MOODY'S INVESTORS SERVICE

NEW ISSUER REPORT

Parselaya, S.L. (parent of Telecable)

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Summary

» On 14 January 2016, **we assigned a first-time B1 corporate family rating (CFR) and a B2-PD probability of default rating (PDR) to Parselaya, S.L., the parent of Telecable de Asturias, S.A. (Telecable)**. Telecable is the leading cable operator in the Autonomous Community of Asturias (Spain). At the same time, we assigned a B1 rating to the €320 million senior facilities agreement. **The outlook on the ratings is stable.**

» The B1 rating balances Telecable's solid and entrenched market position in its domestic market, improving trends in the Spanish telecoms market, its financial and operational track record and high-quality network, its moderate leverage, and its prudent financial policies and liquidity against its modest scale because of its concentration in one region of Spain, the potential for increased competition and more expensive content costs, and its limited free cash flow generation after shareholder distributions.

» **Modest scale offset by strong position in domestic market**: Revenues of €131 million in 2014 reflect the geographic concentration in one region of Spain, the GDP per capita of which is ranked as being only average in comparison to national statistics. However, this is mitigated by the company's strong and entrenched market position.

» **Operating environment is recovering**. The Spanish telecoms sector, following a period of intense competitive pressure and resulting revenue contraction, is entering a period of price recovery and lower churn helped in part by consolidation. Price increases should allow Telecable's revenues to continue growing, coupled with market share gains in the B2B market and mobile, as the company focuses on cross-selling and upselling to its customer base.

» **The potential acceleration of fibre deployment by competitors in Asturias is one of the main risks for Telecable's competitive position**, although the company has a track record of successfully defending its strong market position and generating revenue and EBITDA growth in spite of fibre deployments, even during a period of economic slowdown.

» **Fully invested network leads to strong margins but limited free cash flow generation after shareholder distributions**. Telecable benefits from having the fastest network and the broadest high-speed coverage in its geographic region. As a result, Telecable enjoys high EBITDA margins, which we expect to remain stable over the near future, as improvements derived from operating leverage will most likely be partially offset by an increase in premium content costs and mobile access costs. However, we expect free cash flow generation to be limited after shareholder distributions.

» **Telecable exhibits moderate initial leverage.** The company's initial leverage of 4.3x gross adjusted debt/EBITDA is at the higher end of the range for the B1 category but we expect leverage to progressively come down towards 4.0x and below. Deleveraging will be mainly supported by EBITDA growth, since absolute debt levels will remain broadly stable.

Corporate Profile

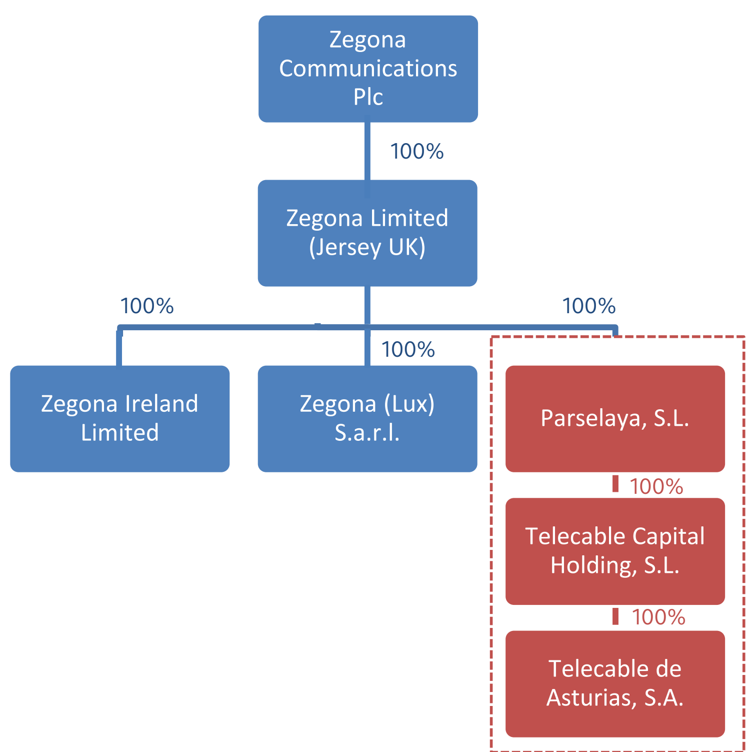
Parselaya S.L. is the parent of Telecable de Asturias, S.A. (Telecable). Headquartered in Oviedo (Asturias, Spain), Telecable is the cable operator in the Autonomous Community of Asturias (unrated) and is the main operating company within Zegona Communications plc (Zegona, unrated). The company was created in 1995 by the Asturian electric utility company Hidroeléctrica del Cantábrico, S.A. (now owned by EDP) and the Asturian savings bank CajasAstur (now part of Liberbank, S.A., B1 stable) to become the regional alternative telecommunications operator to Telefonica S.A. (Baa2 stable), the incumbent operator in Spain.

The company is the leading quad-play operator in the Asturias region with more than 164,000 customers and 450,000 homes passed, offering television, broadband internet, fixed-line and mobile telecommunications services to residential and business customers. Telecable has 3.1 Revenue Generation Units (RGUs) per customer.

In 2014, Telecable generated revenues of €131 million and EBITDA of €63 million. It has an 80% market share in residential Pay-TV, 49% in broadband, 29% in fixed line and 13% in mobile in Asturias. It is the largest player in both Pay-TV and fixed broadband, number 2 in fixed-line voice and number 4 in mobile.

Zegona acquired Telecable in August 2015. The company was previously owned by private equity sponsor Carlyle (unrated), which in turn acquired an 85% stake in the company from Liberbank in December 2011. Zegona acquired Telecable for an enterprise value of €640 million (10.2 EV/EBITDA multiple), funded with a combination of equity (€356 million) and debt (€284 million).

