



Euskaltel's General Shareholders' Meeting approves management and the appointment of new Board members

- *The General Meeting approves the Company strategy based on the creation of value for shareholders, maintenance of a Corporate Governance model based on independent decision-making, and adaptation to the new digital economy.*
- *It was also agreed that the Chairman, Alberto García Erauzkin, would be re-elected as an executive board member, and that Vice-chairman José Ángel Corres would be re-elected as an independent board member.*
- *The General Meeting approved the appointments of Kartera 1, S.L., represented by Alicia Vivanco, as a proprietary board member; Elisabetta Castiglioni, as an independent board member, and Miguel Ángel Lujua, as an independent board member.*
- *The General Meeting approved the appointment of Francisco Arteche as an executive board member, and he will be appointed as Chief Executive Officer at the next meeting of the Board of Directors in July.*
- *This is Euskaltel's first Ordinary General Shareholders' Meeting since its IPO a year ago.*
- *Euskaltel is now the leading choice of telecommunications services - landline and mobile telephony, broadband and pay-to-view TV - for household customers in the Basque Country and Galicia.*

Bilbao, 27 June 2016. The Ordinary General Shareholders' Meeting of the Euskaltel Group, the first since the Basque operator's IPO a year ago, held this morning at the Company's registered address, approved the management of Euskaltel during the past year and also approved all proposals submitted at the General Meeting.

In his address to the Ordinary General Shareholders' Meeting, Chairman Alberto García Erauzkin noted *“the majority approval by our shareholders of Euskaltel's management, which brought good results in 2015 and continuous growth in the initial months of 2016”*. He also noted approval of all the proposals submitted at the General Meeting, because this entails *“support for the Company strategy based on the creation of value for shareholders, maintenance of a Corporate Governance model based on independent decision-making, and adaptation to the new digital economy, reaffirming our commitment to create wealth, jobs, development and welfare facilities for our country”*.

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The Chairman of the Euskaltel Group discussed the company's clear strategy. *“First and foremost, this is a strategy that creates value for shareholders, compatible with satisfaction of the expectations of all our stakeholders. It is based on expansion in terms of numbers of customers and earnings, cost efficiency and maximum investment discipline, in a bid to maximise cash generation, reduce leverage and furnish the best possible remuneration for the shareholder”*.

“In addition to these criteria”, he added, “a strategy focusing on maintaining a Corporate Governance system to guarantee the greatest possible independence in decision-making by the Board of Directors, the management team and all Euskaltel Group employees”.

“Finally, a strategy of continuous adaptation to the new panorama of the digital economy that will continuously enrich our value proposal to the market”, said the Chairman.

Reflection on Brexit

Alberto García Erauzkin digressed during his speech to reflect on Euskaltel's position with regard to some very recent events such as Brexit: *“As Chairman of Euskaltel, I must single out the Company's solidity and strength and its market leadership in the Basque Country and Galicia, with record figures in terms of operating returns and cash generation, a Company showing continuous growth and transformation with a full commitment to financial discipline. Thus, with regard to any future circumstances*

that may arise in our environment, the responsibility of management is not to interpret these circumstances in any way other than to manage its effects, if any, in the most beneficial way for the company and its shareholders. This is the mission we have successfully carried out at Euskaltel in the past, and that is what we will continue to do in the future.”

The Chairman of the Euskaltel group noted that *“our loyal expanding customer base gives us great solidity and visibility of future prospects, towards which the Company is working with a full commitment to achieving the goals announced to the market”*. *“Thus – he concluded - we are grateful to our investor community for its full support in these circumstances, and wish to welcome new investors to join this solid project of high profitability and long-term creation of value for the shareholder”*.

A leading Telecommunications Group with a decision centre in the Basque Country

García Erauzkin told the General Meeting that Euskaltel was incorporated 20 years ago in a bid to meet the needs of its customers and lead the sector in the Basque Country. *“In this space of time, Euskaltel has moved forward on all fronts. It has expanded beyond its own borders and carried out a merger that has made it the leading operator in the north of the State, and has also globalised its capital structure by bringing in major local, national and international long-term investors, while maintaining the decision centre in the Basque Country”*.

The Chairman of the Euskaltel Group used the term "historic milestone" to describe the merger between Euskaltel and R to create the leading telecommunications group in the north of the State serving a market of 5 million residents, and providing services for more than 750,000 household and corporate customers, with approximate earnings of 570 million euros and EBITDA of around 265 million euros.

“The Euskaltel Group has boosted its size and importance in the market, while maintaining its local influence and deep roots in the Basque Country and Galicia”, said the Group Chairman.

Model of Good Corporate Governance

The Board has taken up a Good Governance Code *“guiding the action taken by its senior bodies, its management team and all those working at the company, a model of a personal commitment to the company's present and its future”*.

Euskaltel has adapted all the Bylaws and Internal Regulations of its management bodies to Spain's Corporate Enterprises Law ("Ley de Sociedades de Capital") and to the best practices laid down in the latest Recommendations of the Good Governance Code for Listed Companies.

Euskaltel has adapted its governance structure to the best practices of listed companies, confirming its commitment to compliance with the highest standards of good governance worldwide. *“Our strategy in this regard focuses on maintaining a Corporate Governance system to guarantee the greatest possible independence in decision-making by the Board of Directors, the management team and all Euskaltel Group employees”.*

Euskaltel has now completed implementation of a Risk Management System, making it the first company in the Basque Country and the Spanish State's telecom sector to secure certification for its crime prevention management system from Spanish certification body AENOR. *“With the deployment of this Management System - said Alberto García Erauzkin- , we have taken one more step in our undertaking to an ethical culture, consolidating our focus on Good Governance and risk management as a first step in corporate sustainability”.*

Approval of the 2015 Financial Statements and growth in 2016

The General Shareholders' Meeting approved the Euskaltel Group's 2015 Financial Statements. The Euskaltel Group rounded off a historic year with an 8.8% increase in consolidated earnings - 349.4 million euros - based on its increasing dominance of the mobile phone market, and growth of broadband and pay-to-view TV.

