

ZEGONA – INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016

TELECABLE ACQUISITION CONTINUES TO DELIVER STRONG PERFORMANCE

7 September 2016

Zegona Communications plc (LSE: ZEG) (“Zegona”) announces half year results for the six months ending 30 June 2016.

	Zegona H1 Consolidated ¹	Telecable H1 ²
Revenue	€70.5 million	€69.2 million
EBITDA ³	€31.4 million	€33.3 million
Cash Flow ⁴	€18.5 million	€20.4 million

Telecable acquisition performing well

- Revenue up 4.4% to €69.2 million
- EBITDA up 1.9% to €33.3 million
- Cash Flow up 10.6% to €20.4 million

Results in line with Zegona full year guidance

- Building on momentum following consumer price increase of €2 in January 2016 and strong market backdrop
- Continued YoY revenue growth in Business segment driven by growth in both customers numbers and ARPU
- Mid single digit revenue growth and double digit Cash Flow growth

Strong cash returns to shareholders

- 4.5 pence dividend per share for 2016 confirmed
- 2.25 pence to be paid in October 2016 (£4.4 million), with balance to be paid in March 2017

Zegona pleased with first full year of Telecable ownership

- Telecable continues to deliver strong performance with growth in revenue, EBITDA and Cash Flow
- Significant progress being made on key strategic initiatives
- Zegona continues to see many attractive investment opportunities across European TMT landscape

Eamonn O’Hare, Zegona’s Chairman and CEO commented: “Last month we celebrated our first full year of Telecable ownership and it is pleasing to see such strong results in the first half of 2016 building on a robust finish to 2015. Telecable has a clear strategy that is delivering results with continued growth in revenue, EBITDA and cash flow. We are encouraged by the momentum in the business, underpinned by a consumer price rise and progress in growing the business and mobile segments. This performance, together with further evidence of price repair in the Spanish telecoms market and the improving economic environment, gives us confidence that Telecable will continue to deliver growth in 2016 in line with our full year guidance.”

“As we look out across the European TMT landscape, we see many attractive investment opportunities. We will continue to evaluate those transactions which enhance shareholder returns and which satisfy our disciplined financial criteria. Driving shareholder value will always be our top priority, and as a result, we remain very disciplined as we evaluate these opportunities.”

1 Zegona Communications plc’s unaudited interim condensed consolidated financial results for six months ended 30 June 2016

2 Unaudited management accounts results for Telecable for six months ended 30 June 2016. Reconciliation between Telecable’s H1 2016 results and the Zegona H1 2016 consolidated financial results is provided in Appendix C

3 EBITDA defined as operating profit/loss before interest, taxes, depreciation, amortization, and other costs per Appendix C

4 Cash Flow is defined as EBITDA minus Capex on an accruals basis. Zegona considers EBITDA minus Capex to be a good proxy measure for the cash flow generated by the trading activities of its business and therefore this definition is used here and throughout this announcement

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Notes to Editors:

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’s first acquisition was the €640 million purchase of Telecable, the leading quad play cable telecommunications operator in the Asturias region of Spain, which completed in August 2015. Zegona believes Telecable represents a compelling investment because of its market leading position in Asturias and strong cash generation, coupled with attractive dynamics in the Spanish telecoms market and Spanish economy. In 2015, Telecable delivered revenues of €134.4 million, EBITDA of €65.0 million and Cash Flow of €36.1 million¹.

Conference Call Details

There will be a conference call for analysts and investors in London at 13:30 BST. Analysts and investors can dial in to the presentation on +44 (0) 20 3427 1906 - passcode 1575885# for all participants. The associated presentation will be available to download from the results and presentations section of www.zegona.com.

There will be a live webcast of the conference call available from the following link:

<http://edge.media-server.com/m/p/gz58quq4>

An on-demand webcast will be available from www.zegona.com

Forward-looking Statements

Certain statements in this Announcement are forward-looking statements which are based on Zegona’s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Zegona undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The information contained in this Announcement is subject to change without notice and Zegona does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein.

¹ Telecable unaudited pro forma results derived from management accounts

OVERVIEW¹

ZEGONA PLEASED WITH FIRST YEAR PERFORMANCE

Zegona was established with the objective of acquiring businesses in the European TMT sector with a 'Buy-Fix-Sell' strategy to deliver shareholder returns through fundamental business improvements. Our key focus is on creating superior value for our shareholders.

We acquired Telecable, the leading cable-based telecommunications operator in the Asturias region of Spain in August 2015 for €640 million. We are now a year into the ownership of Telecable and our belief that the acquisition represents a compelling investment is further strengthened because of, amongst other factors, Telecable's market leading position and strong cash generation and the continued improvement in the Spanish telecoms market and economy in line with our expectations. In addition, Telecable is very well positioned for further industry consolidation in Spain. Since acquiring the business, Zegona has worked closely with the Telecable management team to develop the business and the services it provides, and we have made significant progress in implementing a number of key strategic initiatives. These include (1) driving growth in consumer revenue with broadband speed upgrades, innovative TV services and investments in best-in-class content including premium football, (2) enhancing the mobile experience for all customers by doubling data allowances, expanding the Wifisfera WiFi service and converting prepaid customers to postpaid, (3) a greater focus on business clients, also supported by investment in leading football content and (4) a Capex productivity improvement programme that is focused on reducing costs associated with sales distribution, network maintenance and customer installations.

