THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000.

This Document comprises a prospectus relating to Zegona Communications plc prepared in accordance with the Prospectus Rules. This Document has been approved by the Financial Conduct Authority and has been filed with the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the UK Listing Authority and the London Stock Exchange for all of the ordinary share capital of the Company to be admitted to the standard segment of the Official List and to trading on the London Stock Exchange's market for listed securities respectively. Admission to trading on the Main Market constitutes admission to trading on a regulated market. It is expected that Admission will become effective on 29 September 2015.

The Company and each of the Directors, whose names appear on page 39 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Investors should read this Document in its entirety. In particular, your attention is drawn to the risk factors set out on pages 17 to 37 of this Document for a discussion of the risks that might affect the value of your shareholding in the Company.

Zegona Communications plc

(Incorporated and registered in England and Wales with number 09395163)

Admission to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's Main Market for listed securities

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The Company's issued share capital, at 24 September 2015, being the latest practicable date prior to publication of this Document is:

	Issued and fully paid
Nominal Value	**Number**
£0.01	196,044,960

The Company is not offering any Ordinary Shares nor any other securities in connection with Admission. This Document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares nor any other securities in any jurisdiction. The Ordinary Shares will not be generally made available or marketed to the public in the UK or any other jurisdiction in connection with Admission.

A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules and/or any provision of the Model Code or those aspects of the Disclosure and Transparency Rules with which the Company has indicated herein that it intends to comply on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

This Document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not for distribution in or into Canada, the Republic of Ireland, the Republic of South Africa, Australia or Japan. The Ordinary Shares have not been and will not be registered under any securities laws of any province or territory of Canada, the Republic of Ireland, the Republic of South Africa, Australia or Japan nor in any country, territory or possession where to offer them without doing do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain limited exceptions, be offered or sold, directly or indirectly, in Canada, the Republic of Ireland, Australia, Japan or to, or for the account or benefit of, any person in, or any national,

citizen or resident of Canada, the Republic of Ireland, the Republic of South Africa, Australia or Japan. The distribution of this Document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this Document comes should inform themselves about and observe any restrictions as to the Ordinary Shares or the distribution of this Document. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

The Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act, or the securities laws of any state or other jurisdiction of the United States, and the Ordinary Shares may not be offered or sold directly or indirectly in, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. There will be no public offering of the Ordinary Shares in the United States. The Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States of America or any other United States of America regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this Document. Any representation to the contrary is a criminal offence in the United States of America.

Neither the Company nor the Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

Neither the Company nor any person acting on its behalf accepts any responsibility or obligation to update, review or revise the information in this Document or to publish or distribute any information which comes to its attention after the date of this Document, and the distribution of this Document shall not constitute a representation by the Company or any such person that this Document will be updated, reviewed, revised or that any such information will be published or distributed after the date hereof. The Company will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or any regulatory authority but assumes no further obligation to publish additional documentation.

To the extent permitted by law and regulation, no undertaking, representation or warranty or other assurance, express or implied, is made or given by or on behalf of the Company or any of its subsidiary undertakings or the subsidiary undertakings of any such parent undertakings or any of their respective directors, officers, partners, employees, agents, affiliates, representatives or advisers, or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Document. None of the Company its respective affiliates and advisers, agents and/or any other party undertakes or is under any duty to update this Document or to correct any inaccuracies in any such information which may become apparent or to provide any person with any additional information. Save in the case of fraud, no responsibility or liability is accepted by any such person for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred, however arising, directly or indirectly, from any use of, as a result of the reliance on, or otherwise in connection with, this Document. In addition, no duty of care or otherwise is owed by any such person to recipients of this Document or any other person in relation to this Document.

Copies of this Document will be available on the ''Investor Relations'' section of the Company's website at www.zegona.com and are also available for collection free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of the Company, 20 Buckingham Street, London WC2N 6EF from the date of this Document, and shall remain available for a period of one month from Admission.