EXHIBIT 1
Group Structure Chart



Source: Zegona Communications plc's prospectus

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Overview of Zegona Communications plc

Zegona was established in 2015 to acquire and operate businesses in the European TMT space (mainly network infrastructure-based communications and entertainment businesses), using a 'Buy-Fix-Sell' strategy. Investments target strategically sound businesses that require active change to realise full value, creating long-term returns through fundamental business improvements. Zegona believes that the current dynamics of the European TMT sector with the rapid growth of data consumption, accelerating convergence trends and consolidation of operators (more than 180 assets in a European market of approximately 500 million people), create multiple investment opportunities. Its objective is to create a relatively concentrated portfolio of European assets with enterprise values in the range of £1 billion to £3 billion.

Zegona was founded by two former Virgin Media executives, Eamonn O'Hare (Chairman and CEO), and Robert Samuelson (COO). They have a track record of creating value for investors, including helping lead the transformation of Virgin Media and its strategic sale to Liberty Global for US$24 billion.

Telecable is Zegona's first acquisition. Zegona also participated in the sale process of R Cable but was outbid by Euskaltel, S.A. (B1 stable). Zegona's intention is to own 2-3 assets with typically a 3-5 year investment period to realise full value, though being a public company, Zegona is also positioned to hold assets longer-term.

Zegona is a listed vehicle and is backed by major institutional investors, including Fidelity, Wellington, Standard Life, Invesco, Capital Research, and AXA. The public company structure allows investors to realise value at any time.

In terms of financial policies, Zegona has a target leverage of c. 3-4x Net Debt / EBITDA (in line with the target leverage at Telecable), while surplus cash will be returned to shareholders or reinvested in other opportunities.

Management Strategy

Grow revenues through selling enhanced bundled services, enabling increased revenues per customer

In contrast to Telefonica, Vodafone (Baa1 stable), Orange (Baa1 stable) or Euskaltel, which all increased prices during 2015, Telecable did not follow suit with price increases in 2015. However, in early January 2016, the company implemented a price increase of €2 per month to all fixed-line and bundled offers, which would support revenue growth.

Telecable also expects to increase the number of services it sells to each customer, as described below. In order to improve its customer offers, it plans to focus on 3 elements:

1. **Enhance its TV proposition by increasing penetration of Personal Video Recording (PVR) capabilities**: Telecable has a relatively low penetration of TV set-top boxes within its customer base with only 27% of its residential customers having set-top boxes and only 46% of those having PVR functionalities. This low TV set-top boxes penetration limits the access of Pay-TV customers to PVR functionality. Telecable believes that these advanced TV services would increase customer loyalty (note that churn is already at relatively low levels, 11.2% in 2014) and open up new revenue streams (e.g. VOD, Premium channels). Telecable is also developing a network PVR capability such that recorded content can be stored in the cloud rather than via hard disks in customers' set-top boxes. With this new

capability, the cost of set-top boxes can be reduced to €40-50 range, enabling all customers to be provided cost effectively with PVR functionality.

2. **Increase broadband speeds**: Telecable already offers 500 Mbps broadband speeds, but given the advanced cable network, broadband speeds can be increased to over 1Gbps in the medium term to create a differentiated, market leading product.
3. **Improve mobile product and handset selection**: The data allowances within Telecable's mobile plans are relatively low. The company plans to increase data allowances and the percentage of mobile data traffic diverted onto Telecable's "Wifisfera" WiFi connections in order to grow mobile revenues. Increased off-loading to WiFi, plus a new mobile virtual network operator (MVNO) deal should enable increased data volumes. In addition, Telecable plans to improve its handset selection with revised customer financing arrangements with external credit providers.

Strengthen its position in the B2B market

In the B2B market, the company plans to accelerate growth as its market share in this segment (26%) is lower than its share in the residential segment (49%). Zegona believes that Telecable's current entreprise product set is relatively simple and more advanced data-oriented products can be developed and launched relatively easily given its network advantage to address larger enterprise needs.

We note that customer concentration in the B2B segment for Telecable is manageable. The top 1 customer is Liberbank, representing 5% of total revenues. The top 5 customers represent 7% of total revenues.

Improve cash flows through cost savings from new MVNO contract and lower capex

Telecable plans to negotiate a new MVNO contract, as the current agreement with Vodafone will be exited unless improved terms are offered. The company believes that it can achieve improved MVNO terms, which will limit the growth in mobile costs in light of the anticipated increase in data consumption.

Telecable's capex levels have consistently been over 20% of sales, in line with most relevant European cable operators and well above Euskaltel, its Spanish cable peer. The company plans to reduce capex/sales to below 20% of sales from 2017.

Rating Rationale

The B1 rating considers (1) Telecable's strong position in Asturias, particularly in the Pay-TV segment; (2) its track record of solid operating performance despite the economic slowdown; (3) the favourable trends in the Spanish telecoms market; (4) the quality of its fully invested network that leads to strong adjusted EBITDA margins of approximately 50%; (5) its moderate leverage levels (adjusted debt/EBITDA of 4.3x by year end 2015) and balanced financial policies that target net reported debt/EBITDA between 3.0x and 4.0x; and (6) its adequate liquidity profile.

At the same time, the rating also reflects (1) Telecable's small size and concentration in one region of Spain; (2) the competitive environment in its home market, where the larger integrated operators could accelerate their fibre deployment plans; (3) the high exposure to premium content, which is becoming more expensive; (4) the potential for higher mobile access costs as the company relies on an MVNO model to provide mobile services; (5) the expected use of a large part of cash flow generation for shareholder distributions; and (6) its unhedged exposure to potential interest rate increases.

Key Rating Considerations

Modest scale offset by strong position in domestic market

Telecable's revenues of EUR131 million in 2014 reflect the geographic concentration in one region of Spain, the GDP per capita of which is ranked as being only average in the national comparison. However, this is mitigated by the company's strong and entrenched market position.