Beyond Telecable, we continue to see many attractive investment opportunities across the European TMT sector. The dynamic forces of increasing bandwidth requirements, industry consolidation and convergence are creating significant opportunities for additional acquisitions. We have a disciplined investment approach and continue to focus on realising long-term growth in value for Zegona's shareholders.

TELECABLE'S H1 2016 PERFORMANCE

FINANCIAL OVERVIEW

In order to facilitate an understanding of Telecable's operational results, we present and discuss comparative pro forma financial and operating information for Telecable as if Telecable had been acquired by Zegona on 1 January 2015. These comparative unaudited pro forma results for 2015 are presented in Appendix A and Appendix B. Telecable's financial results for the six months ended 30 June 2016 are based on unaudited management accounts and are discussed below.

Telecable's financial results in H1 2016 were in line with our full year guidance for 2016 of mid single digit revenue growth and double digit Cash Flow growth. Total revenue for the period was €69.2 million, which represents 4.4% YoY growth. This revenue growth was driven by impressive performance in the Mobile and Business segments, as well as enhancing the overall value proposition to consumer customers. Telecable's EBITDA reached €33.3 million in H1 2016, representing 1.9% YoY growth. Total Capex for the period was €12.9 million, resulting in Cash Flow of €20.4 million, 10.6% YoY growth.

CONSUMER²

Telecable's Consumer business generated revenue of €50.4 million in the first half of 2016, a 2.8% YoY increase. The growth in Telecable's high value quad-play customers and improved consumer ARPU (6.7% growth from €56.5 per month in H1 2015 to €60.3 per month in H1 2016) were important drivers of this revenue performance. ARPU growth was driven by a €2 per month price increase for fixed-line and bundled products in January 2016, which was supported by improvements in the consumer proposition including doubling mobile data allowances, doubling the minimum broadband speed to 200 Mbps, launching a high-end 500 Mbps broadband service, and expanding the premium content available to Telecable customers (including La Liga and Champions League Football).

¹ References to Telecable's performance in 2015 are based on Telecable unaudited pro forma results, derived from management accounts. References to Telecable's performance in 2016 are based on unaudited results, derived from management accounts and reconciled to Zegona consolidated financial statements in Appendix C

² Includes Consumer Mobile

CONSUMER MOBILE

Consumer Mobile is a key area of growth for Telecable. Mobile revenue increased to €13.6 million in H1 2016, representing a 7.7% YoY increase. This revenue increase was driven by a significant expansion in postpaid lines, which represents 19% YoY growth (28% of this growth was driven by converting lower value prepaid customers to postpaid, which also contributed to the overall postpaid ARPU reduction of 9.5%). Mobile data allowances were doubled in January, contributing to mobile growth. Mobile penetration within Telecable's fixed consumer customers increased to a record 55% in H1 2016. Quad play penetration is also now at a record high of 36%. In addition, Telecable continues to expand its Wifisfera WiFi service, resulting in 61k connected customers at the end of H1 2016, up 17% YoY, thereby significantly enhancing customer experience and Telecable's mobile economics. Continuing these trends is an important part of Zegona's strategy for Telecable, as they contribute to a customer base with lower churn and higher overall customer lifetime value. We expect mobile to continue its impressive growth, given Telecable's relatively low market share in Asturias of only 16%.

BUSINESS¹

Zegona places a high priority on growing Telecable's SOHO and Enterprise segments. Business revenue increased to €18.7 million in H1 2016, representing a 9.8% increase vs. H1 2015. This revenue growth was driven by ARPU growth of 6.1% and a 3.4% increase in the number of business customers in H1 2016. RGU growth was 6.2% as each customer subscribed to more products on average. The investment we are making in premium football content is supporting our Business segment growth, in particular in bars and restaurants. We believe there is significant additional potential to grow business revenue, given Telecable's relatively low market share in Asturias of 28% in business broadband.

CAPEX

Telecable continues to make significant investments in its business, whilst improving its capex productivity and focusing on higher priority developments. In H1 2016, capital expenditure was €12.9 million vs. €14.3 million in H1 2015. This Capex included customer premise equipment and installation costs of €3.5 million, sales commission costs of €2.8 million, and network and IT costs of €4.7 million. Other Capex, including OTT, Wifisfera and one-off projects, was €1.9 million. Capex as a percentage of revenue in H1 2016 was 18.7%.