CONTENTS

		PAGE
SUMMARY		2
RISK FACTORS		17
EXPECTED TIMETABLE OF PRINCIPAL EVENTS		38
DIRECTORS, COMPANY SECRETARY AND ADVISERS		39
IMPORTANT INFORMATION		40
PART I	INFORMATION ON ZEGONA	44
PART II	INFORMATION ON THE TELECABLE GROUP	48
PART III	MARKET OVERVIEW	63
PART IV	REGULATORY OVERVIEW	78
PART V	DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE	93
PART VI	OPERATING AND FINANCIAL REVIEW	97
PART VII	HISTORICAL FINANCIAL INFORMATION	111
	SECTION A: UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION ON THE TELECABLE GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2015	111
	SECTION B: SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS RELATING TO THE TELECABLE GROUP FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013	139
	SECTION C: RECONCILIATION OF IFRS HISTORICAL FINANCIAL INFORMATION RELATING TO THE TELECABLE GROUP TO TELECABLE MANAGEMENT NUMBERS PER PART II	208
	SECTION D: AUDITED FINANCIAL INFORMATION RELATING TO THE GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2015	209
	SECTION E: REPORT ON THE EXAMINATION OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STAEMENTS	223
PART VIII	PRO FORMA FINANCIAL INFORMATION	225
PART IX	ADDITIONAL INFORMATION	230
PART X	DEFINITIONS, ABBREVIATIONS AND GLOSSARY	257
	PART A – DEFINITIONS AND ABBREVIATIONS	257
	PART B – GLOSSARY	264
ANNEX	AUDITED HISTORICAL FINANCIAL INFORMATION ON TELECABLE FOR 2012 AND 2013 UNDER SPANISH GAAP	269

SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A-E (A.1 – E.7).*

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element might be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of the words "not applicable".

Section A – Introduction and warnings		
Element		
A.1	**Introduction and warning**	This summary should be read as an introduction to this Document. Any decision to invest in the securities should be based on consideration of this Document as a whole by the investor. Where a claim relating to the information contained in this Document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Subsequent resale of securities or final placement of securities through financial intermediaries**	Not applicable: the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Document.

Section B – Issuer		
Element		
B.1	**Legal and commercial name**	Zegona Communications plc.
B.2	**Domicile, legal form, legislation and country of incorporation**	The Company is incorporated in England and Wales under the Act and domiciled in the United Kingdom. It is subject to the Takeover Code.
B.3	**Current operations, principal activities and markets**	The Company's strategy is to seek to provide Shareholders with an attractive total return, primarily through appreciation in the value of the Company's assets. The Directors believe that opportunities exist to create significant value for Shareholders through a properly executed 'Buy- Fix-Sell' strategy being applied to selected assets within the European network-based communication and entertainment services sector. The first of such opportunities was the acquisition of Telecable which completed on 14 August 2015 for a total consideration of approximately €368 million and which is the Company's principal subsidiary.

		Telecable is the leading "quad-play" telecommunications operator in the Spanish region of Asturias, with more than 164,000 customers as of 31 December 2014, offering television, broadband internet, mobile telecommunications and fixed-line telecommunications services to residential and business customers. Telecable is the leading cable operator in Asturias and has installed over 2,400 kilometres of fibre optic cable and 2,600 kilometres of coaxial cable, with more than 450,000 homes passed in 44 municipalities in Asturias. Telecable complements its own network with a network provided by the Principado de Asturias that enables it to offer optic fibre services to approximately 43,000 homes in rural areas of Asturias. As of 31 December 2014, Telecable was the Asturias region's leading "quad-play" residential telecommunications operator, being the largest provider of pay television and broadband services and the second and fourth largest fixed-line and mobile telecommunications provider respectively.
B.4a	**Recent trends**	The following is a list of the most significant recent trends affecting the Group and the industries in which it operates: ● consolidation in the Spanish telecommunications industry, primarily driven by mobile-centric operators buying cable and other fixed telecommunications and TV providers; ● the Spanish telecommunications market is now moving towards convergence of voice, data and video networks and services. Telecommunications operators are introducing new products and services and trying to leverage their infrastructure by bundling services for consumers. The convergence process is driven by operators bundling services such as broadband internet access, television, fixed-line telecommunications and mobile telecommunications into integrated offers (double, triple and quadruple-play), with the aim of lowering the churn rate of subscribers and increasing the number of products sold to each subscriber; ● a decline in the revenues of the Spanish retail fixed-line telecommunications market due to substitution with mobile communication and VoIP-based technology and price reductions, especially as part of bundled offers. Fixed-line participants are becoming increasingly dependent on the quality of their broadband offering and telecommunications services are increasingly bundled with broadband offerings. The decline is also due to the convergence of fixed and mobile services and price reductions linked to the offering of converged services; and ● an increasing demand for higher broadband bandwidth at home and higher data consumption due to new uses (*source: Cisco Visual Networking Index 2014-2019 White Pape*r) which is expected to be driven by increasing penetration of connected devices (such as smartphones and tablets), growth in non-linear TV, including the rise in video-streaming services, boost of UHD and other trends such as online gaming, home security and smart home.