Consolidated EBITDA stood at 167 million euros, up by 7.1%, and adjusted net profit was 49.6 million euros, up by 16.9% against the previous year. The cash flow conversion ratio was 68.2%. Euskaltel is European leader in terms of cash conversion ratios against the best performances in the sector in Europe.

The initial months of 2016 have also been extremely positive, consolidating the trend of growth the previous year, as already announced in the presentation of results for the first quarter.

The Euskaltel Group continues to increase its earnings, customers and products, in both households and businesses, confirming the market's support of corporate

operations and the full confidence of customers in the Company's products and services.

Euskaltel leads Europe in terms of its EBITDA/cash conversion ratio. It continues to expand in all areas of business - landlines, broadband, mobile business and pay-to-view TV. Mobile phones and pay TV, in fact, have shown dramatic growth, and the high-value customer base with three or four products continues to swell.

This trend of continuous growth has brought Euskaltel to a new corporate milestone: Euskaltel is now the leading choice of telecommunications services - landline and mobile telephony, broadband and pay-to-view TV - for household customers in the Basque Country and Galicia.

Re-election and appointment of new Board members

Following a proposal by the Committee of Appointments and Remuneration, a majority of shareholders at the General Meeting voted to re-elect Chairman Alberto García Erauzkin as an executive board member, and also to re-elect Vice-chairman José Ángel Corres as an independent board member.

Following a proposal by the Committee of Appointments and Remuneration, a majority of shareholders also approved the appointments of Kartera 1, S.L., represented by Alicia Vivanco, as a proprietary board member; Elisabetta Castiglioni, as an independent board member, and Miguel Ángel Lujua, as an independent board member.

The new directors, Elisabetta Castiglioni and Miguel Ángel Lujua, are independent experts with wide experience and knowledge of the telecommunications sector and technology and the management of human resources, respectively.

Elisabetta Castiglioni has a wealth of experience in the telecommunications sector and technology. Following a professional career in telecommunications with operators (MCI Worldcom) and also manufacturers (Siemens), she now chiefly acts as adviser and consultant with technology companies and media worldwide such as Telekom Austria, BBC, ITV, New York Times, RAI, BSkyB and Cox, among others. She worked at Siemens as Global Executive Director of Media, IT Solutions and Services. She was EMEA Director of Strategy and Access and Marketing of Internet Products with MCI Worldcom. She has been a member of the Telekom Austria Board for the last five years.

Miguel Ángel Lujua is an expert in the management of human resources. He was Chairman of the Basque Business Confederation (Confebask), a member of the Executive Committee and Management Board of the Spanish Confederation of Business Organisations (CEOE), and Vice-chairman of Innobasque. He was also a member of the Management Board of the Bizkaia Province Business Confederation (Cebek), and is a former Chairman of the Basque Excellence Foundation (Euskalit). He is currently Director and CEO of the IMQ Group. He began his professional career in the Personnel Department at Nervacero. He then worked in the same post at AHV-Aceralia, now Arcelor, and was CEO of Mutualia until it merged with the IMQ Group.

The General Shareholders' Meeting also unanimously approved the appointment of Francisco Arteché as an executive board member. At its meeting on 24 May, the

Euskaltel Board of Directors unanimously agreed to submit a proposal to the General Meeting for the appointment of Francisco Arteche as the Group's new CEO.

Following the approval of his appointment as an executive member of the Board, the Board will be charged with appointing Francisco Arteche as the Euskaltel Group's new CEO.

The Euskaltel Board considers Francisco Arteche is the best professional to successfully guide the company through the new challenges of the digital economy in the years ahead, transforming it from a telecommunications operator into a digital services operator and driver of the digital economy.

Francisco Arteche has wide professional experience following 20 years in positions of responsibility at multinational technology companies. He has a strategic view of consumption trends in the market of new technology and a marked leadership capacity, and his management style is based around the professional development of people.

Francisco Arteche, 51, from Donostia/San Sebastián, holds a degree in Industrial Engineering from Universidad de Navarra in San Sebastián, and also an MBA from the IESE Business School, Barcelona.

He has had a long and prolific professional career, with 20 years of management responsibility in the world of technology. He has spent the last 12 years with Microsoft, world leader of applications and software. Prior to his arrival at Euskaltel, he was CEO of the Consumption Channels Group at Microsoft Ibérica, a company he joined as Head of the Entertainment & Devices Division for Central and Southern Europe, and subsequently for all of Western Europe.

He had previously been CEO of Electronic Arts (EA Software) for Spain and Portugal, where he worked for seven years.

He is a member of the Management Board at AMETIC (Association of companies operating in electronics, information technology, telecommunications and digital contents), member of ICA (Institute of Managing Directors), and a former Board member at IFSE (Interactive Software Federation of Europe), executive sponsor in Microsoft on the Board of AECOC (Spain's largest association of manufacturers and distributors) and Chairman of the sectoral association ADESE (Spanish Association of Software Manufacturers and Developers).

Following approval by the General Shareholders' Meeting of the recomposition of the Company's management bodies, the Euskaltel Board of Directors will have 50% independent members - 5 out of 10 - and 30% of its members will be female - 3 out of 10 - thereby confirming Euskaltel's commitment to compliance with the highest international standards of good governance.

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