NET DEBT

Telecable's net debt as at 30 June 2016 was €260.6 million, consisting of a €274.0 million Senior Credit Facility and €0.8 million other debt, offset by a cash balance of €14.2 million. Zegona held an additional €4.1 million of cash at end of H1 2016, reducing Zegona's total net debt to €256.5 million as at 30 June 2016. Telecable's Senior Credit Facility is non-amortizing, with a bullet repayment due in August 2022. Telecable also has a €20 million revolving credit facility, which is undrawn.

Telecable's debt was assigned a B1 corporate family rating (CFR) by Moody's in January 2016. Moody's in-depth review as part of its rating process confirmed the underlying strength of Telecable's business.

The Board is currently investigating the possibility of refinancing Telecable's Senior Credit Facility to a facility with a lower interest rate. This has the potential to reduce the annual interest costs payable by the group by more than €4 million.

ZEGONA'S H1 2016 CONSOLIDATED FINANCIAL STATEMENTS

Zegona's H1 2016 consolidated financial statements include the results of Telecable and the central costs incurred by Zegona in its operations. These central costs totalled €4.6 million in H1 2016 and included (1) €2.7 million of non-recurring advisory and other professional fees, primarily in relation to the work done on the acquisition of Yoigo (Zegona terminated all discussions in H1 2016, as announced on 22 June 2016), and (2) €1.9 million related to Zegona's underlying central costs.

A reconciliation between Telecable's unaudited H1 2016 results and Zegona's unaudited H1 2016 consolidated financial statements is provided in Appendix C.

This results announcement also represents Zegona's interim financial report for the purposes of the Disclosure and Transparency Rules made by the Financial Conduct Authority ("DTR"). In this context, the risks and uncertainties, directors' responsibility statement and condensed set of financial statements can be found at Appendix D, and the management report also comprises the above sections headed Overview, Telecable's H1 2016 Performance and Zegona's H1 2016 Consolidated Financial Statements.

¹ Includes Business Mobile

ZEGONA SHAREHOLDER REMUNERATION

On 4 March 2016, Zegona's Board of Directors approved a policy to pay a dividend of 4.5 pence per Ordinary Share for 2016. The Company is pleased to announce that the Board of Directors has declared an interim dividend of 2.25p per Ordinary Share to be paid in October 2016 and confirms that a further interim dividend of 2.25 pence per Ordinary Share will be paid in March 2017. It is Zegona's intention to grow the annual dividend on a progressive basis.

The payment of the interim dividend to eligible holders of Ordinary Shares is expected to be effected through CREST or by BACS/cheque (in the case of Ordinary Shares held in certificated form) on 14 October 2016.

Expected Timetable for October Interim Dividend:

Ex-date	22 September 2016
Record date	23 September 2016
Payment of the Interim Dividend	14 October 2016

APPENDICES

- A Telecable Summary Unaudited Q2 and H1 2016 Financial Results
- B Telecable Summary Unaudited Q2 and H1 2016 Operating Results
- C Reconciliation of Telecable's Unaudited H1 2016 Results to Zegona's Unaudited H1 2016 Interim Condensed Consolidated Financial Statements
- D Zegona Interim Financial Report

A) TELECABLE SUMMARY UNAUDITED Q2 AND H1 FINANCIAL RESULTS

Figures in € million	Q2			H1		
	2016	2015*	Change	2016	2015*	Change
Consumer	25.1	24.7	1.9%	50.4	49.0	2.8%
Business	9.2	8.6	6.3%	18.8	17.3	8.9%
Total Revenue	34.3	33.3	3.1%	69.2	66.3	4.4%
Direct Costs	7.2	5.3	33.8%	15.0	10.9	37.6%
Gross Profit	27.1	27.9	-2.8%	54.2	55.4	-2.2%
Other Costs	10.4	11.2	-7.4%	20.9	22.7	-8.1%
EBITDA	16.7	16.7	0.2%	33.3	32.7	1.9%
Capex	5.1	6.2	-16.7%	12.9	14.3	-9.3%
Cash Flow	11.6	10.5	10.2%	20.4	18.4	10.6%

Figures in € million	Q1	Q2	Q3	Q4	Q1	Q2
	2015*	2015*	2015*	2015	2016	2016
Consumer	24.4	24.7	24.9	25.1	25.3	25.1
Business	8.7	8.6	8.8	9.3	9.7	9.2
Total Revenue	33.0	33.3	33.7	34.4	34.9	34.3
Direct Costs	5.6	5.3	6.1	7.5	7.9	7.2
Gross Profit	27.5	27.9	27.6	26.9	27.1	27.1
Other Costs	11.5	11.2	11.5	10.7	10.5	10.4
EBITDA	16.0	16.7	16.2	16.2	16.6	16.7
Capex	8.1	6.2	7.4	7.3	7.8	5.1
Cash Flow	7.9	10.5	8.8	8.9	8.8	11.6

Notes

Consumer includes Consumer Fixed and Consumer Mobile

Business includes SoHo, Enterprise and Other Revenue

EBITDA defined as operating profit/loss before interest, taxes, depreciation, amortization, and other costs per Appendix C

