

euskaltel

THE BASQUE FIBER CONVERGENT LEADER



2014 Annual Report

Euskaltel's Mission is aimed at generating value: *"Integrally respond to people's communication requirements and help the best productivity of the company by providing communication and information management tools, contributing to the economic and social development of our Community."*

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**EBITDA
OF 155.9**
MILLION
EUROS

**PROFIT
OF 44.3**
MILLION
EUROS

OPERATING REVENUE

315.1
MILLION
EUROS

BETTER EVOLUTION THAN
THE INDUSTRY AVERAGE

EUSKALTEL CUT ITS DEBT

89
MILLION
EUROS

ITS DEBT RATIO IS
1.5 TIMES THE EBITDA

POSITIVE FREE CASH FLOW OF

89.05
MILLION
EUROS

3.4% HIGHER THAN THE
PREVIOUS YEAR

INCREASE OF

29.5%

IN THE
CONTRACTING OF

**MOBILE PHONE
SERVICES**

WE PROVIDE OVER

1.2

MILLION
SERVICES

TO **400,000** BASQUE CUTOMER
EVERY DAY

LEADER IN PENETRATING THE
**BUSINESS
SECTOR**

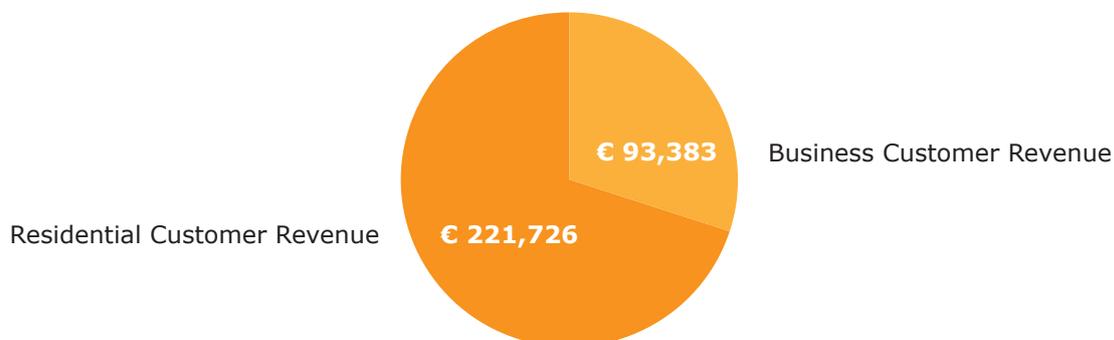
AMONG CABLE OPERATORS
IN EUROPE

**THE LEADING
ALTERNATIVE
OPERATOR**
IN SPAIN

OPERATING REVENUE

(in thousand of euros)

€ 315,109



MOBILE TELEPHONE LINES



INTERNET BROADBAND LINES



PAY TV PRODUCTS



TELEPHONE FIXED LINES



LETTER FROM THE CHAIRMAN

Alberto García Erauzkin

For Euskaltel, 2014 meant the consolidation of positive developments both in its business areas and its results. The solid execution of our strategy has resulted in an improvement in profitability and the achievement of excellent levels of cash flow generation, above the level of our European cable operator counterparts, providing flexibility that will allow us to ensure attractive returns for our shareholders and propose strategic acquisitions to create value for the company.

2014 was also a year for organisational transformation, strengthening our position in the market and growth.

We have worked hard to adapt the organisation of our company to adequately address the present and future needs of the market. The consolidation of the sector has strengthened us in our strategic alliances with strong companies and technological benchmarks in the international arena.

To strengthen our position in the market, as well as maintaining the key attributes that differentiate us from our competitors (proximity, service and initiative), we

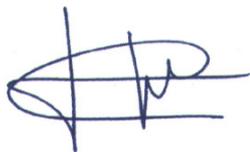
focused on investing, growing and make ourselves more competitive, while keeping our commitment to Basque society. We are a leader and we have everything required to keep growing and gaining market share: people, talent, technology, the support of our shareholders and the strength of the inherent values of Euskaltel, of our brand.

And to achieve avenues of growth, our third major challenge of the year, we focused on extending the value of our convergent products and services, both for the current customer base and to attract new users.

With regard to corporate governance, we have consolidated our actions, pushing for changes that make Euskaltel a transparent company, which undertakes and promotes the generally recognised recommendations for good governance in international markets, applying advanced corporate management ideas in this area, beyond what would strictly apply in current legislation.

I am sure that everyone will see that the steps that we have taken are the basis for growth and guarantee of a prosperous

future for Euskaltel and our customers. Euskaltel is a strong, solid, stable company, with a vocation for growth, both in our natural market and outside it, and ready to tackle the projects required to fulfil our main objective: to create value for our shareholders, from our unswerving commitment to the care of our people, creating wealth, development and well-being in our country.



Alberto García Erauzkin
Chairman of Euskaltel



“The solid execution of our strategy has resulted in improved profitability, which will ensure attractive returns for our shareholders and create value-creating strategic acquisitions for the company”.

LETTER FROM THE DIRECTOR GENERAL

Fernando Ojeda

The 2014 financial year saw Euskaltel's consolidation as the leading convergent reference operator in the Basque Country telecommunications sector, increasing the company's market value.

In a sector hit by a drop in business by about 7%, at Euskaltel we have successfully achieved the main objectives for the year: we close 2014 with an Ebitda 0.4% higher than the previous year, with 155.9 million euros, obtaining a profit of 44.3 million euros, and reducing our debt by 89 million euros to the lowest debt levels in our entire history, with a ratio of 1.53 times the Ebitda, one of the lowest in the sector.

This data therefore backs the good work performed by the entire Euskaltel time throughout 2014, complying with the strategic objectives which we set ourselves in order to allow Euskaltel to continue growing in value. For such purpose, during 2014 the actions plans were successfully implemented which had been designed for this year, with the launch of new products and services, and the technological evolution and application of improvements to those already existing, in all of the business activities: Landline, Mobile telephony, Broadband and pay TV.

Thanks to the capacity of our ultimate generation fibre optic network which makes our Region one of the most advanced in

Europe, we have increased the broadband speeds for our customers, offering 250 Mbps to over 800,000 Basque homes. 2014 was saw the start of the deployment of the largest WiFi network in the Basque Country, marketed as "Euskaltel WiFi", which is a proposal which clearly differentiates from our competitors, based on our network's high capacity.

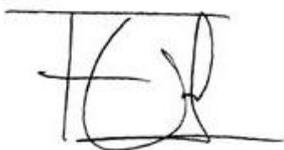
On the other hand, we have made a special effort to add the mobile services for the landline customers so that over 20% of our customers simultaneously contract the four Euskaltel products, with a 29.5% increase in the number of mobile phone lines contracted. The convergence of products, an area where Euskaltel annually doubles its penetration, is one of the basic pillars of Euskaltel's future growth.

In TV we have anticipated the battle for the television services by launching new products like "Edonon" to access quality television from any place and with any device, and video on demand, which are projects which, together with the adaptation of our TV packages structure, allow us to increase our customer base for pay TV and the revenue from television.

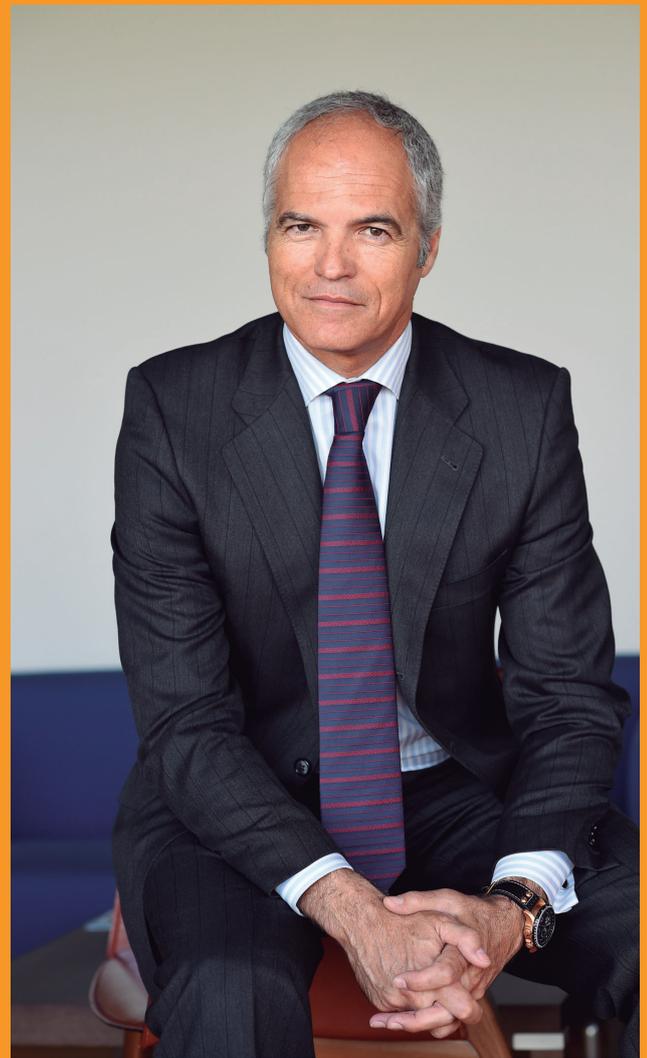
On the other hand, as we announced in the previous year, in 2014 Euskaltel sealed two important technological alliances with two international reference companies

in the telecommunications sector: the French multinational GFI, within the scope of Computer Services, and the Chinese multinational ZTE, a worldwide reference in Network Solutions. These alliances guarantee for Euskaltel a competitive access to the new worldwide developments and strengthen our aim of offering innovative and top quality services to our customers.

And finally I would like to highlight the value of the Euskaltel brand in the market. We are the leading operator, the reference brand and the highest valued in the Basque Country, we know our market better than anyone, we work with the force of the Euskaltel values, and we act in line with a common objective: grow, invest, become stronger and maintain our commitment to our society and our customers. The force of our brand lies in this spirit.



Fernando Ojeda
Director General of Euskaltel



“We are the leading operator, the reference brand and the highest valued in the Basque Country, and we work with a common objective: grow, invest, become stronger and maintain our commitment to our society and our customers”.