B.5 | **Group structure**

The Company is the parent company of the Group. The subsidiaries of the Company are:

Name	Country of Incorporation	Proportion of ownership interest	Principal activity
Zegona Limited	Jersey	100	holding company
Parselaya Limited	Spain	100	holding and financing company
Telecable Capital Holding, S.L.U.	Spain	100	holding and financing company
Telecable de Asturia, S.A.	Spain	100	telephony, broadband and advanced business solutions provider for the Asturias region in Spain
Zegona Ireland Limited	Ireland	100	financing company
Zegona (Lux) S.A.R.L	Luxembourg	100	holding and financing company

B.6 | **Notifiable interests, different voting rights and controlling interests**

The interests (all of which are or will be beneficial unless otherwise stated) of the Directors and their connected persons in the share capital of the Company are as follows:

Director	Number of Ordinary Shares	Percentage interest in share capital
Eamonn O'Hare	1,524,999	0.78%
Robert Samuelson	762,502	0.39%

As at 24 September 2015, being the latest practicable date prior to the publication of this Document, in addition to those persons described above, the Company is aware of the following persons who will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company:

Shareholder	Number of Ordinary Shares	Percentage interest in share capital
Marwyn Value Investors LP	46,666,666	23.8%
FIL Limited	19,596,852	10%
Wellington Management Company LLP	17,439,062	8.9%
Standard Life Investments	7,666,666	3.9%
Tekne Capital Management LLC	6,722,445	3.4%
Invesco Asset Management Limited	17,333,333	8.8%
Capital Research and Management Company	15,386,666	7.8%
AXA Framlington	13,333,333	6.8%
Taconic Capital Advisors	9,666,666	4.9%
Magnetar Capital	6,666,666	3.4%

The Company is not aware of any person who, immediately following Admission, will directly or indirectly, jointly or severally, exercise control over the Company. All shares will have the same voting rights.

B.7	**Selected historical key financial information**	(i) The table below sets out the summary financial information of Zegona Communications plc for the period from incorporation on 19 January 2015 to 31 March 2015. The information has been prepared in accordance with IFRS.

Consolidated statement of total comprehensive income

	For the period from 19 January 2015 to 31 March 2015
	£'000
Administrative expenses	(136)
Loss before income tax	**(136)**
Income tax expense	—
Loss for the period and total comprehensive loss for the period	**(136)**
Attributable to:	
Owners of the parent	(136)
Loss per ordinary share	
Basic (£)	(0.032)
Diluted (£)	(0.032)

Consolidated balance sheet

	As at 31 March 2015
	£'000
Assets	
Non-current assets	
Property, plant and equipment	1
Current assets	
Trade and other receivables	93
Prepayments	305
Cash and cash equivalents	28,975
	29,373
Total assets	29,374
Total equity	28,587
Current liabilities	
Trade and other payables	787
Core investor shares	—
Total liabilities	787
Total equity and liabilities	29,374

Consolidated statement of changes in equity

	Share capital	Share premium	Share based payment reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 19 January 2015	—	—	—	—	—
Loss for the period	—	—	—	(136)	(136)
Total comprehensive loss	—	—	—	(136)	(136)
Issue of share capital	250	28,471	—	—	28,721
Share-based payments	—	—	2	—	2
Balance at 31 March 2015	250	28,471	2	(136)	28,587

Consolidated cash flow statement

	For the period from 19 January 2015 to 31 March 2015
	£'000
Net cash used in operating activities	**255**
Net cash used in investing activities	**(1)**
Net cash generated from financing activities	**29,172**
Net increase in cash and cash equivalents	28,975
Cash and cash equivalents at beginning of the period	—
Cash and cash equivalents at the end of the period	**28,975**

(ii) The table below sets out the unaudited interim condensed financial information on the Telecable Group for the three months ended 31 March 2015.

TELECABLE CAPITAL HOLDING S.L.U. AND SUBSIDIARIES

Special-purpose interim condensed consolidated balancd sheets at 31 March 2015 and 31 December 2014
(Euros)

	Unaudited 31/03/2015	Audited 31/12/2014(*)
Total non-current assets	**357,433,134**	**362,913,579**
Total current assets	**24,495,949**	**31,838,610**
Total assets	**381,929,083**	**394,752,189**

Equity and liabilities	Unaudited 31/03/2015	Audited 31/12/2014(*)
Total equity	**(37,013,647)**	**(25,080,931)**
Total non-current liabilities	**375,640,204**	**367,874,788**
Total current liabilities	**43,302,526**	**51,958,332**
Total equity and liablities	**381,929,083**	**394,752,189**

(*) Presented exclusively for comparative purposes.