Cash Flow defined as EBITDA minus Capex

All figures are rounded to the nearest 1 decimal place

* References to Telecable's performance up to and including Q3 2015 are based on Telecable unaudited pro forma results as if Telecable had been owned by Zegona for such periods, derived from management accounts

B) TELECABLE SUMMARY UNAUDITED Q2 AND H1 OPERATING RESULTS

	Q1 2015*	Q2 2015*	Q3 2015*	Q4 2015	Q1 2016	Q2 2016	H1 2015*	H1 2016	Growth %
Consumer **									
Revenue (€m)	24.4	24.7	24.9	25.1	25.3	25.1	49.0	50.4	2.8%
Customers (AOP K)	145	144	143	142	140	138	145	139	-3.7%
RGUs (K)	456	458	457	456	453	450	458	450	-1.7%
RGUS/Customer	3.15	3.18	3.19	3.23	3.25	3.27	3.18	3.27	2.8%
ARPU (€/month)	56.1	56.9	57.9	58.8	60.1	60.5	56.5	60.3	6.7%
Consumer Mobile									
Revenue (€m)	6.2	6.5	6.8	6.7	6.6	7.0	12.6	13.6	7.7%
Customers (AOP K)	72	73	75	77	79	80	72	79	9.7%
Postpaid Lines (AOP K)	96	99	103	108	114	118	98	116	19.0%
Postpaid ARPU per line (€/month)	21.1	21.5	21.6	20.6	19.3	19.6	21.6	19.5	-9.5%
Mobile Penetration (%)	46%	47%	49%	51%	53%	55%	47%	55%	15.0%
Quad play (%)	31%	32%	33%	35%	36%	36%	32%	36%	12.9%
Business ***									
Revenue (€m)	8.6	8.5	8.7	9.3	9.6	9.1	17.1	18.7	9.8%
Customers (AOP K)	20	20	20	21	21	20	20	20	3.4%
RGUS (K)	85	87	90	91	92	93	87	93	6.2%
RGUS/Customer	4.29	4.36	4.39	4.44	4.48	4.55	4.36	4.55	4.2%
ARPU (€/month)	145	142	144	150	156	149	144	152	6.1%

*References to Telecable's performance up to and including Q3 2015 are based on Telecable unaudited pro forma results as if Telecable had been owned by Zegona for such periods, derived from management accounts

** Includes Consumer Mobile

*** Includes Business Mobile and excludes other revenues

Consumer Customers: Residential customers with fixed and/or mobile services activated

RGU: Revenue generating unit. This includes all services (fixed voice, fixed broadband, pay-TV and mobile) and is measured at the end of the period

ARPU: Average revenue per user. It includes fixed and mobile revenues per user, with mobile ARPU measured on a per line basis.

Postpaid Customers: Consumer customers with mobile lines activated

Postpaid Lines: Postpaid mobile lines activated

Mobile Penetration: Fixed and mobile customers over fixed customers and is measured at the end of the period

Quad Play: Customers with four services (pay-TV, fixed voice, broadband and mobile) over total customer base and is measured at the end of the period

AOP: Average number over the relevant period

C) RECONCILIATION OF TELECABLE'S UNAUDITED H1 2016 RESULTS TO ZEGONA'S H1 2016 CONSOLIDATED FINANCIAL STATEMENTS

	Telecable six months to 30 June 2016	Zegona central costs for six months to 30 June 2016	Consolidated Results
Figures in € million			
Total Revenues for Reconciliation	69.2	-	70.5*
EBITDA	33.3	-1.9	31.4
Depreciation of Property, Plant and Equipment	-11.8	-	-11.8
Amortisation of Intangible Assets	-12.9	-	-12.9
Loss on disposal of Property, Plant and Equipment	-1.4	-	-1.4
Non-recurring Staff Costs**	-	-	-
Non-recurring External Services***	-0.1	-	-0.1
Non-recurring Project Costs	-	-2.7	-2.7
Operating Profit/(Loss)	7.0	-4.6	2.4
Capex	12.9	-	12.9
Cash Flow	20.4	-1.9	18.5

* Total revenues, based on management accounts, are €69.2m as reported in the Telecable's unaudited H1 2016 financial results. The consolidated H1 2016 figure of €70.5m includes €1.3m of interconnection and portability revenues in line with IFRS accounting treatment and excludes €0.1m of Other Revenue. Telecable's results net off the interconnection and portability revenues and an equivalent level of costs, whereas these revenues and costs are both included in Zegona's 2016 interim consolidated financial statements. Other Revenues related to film investment and marketing campaign related revenues are included in Telecable's H1 2016 results, but are not included in revenue in Zegona's 2016 interim consolidated financial statements but are recorded before operating profit.

** Non-recurring Staff Costs are costs incurred in relation to the sale of Telecable to Zegona and include staff exit costs, one-off staff bonus and ratchet payments, and staff indemnity payments.

