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ZEGONA COMMUNICATIONS PLC ("Zegona")

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26 FEBRUARY 2020

EUSKALTEL RETURNS TO GROWTH

Significantly Improved Operating KPIs

Euskaltel yesterday reported its Q4 2019 and FY 2019 results, with significantly improved operating KPIs for the year. In 2019, Euskaltel grew its fixed subscribers by 9k, with 18k broadband net additions and 47k postpaid mobile net additions. This is the first year of customer growth after two years of losses. The number of products and services also grew with more convergent customers, reaching an average of almost 3.7 services per subscriber. In the B2B market, Euskaltel similarly increased its customer base materially during 2019, reaching a record high of 15.3k customers.

Strong Financial Results

Euskaltel's financial results were also strong, with revenues returning to growth in Q4 2019. Actions taken to create a single unified operational platform serving Euskaltel's multiple regional brands have already resulted in material cost savings, with SG&A expenses 11% lower. These savings, along with improvements in Euskaltel's main wholesale agreements with Orange and Telefonica, resulted in EBITDA for Q4 2019 reaching a record level of €92m, an increase of almost 8%¹. This represents the second consecutive quarter of EBITDA growth. For FY 2019, EBITDA grew 2.4% to €344m and operating cash flow increased by 4% to €190m.

National Expansion on Track

Euskaltel also reported that it has increased its addressable market significantly with further roll-out of its own HFC and FTTH network (which now passes almost 2.5m homes, an increase of 7% during 2019) and through recent new wholesale network access agreements. These wholesale agreements enable Euskaltel to serve over 3m additional customers in other northern Spanish regions including Catalonia, Cantabria, Leon and La Rioja. The expansion of Euskaltel's addressable market is expected to increase substantially further during 2020 as it launches its National Expansion with the Virgin brand. In its FY 2019 results, Euskaltel reported that it now has all the assets it needs for National Expansion, including its unified operational platform, improved wholesale network agreements, and its recent Virgin brand agreement. Euskaltel will provide further details on its National Expansion business plan on 10th March 2020.

Reacting to the results, Eamonn O'Hare, Zegona's Chairman and CEO, commented, "Euskaltel's recent results demonstrate the positive progress being made by the new management team with its sharpened focus on strengthening the existing business, driving efficiencies through creating a unified business structure and expanding the business outside of its traditional core regions. We are excited by the prospects for the business as it takes the next major steps forward to expand as a national operator, using the Virgin brand to provide a market leading service to customers across Spain."

¹ Excluding positive impact of IFRS16. Includes €6.9m of one-offs, mainly from the renewal of the Orange wholesale agreement with improved terms

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About Zegona

Zegona was established in 2015 with the objective of investing in businesses in the European Telecommunications, Media and Technology sector and improving their performance to deliver attractive shareholder returns. Zegona is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson.

About Euskaltel

Euskaltel S.A. ("Euskaltel") is the leading converged telecommunications provider in the North of Spain, with a network covering nearly 2.5 million households. It provides high speed broadband, data rich mobile, advanced TV and fixed communications services to residential and business customers under the Euskaltel, R Cable and Telecable brands. Euskaltel is a public company traded on the stock markets of Bilbao, Madrid, Barcelona and Valencia.

IMPORTANT NOTICES

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