Base-T Ports (1 - 48T) — Ports are IEEE Auto MDI/MDI-X

23

Link 25 Mode

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2014 FINANCIAL YEAR



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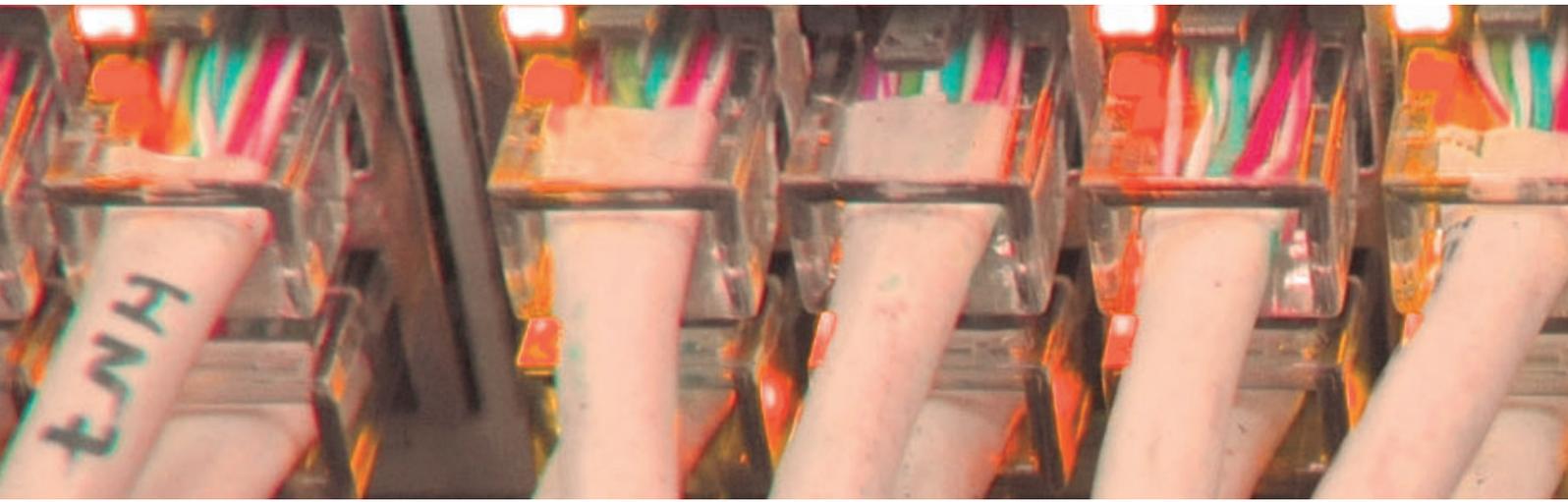
Link

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Mode

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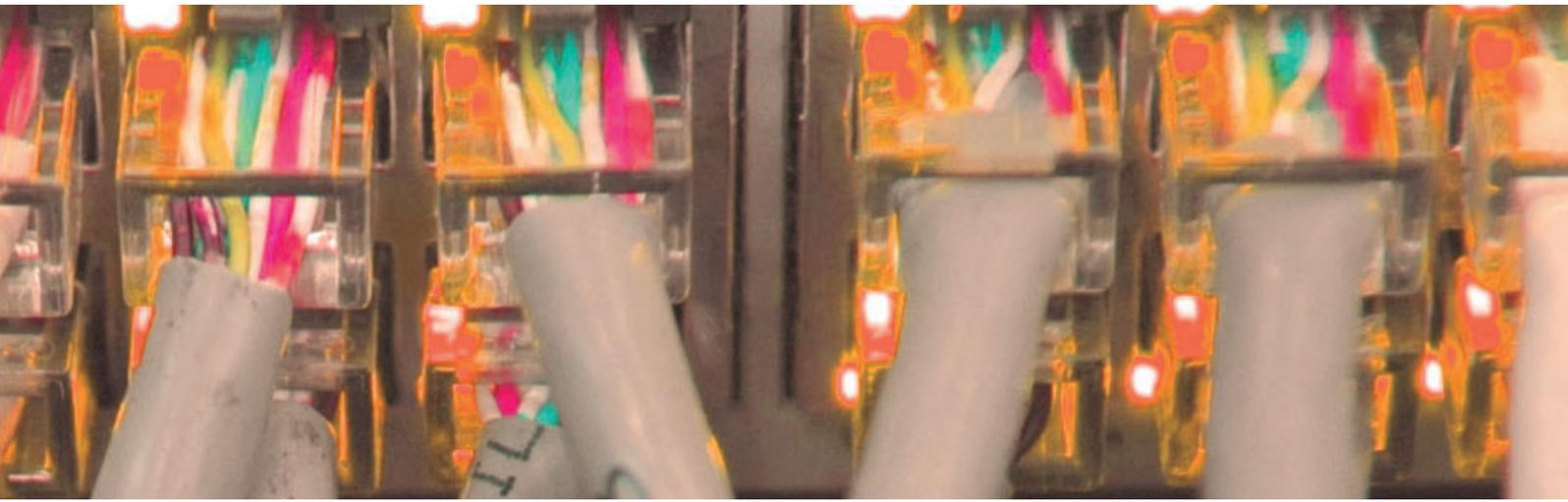




Economic Data

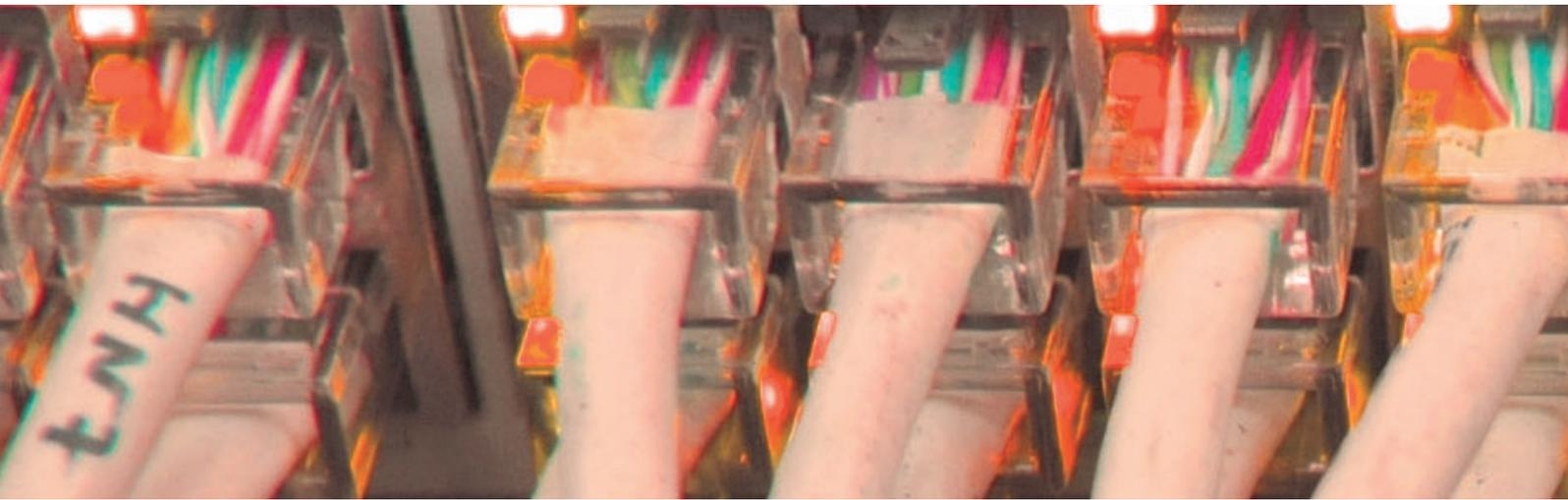
	2012	2013	2014
(in thousands of euros)			
Total revenue	342,800	334,891	321,161
Operating revenue	338,542	329,148	315,109
Net financial debt	412,090	325,962	236,910
Operating Cash-Flow	(151,710)*	86,128	89,052
Ebitda	134,700	155,132	155,850
Management Result	48,104	50,092	49,973
Total Volume of Tax Paid	104,521	81,832	79,707

* The negative Cash-Flow from the 2012 financial year incorporates the effect deriving from the payment of the decision of the High Court of Justice of the Basque Country (TSJPV).



Business data

	2012	2013	2014
Mobile telephone lines	344,079	374,592	422,546
Landlines with own network	384,863	385,608	381,279
Internet Broadband lines	249,765	259,987	264,716
Pay TV	50,177	56,992	124,754



Euskaltel's business evolution in the 2014 financial year

Euskaltel ended 2014 with 376,258 customers, of which 323,209 correspond to the residential segment and 53,049 to companies.

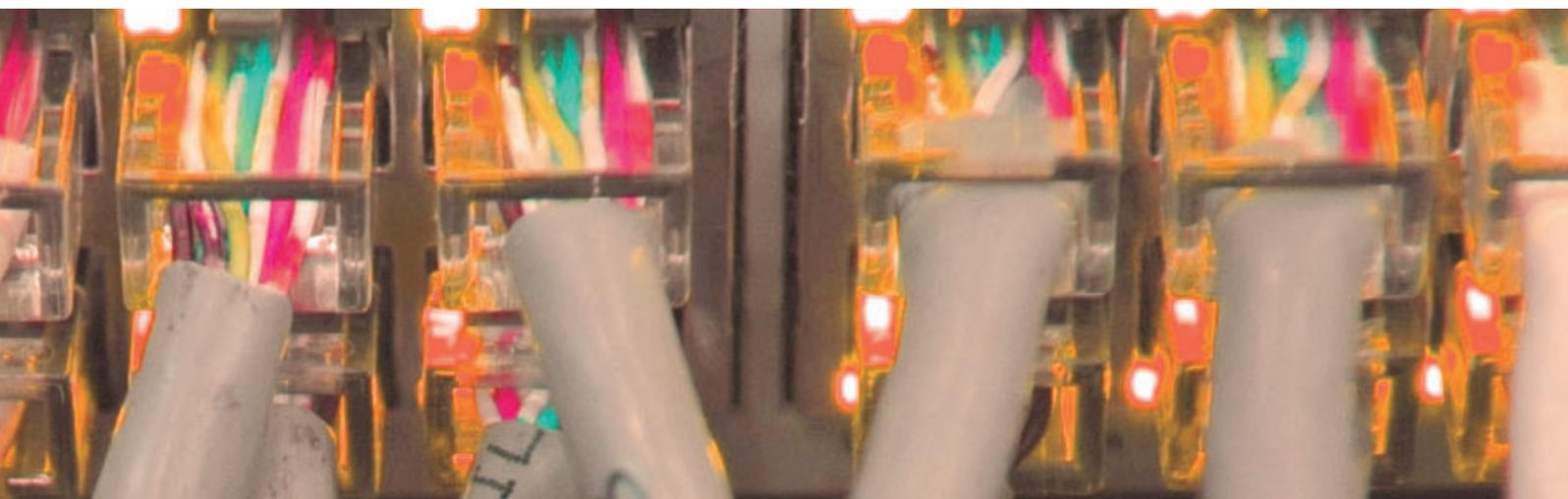
The residential segment has continued with the strategy to increase the products and services on the customer portfolio, which has led to an 11.7% increase in the products marketed in the landline telecommunications business. The policy of increasing the pay television customers has significantly contributed towards this.

