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ZEGONA COMMUNICATIONS PLC

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ZEGONA TO INCREASE INVESTMENT IN EUSKALTEL

London, England, 19 October 2018 - Zegona Communications PLC ("Zegona" or the "Company") announces a proposed partial tender offer for up to 14.9% of Euskaltel, S.A. ("Euskaltel") at a price of €7.75 per share

Zegona today announces that it intends to make a partial tender offer in cash to acquire up to 14.9% of the outstanding shares of Euskaltel at a price of €7.75 per share (the "Tender Offer"). The offer price represents a premium of 18% over the closing price on 18 October 2018. Zegona currently owns 15.0% of Euskaltel and would increase its ownership to 29.9% if the Tender Offer were accepted in full.

The Tender Offer will be funded through a non pre-emptive institutional placing, which has been fully underwritten by Barclays Bank PLC ("Barclays"), of ordinary shares in the capital of Zegona (the "New Zegona Shares") to raise up to £225 million (the "Placing").

As Zegona has previously stated, Euskaltel is a strategically attractive business with a strong competitive position in its home markets and a range of opportunities to deliver profitable growth. Zegona believes there is potential to create significant additional value by driving efficiency improvements[1], increasing revenue growth in existing regions[2] and accelerating expansion outside the current footprint.

With increased ownership, Zegona anticipates greater participation on the board of directors of Euskaltel. This creates the opportunity for Zegona's senior management to apply its extensive sector knowledge and experience to contribute additional value to the business and help realise its full potential.

Eamonn O'Hare, Zegona's Chairman and CEO, commented:
"We are delighted today to announce our intention to make an offer to acquire up to 14.9% of Euskaltel at a price of €7.75 per share. If this offer were accepted in full, Zegona would almost double its ownership in the business to 29.9%. This significant incremental investment not only provides Euskaltel shareholders with a very attractive 18% premium but also reinforces Zegona's commitment and underlines our belief in the future potential of the Euskaltel business. In addition, we see opportunities where our industry knowledge and experience can be valuable to Euskaltel, and we look forward to continuing our constructive relationship with the leadership team to help return the business to growth."

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[1] Zegona estimates cost savings of circa €40 million per annum are achievable from a range of operating and mobile access integration measures

[2] Including expanding the network to up to 200,000 new homes in existing Euskaltel regions, which Zegona believes can deliver a 3 year payback (based on market information), and investing in customer-focused service upgrades, such as gigabit broadband access

Further Details on the Proposed Transaction

Zegona today announces that its board has resolved to increase its investment in Euskaltel and that it intends to make a partial tender offer in cash to acquire up to 26,620,000 of the outstanding shares of Euskaltel (the "Euskaltel Shares"), representing approximately 14.9% of the outstanding shares, at a price of €7.75 per share. The offer price represents a premium of 18% over the closing price on 18 October 2018, the last trading day before this announcement. Zegona currently owns 15.0% of the outstanding Euskaltel Shares and would reach a stake of 29.9% if the Tender Offer were accepted in full.

Eligible Euskaltel shareholders may tender up to their entire holding, but in the event that more than 26,620,000 Euskaltel Shares are tendered in aggregate, then the amount of Euskaltel Shares purchased from each eligible Euskaltel shareholder will be reduced according to Spanish legislation as will be set out in the prospectus relating to the Tender Offer.

The Tender Offer will be funded through a non pre-emptive placing to institutional investors of New Zegona Shares to raise up to £225 million. The proceeds of the Placing will also be used for transaction expenses and to provide funds for general corporate purposes. The Placing has been fully underwritten by Barclays[3]. Zegona targets to issue New Zegona Shares within a price range based on the look-through value of Zegona's 15.0% shareholding in Euskaltel. Currently the target price range is £1.23 to £1.44 per New Zegona Share based on the closing price of Euskaltel Shares of €6.58 on 18 October 2018 and the tender offer price of €7.75[4].

The New Zegona Shares will, when issued and fully paid, rank *pari passu* in all respects with each existing ordinary share of £0.01 each in Zegona, including the right to receive all dividends or other distributions. Applications will be made to the UKLA and to the London Stock Exchange for the New Zegona Shares to be admitted to the Official List with a standard listing and to trading on the London Stock Exchange's Main Market for listed securities, respectively. For the foreseeable future, Zegona intends to pass through the Euskaltel dividends it receives to its shareholders in full.