Telecable is the leading integrated telecommunications operator in Asturias. It is the number 1 operator in Pay-TV and fixed broadband services, with 80% and 49% residential market shares, respectively as of December 2014. In fixed and mobile telephony services, Telecable is the second and fourth operator in Asturias with 29% and 13% residential market shares, respectively. Telecable's residential segment represents 75% of its revenues and 88% of its customer base.

EXHIBIT 2

Telecable is the leading operator in Asturias within the residential segment and the second in the enterprise segment

Market Shares in Asturias

	Residential				Enterprise (1)			
Figures as of FY2014	Broadband	Pay-TV	Fixed-line	Mobile	Broadband	Pay-TV	Fixed-line	Mobile
Telefónica	35%	12%	56%	38%	50%	27%	54%	34%
Vodafone	-	-	-	20%	11%	-	-	31%
Orange	7%	-	6%	18%	-	-	11%	25%
Other	9%	8%	9%	11%	13%	9%	12%	3%
Telecable	**49%**	**80%**	**29%**	**13%**	**26%**	**64%**	**23%**	**7%**

Notes:
(1) Telecable's market shares in Asturias in the Enterprise sector, which combines SOHO, SMEs, Large Accounts and Corporations
Source: Zegona Communications Plc's prospectus

Its strong market presence allows Telecable to have a large share of triple-play and quadruple-play customers. Approximately 37% and 31% of residential customers are subscribed to a triple-play and quad-play bundle, respectively.

In Enterprise, including the SOHO segment, Telefonica is the market leader, providing a significant opportunity for Telecable to increase its market share in this segment by leveraging its brand recognition, its comprehensive product offering and its strong customer service.

Track record of solid operating performance

Telecable's historical operating performance has been strong despite the economic slowdown in Spain. The company managed to deliver revenue growth despite a broadly stable customer base over the past few years. This was a result of its ability to improve average revenue per user (ARPU) by upselling products to customers (e.g. increasing the number of RGUs per customer), increasing the value of its products (e.g., increasing broadband speeds, increasing TV content, launching WiFi services), and its decision not to lower prices.

Telecable's revenue growth over the past 5 years has been mainly driven by customer growth and increase in RGUs per sub in the B2B segment (mainly pubs, clubs and restaurants) and, to a lesser extent, in the SOHO (single office, home office) segment.

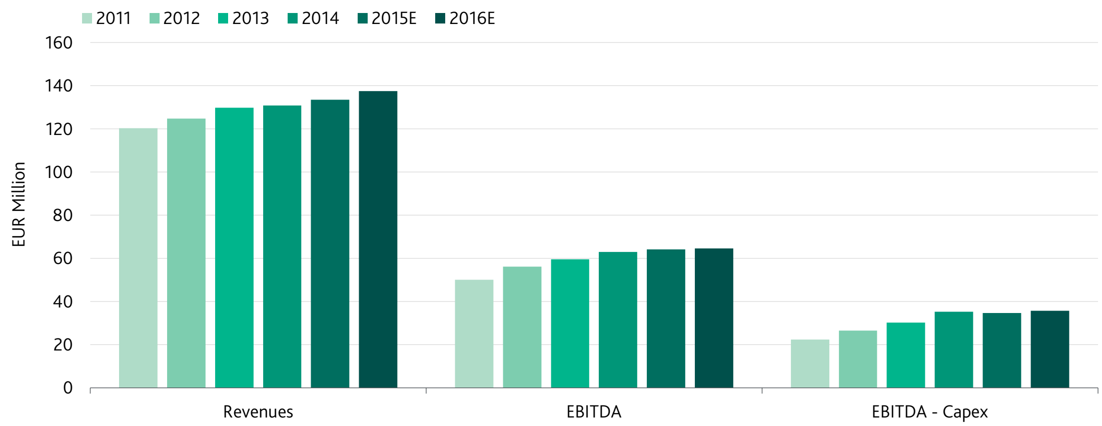
The company reported strong EBITDA growth during this period supported by revenue growth and the benefits from operating leverage, since a large portion of the cost base is fixed. Telecable also managed to sign some favourable contract renewals (mainly network maintenance) and to improve internal processes further boosting its EBITDA margins. While there was a slowdown in the pace of revenue growth in 2014 (1% growth vs 4% in previous years), reported EBITDA margins improved to their highest level of 48%.

In terms of capex, there was an investment effort in 2012 and 2013, mainly driven by the upgrade to DOCSIS 3.0, the deployment of the WiFi network and increased customer acquisition costs due to the growth in B2B and SOHO. However, in 2014, capex returned to 2011 levels, mainly on the back of favourable contracts with suppliers and technology synergies.

EXHIBIT 3

Telecable showed solid operating performance through the crisis and further growth is expected

Telecable's Historical Operating Performance



Note: Moody's estimates for both financial years 2015 and 2016

Source: Zegona Communications Plc's prospectus

Macroeconomic environment in Spain is improving, although the economy in Asturias is relatively weak

While the Spanish economy was severely hit by the economic crisis, it is also now recovering faster than the rest of the EU. We expect GDP growth of 3.2% in 2015 and 2.7% in 2016, higher than the EU average of approximately 1%-2%.

Telecable operates in the region of Asturias, which has a GDP per capita of €20,300 as of December 2014, slightly lower than the Spanish average (estimated at €22,800). Asturias generated approximately 2.1% of Spanish GDP (source: European Commission), while its population of approximately 1.1 million people only represents 2.4% of the Spanish population. The unemployment rate in Asturias stood at 19% in Q1 2015, below the national average of 23.8%.

One of the features of the Asturian economic structure is the significant share of manufacturing. Metallurgy and metal product manufacturing industries have the largest contribution to the regional economy, followed by extractive, energy and water industries. Therefore, Asturias could be more affected by the current crisis in the commodity sector than other more diversified regions in Spain.