In the mobile telephony business, the number of lines contracted has increased by 29.5% in relation to 2013, which has led to 20.3% of the customers now simultaneously contracting four products (landline, broadband, pay TV and mobile telephone), where last year it was only 9.4%. This strategy of packaging products and services has allowed us to maintain a slight improvement to the global ARPU in the residential business over last year. As such, Euskaltel is still the leader in market share in landline telecommunications customers in the Basque Autonomous Region and has consolidated itself as the

Euskaltel serves 376,258 customers, of which 323,209 correspond to the residential segment and 53,049 to companies, to whom it provides 1.25 million services every day.

third mobile operator in its natural market.

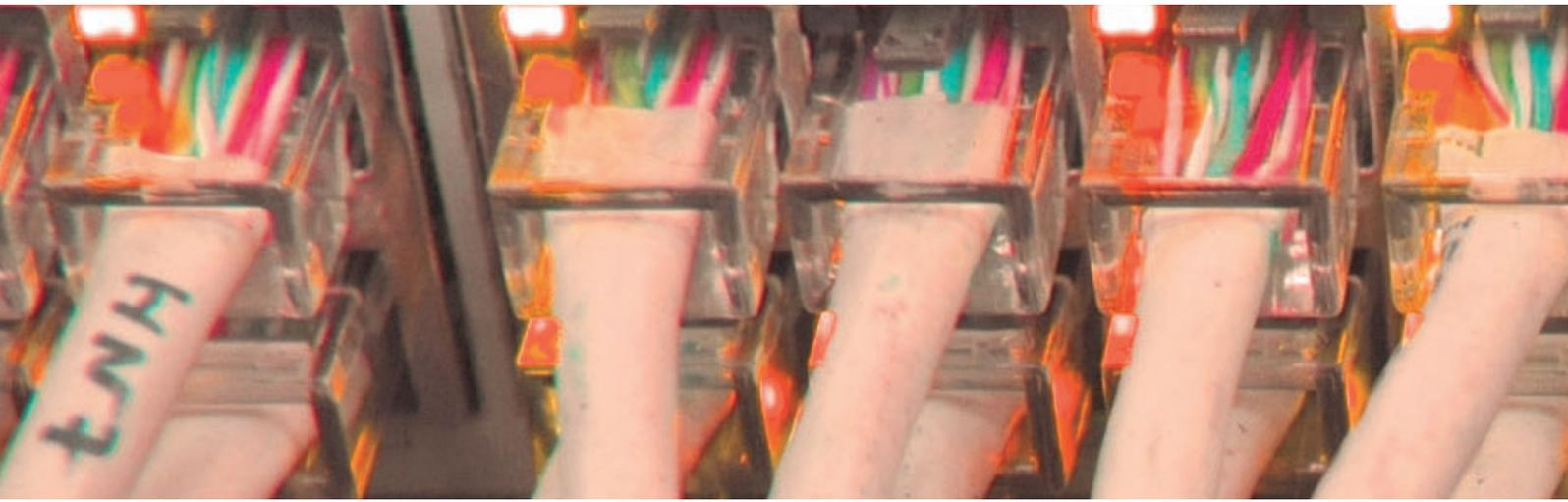
Euskaltel maintains, as one of its differential aspects over other operators, its high penetration in the business segment. The revenue from this segment amounts to approximately 30% of its total operating revenue. This is due to its real commitment with the Territory in which it operates and where it has established a strong link to business and industry. Since the effects of the global recession started to be felt in 2008 the business and company reduction in the territory of the Basque Autonomous Region has been 9.9% (6,426 less companies according to the Basque Business Confederation, Confebask), which is directly affecting the gaining of new customers. But despite this situation, Euskaltel has evolved in the last



two years much better than the sector and Euskaltel's business market share in revenue has increased by 27% in relation to the sector as a whole in Spain (now reaching 1.9% of the total).

Together with the developments necessary in order to successfully launch and operate solutions in different businesses, 2014 saw various important challenges which are going to give meaning to and support Euskaltel's activity in the coming years:

- Host migration: we have migrated one hundred percent of our mobile telephone customers to a new signal provider without this affecting our customers' service level. This was a complex operation which was performed in an exemplary manner.
- Actions like the launch of WiFi access in public places or extending our broadband service via satellite to reach remote areas, provide us with greater levels of autonomy and help us to reduce operating costs.
- Strategic alliances: very important agreements have been reached with strategic partners in the areas of information systems (with the French multinational GFI) and network management and maintenance (with the Chinese multinational ZTE). With these agreements we have shared knowledge, performing two outsourcing



operations which have meant the transfer of Euskaltel personnel from those activity areas, a measure which shows the close collaboration between the companies and will allow us to access new developments and technologies and give a boost to our objective of providing our customers with top quality innovative services.

Economic activity

The fall in revenue in the sector has continued to directly affect us and has placed our turnover for the year at 315,109 thousand euros, 4.25% lower than the previous year, as opposed to the 7% fall in the sector in the Spanish state. The evolution has been very different in our two main business areas: While the residential business has managed to revert the continuous drop in revenue over recent years, growing by 0.4% vis-à-vis 2013, in the business sector we have accumulated a fall of 7.7%, for the reasons set out in the commercial activity section.

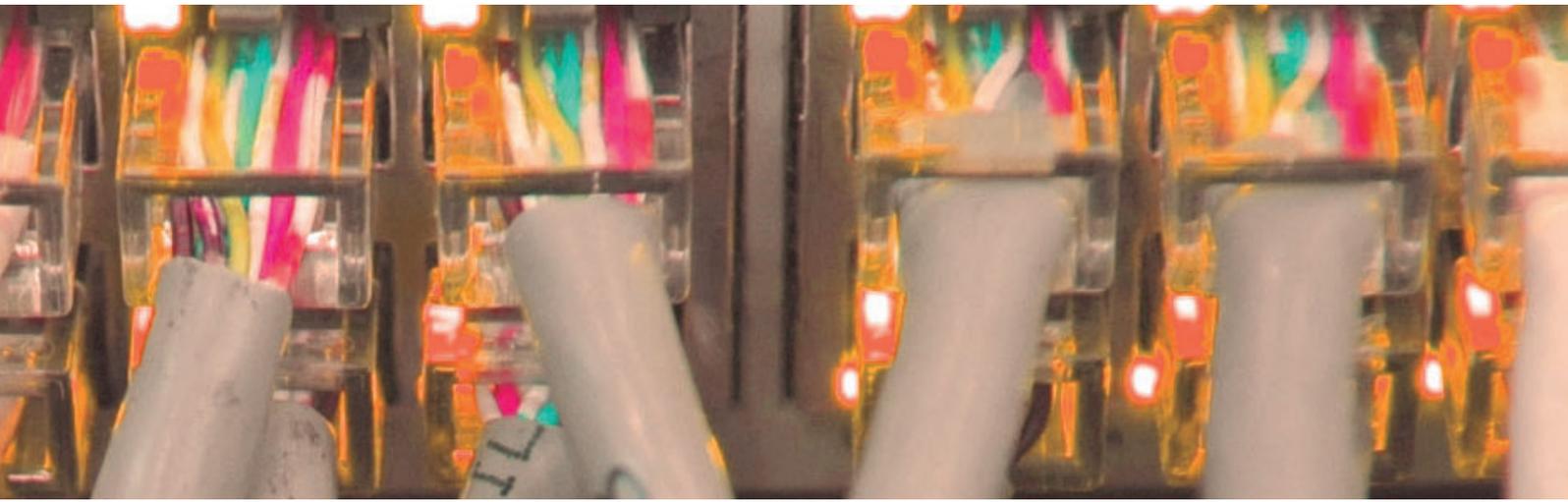
The macroeconomic indicators and the forecasts for the telecommunications

market make us optimistic that these negative trends will start to turn as of the year 2015, and in a more accentuated manner after 2016.

Despite the fall in the turnover, the actions to improve the operating efficiency started in 2013, maintaining our price levels, redefining our marketing channels and the internal reorganisation, have allowed us to achieve the best operating results in our history, with an operating margin of 49.45%, at the same level as the leaders in profitability in our sector in Europe.

This has allowed us to achieve Net Cash-Flow of 89,052 thousand euros, which is 3.4% better than the figures achieved in 2013, considering investments activated in the year of 42.2 million euros, which amounts to 13.4% of our management revenue.

The year's net result, 49,973 thousand euros, is the same as that from the previous year. The net financial debt on year close was 236.9 million euros, which is the lowest since 1999 and allows us to confidently look towards the future.



Maintaining our price levels, redefining our marketing channels and the internal reorganisation, have allowed us to achieve the best operating results in our history, with an operating margin of 49.45%, at the same level as the leaders in profitability in our sector in Europe.



The strategic agreements reached with the multinational companies GFI and ZTE allow Euskaltel to access new development and technologies. In this way Euskaltel strengthens its objective of providing its customers with innovative and top quality services.

PRODUCTS Y SERVICES

WIFI
kalean
DOAN

DO
euskal

WIFI

WIFI
la calle
GRATIS
com



WIFI

en la calle

GRATIS

euskaltelwifi.com

euskaltel 

WIFI
en la calle
GRATIS
com

WIFI
en la calle
GRATIS
com

Our offer

Supported by the technological advantage provided by its Fibre Optic network and its capacities as a complete virtual operator, Euskaltel has continued to evolve its catalogue of products throughout 2014.

With a far superior technological offer, 2014 was aimed at providing the customers with access to the new technologies. For this purpose, more simple and personalised products have been designed to allow each customer to easily find their option and adapt it to the special features of their home.

Beyond the technological evolution and the improvement to the telecommunications services, 2014 was a year in which Euskaltel focused on humanising the telecommunications, transferring to the customers new ways and methods to improve their life through technology.

Thus, in collaboration with large companies like Nike, GoPro, Amazon, Sony or PlayStation different promotions have been exclusively launched for its customers with applications for mobiles, SmartWatches, SportWatches, action cameras or the latest gaming consoles.

BIENVENIDO A

euskaltel life

CAMBIARÁ TU VIDA ¿VIENES?

Ahora Euskaltel te trae una nueva manera de mejorar tu bienestar, tu estado de forma, tu imagen, tus relaciones... tu vida. ¿Vienes con nosotros?

Contrata la Tarifa Plana 20 para tu móvil y llévate uno de estos dispositivos desde **1€ más al mes** (1,21 € con IVA)

1GB + llamadas LIMITADAS **19'9€ /mes** (24,1€ con IVA)

Contrátalo en euskaltel.com | Tiendas | 1717

euskaltel

Campaign in collaboration with Nike, GoPro, Amazon and Sony announcing different promotions with applications for mobiles, SmartWatches, etc.

Internet

Thanks to the network and the experience in Fibre Optic, Euskaltel has launched the fastest domestic access on the market throughout the State: 250 Mbps.

As part of its commitment to the customers, during the 2014 year the speed has increased of its internet connections and now over 80% of Euskaltel's customers

WIFI

en la calle

Thanks to the network and the experience in Fibre Optic, Euskaltel has launched the fastest domestic access on the market throughout the State: 250 Mbps.