Special-purpose interim condensed consolidated statements of comprehensive income for the three months ended on 31 March 2015 and 2014
(Euros)

	Unaudited	
	Period 2015	**Period 2014(*)**
Revenue	33,536,285	33,454,924
Loss before tax	**(2,970,905)**	**(4,571,790)**
Loss for the period (I)	**(2,190,946)**	**(1,786,690)**
Total recognisd income and expense	**(2,190,946)**	**(1,786,690)**
Profit/(loss) attributable to:		
– Parent	**(2,334,151)**	**(1,849,887)**
– Non-controlling interests	**143,205**	**63,197**

(*) Presented exclusively for comparative purposes.

Special-purpose interim condensed consolidated statement of changes in equity for the three months ended 31 March 2015 and 2014 (Euros)

Unaudited	Share capital	Share premium	Legal reserve	Retained earnings			Non-controlling interests	TOTAL
				Retained earnings from previous years	Prior years' losses	Loss for the year attributable to the Parent Company		
As at 1 January 2014(*)	342,000	33,661,000	—	(106,461)	(21,268,656)	(22,758,052)	(2,989,410)	(13,119,579)
At 31 March 2014(*)	342,000	33,661,000	—	(27,370,446)	(16,762,723)	(1,849,887)	(2,926,213)	(14,906,269)
As at 1 January 2015	342,000	33,661,000	68,400	(27,302,045)	(16,831,124)	(7,951,430)	(6,999,332)	(25,080,931)
At 31 March 2015	342,000	33,661,000	68,400	(27,302,045)	(24,782,554)	(2,334,151)	(16,597,897)	(37,013,647)

(*) Presented exclusively for comparative purposes.

Special-purpose interim condensed consolidated statement of cash flows for the three months ended 31 March 2015 and 2014 (Euros)

	Unaudited	
	Period 2015	Period 2014(*)
Cash flows from operating activities (I)	9,070,161	9,630,648
Cash flows used in investing activities (II)	(5,455,859)	(6,584,024)
Cash flows used in financing activities (III)	(12,009,933)	(151,862)
Effect of exchange rate changes (IV)	(47,346)	(3,003)
Net decrease in cash and cash equivalents (I+II+III+IV)	(8,442,977)	2,891,759

(*) Presented exclusively for comparative purposes.

(iii) The table below sets out the Special-purpose consolidated financial statements relating to the Telecable Group for the years ended 31 December 2014 and 2013

Special-purpose consolidated balance sheets at 31 December 2014, 2013 and 2012, and 1 January 2012
(Euros)

Assets	31/12/2014	31/12/2013	31/12/2012(*)	01/01/2012(*)
Total non-current assets	**362,913,579**	**381,606,975**	**398,901,905**	**418,009,414**
Total current assets	**31,838,610**	**39,130,692**	**42,446,395**	**43,656,663**
Total assets	**394,752,189**	**420,737,667**	**441,348,300**	**461,666,077**

Equity and liabilities	31/12/2014	31/12/2013	31/12/2012(*)	01/01/2012(*)
Total equity	**(25,080,931)**	**(13,119,579)**	**37,872,037**	**59,829,663**
Total non-current liabilities	**367,874,788**	**378,434,083**	**358,184,879**	**348,085,134**
Total current liabilities	**51,958,332**	**55,423,163**	**45,291,384**	**53,751,280**
Total equity and liabilities	**394,752,189**	**420,737,667**	**441,348,300**	**461,666,077**

(*) Presented exclusively for comparative purposes.

Special-purpose consolidated income statements and other comprehensive income for years ended on 31 December 2014, 2013 and 2012
(Euros)

	2014	2013	2012(*)
Revenue	133,948,167	133,376,649	128,567,948
Loss before tax	**(20,626,425)**	**(26,616,319)**	**(31,766,088)**
Loss for the year	**(7,003,716)**	**(23,623,950)**	**(21,957,626)**
Total comprehensive income and expense	**(7,003,716)**	**(23,623,950)**	**(21,957,626)**
Result attributable to:			
– Parent	**(7,951,430)**	**(22,758,052)**	**(21,689,683)**
– Non-controlling interests	**947,714**	**(865,898)**	**(267,943)**

(*) Presented exclusively for comparative purposes.

