

Zegona Communications plc

En virtud de lo dispuesto en el artículo 228 del Texto Refundido de la Ley del Mercado de Valores, aprobado en virtud del Real Decreto Legislativo 4/2015, de 23 de octubre y en el artículo 17 del Reglamento (UE) n° 596/2014 sobre abuso de mercado y demás disposiciones complementarias, Zegona Communications plc (**“Zegona”**) comunica lo siguiente

HECHO RELEVANTE

El consejo de administración de Zegona ha acordado con fecha 18 de octubre de 2018 incrementar su participación accionarial en Euskaltel, S.A. (**“Euskaltel”**) mediante una oferta pública voluntaria parcial en efectivo para adquirir una participación adicional de hasta un máximo del 14,9% de las acciones emitidas de Euskaltel a un precio de 7,75 euros por acción (la **“Oferta”**). Zegona es actualmente propietaria de un 15% de las acciones emitidas de Euskaltel y, en caso de que la Oferta fuera completamente aceptada, alcanzaría una participación máxima del 29,9%, representativa de un 29,94% de los derechos de voto, excluyendo las 234.648 acciones que Euskaltel mantiene en autocartera de acuerdo con el hecho relevante publicado el 5 de octubre de 2018 en relación con las operaciones realizadas al amparo del contrato de liquidez suscrito por Euskaltel.

Para efectuar el pago de la Oferta, Zegona debe llevar a cabo un aumento de su capital con exclusión del derecho de suscripción preferente por importe de hasta 225 millones de libras (256.500.000 euros de acuerdo con el tipo de cambio a fecha 18 de octubre de 2018), importe que ha sido asegurado por Barclays Bank PLC (el **“Aumento de Capital”**) en virtud un contrato de aseguramiento firmado con fecha de 19 de octubre de 2018.

El capital social de Zegona es de GBP 1.262.194,49, representado por 126.219.449 acciones ordinarias emitidas de una única clase, de un penique de valor nominal cada una de ellas, que se encuentran totalmente suscritas y desembolsadas. Las acciones de Zegona están cotizadas en el segmento estándar de la Lista Oficial (*Official List*) de la Bolsa de Londres (*London Stock Exchange*) y admitidas a negociación en el Mercado Principal (**“Main Market”**) de la Bolsa de Valores de Londres. La participación de un 15% que Zegona mantiene en Euskaltel, descrita anteriormente, es su principal activo.

El importe que se obtenga con el Aumento de Capital se destinará al pago de la Oferta (hasta 206.305 millones de euros para un precio de 7,75 euros por acción) y la cantidad restante a los gastos que se ocasionen con la Oferta, así como a otros gastos corporativos generales. El Aumento de Capital deberá ser acordado por la junta general de accionistas de Zegona y será objeto de un *prospectus* (folleto informativo) sujeto a registro por la *Financial Conduct Authority*. El consejo de administración de Zegona, en la misma sesión, ha acordado convocar la junta general extraordinaria en la que se

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acuerde, en su caso, el Aumento de Capital, así como iniciar, con carácter previo a la convocatoria de dicha junta general extraordinaria, el proceso de registro del correspondiente *prospectus* (folleto informativo) para que la operación pueda completarse durante el cuarto trimestre de 2018. La junta general de accionistas de Zegona adoptará, asimismo, los acuerdos de delegación de facultades que resulten necesarios.

Una vez se apruebe el Aumento de Capital por la junta general de accionistas de Zegona, y considerando que este ha sido asegurado por Barclays Bank PLC, Zegona presentará ante la CNMV la correspondiente solicitud de autorización de la Oferta, en los términos del art. 17 del Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores (el “**Real Decreto de OPAS**”), para la formulación de la oferta parcial no sujeta a condiciones que se dirigirá a la adquisición de un número máximo de 26.620.000 acciones representativas de un 14,9% del capital social de Euskaltel al precio indicado anteriormente.

Por lo anterior, este Hecho Relevante no tiene la consideración de anuncio de la Oferta a los efectos del art. 16.1 del Real Decreto de OPAS.

En caso de que dicha junta general de accionistas de Zegona no acuerde el Aumento de Capital, no se llevará a cabo la Oferta parcial en los términos aquí descritos.

Para la determinación del precio por acción de 7,75 euros al que se formularía la Oferta parcial se ha asumido que Euskaltel no realizará ninguna distribución de dividendos, reservas, prima o cualquier otra forma equivalente de reparto o devolución de fondos propios (o supuestos equivalentes) con anterioridad a la liquidación de la Oferta.

Dado que la Oferta sería parcial, en caso de que el número total de acciones comprendidas en las declaraciones de aceptación superase el límite máximo de la Oferta, se aplicarían las reglas de distribución y prorrateo descritas en el artículo 38 del Real Decreto de OPAS.

Se adjunta como Anexo información adicional contenida en la comunicación que Zegona publica en Reino Unido.

19 de octubre de 2018

Zegona Communications plc
P.p.
Howard Kalika

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ZEGONA COMMUNICATIONS PLC

LEI: 213800ASI1VZL2ED4S65

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 improvements¹, increasing revenue growth in existing regions² 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."

Enquiries

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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 Barclays³. 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 €7.75⁴.

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 2017⁵.

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 regions⁶.

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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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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.