The Spanish telecom sector is at an inflection point, supported by macroeconomic recovery, market consolidation and price increases

The Spanish telecoms sector, following a period of intense competitive pressure and resulting revenue contraction, with revenues decreasing by 27% in 2009-2014, is entering a period of price recovery and lower churn helped by convergence and consolidation.

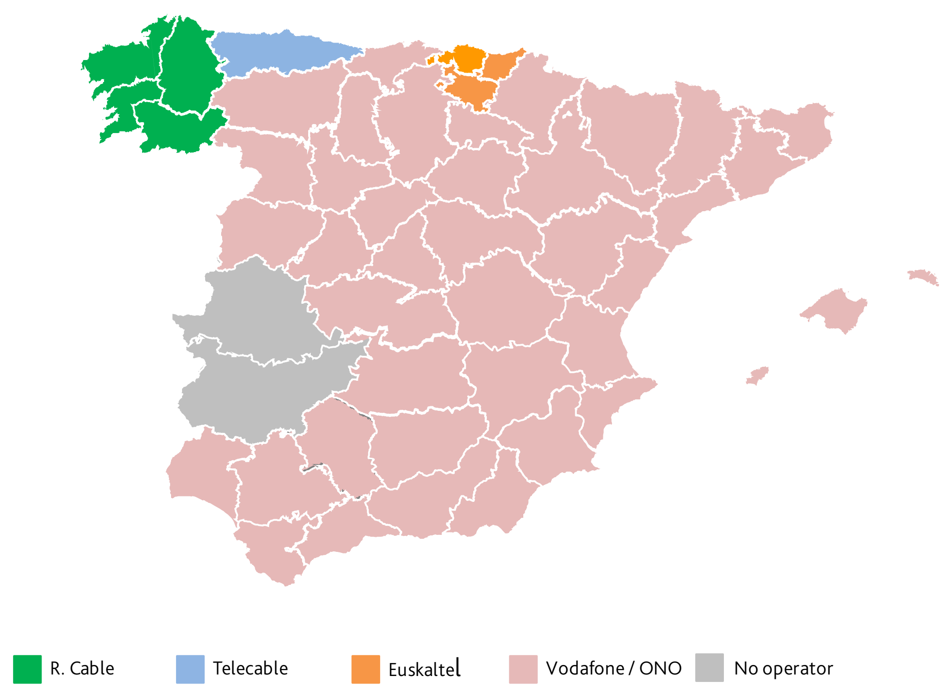
Following Telefonica's launch of its low price offering "Movistar Fusión" in 2012, the sector was forced to consolidate in search of convergent offers that could compete with those of the incumbent. Since then, the main telecom groups have acquired broadband or content assets. In fact, Spain has one of the highest convergence rates among Europe, at 50% in July 2014, above the European average of 41%, according to the Digital Agenda for Europe Scoreboard.

In addition, the cable sector has also consolidated, following the acquisition of ONO by Vodafone in July 2014, and the acquisition of R Cable by Euskaltel in November 2015, leaving both Euskaltel and Telecable as potential acquisition targets for the larger national players such as Vodafone or Orange.

EXHIBIT 4

Telecable remains a small cable player in a country that is undergoing a consolidation process

Spain's Cable Coverage by Operator



Source: Moody's Investors Service

This consolidation process is leading to a more rational competitive environment, focused on quality of service and not purely on prices. As a result, we have recently started to see signs of price stabilisation.

In 2015, Telefónica announced price increases of c.5%-9%, impacting all of its residential subscriber base, and Vodafone and Orange followed suit. On 1st January 2016, Telecable increased consumer prices with fixed-line and bundled offer prices rising by €2 per month for all customers. We expect that these price increases will allow the Spanish telecom sector to return to revenue growth in 2015-16.

Fully invested network leads to strong margins

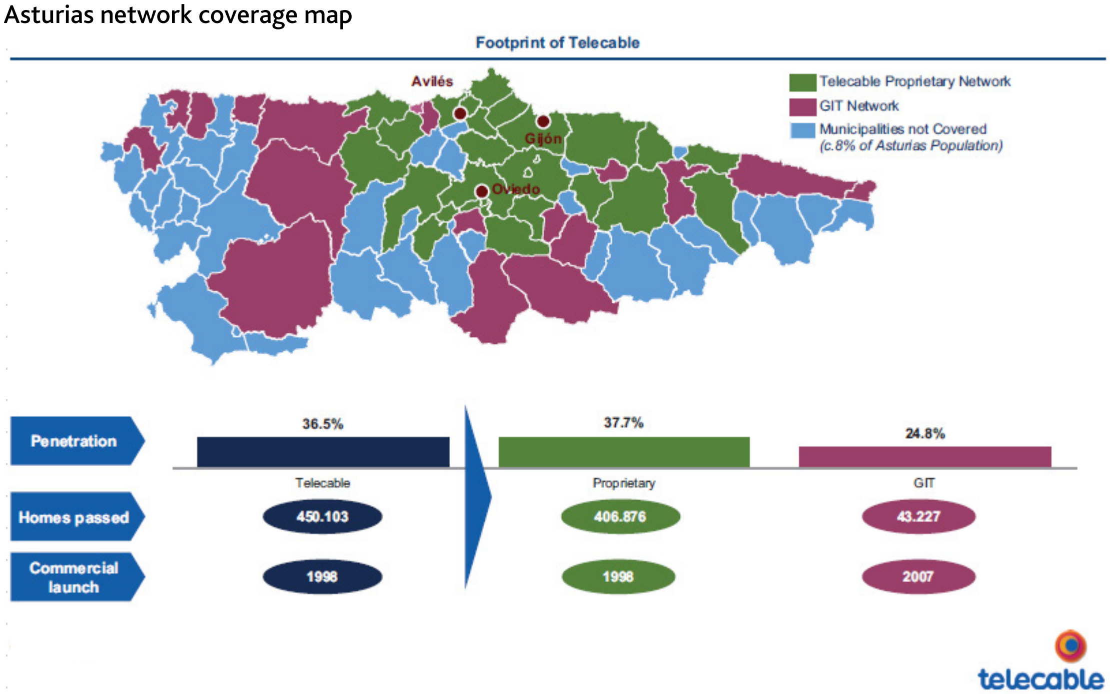
The company benefits from the broadest high-speed coverage in Asturias with a fully-invested DOCSIS 3.0 network that reaches 73% of homes in Asturias vs. Telefónica's approximate 50% fibre coverage in the region. Telecable's customer penetration (residential and business) stood at 36.5% of total homes passed as of December 2014. Telecable's modern cable network leads to lower maintenance expenses, and therefore higher margins than those of its peers.