Special-purpose consolidated statement of changes in equity for the years ended 31 December 2014, 2013 and 2012
(Euros)

			Retained earnings				
	Share capital	Share	Retained earnings from previous years	Prior years' losses	Loss for the year attributable to the Parent Company	Non-controlling interests	TOTAL
Opening balance, 2012(*)	342,000	33,661,000	—	—	(1,098,507)	26,925,170	59,829,663
Closing balance, 2012(*)	342,000	33,661,000		(1,098,507)	(21,689,683)	26,657,227	37,872,037
Opening balance, 2013	342,000	33,661,000	—	(1,098,507)	(21,689,683)	26,657,227	37,872,037
Closing balance, 2013	342,000	33,661,000	(106,461)	(21,268,656)	(22,758,052)	(2,989,410)	(13,119,579)
Opening balance, 2014	342,000	33,661,000	(106,461)	(21,268,656)	(22,758,052)	(2,989,410)	(13,119,579)
Closing balance, 2014	342,000	33,661,000	(27,302,045)	(16,831,124)	(7,951,430)	(6,999,332)	(25,080,931)

(*) Presented exclusively for comparative purposes.

Special-purpose consolidated statement of cash flows for the years ended 31 December 2014, 2013 and 2012
(Euros)

	2014	2013	2012(*)
Cash flows from operating activities (I)	**43,136,351**	**38,694,246**	**32,145,931**
Cash flows used in investing activities (II)	**(26,858,747)**	**(28,685,869)**	**(29,369,741)**
Cash flows used in financing activities (III)	**(24,558,803)**	**(15,865,837)**	**(2,893,095)**
Effect of exchange rate changes (IV)	**(56,276)**	**(17,101)**	**(30,545)**
Net decrease in cash and cash equivalents (I+II+III+IV)	**(8,337,475)**	**(5,874,561)**	**(147,450)**

(*) Presented exclusively for comparative purposes.

On 18 December 2014, Telecable's Board of Directors resolved to amend the financing agreement on its syndicated loan. The renegotiation included, among other items, the formalisation of a new debt tranche amounting to €77.2 million. This new tranche was fully drawn during February 2015. There have been no other significant changes in the total debt levels, with movements in the periods reflecting operating cash inflows offset by and capital expenditure.

On 19 August 2015, the Group completed the Telecable Acquisition for a consideration of approximately €368 million. As a result of the Telecable Acquisition, the Group assumed liabilities under certain material contracts entered into by the Telecable Group, principally the repayment of the Telecable Group's debt of €264.1 million to its previous institutional lender.

B.8	Selected key *pro forma* financial information	**Pro forma net assets statement**

EUR'000	Zegona[1]	Telecable[2]	Pro Forma Adjustments	Pro Forma Net assets
Non current assets				
Goodwill	—	152,990	317,940[3]	470,930
Intangible assets	—	77,901	—	77,901
Tangible assets	1	124,955	—	124,956
Non current financial investments	—	1,587	—	1,587
	1	**357,433**	**317,940**	**675,374**
Current assets				
Inventories	—	384	—	384
Trade and other receivables	129	7,422	—	7,551
Public authorities	—	247	—	247
Current investments in Group companies	—	32	—	32
Other current financial assets	—	57	—	57
Current prepayments	422	3,705	—	4,127
Cash and cash equivalents	40,049	12,650	(49,038)[4]	**3,661**
	40,600	**24,496**	**(49,038)**	**16,058**
Total assets	**40,601**	**381,929**	**268,902**	**691,432**
Non current liabilities				
Non-current payables	—	271,755	(10,790)[5]	260,965
Payables to Group companies and related parties	—	87,122	(87,122)[6]	—
Deferred tax liabilities	—	16,703	—	16,703
Deferred income	—	60	—	60
	—	**375,640**	**(97,912)**	**277,728**
Current liabilities				
Current payables	—	21,724	4,580[7]	26,304
Trade and other payables	1,088	18,578	—	19,666
Public authorities	—	2,358	—	2,358
Current accruals	0	643	—	643
	1,088	**43,303**	**4,580**	**48,971**
Total liabilities	**1,088**	**418,943**	**(93,332)**	**326,699**
Net assets/(liabilities)	**39,513**	**(37,014)**	**362,234**	**364,733**

