

ZEGONA TO RETURN £140M TO SHAREHOLDERS REPRESENTING 71p PER ZEGONA SHARE

London, England, 26 July 2017 - Zegona Communications PLC today announces the completion of the sale of Telecable to Euskaltel¹ and its intention to return £140m to shareholders via a tender offer

The sale of Telecable provides opportunity for significant capital returns to Zegona shareholders:

- The transaction has generated significant upfront cash proceeds and Zegona intends promptly to return up to £140m to shareholders, representing 71p per share (44% of Zegona's market capitalisation²).
- We plan to return capital through a tender offer conducted by an intermediary. Full details of the offer and the required general meeting³ will be set out in a circular to be sent to shareholders
- Targeted 2017 dividend reconfirmed, £9.8m total pay-out (equivalent to 5p per existing Zegona share)⁴
- Total cash return to Zegona shareholders from the proposed tender offer and dividends to the end of 2017 equals 55% of initial equity invested⁵, whilst still retaining exposure to underlying Euskaltel cash flows of similar magnitude to Telecable standalone⁶

Zegona sees potential to drive additional value through its 15% shareholding in Euskaltel:

- Acquisition of Telecable establishes Euskaltel as the leading integrated telecoms operator in northern Spain with €711m Revenues, €346m EBITDA and €224m Cash Flow⁷. Euskaltel's increased scale and strong cash generation create a robust platform for growth
- Substantial synergies available, valued by Euskaltel at €245m, equivalent to €1.37 per Euskaltel share⁸
- Opportunity to close the current Euskaltel value gap – Euskaltel trades at an Equity Free Cash Flow yield of 12%, versus European Cable average of 5%⁹
- Euskaltel Board strengthened by addition of Robert Samuelson (Zegona COO) and Jon James (ex ComHem COO)
- Zegona expects to help drive Euskaltel performance improvement, leveraging its influence at the Euskaltel Board and newly formed Strategy Committee¹⁰ and its positive relationship with Euskaltel's largest shareholders
- Zegona has the right to distribute Euskaltel stock to its shareholders without any lock-up and will continuously evaluate its investment position with the objective of optimising risk adjusted returns to shareholders¹¹

Eamonn O'Hare, Zegona's Chairman and CEO commented; "When we acquired Telecable in 2015, we identified the clear opportunity for substantial value creation through combining the three independent cable operators in Northern Spain. This transaction turns that vision into reality, generating attractive returns for our shareholders and offering the potential for further significant value gains.

Zegona has a strong commitment to ongoing cash returns and today's announcement to return up to £140m to shareholders quickly and tax efficiently, delivers on that commitment. In addition, Zegona sees potential to deliver a 'second leg' of value through its 15% shareholding in Euskaltel. We have established an excellent rapport with Euskaltel's board, senior management and key shareholders, and look forward to working with them to improve the business and close Euskaltel's current valuation gap versus industry peers.

Telecable was Zegona's first investment, and the completion of this transaction demonstrates the attractiveness of our 'Buy-Fix-Sell' strategy. We continue to search for new investments and we see many opportunities where we can again apply our innovative strategy across the European TMT industry."

This announcement contains inside information.

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About Zegona

Zegona was established with the objective of acquiring businesses in the European Telecommunications, Media and Technology (“TMT”) sector with a ‘Buy-Fix-Sell’ strategy to deliver attractive shareholder returns. Zegona is listed on The London Stock Exchange’s Main Market and is led by former Virgin Media executives, Eamonn O’Hare and Robert Samuelson.

Zegona acquired Telecable, the leading quad play cable telecommunications operator in the Asturias region of Spain in August 2015.

Notes:

- 1 Zegona and its wholly-owned subsidiary, Zegona Limited completed the sale by Zegona Limited of Parselaya, S.L.U., the holding company of the Telecable group, on 26 July 2017
- 2 Zegona market capitalisation of £318m based on share price of £1.62 as at market close on 25 July 2017
- 3 The tender offer will be conditional upon shareholders passing an ordinary resolution to approve the requisite repurchase of shares. At the general meeting convened to approve the repurchase, a special resolution will also be proposed to amend Zegona's articles of association to give the board of directors the power to make distributions in specie
- 4 Zegona intends to adjust the dividend per share following the tender offer such that a total dividend of £9.8m is paid in 2017. Anticipated dividends from Euskaltel will help fund future Zegona dividends. Euskaltel's current dividend is €36c per share (€55m in 2017) - Euskaltel has stated that it intends to increase its annual dividend pay-out at a double-digit rate
- 5 Total Zegona equity raised £286.5m. Total cash intended to be returned to shareholders of up to £158.6m comprised of up to £140m from the proposed tender offer, dividends paid of £8.8m (4.5p on 196m shares), and 2017 dividends targeted to be paid of £9.8m (equivalent to 5p on 196m shares)
- 6 Zegona exposed to €36m Cash Flow based on 15% of Euskaltel Pro Forma 2016 Cash Flow of €224m plus anticipated run-rate synergies of €17m from Telecable acquisition. At acquisition in 2015, Telecable's Cash Flow was €36.1m and in 2016 it was €39.6m. Telecable's Cash Flow is Adjusted Cash Flow as defined on page 12 of Zegona's 2016 Annual Report
- 7 Pro Forma results for combined business for 2016 (source: Euskaltel)
- 8 Total Euskaltel shares issued post completion of 178.6m
- 9 Euskaltel trades at a 2016 Equity Free Cash Flow Yield of 10.8% (at €8.50 share price) compared to European Cable average of 5% (Source: JP Morgan). Pro Forma 2016 Equity Free Cash Flow Yield for the combined business including estimated €17m run-rate synergies of 12.1% (at same €8.50 share price) (source: Zegona estimates)
- 10 For so long as Zegona holds at least 8.3 per cent. of the issued share capital of Euskaltel, Zegona has the right to appoint one shareholder director to the board of directors of Euskaltel, who will also have the right to be a member of the Audit, Remuneration and Strategy Committees. Robert Samuelson is being appointed to the Euskaltel Board and its Committees
- 11 Customary lock-up provisions and limited other restrictions including in relation to indemnities apply to Zegona's right to sell or distribute Euskaltel stock

Important Notice

This announcement has been issued by, and is the sole responsibility of, the Company.

This announcement has been prepared in accordance with English law, the Listing Rules and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "envisages", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: Euskaltel's ability to successfully combine the business of Telecable and Euskaltel and to realise operational efficiencies from that combination; the assessment of Telecable's working capital and net debt at closing of the acquisition could result in an adjustment to the cash consideration payable; the tax credits which are required to be proven to generate the contingent consideration may not arise or be usable; conditions in the markets; the market position of Telecable and Euskaltel; earnings, financial position, cash flows, return on capital and operating margins of Telecable and Euskaltel; anticipated investments and capital expenditures of Telecable and Euskaltel; changing business or other market conditions; and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Listing Rules, Prospectus Rules, the Disclosure Guidance and Transparency Rules or other applicable legislation or regulation, Zegona does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

Target returns

The expected returns to Zegona shareholders are a target only and not a profit forecast. There can be no assurance that the target returns will be achieved and investors should place no reliance on such targets when making an investment decision. Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per Zegona share for the current or future financial years will necessarily match or exceed the historical published earnings per Zegona share.

Company website

Neither the content of the Company's website, nor the content on any website accessible from hyperlinks on its website for any other website, is incorporated into, or forms part of, this announcement nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

The person responsible for arranging for the release of this announcement on behalf of Zegona is Dean Checkley, whose business address is 20 Buckingham Street, London, WC2N 6EF.