The network of approximately 2,400 km of fibre and 2,600km of coaxial cable, has a capacity of up to 862MHz and can deliver market-leading speeds of up to 500Mbps. In addition, it has access to 1,250 km of fibre network through a 40-year lease agreement with EDP.

In part of the Asturian territory, Telecable relies on the network owned by Gestión de Infraestructuras Públicas de Telecomunicaciones del Principado de Asturias, S.A. (GIT, 100% owned by the regional government). The GIT network was launched in 2007 and is a full fibre to the home (FTTH) network, with no overlap with Telecable's network. It covers a significant part of rural areas, but a relatively small amount of homes (approximately 52,000).

EXHIBIT 5

Asturias network coverage map



Source: Telecable

The management team believes that due to the high quality of Telecable's fibre network, the investment cycle is almost complete and capex can be sustained at approximately €26-28 million per annum. The only future upgrade of the network (upgrade to DOCSIS 3.1), could be completed with limited investment. There are no further network roll-out plans, as the company believes that rolling out the network to 100% of households (i.e. rural areas) is not economical.

Competitive pressures could increase if Telefonica, Vodafone and Orange accelerate fibre deployment in Asturias

As of December 2014, Telefonica reached 10.3 million premises passed with fibre, representing approximately 55% of homes passed in Spain, and has plans to reach up to 75% of homes passed by 2016 subject to appropriate regulation. Telefonica has been focusing on the largest Spanish cities, where competition is generally higher. In Asturias, Telefonica's fibre network covers approximately 50% of households by year-end 2015.

The CNMC, the Spanish telecoms regulator, has conducted a fibre access market review which will result in Telefonica being obliged to offer wholesale FTTH in areas where there is not sufficient competition, i.e. municipalities with less than three competing high-speed infrastructure networks. None of the Asturian cities were included in the first list of 34 municipalities where Telefonica does not have to open its network. In Q1 2016, the CMC will decide the regulated price at which Telefonica has to provide access to its network, and this price level is seen as the key driver for Telefonica to decide whether or not to slow down the pace of FTTH deployment or even stop it.

In addition, both Vodafone and Orange, which currently cover 23% of homes in Asturias with fibre, have announced that they plan to extend their fibre networks in the largest cities in Asturias (Oviedo, Gijón and Avilés). This would put further pressure on Telecable's market position as competition would intensify in the most populated cities, which represent more than 50% of the Asturian population.

The potential acceleration of fibre deployment by competitors in Asturias is one of the main risks for the competitive position of Telecable. However, Asturias is not a core region for any of the large players, which are likely to remain focused on competing at a national level.

Telecable has a strong Pay-TV proposition, but content cost inflation will limit profit growth

Telecable benefits from a leading position in Pay-TV with an 80% market share in the residential segment. When Telecable was launched in 1995, the company could only offer Pay-TV, and as a result, this has always been a core part of the bundled offering. In fact, Telecable's current offering sets the obligation for every new customer to contract Pay-TV as an entry product to access any fixed or mobile services.

Pay-TV penetration in Spain remains low as a result of (1) the attractive content available over free-to-air digital terrestrial television (DTT); (2) the relatively high entry price points that make Pay-TV a premium product; and (3) the lack of advanced TV functionality. Pay-TV had a 40% market penetration in Asturias, higher than the 20% penetration average in Spain but still below the European average. As a result, Telecable has room for further Pay-TV penetration in its home market.

However, Telecable does not produce the majority of its content, and therefore its ability to compete in the Pay-TV market depends, in part, on its ability to obtain attractive programming from third parties at reasonable prices. An important part of Telecable's content offer is soccer. Currently, approximately 20% of Telecable's Pay-TV customers buy soccer through Telecable, accessing a wide range of football across Europe, including La Liga, the Champions League and other European competitions, as well as some local content.

The outcome of the recent soccer rights auction in Spain has led to significant price increases of 47% compared to the previous year. While Telecable has access to 50% of Telefonica's premium content at regulated prices, securing the content rights owned by Mediapro (unrated) would be on a commercial basis. As a result, we expect Telecable's content costs to grow over time, and the company will have to demonstrate that it can pass on these price increases to customers in order to protect its profitability. The company also recently launched access to football outside of Asturias through a cloud (OTT) TV service in order to help compensate the extra cost with new subscribers outside of its home region.

Mobile strategy is cost efficient in the near term but faces long-term challenges

Telecable is the fourth-largest mobile player in Asturias with a 13% and 7% market share in the residential and business segment respectively as of December 2014. Since 2008, the company has provided mobile services through an MVNO agreement with Vodafone, but it is assessing the potential to change MVNO provider in the near term in order to achieve better terms. While Telecable owns a 2.6GHz spectrum licence, it does not currently plan to use it to roll out a mobile network in urban areas.