Mantenemos tu PRECIO EN INTERNET



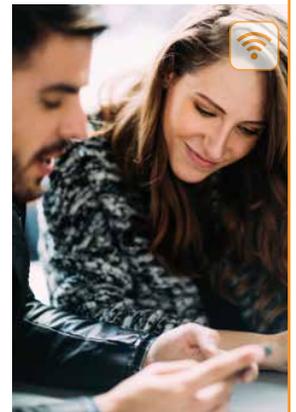
Deja de preocuparte por el fin de tu promoción de Internet. Vamos a **MANTENER DEFINITIVAMENTE TU PRECIO EN INTERNET**. Para que navegues igual que lo haces ahora y por lo mismo que pagas ahora.

EUSKALTEL WIFI, Wifi gratis para ti



Muy pronto tendrás acceso **GRATUITO A 100.000 PUNTOS WIFI EN TODA EUSKADI**. Con Euskaltel WiFi dispondrás de Gigas ilimitados a través de la red WiFi más extensa de Euskadi.

Un servicio nuevo y **exclusivo** para clientes como tú.



LLAMA GRATIS a móviles los fines de semana

Ya puedes llamar **GRATIS DESDE TU TELÉFONO FIJO A TODOS LOS MÓVILES** los fines de semana. Sin que tengas que hacer nada, sólo por ser nuestro cliente. ¡No pares de llamar!



Disfruta de 1.000 minutos al mes desde tu fijo a cualquier móvil nacional. Las llamadas gratuitas serán desde el sábado a las 00.00 horas hasta el domingo a las 24.00 horas.



Mejoramos tu velocidad de INTERNET



MEJORAMOS TU VELOCIDAD PARA QUE VUELES TODAVÍA MÁS RÁPIDO por Internet con el poder y la calidad de la **Fibra Óptica de Euskaltel**, la mejor del mercado.

As part of its commitment to the customers, during the 2014 year the speed has increased of its internet connections and now over 80% of Euskaltel's customers enjoy speeds over 30 Mbps, which is 3 times the speed of ADSL.

enjoy speeds over 30 Mbps, which is 3 times the speed of ADSL. Also almost 40% of the customers exceed 120 Mbps, confirming Euskadi has the fastest Region in the State and one of the fastest in Europe.

Advancing in its commitment to provide quality universal internet access, Euskaltel SAT has been launched which is a new internet access technology which allows for speeds of up to 25 Mbps and provides high speed internet access even in rural areas not reached by other operators.

Mobile Telephony

During 2014 Euskaltel continued to develop its mobile telephone offer incorporating rates with unlimited calls and new mobile data options, in order to respond to the growing demand for internet on the smartphone, tablet and other mobile devices.

In this period it has also launched one of the year's biggest innovations on the market: the Family Rate (Tarifa Family). This option is aimed at families and offers an easy and affordable mobile telephone solution for all of the members of a household, with unlimited calls and 1 Gb internet connection for all of the lines.

On the other hand, it has designed a new

The Edonon service responds to the customers' mobility requirements and allows the best use of the Euskaltel television service.

offer for the Prepay customers which allows the customers with less use to easily access both voice and internet services at a much more affordable rate.

Television

In 2014 Euskaltel made a strategic commitment focused on providing all of its customers with the most advanced Television options on the audiovisual market.

The key points in 2014 were the launch of new technologically advanced services, improving the contents offer and remodelling the Commercial Offer.

Edonon

With Edonon, Euskaltel launches one of the broadest multi-device offers both in terms of quality and quantity. Thanks to Edonon all of Euskaltel's television customers can



Particulares Autónomos Empresas

Te asesoramos

euskaltel

INTERNET MÓVIL TELEVISIÓN FIJO OFERTA COMBINADA

EDONON

AHORA LA TELE DE EUSKALTEL
**DONDE QUIERAS Y
CUANDO QUIERAS**

Pruébalo
GRATIS
hasta el
1 de agosto

SOLICÍTALO AQUÍ

<p>TV PREMIUM+ + Deco HD Grabador (incluido) + CANAL+ HD GRATIS Hasta 2015 + Liga</p> <p>9,95 €/mes (12,04 € IVA inc.)</p> <p>CONTRATAR</p>	<p>MOTOROLA 5 Mpx 4,5" 2100 mAh 8GB</p> <p>Motorola Moto G + Tarifa Plana Libre 20 + 1GB Internet Móvil + Llamadas ilimitadas</p> <p>20,90 €/mes (25,29 € IVA inc.)</p> <p>CONTRATAR</p>	<p>SONY 8 Mpx 4,3" 1750 mAh 8GB</p> <p>Sony Xperia L + Tarifa Plana Libre 20 + 1GB Internet Móvil + Llamadas ilimitadas</p> <p>21,90 €/mes (26,50 € IVA inc.)</p> <p>CONTRATAR</p>
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Advertising campaign on Euskaltel's webpage promoting the Euskaltel television.

enjoy their television channels and the videoclub on their computers, tablets and smartphones wherever they are at no extra cost. Edonon thereby responds to the customers' mobility requirements and allows for the best use of the television service.

Videoclub

With the launch of the Videoclub service, Euskaltel improves the contents offer available to its customers at each time. The television customers with Euskaltel's HD Decoder have over 1000 free contents available to them from the most exclusive Euskaltel television channels. Series, documentaries, children's programmes, sports, etc. available to be watched whenever they want with just a click of their remote control.

Apart from the free contents, Euskaltel's Videoclub offers a wide catalogue of over 500 cinema releases, adult cinema and classic films. Once contracted they can be watched for 48 hours and on any device thanks to EDONON.

Redesign of the commercial offer

At the same time, Euskaltel has designed the channels packages which it had

FibrAventura
¡Euskaltel te lleva a toda velocidad a PortAventura!

CONTRATA LA FIBRA DE EUSKALTEL
INTERNET 120 MEGAS REALES
+
LÍNEA + LLAMADAS a fijos y móviles
POR SÓLO
42'35€ /MES
(51.24 € con IVA)

Y GRATIS
UN FIN DE SEMANA EN
PortAventura
para 4 personas

Consíguelo en www.euskaltel.com,
tiendas o en el 1717

Limitado a 500 viajes y sólo para nuevas altas antes del 30 de Junio de 2014. Compromiso de permanencia 24 meses. Disfrute de la estancia de una noche para 4 personas y entradas al parque para dos días para los 4 personas durante la temporada 2014 desde el 1/05/14 hasta el 6/01/15.
Promoción válida para nuevas altas de 120 Megas realizadas antes del 30.06.14. Compromiso de 12 meses. Llamadas nacionales. Más información de esta promoción en www.euskaltel.com/fibraventura

Promotion campaign for new internet customers with Port Aventura.

WIFI
en la calle

offered up until now, simplifying the options and offering television solutions at very competitive prices. The three types of TV are now Esencial+, Selección+ and Premium+. All three include the Videoclub service and Edonon.

Furthermore, as an option, a second television in the home is included with the same technical conditions and the same channels as the main television, without forgetting the packages with children's channels, cinema, Canal+Liga and Canal+1.

With these incorporations in 2014, Euskaltel evolves its television service to respond to the new usage demanded by the digital consumer: multi-channels, wide variety of contents a la carte or on-demand, absolute mobility and compatibility between devices, and all at competitive prices.

TARIFA FAMILY
UNIDOS POR EL AHORRO

FAMILY
LLAMADAS ILIMITADAS +1GB EN CADA LÍNEA

1ª LÍNEA 23'9€ IVA INCLUIDO
CADA LÍNEA ADICIONAL 6€ IVA INCLUIDO



INFÓRMATE AQUÍ



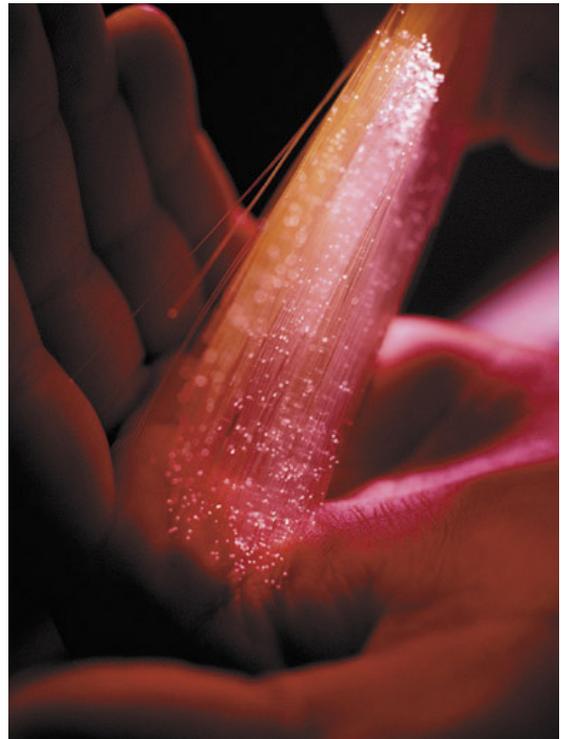
The new Tarifa Family rate offers the easiest and most affordable mobile telephone solution for all of the members of a household.

Our network

Euskaltel bases its integral telecommunications operator vocation and focus with guarantees of future evolution on the deployment of its own high capacity and capillarity network, which allows for the rendering of high value differentiated services.

This network, made up of avant-garde infrastructure and technological equipment which is connected via the intensive use of fibre optic, covers all of the municipalities where Euskaltel provides direct access services, as well as connected different town with each other and with the main hubs.

On this network different technologies are used to offer all of the services demanded by our customers related to: broadband, landlines, cable TV and mobile telephony. As well as the own infrastructure used to reach its end customers, Euskaltel has many interconnection points with other national and international operators which guarantee communication with anywhere in the world as if it were in the same town. At the end of 2014 the Euskaltel network had about 4,718 km of fibre optic cables which corresponds to 346,700 km of fibre optics. This infrastructure potentially benefits approximately 834,509 homes



The Euskaltel network has 346,700 kilometres of fibre optic laid throughout the Basque Country.

and 156,774 businesses and commercial establishments in the Basque Country.

This deployment will continue in the coming year as it has been found that the deployment of an alternative access network has improved the quality of life in areas which previously had no real alternative or not even a service under reasonable conditions.