1. The figures for Zegona Communications plc at 31 March 2015 are extracted without material adjustment from the audited financial statements and are prepared under IFRS. The financial statements have been translated into Euro at an exchange rate of 1.3822, the prevailing exchange rate as at the balance sheet date.
2. The figures for Telecable Capital Holding S.L.U at 31 March 2015 are extracted without material adjustment from the unaudited interim financial statements and are prepared under IFRS.
3. Represents (1) the total consideration paid for Telecable of €368.0 million (€640.0 million as adjusted for net debt of €264.1 million and the acquisition of non-controlling interest of €7.9 million), less (2) repayment of the syndicated shareholder loan of €87.1 million and (3) the preliminary estimate of fair value of the net liabilities acquired of €190.0 million (representing the net liabilities of €37.0 million after excluding historical goodwill of €153.0 million) and the historical goodwill of €153.0 million.
4. Represents the net cash proceeds raised of €611.6 million (comprised of €341.6 million of equity and approximately €270.0 million of debt) less the cash consideration paid for Telecable of €368.0 million, the repayment of acquired liabilities of €276.7 million and transaction costs paid out of transaction proceeds of €15.9 million including debt issuance costs of €9.4 million. The proceeds have been translated into Euro at an exchange rate of 1.3822, the prevailing exchange rate as at the balance sheet date.
5. Represents the net impact of repayment of the non-current portion of the existing bank borrowings in Telecable of €271.4 million, the draw down of approximately €270.0 million of new facilities and debt arrangement fees of €9.4 million.
6. Represents repayment of the subordinated shareholder loan of €87.1 million.
7. Represents the net impact of repayment of the current portion of the existing bank borrowings in Telecable of €5.3 million and the payable recognised for transaction costs paid following completion of €9.9 million.

		Pro forma income statement **Adjustments** **€'000** / **Zegona[1] For the period from 19-Jan 2015 to 31 March 2015** / **Telecable[2] 3 months ended 31 March 2015** / **Other adjustments** / **Pro forma** Revenue: 33,536 / 33,536 Own work capitalised: 258 / 258 Other operating income: 206 / 206 **34,000** / **34,000** Procurements: (8,069) / (8,069) Staff costs: (2,846) / (2,846) Other operating expenses: (183) / (7,407) / (7,590) Depreciation and amortisation: (10,385) / (10,385) Allocation to profit or loss of grants related to nonfinancial non-current assets and other grants: 4 / 4 Impairment and gains/(losses) on disposal of non-current assets: (594) / (594) Finance income: 71 / 71 Finance costs: (8,103) / 4,116[3] / (3,987) Change in the fair value of financial instruments: 407 / 407 Exchange differences: (47) / (47) **LOSS BEFORE TAX**: (183) / (2,970) / **4,116** / **963** Income tax: — / 780 / (780)[4] / — **LOSS FOR THE PERIOD**: **(183)** / **(2,191)** / **3,336** / **963** **Notes** 1) The figures for Zegona Communications plc from the period of incorporation on 19 January 2015 to 31 March 2015 are extracted without material adjustment from the audited financial statements, and are prepared under IFRS. The financial statements have been translated into Euro at an exchange rate of 1.3455, the average exchange rate during the three months ended 31 March, 2015. 2) The figures for Telecable Capital Holding S.L.U for the three month period ended 31 March 2015 are extracted without material adjustment from the unaudited interim financial statements, and are prepared under IFRS. 3) Finance costs have been adjusted for the net effect of refinancing the Telecable debt, with historical interest charges of €8.1 million, replaced with imputed interest charges under the new Loan Agreement of €3.0 million and the unwinding of debt arrangement fees of €1.0 million. 4) The impact of the utilisation of brought forward tax losses.
B.9	**Profit forecasts**	Not applicable; this Document does not contain profit forecasts or estimates.
B.10	**Qualifications in the audit report**	Not applicable; the audit reports on the historical financial information contained in this Document do not contain any qualifications.
B.11	**Insufficient working capital**	Not applicable; the Company is of the opinion that the Group has sufficient working capital for its present requirements (that is, for at least the next twelve months from the date of this Document).

Section C – Securities		
Element		
C.1	**Description of type and class of securities being offered**	The securities being admitted to trading are Ordinary Shares of the Company of £0.01 each, whose ISIN is GB00BVGBY890, and whose SEDOL is BVGBY89.
C.2	**Currency of securities**	The Ordinary Shares are denominated in pounds sterling.
C.3	**Number of Ordinary Shares issues and par value**	The Company has 196,044,960 fully paid Ordinary Shares of £0.01 par value in issue. The Company has no partly paid Ordinary Shares in issue.
C.4	**Rights attaching to the Ordinary Shares**	The Ordinary Shares rank equally for voting purposes. On a show of hands, each Shareholder has one vote and on a poll each Shareholder has one vote per Ordinary Share held. The Ordinary Shares rank equally for dividends declared and for any distributions on a winding-up. The Ordinary Shares rank equally in the right to receive a relative proportion of shares in the case of a capitalisation of reserves.
C.5	**Restrictions on free transferability of the Ordinary Shares**	The Ordinary Shares are freely transferrable and there are no restrictions on transfer.
C.6	**Admission**	Application has been made for the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities which is a regulated market. Application has also been made to the FCA for the Ordinary Shares to be admitted to the standard listing segment of the Official List. The Ordinary Shares will not be listed on any other regulated market.
C.7	**Dividend policy**	The Company is targeting a dividend on its Ordinary Shares of 4.5p per Ordinary Share in 2016. It is anticipated that the first dividend payment will be an interim dividend for the six months to 30 June 2016, which will be paid in the third quarter of 2016. This is a target, not a forecast, and there is no guarantee that this return will be made. Thereafter, the Company intends to implement a progressive dividend payment policy. The Company will principally depend on dividends received on shares held by it in its operating subsidiaries, interest on intercompany loans provided to its subsidiaries, or receipts from the future disposal of assets, in order to pay dividends to its shareholders. Payments of such dividends (including the targeted 4.5p per Ordinary Share dividend in 2016) will be dependent on the availability of any dividends or other distributions from such subsidiaries, or the successful completion of such disposals, and will be subject to the limitations on dividends set out in the Loan Agreement. The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