*** Non-recurring External Services are costs incurred in relation to the sale of Telecable to Zegona and include costs for the vendor due diligence reports and other one-off professional fees.

Zegona Communications plc

Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

MANAGEMENT REPORT

Risks

The Directors are of the opinion that the risks described below are applicable to the six month period to 30 June 2016, as well as the remaining six months of the financial year.

Financial Risks

The Group's activities expose it to market risk, principally interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates, the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In the opinion of the Directors, a significant movement in EURIBOR would be required to have a material impact on the cash flow position of the Group. Whilst considered unlikely, should a significant negative impact arise, sufficient working capital is provided through the Group's access to a revolving credit facility of up to €20 million which at the date of the approval of these financial statements remains undrawn. Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances.

Whilst the Company is investigating refinancing its existing senior facilities at a lower overall cost, there is no guarantee that any improved terms will be obtained or that the interest payable on the existing facilities will, in future, reduce.

Foreign Currency Risk

Foreign currency translation risk exists due to the Company operating with a different functional currency (GBP) to that of its subsidiaries (EUR). Whilst this results in FX gains/losses on consolidation, the principal impact is on the Company's ability to re-translate the cash generated by Telecable in EUR into GBP for the purposes of returning it to shareholders. Based on the anticipated cashflows of the Group the foreign exchange forward contracts in place (refer note 13) and the ability of the Board of Directors (the "Board") to reduce or delay any return to shareholders should it be necessary, the Board believe that this risk would not have a material effect on the cash position of the Group.

Howard Kalika (the Chief Financial Officer or "CFO"), the Board and the finance department of Telecable control and monitor financial risk management in accordance with the internal policy and the strategic plan defined by the Board.

Non Financial Risks

The principal non financial risks to which the Company is exposed are set out below:

Acquisition of Targets

There is a risk that the Company may not successfully identify further suitable acquisitions, or may be unable to complete desired acquisitions or fund operations of further targets if it does not obtain additional funding. The Board continually looks for and considers potential acquisitions that it believes to be in the best interests of the Company which includes assessing the potential financing of any such acquisition. This risk is mitigated through ensuring that the Group retains a cost base commensurate with the Group's scale to avoid value erosion.

Key Management

On a day-to-day basis, the Group is led by the executive Directors and the CFO. The absence of key management could result in the failure of the Group to achieve its objectives. The Group aims to retain its key staff by offering remuneration packages at market rates, and through the long term incentivisation provided through the key staff's holdings of Management Shares.

Economic Downturn

There is a risk that deterioration in the Spanish economy, and more specifically the economy of the Asturias region, would have an adverse effect on the Group's business. Whilst this is outside of the Group's control, it is actively considered by the Board on an ongoing basis and influences the assessment of any further acquisition targets in the country.

Competitors

The Group faces significant competition from established and new competitors that provide residential fixed-line telecommunications, mobile telecommunications, broadband internet and television services, as well as business telecommunications services in Spain. Any actions taken by these competitors may pose a threat to the Group. The Group also faces potential competition from new entrants. To mitigate these risks, the Board and senior managers of Telecable actively monitor the actions of their competitors, and any new entrants into the market, and ensure they have an understanding of the manner in which they conduct business. The Board aims to act swiftly and appropriately in response to any new ventures of current competitors or new entrants which it believes pose a significant threat to the Group.

Technology

The sectors in which Telecable competes are subject to rapid and significant changes in technology which are difficult to predict. If the Group fails to introduce new or enhanced products, and keep pace with technological change, this could potentially have an adverse effect on its revenues, margins and market share. To compete effectively, the Group aims to successfully design and market its services, and anticipate and respond to various competitive factors affecting its markets utilising the extensive market experience of its management team.

Key Business Inputs

Key contracts, key suppliers including equipment and service suppliers, permits, licences and authorisations, are essential for the ongoing operation of Telecable's business. The Board and senior managers of Telecable are continually evaluating the business' requirements to ensure there is no adverse effect on the business' operations or profitability.

Detailed consideration is given to all of these risk factors at meetings of both Telecable senior management and the Zegona Board of Directors.

Brexit

Telecable operates in Northern Spain and virtually all its revenues are derived from activities in Spain with consumers and businesses in the Asturias region. These sales are undertaken in Euros. The vast majority of Telecable's costs of operations are also Euro-based. Therefore, it is not anticipated that Telecable's operations and its financial results will be materially impacted by any foreign exchange or other market impacts due to the United Kingdom's referendum decision to leave the European Union.

Further details of principal risks and uncertainties were disclosed in the prospectus prepared in connection with the offer of Zegona's ordinary shares on the Main Market of the London Stock Exchange (the "Prospectus"). A copy of the Prospectus is available from the investors section of Zegona's website at www.zegona.com.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- the unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting"; and
- the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R and Disclosure and Transparency Rule 4.2.8R.