In addition, the company plans to use its portfolio of more than 100,000 WiFi hotspots to offload traffic in the major cities and reduce MVNO costs. This service, called Wifisfera, had 60,000 users as of December 2015. Wifisfera is free to all Telecable broadband customers and it allows customers to connect to the on-the-street Wi-Fi hotspots and other customers' home routers, instead of connecting to the mobile network. It also offers increased download speeds and enables customers to access data without using up the data allowance within their mobile plans.

The lack of a full mobile network could be a challenge for the company in the future, in light of the expected exponential increase in data usage and the technology limitations. Telecable's quality of service could suffer if technology does not allow the seamless migration of traffic from the WiFi netwok to the MVNO network.

Conservative leverage target but loan documentation provides flexibility

Telecable targets a leverage ratio of 3.0x-4.0x net debt to EBITDA (as reported by the company). However, the loan documentation provides flexibility to increase leverage for M&A or to pay dividends.

The company can pay dividends as long as net debt to EBITDA is below 4.5x (limited to 4% of Zegona's market capitalisation, or unlimited if Net debt/EBITDA is below 4.3x). In addition, the company can incur additional debt as long as net senior secured debt to EBITDA does not exceed 4.5x and the fixed charge coverage ratio is at least 2.0x.

Moderate initial leverage for the rating category

The company's moderate initial leverage (4.1x net reported debt/EBITDA, 4.3x gross adjusted debt/EBITDA) is at the higher end of the range for the B1 rating category. Owing to the company's strong margins, Telecable enjoys a solid cash flow generation capacity, which will partly be used to pay dividends to its shareholder, Zegona. After dividends, we expect Telecable to generate limited positive free cash flows. As a result, we expect absolute debt levels to remain broadly stable, but leverage ratios will progressively improve owing to EBITDA growth. We expect the company to report gross debt/EBITDA (as adjusted by Moody's) in the 3.7x-4.0x range in 2017.

Liquidity Profile

The company's adequate liquidity profile is supported by (1) its long term debt maturity profile; (2) the full availability under its €20 million revolving credit facility, which is covenant-lite; and (3) the company's expected free cash flow generation. The company will have no maturities until the bullet repayment of the loan in August 2022.

The facility is subject to a maintenance leverage covenant that tightens over time and which is only tested if the revolver is drawn by more than 40%. We estimate that current headroom under this covenant is approximately 30%.

EXHIBIT 6

Telecable has a long term debt maturity profile

Source: Telecable

Other Considerations

Exposure to interest rate risk

Interest rate exposure in the bank facility is unhedged. While the company could decide to hedge this exposure in the future, at this point, no hedges are in place.

Accounting considerations

Accounting adjustments: The adjustment to debt due to operating leases for the year ended December 2014 amounted to €12 million. The operating leases relate to (1) a 40-year exclusive lease agreement with EDP utility network (1,254 km fibre network and 727 km of ducts used); (2) copyrights expenses related to broadcasting films; and (3) lease contracts related to headquarters, offices and premises where the company runs its business. In addition, we add €2.5 million of guarantees to adjusted debt.

Rating methodology grid

In assessing Telecable's credit quality, we have applied the Global Pay Television – Cable and Direct-to-Home Satellite Operators Industry rating methodology. The methodology grid outcome based on our forecasts for fiscal year-ending 2016-17 is B1 (see Exhibit 7), in line with the assigned CFR.

EXHIBIT 7

Rating Factors

Parselaya S.L. (parent of Telecable)

Rating Methodology Grid: Global Pay Television – Cable and Direct-to-Home Satellite Operators Industry	Aaa-A	Baa	Ba	B	Caa	Ca
Factor 1: Scale (20%)						
a) Scale ($ Billion)						x
Factor 2: Operation Performance (10%)						
a) Cable-Related Revenue/Homes Passed (USD)				x		
Factor 3: Market Environment and Share (20%)						
a) Cable: Assessment of Markets and Competitive Position			x			
b) Cable: Triple Play Equivalent			x			
Factor 4: Financial Policy (20%)						
a) Financial Policy			x			
Factor 5: Leverage and Coverage (30%)						
a) Debt / EBITDA			x			
b) FCF / Debt				x		
c) (EBITDA - Capex) / Interest Expense			x			
Rating:						
a) Indicated Rating from Grid				B1		
b) Actual Rating Assigned				B1		

Note: Based on Moody's estimates for 2016 and estimated adjustments
Source: Moody's Investors Service

Peer Group Comparison

Telecable's closest peer in terms of business profile is Euskaltel. However, there are some differences that are worth highlighting. Euskaltel is approximately four times bigger than Telecable and the former benefits from some geographical diversification and potential to achieve synergies following the recent R Cable acquisition. Telecable's Pay-TV market share is much higher than Euskaltel's (80% vs 47%) and therefore content is more strategic for Telecable (i.e. Euskaltel currently does not have access to soccer rights and its soccer customer base is minimal). Finally, while both companies have fully rolled out DOCSIS 3.0, Telecable's network coverage is marginally lower than Euskaltel's (73% vs 85%) and Euskaltel plans to deploy network in additional households in contrast to Telecable, which does not plan to roll out further network.

In terms of mobile business, Telecable's 13% market share in Asturias is lower than Euskaltel's 20% mobile market share. Both companies have 2.6GHz spectrum frequencies for 4G. While Euskaltel plans to roll out mobile network in some urban areas, in order to complement its MVNO+WiFi offering, Telecable does not currently plan to make use of this spectrum frequency.

Although both companies have the same net leverage target of net debt/EBITDA between 3x and 4x, Telecable's initial leverage at 4.3x is substantially lower than Euskaltel's 5.0x. In addition, Telecable's debt is more expensive than Euskaltel's but gives the company more flexibility given its covenant-lite structure. Finally, Telecable's capex/sales ratio is higher than Euskatel's (20% vs 13%).

Other European cable peers in terms of both size and business profile are Com Hem (Ba3 stable), Cable Communications Systems (RCS&RDS, B1 stable), Tele Columbus AG (B2 stable), and Adria Midco (B2 stable).