Section D – Risks		
Element		
D.1	**Information on the key risks that are specific to the Company or its industry**	● The Group's business may be affected by adverse conditions in the Spanish economy. Any deterioration of the Spanish economy, and in particular a deterioration of the economy of the Asturias region, could result in declines in the Group's revenues without a corresponding decrease in costs and Telecable could as a result suffer a material adverse effect to its business, prospects and financial performance. ● The Spanish residential fixed-line telecommunications, mobile telecommunications, broadband internet and television markets as well as the Spanish business telecommunications market are highly competitive and may become more competitive in the future, which could result in lower prices for the Group's products and the loss of current and potential subscribers, which would result in reduced revenues and could materially adversely affect its profitability. ● The Group's growth prospects depend on demand for residential and business telecommunications services, which is difficult to predict and may be negatively impacted by worsening economic conditions. ● If the Group fails to introduce new or enhanced products and services successfully, its revenues and margins could be lower than expected. ● The sectors in which the Group competes are subject to rapid and significant changes in technology and the results of technological changes are difficult to predict, and could potentially have a material adverse effect on its ability to provide competitive services. ● Fibre deployment plans announced by some of the Group's competitors could make the telecommunications business in the Asturias region more competitive in the future, which could result in lower prices for the Group's products and the loss of existing and new customers. ● Certain of the Group's contracts (including key contracts with Vodafone Spain for mobile telecommunications services and Multicanal Iberia, S.L.U. for the provision of Canal+ TV channels) are expiring soon and if, not withstanding the regulatory obligations on the key suppliers to provide the required services, it is unable to renew these contracts, its growth and profitability could be harmed. ● The Group's business depends on equipment and service suppliers who may fail to provide necessary equipment and services on a timely basis, discontinue their products or seek to charge prices that are not competitive, any of which could adversely affect its business or profitability. ● The Group's business may be adversely affected if it fails to carry out continuous maintenance and improvement of its network, systems and operations. ● If the Group loses or is unable to obtain certain permits, licences or authorisations necessary for its operations, it may not be able to carry on parts of its current or planned businesses.

D.3	**Information on the key risks that are specific to the Ordinary Shares**	• The Directors and certain other Shareholders have agreed for a 12 month period following 19 March 2015 in respect of all of their Ordinary Shares, and the Telecable Vendors who received Telecable Consideration Shares also agreed for a six month period after Second Admission in relation to 40 per cent. of their Ordinary Shares and for a period of 12 months following Second Admission in relation to the remainder of their Ordinary Shares, subject to certain exceptions, and among other things, not to offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, such Ordinary Shares. Although there is no present intention or arrangement to do so, those Shareholders may, following the expiry of the applicable initial lock-in period, sell their Ordinary Shares without restriction. The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by such Shareholders following expiry of such period (or otherwise) or the perception that these sales could occur. • Upon Admission and in the future, it is possible that a limited number of Shareholders may have significant holdings of Ordinary Shares. Accordingly, such Shareholders will possess sufficient voting power to have significant influence on matters requiring Shareholder approval. The interests of such significant Shareholders may conflict with those of other holders of Ordinary Shares. • The Company may issue additional Ordinary Shares in subsequent public offerings or private placements to fund acquisitions. Statutory pre-emption rights prevent the issue of shares for cash consideration without such shares being offered to Shareholders first, subject to the disapplication of such pre-emption rights by a special resolution of the Shareholders. Therefore, existing Shareholders may not be offered the right or opportunity to participate in any such future share issues (if such a special resolution is approved by Shareholders or if shares are issued for non-cash consideration), which may dilute existing Shareholders' interests in the Company. • Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

Section E – Offer		
Element		
E.1	**Net proceeds and expenses**	Not applicable; the Company is not offering any Ordinary Shares nor any other securities in connection with Admission and therefore is not receiving proceeds. The total costs (including fees and commissions, but exclusive of VAT) payable by the Company in connection with Admission are estimated to be £0.1 million.
E.2a	**Reasons for the Placing, use of proceeds and estimated net amount of the proceeds**	Not applicable, the Company is not receiving proceeds in connection with Admission.
E.3	**Terms and conditions of the Placing**	Not applicable; there is no offering of Ordinary shares nor any other securities in connection with Admission.

