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ZEGONA COMMUNICATIONS PLC

21 December 2018

UPDATE ON ZEGONA'S PROPOSAL TO INCREASE ITS INVESTMENT IN EUSKALTEL

On 19 October 2018, Zegona Communications plc ("Zegona") announced its intention to make a partial tender offer to acquire up to a maximum of 14.9% of the outstanding share capital of Euskaltel, S.A. ("Euskaltel") at a price of €7.75 per share (the "Tender Offer").

In recent weeks, Zegona has continued the process to secure funding for its proposed Tender Offer. However, given the deterioration in equity market conditions during this period, the terms available for the transaction to acquire the full 14.9% of Euskaltel would not have been acceptable to Zegona shareholders. Zegona therefore no longer intends to proceed with its proposed Tender Offer.

Zegona has agreed terms for a shareholder relationship with Talomon Capital Limited ("Talomon"), which is a shareholder of both Zegona and Euskaltel¹. This increases Zegona's confidence in its ability to engage positively with Euskaltel with materially increased influence. Under the shareholder relationship agreement, Talomon would have an ownership entitlement of up to 2.4% of Euskaltel. Therefore, given Zegona's existing 15% ownership of Euskaltel, in order to avoid potentially triggering a mandatory offer, Zegona believes it will be limited to acquiring a maximum of an additional 12.5% of Euskaltel.

Zegona's strategy in relation to Euskaltel remains focussed on increasing its ownership position and using its increased influence to work constructively with the Euskaltel board of directors and management to improve the performance of the business. Zegona will therefore seek to increase its ownership of Euskaltel through market purchases at a price it considers attractive for its shareholders based on prevailing market conditions.

Following good support from existing and new investors, Zegona intends to raise new equity for these proposed market purchases via a non pre-emptive institutional placing. In addition, Zegona has been offered flexible loan financing facilities², subject to certain conditions, that could be used to increase Zegona's investment in Euskaltel. Zegona intends to publish a circular and prospectus for its equity placing in January 2019.

¹ Talomon owns between 1% and 2% of Euskaltel's share capital on behalf of its clients and funds it manages

² Financing facilities in an aggregate amount of £30 million, with up to £10 million available from the Virgin Group

Enquiries

Tavistock (Public Relations adviser – UK)

Tel: +44 (0)20 7920 3150

Jos Simson – jos.simson@tavistock.co.uk

Lulu Bridges - lulu.bridges@tavistock.co.uk

Llorente y Cuenca (Public Relations adviser – Spain)

Tel: +34 (0) 91 563 7722

Jorge López-Zafra – jlopez@llorenteycuenca.com

This announcement contains inside information.

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improve the performance of the business, changing demands of consumers of telecommunications services, the increasing adoption of free-to-home and direct-to-home television services, changing business or other telecommunications market conditions, and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules or other applicable legislation or regulation, Zegona does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

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