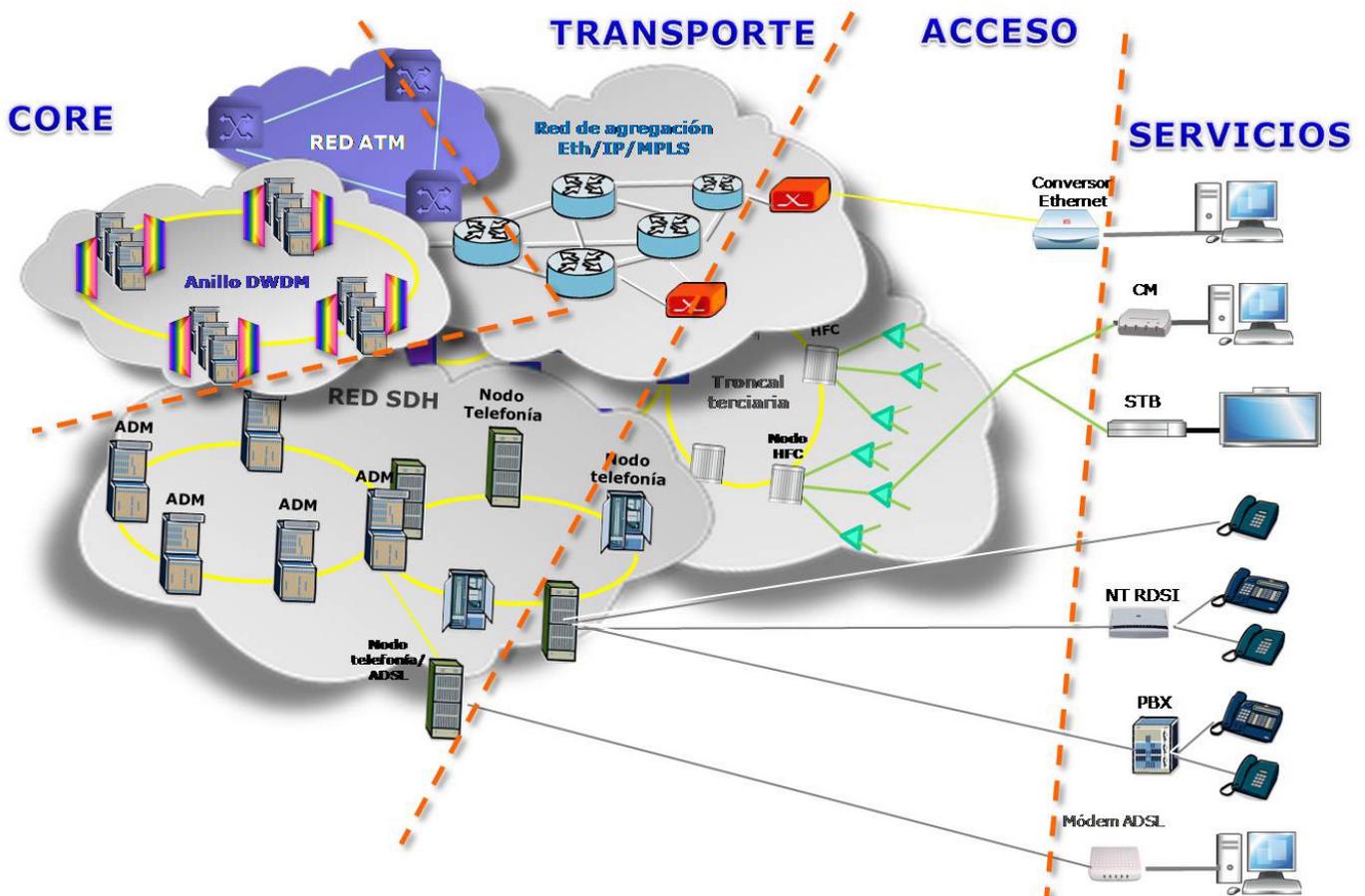
As regards the broadband data traffic in recent years it has grown exponentially. Increasingly more customers connect

WIFI

en la calle

their television to the Internet, do more downloads from their computers and visit more webpages with visual contents, and there are more devices being connected at home like tablets and smartphones. This increase in the demand means that the capacity of the networks has to be continuously increased, both the access networks and the backbone. In 2014

Euskaltel has repositioned the speeds in the broadband commercial offer. As a result, at the same time it has had to resize the transport capacity of its fibre optic by what is known as splitting the network. In other words, the equipment and technical resources are duplicated in order to absorb such increases in the broadband demand. The need to increase the network capacity



is also due to the market launch of new Over The Top television service: EDONON and Video-on-Demand.

Mobile telephony network

Euskaltel has all of the central network elements necessary to be able to offer its own services and develop its own products related to mobile telephony (mobile voice and data) and is the largest virtual mobile operator (VMO) in the State by number of customers. In 2014, with the aim of improving the geographic access cover in the State and also in order to provide 4G technology, Euskaltel changed the radio network operator (host) which had been providing the radio access to our mobile telephony service. This process required a big effort, particularly by the technical departments, in order to achieve it without the customers noticing. The preparation of the affected elements, i.e. unblocking most of the terminals and reconfiguring all of the users' smart cards (SIMs) was done remotely without affecting the service at the beginning of January. The migration progress continued up until the end of June by when over 325,000 SIM cards have been reprogrammed. The roaming agreements with international operators continue and also allow the mobile telephone service to be used on trips.

On the other hand, as full equipped virtual mobile operator, Euskaltel was able to offer in 2014 its services as enabler for other landline operators. In other words, telecommunication operators without mobile service which have become VMO thanks to the infrastructure and resources from the Euskaltel network using all of the core resources of the network: location and services database managers, messaging services, switchboards, payment control devices, etc.

Wimax network cover

Since 2006 Euskaltel has been providing voice and broadband services in dispersed areas, mainly rural areas, in the 251 municipalities in the Basque Autonomous Region, using WIMAX wireless technology, under a contract obtained after a public tender from the Basque Government through Itelazpi S.A.

The customers who enjoy these services, approximately 3,530 at the end of 2014 – live or work in places where there is often no alternative broadband solution.

Satellite cover

As a complement to the Wimax network and in order to provide internet access to



customers in areas difficult to access even for this technology, in 2014 Euskaltel put into production the Broadband internet access service via satellite. For this purpose it has reached a collaboration agreement with the company Hispasat, which is the leading company in data transfer by satellite. This is a technical solution which has allowed for the Broadband services

offer to be increased in mainly rural areas.

Reliability

Since its beginning Euskaltel has given priority to the security of the service in the design of its network due to how important it is for the customers to be able to trust their personal and commercial



communications in a safe provider.

The topology of Euskaltel's fibre optic network is basically designed in rings which protect the services in the event of a problem in any part of the network for whatever reason. Apart from this physical redundancy of tracks, a lot of the main equipment and elements in the network are duplicated or interconnected in meshes so that in the event of a fault or saturation problems in any of them, the traffic is automatically redirected to others so that they can be processed without any stoppage in the service or without the customer noticing.

New technologies

Euskaltel has a clear vocation to be the global telecommunications operator for its customers which it achieves by laying its own fibre optic network from its hubs to the homes and locations of its customers and potential customers.

This strategy is a clear differential from the majority of the market operators who use third party infrastructure or networks although lately a trend has been noted in other operators having their own network. Although it requires a significant effort in

terms of investments, work and time, it is the only way of guaranteeing that the services provided can evolve appropriately, and also to be able to offer more advanced services than other operators. This has allowed Euskaltel to become the leading operator in the Basque Autonomous Region both in broadband (with the fastest products) and in pay television (digital and high definition television).

Along these lines, in 2014 various technologically innovative projects have been launched from which we could cite the substitution of the cross-connectors, key elements in the SDH transport network, for the latest insertion/extraction multiplexers which is much more modern and versatile equipment. Furthermore, the project to replace the old traditional voice switchboards for advanced technological solutions with IP multimedia systems (IMS)





has been proposed and launched. This new platform will allow the switching of voice circuit to high speed and the provision of new landline and mobile network services as this architecture supports voice, data and multimedia traffic regardless of the method of access: any terminal with an IP address can use this latest technology. For this project ZTE has been chosen as the technological partner, which is one of the world's leading telecommunications companies.

2014 was also the year of the launch of a new service for both large companies and the smallest business: the virtual switchboard, a proposal which allows for the physical elimination of the switchboard and replacing it with independent fixed terminals connected directly to the broadband access router. The "EKT Centrex" provides the same functions as a traditional switchboard but without the configuration and maintenance required for the old equipment. This service also allows for the integration of the mobile telephones so that all of the company's terminals, both landline and mobile, can enjoy typical switchboard services like diverting, transfers and others.

The Euskaltel network has about 346,700 kilometres of fibre optic cables laid, and this infrastructure potentially benefits about 834,509 homes and 156,774 companies and commercial establishments in the Basque Country.

CORPORATE GOVERNANCE







Our Shareholders

As at 31 December 2014, Euskaltel's share capital was 379.6 million euros and the share premium was 79.4 million euros.

Euskaltel shareholders as at 31 December 2014:

Shareholder	Shares	%
International Cable B.V.	3,043,234	48.10%
Kutxabank, S.A.	2,710,065	42.83%
Araba Gertu, S.A.	447,053	7.07%
Iberdrola, S.A.	126,538	2.00%
TOTAL	6,326,890	100.00%

Bodies of Administration

Euskaltel's Bodies of Administration are the General Meeting of Shareholders and the Board of Directors.

Board of Directors

The Board of Directors performs its functions always in the corporate interests of the Company, considered as the common interest of all of the shareholders of an independent corporation aimed at the operation of its corporate purpose in accordance with the provisions of the current legislation.

The Board of Directors, in the performance of its functions, seeks the corporate interest and acts with a single purpose and independent criteria. It also takes into consideration the legitimate public or private interests which affect the performance of any business activity and in particular amongst the different stakeholders, the communities and territories where the Company acts and those of its workers.

In this context, it must be considered in the common interest of all of the shareholders to maximise in a sustained manner the Company's economic value and its good long-term progress, and as such this should be the criteria which should at all times preside the action of the Board of Directors and its delegate bodies and internal commissions, as well as all of their members.

The Board of Directors Regulations are the basic rules for the operation of the Board of Directors, determining its action principles, the basic rules for its organisation and functioning and the codes of conducts for its members, in order to achieve greater transparency, efficiency, drive and control in its administration, supervision and representation functions of the corporate interest.



Members of the Board of Directors

Mr Alberto García Erauzkin
Chairman

Mr Richard Alden
Vice-Chairman

Ms Alicia Vivanco González
Member

Mr Alfonso Basagoiti Zavala
Member

Mr Javier Bañón Treviño
Member

Mr John Mowinckel
(Representative of Mareblu, S. à.r.l.)
Member

Ms Bridget Cosgrave
Member

Mr José Ángel Corres Abasolo
Member

Mr Francisco Javier Allende Arias
Secretary

Mr Javier Ruiz-Cámara Bayo
Vice-secretary

Commissions of the del Board of Directors

The Board of Directors has constituted two Commissions from its members:

- Audit and Control Commission.
- Appointments and Remunerations Commission.

Neither Commission has executive functions and acts as informative and consultation bodies, with powers of information, advice and proposal within their scope of action, which are governed by both the Company Articles of Association and by their own Internal Rules of Operation (Audit and Control Commission Regulations and the Appointments and Remunerations Commission Regulations).

Their main task is to assist, inform and formulate proposals to the Board of Directors on the matters assigned to them at each time by the Company Articles of Association, the Board Regulations and their own Regulations.