The offer of New Zegona Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than, the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to subscribe for New Zegona Shares pursuant to the Placing.

The Tender Offer and the Placing will be conditional on receipt of regulatory approvals and the Placing will require approval by Zegona shareholders. Zegona expects to launch the Placing and publish a circular, including the notice of a general meeting, during the fourth quarter of 2018.

Barclays is acting as global co-ordinator and underwriter in connection with the Placing; Oakley Advisory Limited is advising Zegona and is acting as co-bookrunner for the equity placing.

[3] The standby underwriting agreement contains customary representations and warranties as well as other conditions. The parties will enter into a Placing Agreement in advance of the publication by Zegona of the prospectus in connection with the Placing.

[4] Look-through value per Zegona share calculated based on 26.8 million Euskaltel shares currently held by Zegona, total existing Zegona shares outstanding of 126.2 million and a EUR/GBP exchange rate of 1.14

Additional Information

Euskaltel: Euskaltel is the leading quadplay provider of telecommunications in Northern Spain with 2.2 million homes passed and approximately 663 thousand residential customers in the Basque Country, Galicia and Asturias under the Euskaltel, R Cable and Telecable brands. Euskaltel was created by the Basque Government and three savings banks in 1995 to be the Basque Country's alternative telecommunications operator and acquired R Cable in November 2015 and Telecable from Zegona in July 2017.

Total revenue for the six months ended 30 June 2018 as reported by Euskaltel was €349.3m and declined on a proforma basis by 0.8% compared to the six months ended 30 June 2017. Adjusted EBITDA for the six months ended 30 June 2018 as reported by Euskaltel was €168.8m and declined on a proforma basis by 0.2% compared to the six months ended 30 June 2017[5].

Zegona: Zegona was established in 2015 with the objective of investing in businesses in the European Telecommunications, Media and Technology ("TMT") sector and improving their performance to deliver attractive shareholder returns. Zegona is listed on the standard listing segment of the Official List of the Financial Conduct Authority and the Main Market for listed securities of the London Stock Exchange, and is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson.

Zegona acquired Telecable, the leading quadplay cable telecommunications operator in the Asturias region of Spain in August 2015. Zegona sold Telecable to Euskaltel in July 2017 and since that time has owned 15.0% of Euskaltel. As part of that transaction, Robert Samuelson was appointed to Euskaltel's board of directors and its committees. Zegona also entered into a standstill agreement with Euskaltel that limited it to acquiring no more than 1.5% of Euskaltel for one year post the closing of the sale of Telecable. This standstill arrangement has now come to an end.

Zegona's senior management has a wide-ranging network of contacts across the international telecommunications sector, giving it access to capabilities that can benefit Euskaltel and ensure it remains a leading Basque business. This network enabled Zegona to propose Jon James, previously COO of ComHem and currently CEO of Tele2 Netherlands, as a new independent board member of Euskaltel. Jon was appointed a director of Euskaltel in June 2017. Over recent months, Zegona has discussed Euskaltel with the ex-Jazztel CEO, José Miguel García, and believes his skills and experience could also be a valuable addition to the Euskaltel leadership. Similarly, Zegona's senior management has a long-standing relationship with the Virgin Group and Zegona believes there is the opportunity for Euskaltel to use the well-known Virgin brand on attractive terms for its expansion into new regions[6].

Important Notice

This announcement contains inside information. It has been issued by, and is the sole responsibility of, the Company.

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[5] Adjusted EBITDA is as defined by Euskaltel in its 2017 Annual Report. Proforma numbers are as reported by Euskaltel and have been adjusted to include Telecable's full year performance in 2017

[6] Zegona considers a brand license fee at a rate of 2% or less of branded revenues to be attractive

The information contained in this document is for background purposes only and does not purport to be full or complete. No reliance may be placed by any person for any purpose on the information contained in this document or its accuracy, fairness or completeness. All information in this announcement in respect of Euskaltel and its group has been obtained from publicly available information and has not been verified.

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This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "envisages", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: Euskaltel's failure to adopt Zegona's plan, a condition to the Placing or Tender Offer not being satisfied, expected synergy savings not being realised, 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.

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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.