Neither the Company nor the directors accept any liability to any person in relation to the half-year financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000

Details on the Company's board of Directors can be found on the Company website at www.zegona.com.

By order of the Board

Eamonn O'Hare

Chairman and CEO

6 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June 2016	Period ended 30 June 2015
		Unaudited	
	Note	€000	€000
Revenue		70,479	-
Cost of sales		(39,938)	-
Gross profit		30,541	-
Other income		281	-
Selling and distribution expenses		(16,286)	-
Administrative expenses		(7,533)	(954)
Impairment losses and losses on disposal of assets	4,5	(1,424)	-
Other operating expenses		(3,185)	-
Operating profit/(loss)		2,394	(954)
Finance costs		(7,023)	-
Finance income		31	3
Exchange differences		61	-
Loss for the period before income tax		(4,537)	(951)
Income tax	12	2,150	-
Loss for the period attributable to equity holders of the parent		(2,387)	(951)
Earnings per share			
Basic and diluted loss per share attributable to ordinary equity holders of the parent (€)	11	-0.012	-0.043

The accompanying notes are an integral part of the unaudited condensed financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2016	Period ended 30 June 2015
	Unaudited	
	€000	€000
Loss for the period	(2,387)	(951)
Other comprehensive income		
Exchange differences on translation of foreign operations	(438)	(20)
Other comprehensive loss for the period	(438)	(20)
Total comprehensive loss for the period, net of tax, attributable to equity holders of the parent	(2,825)	(971)

The accompanying notes are an integral part of the unaudited condensed financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2016	As at 31 December 2015
		Unaudited	Audited
	Note	€000	€000
Assets			
Non-current assets			
Property, plant and equipment	4	130,822	134,910
Intangible assets	5	566,352	575,445
Non-current financial assets		1,616	1,605
		698,790	711,960
Current assets			
Inventories		864	373
Trade and other receivables	7	11,165	10,148
Cash and cash equivalents		18,256	14,264
		30,285	24,785
Total assets		729,075	736,745
Equity and liabilities			
Equity			
Share capital		2,738	2,738
Share premium	10	-	386,045
Other reserves	10	386,045	
Share-based payment reserve		37	25
Foreign currency translation reserve		(701)	(263)
Retained earnings		(17,279)	(14,892)
Total equity attributable to equity holders of the parent		370,840	373,653
Current liabilities			
Trade and other payables	9	26,512	24,352
Current financial liabilities	8	11,462	16,891
Deferred revenue		193	229
		38,167	41,472
Non-current liabilities			
Non-current financial liabilities		266,349	265,648
Deferred revenue		2,654	2,727
Deferred tax liabilities		51,065	53,245
		320,068	321,620
Total liabilities		358,235	363,092
Total equity and liabilities		729,075	736,745

The accompanying notes are an integral part of the unaudited condensed financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Share capital	Share premium	Share-based payment reserve	Other reserves	Accumulated losses	Foreign currency translation reserve	Total equity
	€000	€000	€000	€000	€000	€000	€000
At 1 January 2016	2,738	386,045	25	-	(14,892)	(263)	373,653
Profit (Loss) for the period	-	-	-	-	(2,387)	-	(2,387)
Other comprehensive loss	-	-	-	-	-	(438)	(438)
Issue of share capital	-	-	-	-	-	-	-
Share-based payments	-	-	12	-	-	-	12
Cancellation of share premium account	10	(386,045)	-	386,045	-	-	-
Balance at 30 June 2016 (unaudited)	2,738	-	37	386,045	(17,279)	(701)	370,840

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Foreign currency translation reserve	Total equity
	€000	€000	€000	€000	€000	€000
At incorporation on 19 January 2015	-	-	-	-	-	-
Loss for the period	-	-	-	(951)	-	(951)
Other comprehensive loss	-	-	-	-	(20)	(20)
Issue of share capital	352	39,990	-	-	-	40,342
Share-based payments	-	-	6	-	-	6
Balance at 30 June 2015 (unaudited)	352	39,990	6	(951)	(20)	39,377

The accompanying notes are an integral part of the unaudited condensed financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2016	Period ended 30 June 2015
	Unaudited	
	€000	€000
Operating activities		
Loss before income tax	(4,537)	(951)
Reconciliation of loss before income tax to operating cash flows:		
Depreciation and impairment of property, plant and equipment	11,781	-
Amortization of intangible assets	12,913	-
Impairment loss on trade receivables	944	-
Share-based payment expense	12	6
Net foreign exchange differences	(61)	-
Losses on derecognition or disposal of non-current assets	1,424	-
Finance income	(31)	-
Finance costs	7,023	-
Working capital adjustments		
(Increase)/decrease in trade and other receivables and prepayments	(1,017)	(453)
(Increase)/decrease in inventories	(491)	-
Increase/(decrease) in trade and other payables	(3,269)	216
Deferred income/revenue	(110)	-
Interest received	20	-
Interest paid	(7,436)	-
Income tax (paid)	31	-
Net cash flows used in operating activities	17,196	(1,182)
Investing activities		
Purchase of property, plant and equipment	(8,900)	(1)
Purchase of intangible assets	(4,037)	-
Net cash flows used in investing activities	(12,937)	(1)
Financing activities		
Net proceeds from issue of share capital	-	39,494
Repayment of borrowings	(37)	-
Net cash flows from financing activities	(37)	39,494
Net increase in cash and cash equivalents	4,222	38,311
Net foreign exchange difference	(230)	822
Cash and cash equivalents at beginning of the period	14,264	-
Cash and cash equivalents at the end of the period	18,256	39,133