Audit and Control Commission

Functions

Amongst the functions of the Audit and



Control Commission are the following:

- Analysis of the annual accounts after the end of each financial year, examination of the draft opinion from the external auditors, and presentation of recommendations to the Board of Directors for their formulation.
- Information to the General Meeting of Shareholders on the issues set out by the shareholders on matters within its competence.
- Proposal to the Board of Directors to be submitted to the General Meeting of Shareholders on the appointment of the external accounts auditors.
- Supervision of the internal audit and risk management services.
- Knowledge of the financial information process and of the internal control systems of the Company.
- Establishing the appropriate relations with the external auditors.
- Annual issue of a report in which it will state an opinion on the independence of the external auditors and summarising the Commission's activity.

- Examination of the financial information which must be sent to the market regulation or supervision bodies.
- Information in relation to the transactions which imply or may imply a conflict of interest.

Composition

Ms Alicia Vivanco González
Chairwoman

Mr Richard Alden
Member

Ms Bridget Cosgrave
Member

Mr John Mowinckel
(Representative of Mareblu, S. à.r.l.)
Member

Mr Francisco Javier Allende Arias
Secretary

Appointments and Remunerations
Commission

Functions

The Appointments and Remunerations Commission is assigned competences



within the following scopes of action:

- Composition of the Board of Directors and its Commissions.
- Appointment process for the internal offices on the Board of Directors and senior managers.
- Evaluation and re-election of Directors.
- Dismissal and cessation of Directors.
- Remunerations.

Composition

Mr Richard Alden
Chairman

Mr Alfonso Basagoiti Zavala
Member

Mr Javier Bañón Treviño
Member

Mr José Ángel Corres Abasolo
Member

Mr Francisco Javier Allende Arias
Secretary

Management Team

Fernando Ojeda
General Manager

Francisco Javier Allende
General Secretary and Board Secretary

Eloy López-Para
Presidency Staff

Jon Ander de las Fuentes
Finance Manager

Carlos Ávila
Transformation Manager

Alberto Santamaría
Internal Audit Manager

Aitor Markaida
Business Manager

Manuel Salaverria
Customer Management Manager

Manuel Arco
Organization, Human Resources and Quality
Manager



Our responsibility

Euskaltel's **Mission** is aimed at generating value:

"Integrally respond to people's communication requirements and help the best productivity of the company by providing communication and information management tools, contributing to the economic and social development of our Community."

The future **Vision** is ambitious and involves a big commitment:

"Leading company in the services it offers in the Basque Autonomous region, close to the needs of its customers and excellent customer service; at the same time attentive to the growth and development opportunities in both its own value chain and in other geographic markets."

Corporate Values are the marks of identity:

"The corporate values are our marks of identity, determine our methods and way of understanding the framework for interrelating with internal and external persons."

Euskaltel has a Corporate Social

Responsibility Policy which contains Euskaltel's commitment to CSR (www.euskaltel.com). As well as the CSR Policy, Euskaltel also has a wide set of policies and codes of conduct in order to ensure that the Values are put into practice in the daily work, like for example the following:

- Good Governance Policy.
- Integral Management System Policy (Quality, Environment, Occupational Hazard Prevention).
- Ethical Code for the employees and Ethical Code for Suppliers.
- Linguistic Policy.
- Risk Control and Management Policy.
- Information Security Policy.
- Information Risks Management Policy.
- Gender Policy.
- Corporate Defence Policy.

Prizes, awards and certifications
Euskaltel is periodically audited by prestigious entities in different areas of its activity and has renewed its certificates:

- Quality Management System Certificate (ISO 9001)
- Environmental Management System Certificate (ISO 14001)
- Registration in the EMAS III EU System



- Certificate of the Occupational Health and Safety Management System (OHSAS 18001)
 - Information Security Management System Certificate (ISO 27001)
- These certificates are available to the public on our webpage (www.euskaltel.com)

Euskaltel received the following prizes and awards in 2014:

- Euskaltel, awarded by the IDG Communications España publishing group with the ComputerWorld 2014 prize for Innovation in the Basque Country. This prize recognises the effort made by Euskaltel in the start-up of its Geographic Information System (GIS). According to the promoters of the prize, "those responsible for GIS in Euskaltel have always been able

to interpret the changing requirements in a very competitive and complex sector and have been able to integrate the spatial variable of the data with other key corporate systems for the business".

- Euskaltel, recognised by Unicef for the collaboration with this NGO to help in the emergency suffered by the Philippines in November 2013. On the award day Unicef thanked the collaborations made after the disaster.

- The Asociación de Comerciantes del Casco Viejo de Bilbao (Traders Association of the Old Town of Bilbao) gave the "Friends of the Old Town" award which recognised for the first time those persons and entities which have "accompanied" and helped the commercial group "over these years".



Euskaltel was awarded in 2014 by Unicef for the collaboration with this NGO.

OUR PEOPLE







Our people

2014 was the year for the Organisational Transformation in the quest for an organisation which will allow the company to adapt to the current market requirements. For such purpose, Euskaltel reached two Technological Alliance agreements with two avant-garde companies, GFI and ZTE to perform the Maintenance and Development services for the applications and infrastructure related to its information systems, and the Network Operations services, respectively.

Euskaltel, true to its foundational criteria, continues its commitment to stability and continuity of the people. Thus, 100% of the workforce have permanent, indefinite and full-time contracts.

The average age of Euskaltel's workforce is 43 years old. 80% are university graduates, 10% technical personnel and the other 10% have another type of qualification.

Conciliation of the working and personal life

Committed to the conciliation of the working and personal life, Euskaltel considers the employment relationship based on the principle of flexibility. Throughout 2014 the pilot project was continued to be developed

The human team of the Euskaltel group is made up of 352 people of whom 80% have a university qualification.

on Teleworking which was started in 2012. 15 people took part from the Company's different departments.

Integration of disable people

Euskaltel complies with the provisions of Act 13/1982, of 7 April (LISMI) through the creation of direct employment and the start-up of alternative measures considered in said Act, based in our case on the making of donations to the Adecco Foundation.

The AFLORA Plan continues which is designed in order to bring out possible disabilities of the people already employed in Euskaltel. At Euskaltel we devote a monthly amount to those persons during their incapacity. At Euskaltel different awareness activities have been performed



in relation to disability.

Equal opportunities

Euskaltel's workforce is made up of 50% women and 50% men. The management of Euskaltel's human team is based on respect for human rights, fostering equal opportunities, facilitating freedom of association and the right to collective negotiation. Euskaltel is aware that its policies and management strategies must be transferred to the value chain, and it signed up to the Global Compact in 2003.

Euskaltel performs an internal communication activity with the aim of sharing the objectives and strategies amongst all of the people, and to promote pride in belonging to the company. In 2014 the periodic communication was started from the General Management of the Company's most important projects and achievements through the Newsletters.

The Internal Digital Magazine is another instrument used to share information of interest relating to the company and to its different teams and people.



The employees receive information in the audit of the company's headquarters on the company's progress.

Internal social action

Throughout 2014 the promotion and integration was continued of the employees in the different initiatives set within the internal scope of Euskaltel's Corporate Social Responsibility.

With this focus, it has participated in promoting the initiative organised by a family from Bizkaia to collect "Solidarity Bottle Tops" which can be converted into money to be used to pay for the medical expenses and purchase equipment to help a child's mobility.

Euskaltel continues collaborating with the campaign "DONATE YOUR MOBILE"



(<http://www.donatumovil.org/>) set up by the ALBOAN NGO and the RED CROSS, facilitating the collection of used mobile telephones at the corporate buildings and retail outlets, which can then be sold as used material to obtain funds for the projects.

The internal social actions are linked to the Corporate Social Responsibility in different ways. One of these is the collaboration with the EITB solidarity Telemarathon which in recent years has focused on infant cancer research and organ and tissue transplants. For this purpose, the employees again joined up to the fourth Euskaltel solidarity calendar. As well as participating in the images, the money collected from their sales amongst the employees and their relatives went to said medical purposes.

In 2014 the development continued amongst the Euskaltel employees of the Family Plan together with the Adecco Foundation, with the aim of supporting those employees with disability problems amongst their relatives in order to find labour insertion and free time leisure programmes.

Euskaltel performs an internal communication activity in order to share the objectives and strategies amongst all of the people.

The 11th Olentzero Party was also held for the children of the Euskaltel employees at Christmas, thereby reinforcing shared time between the Euskaltel employees and their families.

On the other hand, Euskaltel collaborates with the Food Bank and Cáritas by facilitating the collection of food for people in need. The social institutions which receive the food gave their thanks for the collaboration and help, stating that "it is at present a satisfaction to see the spirit of solidarity in the society".



Commitment to Euskara (Basque language)

Euskaltel continues to reaffirm its commitment to Euskara as a mark of identity, brand image and guarantee of the user's linguistic rights, who give particular value to this differentiation by Euskaltel. After 2013 when the Euskara Plan celebrated its 10th anniversary, in 2014 the main lines and areas have been maintained for Euskaltel's Euskara Plan (Training, Corporate Image, External Relations, Internal Relations and Linguistic Policy) with the new feature that in 2014 the focus has been placed on promoting the actions to foster the use of the Basque language amongst the Euskaltel's people. This is one of the main aspects to offer an excellent service which guarantees the customer's linguistic right and differentiates us from the other operators and allows us to comply with a commitment to society.





Innovation and teamwork are some of the values present at the world First Lego League competition. Euskaltel is the headquarters in Euskadi of this international event.



Our social commitment

During 2014 Euskaltel has performed numerous actions in the institutional scope of the Basque Autonomous Region. Despite the fact that company budgets have in general been revised and adjusted, particularly in areas related to social reversion and marketing in order to adapt corporate activity to the market reality, Euskaltel has kept its objective of collaborating with the Basque Public Administration in a number of significant projects and activities. This revalidates the objective and the conviction that the public-private collaboration does not

always have to be exclusively economic but can revolve around a wide range of synergies like the generation of new business and entrepreneur projects, training programmes and dissemination of new technologies, studies and reflections on access to companies and residential areas, infrastructure cessions and another series of actions in which both parties have opportunities for improvement and efficiency.

Out of the actions performed, 40% were in the business context, 25% institutions and



Euskaltel has renewed its annual commitment to the three Basque business federations, ADEGI, CEBEK and SEA Empresarios Alaveses, in order to improve the competitiveness of the associated companies by providing advanced telecommunications services.



companies and 10% actions deriving from sponsorship activities.

These interventions took place in an action context of a company which is deeply rooted in the territory, with a big impact on the activities which it performs and without altering its "core corporate brand", in order to continue being a close, committed company with a clear vocation to be present in the technological events in its natural market, Euskadi.

For such purpose, Euskaltel acts in a significant number of local and state entities and holds the presidency of Izaite, (Association of Basque Companies for Sustainability), of Innobasque, (Basque Innovation Agency) and forms part of the board of Kontsumobide, of the AOC (Cable Operators Association), of EIKEN (Audiovisual Cluster) and of GAIA (Telecommunications Cluster Association).

