

ZEGONA SELLS TELECABLE FOR TOTAL VALUE OF UP TO €701M^{1,2}

London, England, 16th May 2017 - Zegona Communications PLC announces the sale of Telecable, its Spanish Cable business, to Euskaltel

Attractive valuation for Telecable:

- Euskaltel is acquiring Telecable for a total value of up to €701m^{1,2}, comprising an Enterprise Value of €686m and up to €15m deferred payment
- The Enterprise Value consideration includes €186.5m cash³ and 26.8m shares in Euskaltel (15% ownership)
- Transaction values Telecable at 10.8x EBITDA and 17.7x Cash Flow⁴

Substantial value creation for Zegona shareholders:

- Transaction values Telecable at an implied Zegona share price of £1.99⁵
- 64% premium to Zegona's undisturbed share price⁶ and 41% premium to Zegona's current share price⁷
- 42% total shareholder return versus initial investment by Zegona shareholders⁸

Transaction structure provides opportunity for additional shareholder value:

- The combined business creates the leading integrated telecommunications operator in the North of Spain, with enhanced scale and exceptional cash generation (€711m Revenues, €346m EBITDA, €224m Cash Flow⁹)
- Substantial synergies, valued by Euskaltel at €245m, equivalent to €1.37 per share in the combined business
- Zegona will have significant influence in Euskaltel through its Board representation¹⁰ and a newly created Strategy Committee
- Opportunity to close shareholder value gap – Euskaltel trades at a discount to many of its industry peers¹¹

Significant capital returns for Zegona shareholders:

- The transaction will generate significant up-front cash proceeds and we intend to return excess cash to shareholders quickly and tax efficiently
- Transaction allows Zegona to maintain its dividend policy (5p per share for 2017)
- Zegona's ownership in Euskaltel is subject to customary lock-up provisions, but Zegona has the ability to return shares back to its shareholders in specie at any time

Eamonn O'Hare, Zegona's Chairman and CEO commented; "When we acquired Telecable in 2015, we identified the opportunity for substantial value creation through the combination of the 3 independent Northern Spanish Cablecos. This transaction turns our vision into reality, generates very attractive returns for our shareholders and provides the opportunity for significant additional value gain. We look forward to working closely with the Euskaltel Board and senior management team to help close the company's current valuation gap and assist in defining the next exciting chapter of Euskaltel's development.

We continue to see many attractive opportunities across the broader European TMT landscape and completing this transaction will allow us to bring increased focus to Zegona's search for the next investment where we can again apply our proven "Buy-Fix-Sell" strategy."

J.P. Morgan Cazenove acted as lead financial advisor to Zegona; Oakley Advisory Limited also advised Zegona on the transaction

Enquiries

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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 acquired Telecable, the leading quad play cable telecommunications operator in the Asturias region of Spain in August 2015. In 2016, Telecable delivered Revenues of €138.5m, EBITDA of €65.1m and Cash Flow of €39.6m.

Conference Call Details

Zegona management will be hosting a conference call for analysts and investors in London at 14:00 BST today. Analysts and investors can dial in to the presentation on Tel: +44 (0) 3333 000 804 - passcode 09224984# for all participants.

The associated presentation will be available to download from www.zegona.com from 12:00 noon BST.

A replay of the conference call will be available for 30 days on Tel: +44 (0) 3333 000 819 - passcode 301182660#

Notes:

- 1 Total value of up to €701m comprises an Enterprise Value of €686m plus a contingent deferred payment of up to €15m related to tax assets acquired
- 2 Total value calculated assuming Euskaltel share price of €9.50 per share. 1 month Euskaltel VWAP €9.43. Valuation difference between €9.50 per share and 1 month VWAP is €1.9m.
- 3 Assumes net debt of €245m as at end June 2017. Subject to customary adjustments
- 4 2016 Telecable multiples, including deferred payment of up to €15m. Cash Flow defined as EBITDA – Capex. All references to Revenue, EBITDA and Cash Flow throughout this announcement are to Adjusted Revenue, Adjusted EBITDA or Adjusted Cash Flow for 2016. Please see the section on non-GAAP measures in Appendix H of the Zegona announcement dated 6 April 2017 for further information.
- 5 Based on Telecable equity value of €456m, assuming €245m net debt at end June 2017, Euskaltel share price of €9.50 per share, and €/£ FX rate of 1.17 as at 15th May 2017
- 6 Zegona undisturbed share price £1.21 as at 18th December 2016
- 7 Zegona share price £1.41 as at 15th May 2017
- 8 Average investment price of £1.46 per Zegona share from IPO and subsequent capital raise. Implied value per Zegona share of £2.07, assuming all dividends reinvested
- 9 Pro Forma results for 2016
- 10 Pursuant to the agreement, for so long as Zegona holds at least 8.3 per cent. of the issued share capital of Euskaltel, Zegona has the right to appoint one shareholder director to the board of directors of Euskaltel
- 11 Euskaltel trades at 2016 Equity Free Cash Flow Yield of 9.3% (at €9.50 share price) compared to European Cable average of 5% (Source: JP Morgan). Pro Forma 2016 Equity Free Cash Flow Yield for the combined business including run-rate synergies of 10.5% (at same €9.50 share price)

Further details of the Transaction

Zegona and its wholly-owned subsidiary, Zegona Limited have entered into a sale and purchase agreement with Euskaltel dated 15 May 2017 to effect the sale by Zegona Limited of Parselaya, S.L.U., the holding company of the Telecable group. Zegona has guaranteed the obligations of Zegona Limited under the agreement. Completion of the sale is subject to customary conditions, including: (a) receipt of merger clearance from the Council of the National Markets and Competition Commission in Spain; (b) the approval of the transaction and certain other resolutions by Euskaltel's shareholders at a general shareholders' meeting.

The parties to the sale and purchase agreement have agreed to seek satisfaction of the conditions before 31 August 2017, but that period is automatically extended to 30 October 2017 if the only reason for the delay is the antitrust condition not being fulfilled.

Important Notice

This announcement has been issued by, and is the sole responsibility of, the Company.

This announcement has been prepared in accordance with English law, the Listing Rules and the Disclosure Guidance and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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 ability to successfully combine the business of Telecable and Euskaltel and to realise operational efficiencies from that combination; the assessment of Telecable's working capital and net debt at closing of the acquisition could result in an adjustment to the cash consideration payable; the tax credits which are required to be proven to generate the contingent consideration may not arise or be usable; conditions in the markets; the market position of Telecable and Euskaltel; earnings, financial position, cash flows, return on capital and operating margins of Telecable and Euskaltel; anticipated investments and capital expenditures of Telecable and Euskaltel; changing business or other 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, 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.

Target returns

The expected returns to Zegona shareholders are a target only and not a profit forecast. There can be no assurance that the target returns will be achieved and investors should place no reliance on such targets when making an investment decision. Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per Zegona share for the current or future financial years will necessarily match or exceed the historical published earnings per Zegona share.

JP Morgan Cazenove and Oakley Advisory Limited

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This announcement contains inside information**Company website**

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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.