The accompanying notes are an integral part of the unaudited condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The interim condensed consolidated financial statements of Zegona Communications plc (the “Company” or the “Parent”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 (the “Interim Financial Statements”) were authorised for issue in accordance with a resolution of the directors on 6 September 2016. The Company is incorporated in England and Wales and domiciled in the United Kingdom as a public limited company with company number 09395163 and has its registered office at 20 Buckingham Street, London, WC2N 6EF.

2. BASIS OF PREPARATION

(a) Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” and are presented on a condensed basis. The Interim Financial Statements do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006 (the “Companies Act”).

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015 which are available on the Company’s website, www.zegona.com.

All comparative figures included in the Interim Financial Statements are for the period from incorporation of the Company on 19 January 2015 to 30 June 2015, or are as at 31 December 2015.

Information from 31 December 2015 is based on the statutory accounts for the period ended 31 December 2015, which were delivered to the Registrar of Companies and on which the auditors’ report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act.

For the period from incorporation to 30 June 2015, figures have been translated from GBP, as presented in the 30 June 2015 consolidated financial statements, into EUR following the change of presentational currency from GBP to EUR for the 31 December 2015 consolidated financial statements.

The balances reported for the period to 30 June 2015 are not directly comparable to those reported for the six months ended 30 June 2016. The period to 30 June 2015 was from incorporation of the Company on 19 January 2015 and therefore does not constitute a full six month period, and also do not incorporate any results for the Company’s operating subsidiaries which were acquired on 14 August 2015.

(b) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the period ended 31 December 2015, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments apply for the first time in 2016, they do not have a material effect on the Interim Condensed Consolidated Financial Statements of the Group.

Standard	Effective date (period commencing)
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 – Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
Annual improvements (2012-2014)	1 January 2016
Amendments to IAS 16 and IAS 41 – Bearer plants	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception	1 January 2016*

Standards issued but not yet effective

The following standards are issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective. The effects of IFRS 15 and IFRS 16 are yet to be assessed. It is not expected that IFRS 9 will have a material impact on the Group.

Standard	Effective date (period commencing)
IFRS 15 – Revenue from Contracts with Customers	1 January 2018*
IFRS 9 – Financial instruments	1 January 2018*
IFRS 16 – Leases	1 January 2019*

*subject to EU endorsement

3. SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2016, and the period ended 30 June 2015 respectively.

Six months to 30 June 2016	Telecable group	Central costs	Adjustments and eliminations	Consolidated
	€ 000	€ 000	€ 000	€ 000
Revenue				
External customers	70,479	-	-	70,479
Inter-segment	-	488	(488)	-
Total revenue	70,479	488	(488)	70,479
Revenue by customer				
Handset sales	377	-	-	377
Services provided to residential customers	51,114	-	-	51,114
Services provided to business customers	18,988	-	-	18,988
Services to Group companies	-	488	(488)	-
Total revenue	70,479	488	(488)	70,479
Income/(expenses)				
Depreciation and amortisation	(24,694)			(24,694)
Interest income	31	6,544	(6,544)	31
Interest expense	(13,567)		6,544	(7,023)
Income tax	2,180	(30)		2,150
Loss for the period	(4,747)	2,386	(26)	(2,387)

For the period to 30 June 2015, the Group operated as one segment (central costs):

Period to 30 June 2015	Central costs
	€000
Revenue	-
Income/(expenses)	
Depreciation and amortisation	-
Interest income	4
Interest expense	-
Income tax	-
Loss for the period	(951)

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired plant and equipment assets of €6,290k (period to 30 June 2015: €1k) and disposed of plant and equipment assets with a net book value of €1,207k (period to 30 June 2015: nil). Disposals of home installations resulted in a loss on disposals of assets of €1,207k during the period.

During the six months ended 30 June 2016, the Group acquired fixtures & fittings and assets under construction of €147k and €2,463k respectively. No assets of this nature were held by the Group in the six month period to 30 June 2015.

5. INTANGIBLE ASSETS AND GOODWILL

During the six months ended 30 June 2016, the Group acquired other intangible assets and assets under construction of €3,719k and €311k respectively and disposed of other intangible assets with a net book value of €217k. Disposals of commissions resulted in a loss on disposal of €217k during the period.

There were no movements in intangible assets held by the Group in the period from incorporation to 30 June 2015.