It performs executive and active participation within these different bodies.

Below we detail the associations which Euskaltel forms part of: ADEGI, AMETIC, AOC, FUNDACIÓN EUSKALIT, APD, F. ARIZMENDIARRIETA, GAIA, BILBAO METROPOLI 30, INKOLAN, INNOBASQUE, CEBEK, IZAITE, SEA, EIKEN, CIRCULO DE

EMPRESARIOS VASCOS, RED ESPAÑOLA DEL PACTO MUNDIAL DE NACIONES UNIDAS, EIKEN CLUSTER AUDIOVISUAL, IHOBE, AED, FVEM.

Euskaltel's participation in the institutional and sponsorship activity:

Family scope

Euskaltel has a broad base of family-customers. Aware of this market we work in many activities which relate to the family environment, providing discounts for large families and participating in social events for this associative phenomena: Family Action in Bizkaia, Hirukide or the Association of Large Families which extends its scope of activity in the three Basque provinces: The Kirol Eguna-Día sports day which takes place in Bilbao and is a great time to highlight family sports and awareness about groups with disability problems.

Euskaltel also participates in the fiestas of Donostia (San Sebastian) and Bilbao programming family activities and without forgetting the importance of the technologies in the development and participation at the events. Euskaltel sponsors the fireworks at the two Basque



The Chairman of Euskaltel, Alberto García Erauzkin, and the General Manager, at the "Prest" day which the company holds every year company customers to share ideas about the world of telecommunications.

capitals, amongst other activities.

Another event where it participates is the Denon Eskola, the Basque Public School Day.

Integration and equality

In 2014 we continue with the participation in those acts and events which promote integration, respect for diversity and equality between men and women.

Thus Euskaltel participates in the DenBBora network which seeks to raise awareness about the new ways of using time by encouraging reflection and debate about the good practices in relation to conciliation,

social innovation, women, resources and time. Four years ago Euskaltel implemented the continuous working day for its people with a pioneering programme backed by the Basque Government. Since then the company has participated in numerous programmes in order to have first-hand experience about flexible working hours and the impact of these decisions on the improving people's productivity and satisfaction. One of these is the collaboration open with the Presidency of the Commission for the Rationalisation and Normalisation of Working Hours (ARHOE) where the Euskaltel case has been used on many occasions.

We also participate in AED, the Association of Women Employers and Managers of



Bizkaia where Euskaltel is on the jury to get firsthand knowledge about the business projects led by women businesspeople and in giving them awards.

We also work together with the Basque Team Foundation, BAT, sport with women and people with disabilities.

Every year we celebrate the Kirol Eguna-Día sports day in Bilbao. In 2014 there was a Football 4 tournament to include people with intellectual disability organised jointly by the Athletic Foundation and Euskaltel.

We should also highlight the awareness days which are held for the employees. In this course a seminar was given called "The sexuality which we live is plural, our families also". The aim is to provide the workforce with talks which provide valuable information, both for their personal and professional lives. The purpose is to create and foster open and relaxed reflection where we share the concepts of diversity as a group.

We also have other seminars on conciliation in high performance sportsmen and women and on food and welfare.

Sports

In relation to sports, we continue our high level of participation in football sponsorship

where we now sponsor Eibar, S.D. With this we achieve two objectives: sponsorship of first division football and keeping the territorial presence in the three provinces.

This is not the only area in which Euskaltel works in relation to sport. We sponsor the Feminine Marina Mile in Bilbao, the Behobia San Sebastián and the Bilbao-Bilbao race, amongst others.

Beyond football and its media value, we also value minority sports which are deeply rooted in our society, like surf, where we sponsor over 15 trials and championships organised by the EHSF Federation (Basque



Euskaltel provided the Wifi network in the organisation of the Bilbao World Diving Competition, the Red Bull Cliff Diving World Series.



Over the year Euskaltel carries out different actions for customers aimed at their participation at the social, cultural and sporting event which it sponsors.

Surfing Federation) on the Basque coast, without overlooking the value of the mountain trials, or Basque pelota. All of these are vehicles which transmit values related to Euskaltel like effort, team work, health, nature, etc.

Experiences

The sponsorship opens up a wide range of experiences which provide a special connection between the sponsorship and the customers.

This aspect allows us to test with the customers the appropriateness of our sponsorship and the customers who enjoy it acquire a higher level of belonging to the

company.

Training for action

2014 saw the start-up of the corporate volunteers project. This is a concept which has been performed for years in a sporadic and unstructured manner. It basically seeks to identify the talent and knowledge of Euskaltel's people for internal and external training.

Education, culture and Euskera

We keep in force the agreements with the Basque Federation of Basque Schools (Federación Vasca de Ikastolas) to work in the promotion and use of Euskara.



Goatueuskaltel.com

Goatue has already formed the task of being the meeting place between the company and its reversion actions to society. This website concerns small and large activities relating to the natural market. This space seeks to be a meeting place between the consumer and the Euskaltel world, with culture, leisure, prize draws, shared histories, recommendations, images of events, social acts. Goatue seeks to identify the consumer and the users with the world of the intangibles. We seek to capture the attention and participation of the customers or potential customers and for them to feel represented by the sponsorship and events where we act.

Euskaltel Foundation

The Euskaltel Foundation has promoted the development of the digital life in society, educating on the new technologies for those groups where learning is most difficult (elderly people, people without least resources, with disabilities, etc.) or in groups which show their interest in continuing their learning (young people, teachers, etc.).

During 2014 extensive work has been performed involving different parts of the

comp any in order to redirect the vision and the objectives of the Foundation and adapt itself to the society's new sensitivities and requirements.

Together with the reformulation of the objectives, and as a reflection of the new orientation, the Euskaltel Foundation adopts a new framework. After this year it is 'Euskaltel Konekta'.

Euskaltel Konekta wishes to contribute towards creating and promoting the connection between people, companies and initiatives, within the context of the use of the ICT, according to the following strategic objectives:

- a) Promote young people's relationship with the ICT.
- b) Have a presence in Basque society (people and companies).
- c) Be a reference in the ICT sector in the Basque Autonomous Region.
- d) Project an image of globality inside and outside of the Basque Autonomous Region.

Euskaltel Konekta will in turn have its own legal status and will be a tool which contributes to the Euskaltel brand. This new focus will start by redefining the Euskaltel Foundation during the 2015 year.



Promote the Euskaltel strategy

To promote Euskaltel's strategy to encourage the sharing of digital knowledge and support the new digital industries, as well as consolidate the positioning in the leisure ambit, the Euskaltel Foundation has continued to perform projects in 2014 which have allowed for an aspect of leisure to be covered with technological contribution, fostering the most fun and youthful version of the technologies.

The following activities were performed in 2014:

Euskal Encounter 22

The 22nd Euskal Encounter was held from 24 to 27 July 2014 bringing together over 7,000 fans of computing and videogames.

The Euskal Encounter is the longest running party in the Spanish state and a reference in Europe. It is currently one of the largest parties in the world.

The young people attending come from over 15 different countries and from all of the autonomous regions. 45% are from the Basque Autonomous Region, 50% from the rest of the State and the other 5% from other countries.

At the Opengune, the Stands, Conferences and Workshops area of the Euskal Encounter, open to the general public, the strategic agreement was continued with Empresa Digitala, for it to run the Workshops which it organises and aimed mainly at the Basque companies. 10,000 at some stage passed through the Opengune area where Euskaltel and other sponsors were able to show their products and services.

Gipuzkoa Encounter 8

The eighth Gipuzkoa Encounter was held between 13 and 15 March 2014 with 400 computers attended by 600 people in the Usabal sports centre in Tolosa where events were organised between the Basque videogame industry and creative people attending the event which allowed for new business opportunities to be set up and provided alternative working visions.

Gamegune 12

Electronic sports (eSports) is the name given to all of the competitions between the videogame professionals. Gamegune is a European competition from eSports. Its prestige has been gained over 11 years at the Euskal Encounter and with the Counter Strike 1.6 as its star game.



As a Spin-off of the Euskal Encounter it has its own status at the Palacio Euskaduna in the first week of July with 2 international competitions, League of Legends and CS:GO Females, encouraging participation by women in the world of the professional electronic sports.

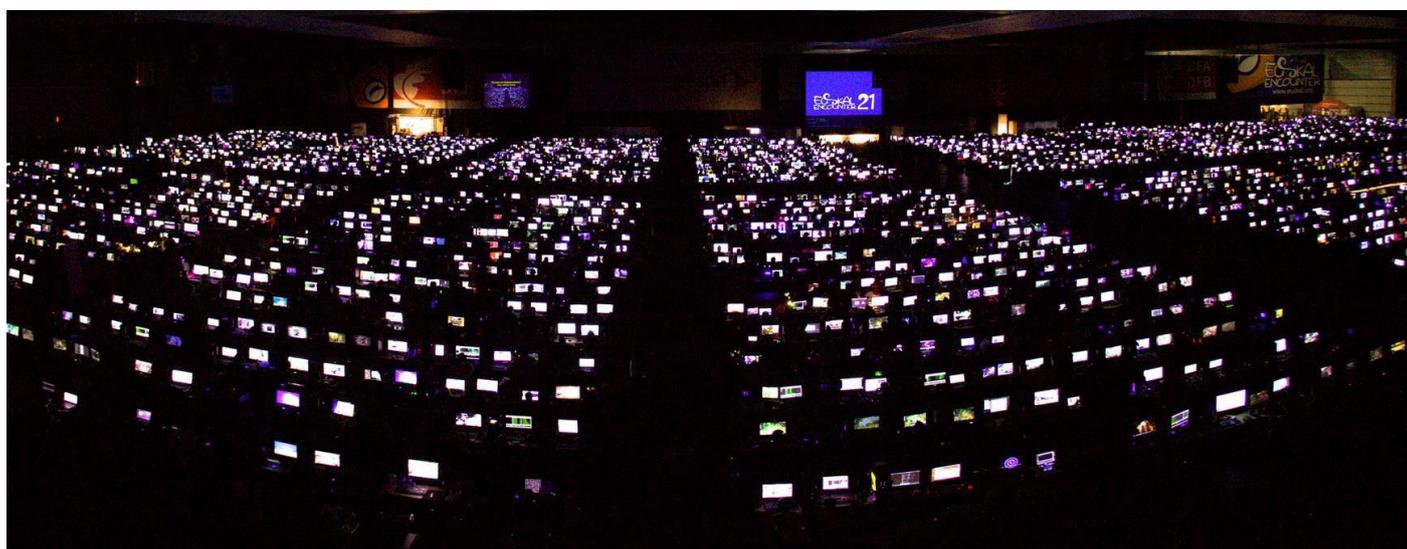
Araba Encounter

For the first time and as a result of an agreement with the Provincial Council of Araba, the first Araba Encounter was held in the Iradier Arena in Vitoria-Gasteiz during the month of December. It is an absolute success in terms of participation and for the first time the concept of Opengame

from the Euskal Encounter was brought to a smaller party.

