provided to participants and third parties and the conclusions expressed therein.

It is also stated that the CNMV has confirmed that the Takeover Price is justified in the Prospectus in accordance with the rules on equitable price and valuation criteria established in articles 9 and 10 of Royal Decree 1066/2007.

Additionally and as stated in the Prospectus, the Takeover Price is higher than the value range resulting from BDO's valuation report.

Moreover, the Initial Price, before its adjustment from 11.17 to 11.00 euros per share owing to the dividend distributed on 17 June 2021 represented a premium of approximately: (a) 25.1% of the volume-weighted average price of the shares of Euskaltel for the one-month period immediately before the publication of the Prior Announcement (8.93 euros); (ii) 25.8% of the volume-weighted average price of the shares of Euskaltel for the three-month period immediately before the publication of the Prior Announcement (8.88 euros); (iii) 26.8% of the volume-weighted average price of the shares of Euskaltel for the six-month period immediately before the publication of the Prior Announcement (8.81 euros); and (iv) 16.5% of the closing price of the shares of Euskaltel at the trading session immediately before the publication of the Prior Announcement (9.59 euros).

Finally and without prejudice to the foregoing, the Board of Directors considers it appropriate to note in this section that as stated in section 7.2 above, the Takeover Monitoring Committee, with the assistance of the Company's financial advisors, made contact with potential investors interested in making a competing bid in order to improve the Takeover Price or in offering other potential strategic alternatives with respect to the Company, but as at the date of this report no firm expressions of interest have been received in response to said actions and no competing bids have been submitted.

8.3 STRATEGIC AND INDUSTRIAL OBSERVATIONS

According to the information provided in the Prospectus and, where applicable, in accordance with the agreements reached between the Target Company and MasMóvil as described in 2.2.1 above, the Board of Directors makes a positive assessment of the following aspects, intentions and undertakings stated by the Bidder:

- (i) Euskaltel will continue to exist as a separate company in which the Bidder has a holding, with registered office and tax domicile in Euskadi and maintaining the "Euskaltel" brand, for a period of at least five years as from the settlement of the Takeover.
- (ii) subject to prevailing market conditions, the Bidder has undertaken: (a) not to implement a workforce adjustment plan (*expediente regulador de empleo*, or ERE) at Euskaltel for at least five years as from the settlement of the Takeover; (b) to prioritise the rollout of its 5G network in Euskadi; (c) to engage in actions to ensure that Euskaltel Group customers can access high-speed broadband services using FTTH technology as soon as possible; and (d) to assess and, if

applicable, implement suitable actions for the Euskaltel Group to separate part of its infrastructure network (except for the part thereof that overlaps with the infrastructure owned by the Bidder or the companies of its group, including rights of use) and transfer it to a newly-created company that will have its registered office and tax domicile in Euskadi for a period of at least five years as from the settlement of the Takeover.

- (iii) the intention not to make material changes to the employment conditions of the Euskaltel Group's employees and managers, although the Bidder does not have any commitment for the retention or dismissal of Euskaltel's management team.

The Board of Directors also wishes to highlight the following aspects:

- (i) the intention to amend Euskaltel's current dividend policy by initially suspending (although for an indefinite term) the payment of dividends, as stated in section **¡Error! No se encuentra el origen de la referencia.** above.
- (ii) the intention is to delist Euskaltel's shares from the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges, through: (i) exercise of the right of squeeze-out, if the requirements therefor are satisfied; or (ii) if the aforementioned requirements are not satisfied and provided that the Bidder owns at least 75% of the Euskaltel share capital with voting rights at the date of settlement of the Takeover, the application of the delisting bid exception procedure regulated in article 11.d) of Royal Decree 1066/2007 and in article 82 of the Securities Market Law.

8.4 OPINION OF THE BOARD OF DIRECTORS

Based on the observations, opinions and undertakings included in this report, as well as on the information included in the Prospectus, and taking into account the terms and features of the Takeover and its impact on the interest of Euskaltel, the Board of Directors issues a favourable opinion on the Takeover.

In any event, it is for each shareholder of Euskaltel to decide whether or not to accept the Takeover, in view of factors including their particular circumstances, interests and class.

8.5 INDIVIDUAL OPINION OF THE DIRECTORS

This report has been unanimously approved by the directors of Euskaltel, and no member of the Board of Directors has made any individual statement other than that collectively adopted by the Board of Directors and described in this report.

9. INTENTION OF THE DIRECTORS OF EUSKALTEL REGARDING ACCEPTANCE OF THE TAKEOVER. OWN SHARES

The directors of Euskaltel who directly or indirectly hold shares of the Target Company at this date are those indicated in section 5 above.

All directors holding shares have stated that their current intention is to accept the Takeover for all their shares, although they reserve the power to revise their intention based on prevailing circumstances, and particularly based on any assessment they might make of the terms and conditions of other competing bids or improvements that might be authorised by the CNMV.

Additionally, Euskaltel holds 155,663 own shares as at the date of this report. The Board of Directors states its unanimous decision to accept the Takeover, in line with the opinion expressed by the Board of Directors in relation thereto.

10. INFORMATION TO EMPLOYEES

As described in section 7.2 above, it is stated that Euskaltel has complied with its obligations to provide information to employees established in article 25 of Royal Decree 1066/2007. In particular, on 29 March 2021, the employee representatives of the announcement of the Takeover and were sent the prior announcement published by the Bidder. On 5 July 2021, the Prospectus was also made available to all of them.

On 9 July 2021 it was received from the employee representatives of the entire Euskaltel Group a sole report with regard to the repercussions of the Takeover for employment which is attached to this report, pursuant to the provisions of article 24.2 of Royal Decree 1066/2007.

In Derio, on 12 July 2021

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This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail

ANNEX I

FAIRNESS OPINIONS OF CITI AND JP MORGAN

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail

ANNEX II

SOLE REPORT OF THE EMPLOYEE REPRESENTATIVES OF THE ENTIRE EUSKALTEL GROUP