6. INVESTMENTS

During the period, the Group established Zegona Spanish Holdco Limited, Zegona Borrower Limited, Zegona Holdco Limited (all incorporated in England and Wales) and Zegona Lux Finco S.A.R.L (incorporated in Luxembourg). These companies are currently dormant and have had no effect on the interim condensed consolidated financial statements.

7. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 €000	As at 31 December 2015 €000
Trade receivables	6,976	6,843
Other receivables	-	133
Prepaid football rights	3,281	2,499
Other prepayments	775	423
VAT recoverable	41	60
Other receivables with tax authorities	34	138
Other current financial assets	58	52
Total	11,165	10,148

There is no material difference between the book value and the fair value of trade and other receivables.

8. BORROWINGS

Carrying value of Group's short and long-term borrowings are as follows:

	As at 30 June 2016 € 000	As at 31 December 2015 €000
Short term borrowings		
Bank borrowings	419	1,519
Advances refundable to the Spanish Ministry of Industry	102	139
Other borrowings	10,941	15,233
	11,462	16,891
Long term borrowings		
Bank borrowings	265,705	265,017
Advances refundable to the Spanish Ministry of Industry	626	612
	266,331	265,629
Total borrowings	277,793	282,520

There is no material difference between the book value and the fair value of financial liabilities.

Bank loans include a Senior Secured Facility Agreement dated 27 July 2015 borrowed by Parselaya, S.L (the holding company of the Telecable group), on the acquisition of Telecable on 14 August 2015, which includes a facility of €274 million which matures in August 2022 and a revolving credit facility up to €20 million which was undrawn as at 30 June 2016 and remains undrawn at the date of this report. This revolving credit facility is available until 2021.

9. TRADE AND OTHER PAYABLES

	As at 30 June 2016	As at 31 December 2015
	€000	€000
Current		
Trade and other payables	22,480	22,667
Accruals	3,595	1,357
Employment tax and social security	437	328
	<u>26,512</u>	<u>24,352</u>

The carrying amount of trade and other payables approximate their fair value.

10. SHARE PREMIUM

On 8 June 2016, following approval by special resolution of the shareholders at the Annual General Meeting of the Company on 15 April 2016, the share premium account of the Company was cancelled, as confirmed by an Order of High Court of Justice, Chancery Division.

Upon the cancellation of the share premium account, the balance was transferred to other reserves. Other reserves form part of the distributable reserves of the Company.

11. LOSS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Management Shares and Core Investor shares have not been included in the calculation of diluted earnings per share because they are not dilutive for the period presented.

	Six months ended 30 June 2016
Group	
Loss attributable to the owners of the parent	€2,387,000
Weighted average number of ordinary shares in issue	196,044,960
Diluted earnings per share	-€0.012

Management and Core Investor Shares in the share capital of the Company's subsidiary Zegona Limited were issued during 2015. On exercise, the value of these shares is expected to be delivered by the Company issuing new Ordinary Shares although the Company has the right at all times to settle such value in cash. Should the value be satisfied by the issue of Ordinary Shares, this will have a dilutive effect in the future.

12. TAXATION

	Six months ended 30 June 2016 € 000
Current tax expense	
Current period	(16)
Tax deductions	(14)
Deferred tax expense	
Origination and reversal of temporary differences	2,180
Tax credit for the period	<u>2,150</u>

13. FINANCIAL INSTRUMENTS

Financial instrument categories

The classification by category of the financial instruments held by the Group at 30 June 2016 is as follows:

	Current € 000	Non current € 000
Loan and receivables		
Loans	-	1,572
Other financial assets	58	42
Trade and other receivables	11,107	-
Cash and cash equivalents	18,256	-
	<u>29,421</u>	<u>1,614</u>
Available for sale		
Investments	-	2
	<u>29,421</u>	<u>1,616</u>
Other financial liabilities		
Bank borrowings	419	265,705
Trade and other payables	26,512	-
Guarantees	-	19
Other borrowings	11,043	626
	<u>37,974</u>	<u>266,350</u>

The Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the interim condensed consolidated financial statements equate to their fair values.

The Group's assets and liabilities carried at fair value above at 30 June 2016 are categorised as Level 2 fair value measurement.

On 30 June 2016, the Company entered into two foreign exchange forward contracts. The fair value of forward foreign exchange contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present value. As no premium was paid for the two foreign exchange forward contracts, these are valued at €nil as at 30 June 2016.

14. RELATED PARTY TRANSACTIONS

Mark Brangstrup Watts is an ultimate beneficial owner of Axio Capital Solutions Limited which provides company secretarial, administrative and accounting services to the Group. During the period Axio Capital Solutions Limited charged £229,635 (€295,065). Axio Capital Solutions Limited was owed an amount of £97,003 (€116,961) at the balance sheet date.

15. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding at 30 June 2016 that require disclosure or adjustment in these financial statements.

16. POST BALANCE SHEET EVENTS

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.