Fun&Serious

The Fun & Serious Game Festival once again turns Bilbao into the videogames capital. Since it started in 2011, it aims to recognise and promote the work of producers, directors, artists and developers through a complete programme of conferences and activities; as well as giving awards at a final gala to the Best Leisure Videogames and Serious Game of the Year. Euskaltel participated as sponsors of the event and had a Stand within the Fun Area.



The Euskal Encounter is the technological event par excellence and one of the biggest and fastest parties.



Drums for Harmony (*Tambores para la Convivencia*)

The Euskaltel Foundation sponsored the Euskadi stop of the “Drums for Harmony” (“*Tambores para la convivencia*”) tour. The atrium of the Guggenheim Bilbao Museum received a solidarity presentation which aimed to unite wills and mobilise the different groups and representatives of the social, cultural, business and institutional life of the Basque Country. The members of the Anidan-Bloko of the Valle Junior’s Band, together with a section from the EIO (Euskal Ikasleen Orkestra), showed those attending that a few simple drums can build a society and make it progress.

First Lego league

“Find a more innovative way of helping people to learn”. That was the challenge launched in 2014 by the FLL Euskadi. This is an initiative promoted by Innobasque and supported, together with the Euskaltel Foundation, by the Basque Government Department for Education, Linguistic Policy and Culture, Tecnalia, IK4 Research Alliance and the Association of Telecommunications Engineers of the Basque Country.

Since the beginning Euskaltel committed to collaborating in this innovative and exciting initiative by Innobasque. And the

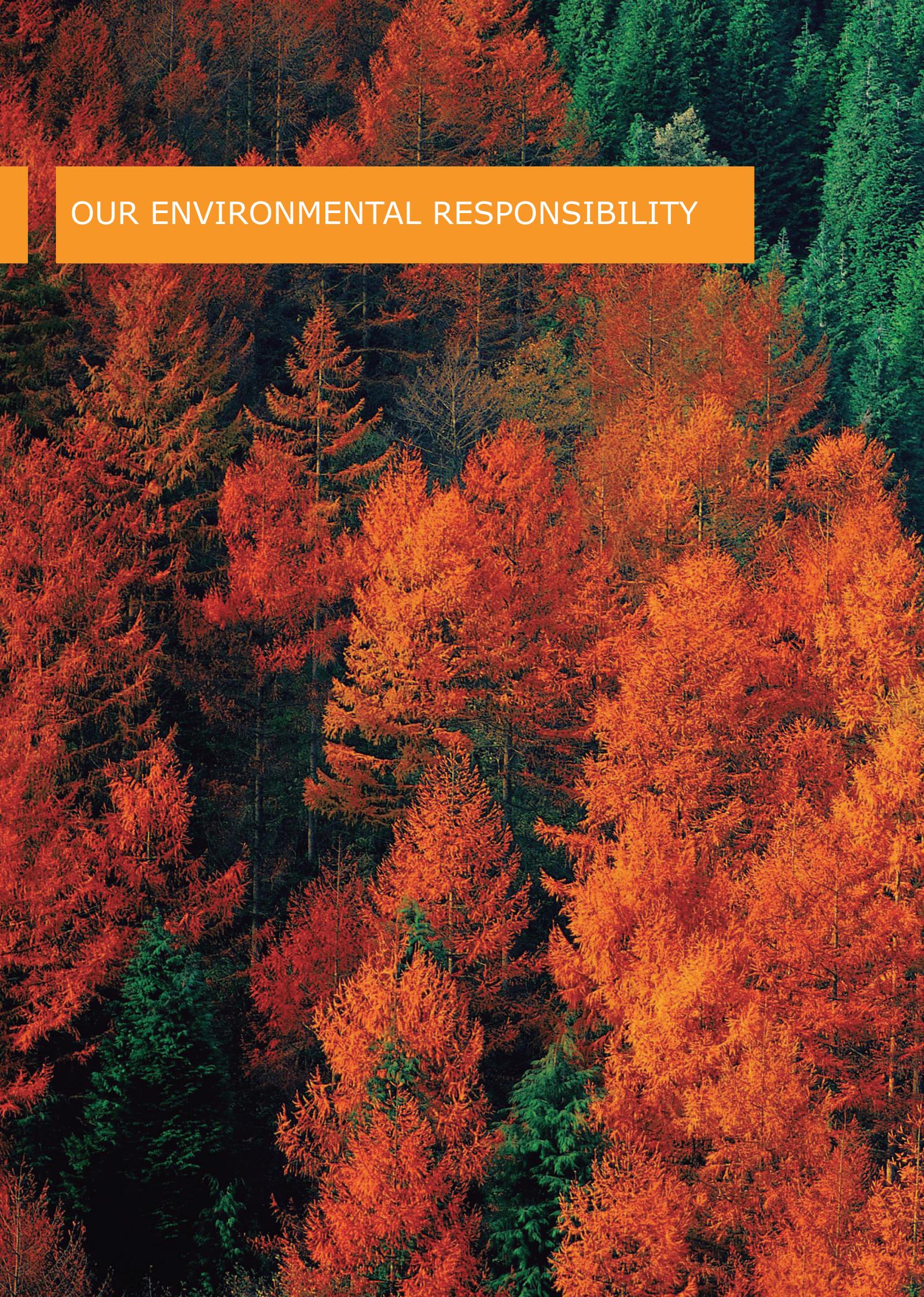
reasons for this commitment are clear: because the First Lego League promotes scientific vocations, incorporates young people into the Basque Innovation System and promote values like cooperation, innovation, effort, social inclusion, etc. which are objectives and values shared by people in Euskadi and the company, as a way of relating to its market. With the First Lego League, Euskaltel contributes towards projecting Euskadi as a reference country for science, technology and innovation.

Innova 2014

The Foundation sponsored the Innova Bilbao 2014 forum which was held in April, and brought together experts in Internet businesses. Over two days the forum analysed the keys in order to know the future of communication and the communication of the future, and the tools in order for an internet business idea to success in such a competitive and changing world as ours. Over 300 people attended the forum to listen to the speakers. At the opening, the chairman of Euskaltel, Alberto García Erauzkin stated that “Innovating is a frame of mind. The world is full of things which appear to be impossible and then turn out true. Ours (Euskaltel) also seemed to be an impossible project, and we now provide a service to over 800,000 homes and over one hundred thousand businesses.”.



The Euskaltel Foundation sponsored the Euskadi stop of the "Drums for harmony" ("Tambores para la convivencia") solidarity tour.



OUR ENVIRONMENTAL RESPONSIBILITY





Our environmental responsibility

Euskaltel takes into account in its global operations the laws relating to the protection of the environment, managing the identified environmental risks which may arise in the development of its activities performed either directly by Euskaltel or indirectly by its subcontractors.

Since 1999 it has established an Environmental Management System which meets the European Regulations 1221/2009 (EMAS III) and the Standard UNE-EN ISO 14001: 2004. At the same time it has defined an Environmental Master Plan 2014-2016 which establishes the strategy and the programmes and actions to be implemented and developed in the management of the environmental impact, and aligned with the Basque Sustainable Development Environmental Strategy 2002-2020 and the Environmental Framework Programme of the Basque Autonomous Region, promoted by the Basque Government.

Euskaltel has a Policy relating to Quality, Environment and Occupational Safety. As a result of this policy, the Company regularly participates in environmental forums and actions, and actively collaborate with its suppliers and customers in the reduction, recycling and reuse of the possible waste generated in their activities, making the appropriate declarations relating to packaging, electrical devices and batteries



Euskaltel's Participation at the Global Innovation Day.

placed on the market. One could emphasise joining the Eco-efficiency Programme in Basque companies promoted by the Basque Government, whose main objective is to make the Basque business world more sustainable, innovative and efficiency, through the incorporation of environmental variables into their processes.

Committed to combating climate change, Euskaltel calculates its carbon footprint according to the guidelines of the standard ISO 14064-1:2006 and annually prepares a greenhouse gas emissions Report since 2010, verifying these levels every year by a recognised third party, which includes aimed at reducing said emissions.

ASPECT		2012	2013	2014	Unit
ENERGY CONSUMPTION					
Electricity consumption	Total	27.495,45	28.295,87	28.856,61	Mwh
	Corporate consumption	1.966,40	1.923,31	1.848,91	Mwh
	Production consumption	25.529,05	26.372,56	27.007,70	Mwh
Diesel	Generators	3,35	3,95	8,40	Tons
	Company cars	57,06	56,32	46,45	Tons
	Employees' cars	43,29	31,80	20,54	Tons
RESOURCES CONSUMPTION					
Water	Consumo Corporativo	3.125	2.510	2.727	m3
	Consumo Productivo	1.585	1.426	1.627	m3
PAPER CONSUMPTION					
Paper	Bills printed	64,81	35,36	30,12	Tons
	Magazines published	26,92	12,39	0,00	Tons
	Advertasing mailshots	133,59	93,63	107,05	Tons
	Materials (envelopes forms)	0,49	0,41	0,24	Tons
	Printing equipment (office)	7,05	6,60	6,90	Tons
MATERIALS CONSUMPTION					
Cables	Fibre Optic cables	17,15	11,74	9,96	Tons
	Pairs cable	59,62	18,88	22,82	Tons
	Coaxial cable	80,78	26,52	31,16	Tons
	Siamese cable	15,65	7,50	6,95	Tons
Equipment	Broadband equipment	42,60	29,54	39,42	Tons
	TV equipment	95,23	35,68	38,88	Tons
	Telephone equipment	10,29	9,85	1,45	Tons
WASTE					
Non-hazardous waste	Cellulosic (paper and cardboard)	45,58	37,85	46,23	Tons
	Waste stream (electric and electronic)	57,01	37,87	40,72	Tons
	Alkaline batteries	0,14	0,12	0,11	Tons
Hazardous waste	Button batteries	310	430	325	grams
	Acid lead battery	10,77	6,68	7,23	Tons
	Fluorescent	0,48	0,61	0,39	Tons
EMISSIONS					
GHG direct (scope 1)	CO2	190,30	189,85	172,78	Eq. CO2 Ton
	CH4	0,25	0,25	0,22	Eq. CO2 Ton
	N2O	2,88	2,84	2,39	Eq. CO2 Ton
	HFC	12,31	147,89	114,03	Eq. CO2 Ton
	PFC	0,00	0,00	0,00	Eq. CO2 Ton
	SF6	0,00	0,00	0,00	Eq. CO2 Ton
GHG indirect (scope 2)	CO2	6.626,40	4.926,21	5.463,52	Eq. CO2 Ton
Other emissions into the air	SO2	0,31	0,31	0,28	Tons
	NOX	2,35	2,35	2,13	Tons
	Solid particles	0,24	0,23	0,21	Tons
Huella de carbono	Gases de Efecto Invernadero (GEI)	6.832,13	5.267,04	5.752,94	Ton. CO2 eq.



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