EXHIBIT 8

Comparison with Euskaltel, Adria Midco, RCS&RDS, Tele Columbus and Com Hem

	Telecable	Euskaltel	RCS&RDS	Tele Columbus	Adria Midco	Com Hem
	Spain	Spain	Romania	Germany	Serbia	Sweden
	2016	2016	12-18 Month	12-18 Month	12-18 Month	12-18 Month
Rating	B1 STA	B1 STA	B1 STA	B2 STA	B2 STA	Ba3 STA
Grid-Indicated Rating	B1	B1	B1	B2	B3	Ba3
Scale (USD Billion)	$0.2	$0.6	$1.0	$0.5	$0.5	$0.6
Cable-related revenue / Homes Passed (USD)	$350-$360	$393-$403	$165-$168	$165-$175	$280-$310	$311-$313
Cable: Assessment of Markets and Competitive Position	Ba	Ba	Ba	Ba	Ba	Ba
Cable: Triple Play Equivalent	30%-31%	23%-24%	42.5%-43%	35%-36%	36%-40%	27%-28%
Financial Policy	Ba	Ba	B	Ba	B	Ba
Debt / EBITDA	4.0x-4.3x	4.8x-5.2x	3.8x-4.1x	4.8x-5.1x	5x-5.5x	4.2x-4.3x
Free Cash Flow / Debt	2%-4%	7.6%-9.4%	-2% - -1%	1.7%--1.3%	-3% +3%	5%-5.5%
(EBITDA - Capital Expenditures) / Interest Expense	2.7x-2.8x	3.5x-3.9x	0.9x-1.5x	0.8x-1.3x	0.5x-1.5x	2.5x-3x
Internal leverage target (Net debt/EBITDA)	3x-4x	3x-4x	2.5x	3x-4x	-	3.5x-4x
Triggers Rating Up	» Leverage < 3.5x » Positive free cash flow generation	» Leverage <4.5x » Deliver on business plan	» Leverage < 3.5x » Positive FCF generation	» Leverage <4.5x » Returned to growth in "homes connected"	» Leverage <4.0x » FCF/Debt > 5%	» Leverage <3.75x » Continued revenue & EBITDA growth » Positive FCF generation
Triggers Rating Down	» Leverage > 4.5x » Materially weakened operating performance	» Leverage > 5.5x » Reduced CF generation » Weakening liquidity profile	» Leverage > 4.5x » Negative FCF generation » Liquidity deterioration	» Leverage > 5.5x » Strategy execution failure » Deterioration in the "homes connected" base	» Leverage > 5.0x	» Leverage > 5.0x » Negative FCF generation » Materially weakened operating performance

Source: Moody's Investors Service

Structural Considerations

The capital structure comprises the €320 million senior facility (of which €274 million were drawn), including a €20 million revolver. All the debt sits at the Telecable de Asturias S.A. level, and benefits from guarantees from Telecable Capital Holding S.L. and Parselaya S.L. We have assigned the CFR to Parselaya S.L. because it is the top holding company within the restricted group and it will be providing consolidated financials (under IFRS) going forward.

The security package includes first ranking security over all shares in each material company within the restricted group as well as over the Shareholder Loan Agreement granted by Zegona (Lux) S.a.r.l. Since the security package only includes share pledges, we considered the loan facility as unsecured, and all the instruments in the waterfall (including the senior facility, the revolver, the trade payables and the lease rejection claims) rank pari passu.

The B1 rating on the €320 million senior facilities agreement is in line with the CFR, given that it is the largest portion of financial debt in the capital structure.

Given that Telecable has an "all-bank" capital structure, the assumption for the group's family recovery rate is 65% instead of our standard 50%. Under an -all-bank- structure, recoveries for lenders in the event of a default are typically higher than in a -bank-bond- structure. As a result, Telecable's PDR is one notch lower than the CFR, at B2-PD.

Note that there is a €177.6 million shareholder loan at Parselaya level, which has been assessed as having 100% equity credit.

Rating Outlook

The outlook on the rating is stable, reflecting our expectation that the company will execute the strategy according to its business plan, with growing revenues driving EBITDA improvements, which will help to lower leverage.

What Could Change The Rating – UP

Upward pressure on the rating could develop if the company delivers on its business plan, such that its adjusted debt/EBITDA ratio drops below 3.5x on a sustained basis and the company generates sustained growth in free cash flows. This decrease in leverage would likely be reliant on the company maintaining its financial policy such that any potential acquisition or extraordinary shareholder remuneration does not compromise the expected deleveraging profile.

What Could Change The Rating – DOWN

Downward pressure could be exerted on the rating if (1) Telecable's operating performance weakens as a result of pricing pressures or market share losses leading to negative free cash flow generation; or (2) if the company increases debt as a result of acquisitions or shareholder distributions such that its adjusted debt/EBITDA sustainably rises towards 4.5x. A weakening in the company's liquidity profile could also exert downward pressure on the rating.

Appendix

EXHIBIT 9

Telecable's rating is well aligned with peers

Peer group comparison

					Scale	Operating Performance	Market Environment and Share		Financial Policy	Leverage and Coverage				
Company	Reporting Period	Moody's Rating	Outlook	Grid-Indicated Rating	(USD Billion)	Cable-related revenues / Homes Passed (USD)	Cable: Assessment of Markets and Competitive Position	Cable: Triple Play Equivalent	Financial Policy	Debt / EBITDA	FCF / Debt	(EBITDA - Capex) / Interest Expense	What could change the rating UP	What could change the rating DOWN
UPC Holding B.V.	Next 12-18 months	Ba3	Stable	Ba3	\$5-\$5.2	\$314-\$320	Ba	36%-37%	Ba	5x-5.2x	4%-5%	2.3x-2.5x	» Debt/EBITDA < 4.5x moving towards 4.0x » Revenue and profit growth	» Debt/EBITDA towards 5.5x » Liquidity profile to weaken
	12/31/2014	Ba3	Stable	Ba3	\$4.8	\$279	Ba	36%	Ba	4.7x	2.5%	2.5x		
Virgin Media Inc.	Next 12-18 months	Ba3	Stable	Ba2	\$7-\$7.2	\$550-\$570	Ba	33%-34%	Ba	5.2x-5.5x	4%-5%	2.0x-2.2x	» Debt/EBITDA < 4.5x	» Adjusted Debt/EBITDA > 5.5x » Weak liquidity
	12/31/2014	Ba3	Stable		\$6.9	\$125		33%		4.8x	10.0%	2.3x		
Mediacom	Next 12-18 months	Ba3	Stable		\$1.68-\$1.73	\$600-\$605	Ba	27%-28%	B	4.6x-5.0x	6%-7%	2.0x-2.5x	» Debt/EBITDA <3.5x FCF/Debt >10% » Good liquidity profile	» Debt/EBITDA >5x » Weakening operating performance » Deteriorating liquidity profile
	12/31/2014	B3	Positive	B1	\$1.0	\$634	Ba	29%	B	5.3x	6.3%	2.3x		
Com Hem	Next 12-18 months	Ba3	Stable	Ba3	\$0.7-\$0.7	\$311-\$313	Ba	27%-28%	Ba	4.2x-4.3x	5-5.5%	2.5x-3x	» Solidifying operating trends	» Debt/EBITDA > 4.5x
	LTM 09/30/2015	Ba3	Stable	B1	\$0.6	\$313	Ba	27.6%	Ba	4.1x	0.7%	B	» Positive FCF generation	» Materially weakened operating performance
	12/31/2014	B1	Stable	B1	\$0.7	\$349	Ba	28%	B	4.2x	-3.9%	1.2x	» Debt/EBITDA ratio < 3.75x	» Negative FCF generation
Telenet Group Holding NV	Next 12-18 months	B1	Stable	Ba3	\$3.1-\$3.2	\$910-\$930	Ba	54%-55%	B	4.7x-5.3x	0%-5%	1.8x-2x	» Debt/EBITDA ratio < 5.0x » Positive FCF	» Gross Debt/EBITDA towards 6.0x » FCF turns negative » Liquidity constrained
	12/31/2014	B1	Stable	Ba2	\$2.3	\$737	Ba	54%	Ba	4.2x	5.3%	2.0x		
Unitymedia GmbH	Next 12-18 months	B1	Stable	B1	\$3.0-\$3.2	\$230-\$250	Ba	26%-28%	Ba	5.2x-5.5x	5%-6%	1.75x-2.0x	» Improvements on FCF generation	» Debt/EBITDA towards 6.0x
	12/31/2014	B1	Stable	B1	\$2.7	\$215	Ba	32%	Ba	5.8x	5.8%	1.8x	» Debt/EBITDA towards 5.0x	» FCF turn negative
Euskaltel, S.A.	Next 12-18 months	B1	Stable	B1	\$0.6	\$393	Ba	23%	Ba	5.0x-5.3x	8%-9%	2.2x-2.4x	» Debt/EBITDA < 4.5x	» Debt/EBITDA trending to 5.5x » Weakening operating performance
	12/31/2014	-	-	Ba2	\$0.4		Ba		Ba	1.7x	33.30%	7.1x		

EXHIBIT 9

Telecable's rating is well aligned with peers

Peer group comparison

					Scale	Operating Performance	Market Environment and Share		Financial Policy	Leverage and Coverage				
Company	Reporting Period	Moody's Rating	Outlook	Grid-Indicated Rating	(USD Billion)	Cable-related revenues / Homes Passed (USD)	Cable: Assessment of Markets and Competitive Position	Cable: Triple Play Equivalent	Financial Policy	Debt / EBITDA	FCF / Debt	(EBITDA - Capex) / Interest Expense	What could change the rating UP	What could change the rating DOWN
Telecable	**Next 12-18 months**	**B1**	**Stable**	**B1**	**$0.2**	**$360**	**Ba**	**30%-31%**	**Ba**	**4.0x-4.3x**	**2%-4%**	**2.7x-2.8x**	**» Positive FCF generation » Adjusted Debt/EBITDA ratio < 3.5x**	**» Adjusted Debt/EBITDA > 4.5x » Materially weakened operating performance**
	12/31/2014			**B1**	**$0.2**	**$350**	**Ba**	**30%**	**Ba**	**3.3x**	**7.6%**	**1.0x**		
Tele Columbus AG	Next 12-18 months	B2	Stable	B2	$0.5-$0.5	$165-$175	Ba	35%-36%	Ba	4.8x-5.1x	(1.7%)-(1.3%)	0.8x-1.3x	» Operating progress including return to growth in the "homes connected" » Debt/EBITDA ratio < 4.5x	» Debt/EBITDA > 5.5x » Failure in strategy execution » Deterioration in the "homes connected" base
	12/31/2014	B2	Stable	B2	$0.3	$167	Ba	33%	Ba	6.7x	-1.3%	0.9x		

EXHIBIT 10

Reported and adjusted leverage reconciliation

Adjusted Debt and Leverage	Estimated FY 2015 € million
Total Term Loan B	274
Gross Debt as reported	274
Operating Lease Adjustment*	12
Guarantees	3
Gross Debt as adjusted by Moody's	**289**
EBITDA as reported	64
Operating Leases Adjustment	3
EBITDA as adjusted by Moody's	67
Debt/EBITDA as reported	**4.3x**
EBITDA as adjusted by Moody's	
Debt/EBITDA as adjusted by Moody's	**4.3x**

Note: Figures are Moody's estimates for both financial years 2015 and 2016

* Operating Lease Adjustment considering expected rent expense for FY15 factored by a multiple of 4x

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