E.4	**Interests material to the Placing**	Not applicable; there are no interests, known to the Company, material to Admission which are conflicting interests.
E.5	**Offerors and lock up arrangements**	Not applicable; there is no offering of Ordinary shares nor any other securities in connection with Admission.
E.6	**Dilution**	Not applicable; there is no dilution in connection with Admission.
E.7	**Expenses**	Not applicable; no expenses will be directly charged to investors in connection with Admission.

RISK FACTORS

The Group's business, financial condition or results of operations could be materially and adversely affected by the risks described below. In such cases, the market price of the Ordinary Shares may decline due to any of these risks and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group. The Directors consider the following risks to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.

1. RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP AND THE INDUSTRY IN WHICH IT OPERATES

The Group may not generate sufficient cash flow to fund its growth or capital expenditures

The Group has major capital resource requirements relating to, among other things, the following:

- developing and deploying new technologies and the products and services associated with them;
- maintaining the quality of its network;
- ensuring its brand is well recognised and favourably viewed in the markets in which it operates;
- increasing the loyalty of its customer base; and
- continuously improving its processes and procedures through the implementation of new and upgraded systems and technologies.

The Group's ability to fund its growth depends on its ability to generate positive cash flows after all such costs. The Group's ability to generate cash depends on many factors. For a discussion of these factors see "*Risks Relating to the Group's Financial Profile*". In addition, the Group's liquidity and capital resource requirements may increase if it expands into additional areas of operation or if it makes future acquisitions. The Group may not generate sufficient cash flow or have access to sufficient funding to meet these requirements. If the Group fails to meet these requirements, it could have an adverse effect on the Group's business, prospects, results of operations, financial conditions and the Group's future growth could be significantly curtailed. Similarly, unexpected reductions in the Group's cash flow as a result of adverse trading conditions may result in constrained operational expenditure which might result in a reduction in planned capital expenditure or investment, ultimately delaying operational improvements which might have an adverse effect on the Group's business, prospects, results of operations, financial conditions and the Group's future growth could be significantly curtailed.

The Group's business may be affected by adverse conditions in the Spanish economy

The Spanish economy has experienced a period of downturn in recent years, with GDP declining by 2.1 per cent. in 2012 and by 1.2 per cent. in 2013 (*source: INE*). While the Spanish economy returned to growth in the third quarter of 2013 and GDP grew by 1.4 per cent. in 2014 (*source: INE*) and is expected to grow by 3.1 per cent. and 2.5 per cent. in 2015 and 2016, respectively (*source: IMF, 8 June 2015*), unemployment still remains high at 24.5 per cent. in 2014 (*source: Eurostat*).

The Group operates in the Asturias region of Spain, and its success is therefore closely tied to general economic developments in that region and cannot be offset by developments in other markets. The Asturias economy has followed a similar pattern to the Spanish economy in recent years, with GDP declining in 2012 and 2013, respectively, but growing in 2014 (*source: INE*).

During periods characterised by deteriorating economic conditions and high unemployment, consumers have less discretionary spending to purchase services, including telecommunications services.

Any deterioration of the Spanish economy, and in particular a deterioration of the economy of the Asturias region, could result in declines in the Group's revenues without a corresponding decrease in costs and the Group could as a result suffer a material adverse effect to its business, prospects and financial performance.

The Spanish residential fixed-line telecommunications, mobile telecommunications, broadband internet and television markets as well as the Spanish business telecommunications market are highly competitive and may become more competitive in the future, which could result in lower prices for the Group's products and the loss of current and potential subscribers, which would result in reduced revenues and could materially adversely affect its profitability

The Group faces significant competition from established and new competitors that provide residential fixed-line telecommunications, mobile telecommunications, broadband internet and television services as well as business telecommunications services in Spain. The Group also faces potential competition from new entrants. In some instances, it competes against companies with larger financial resources, more comprehensive products and services, greater personnel resources, wider geographical coverage, greater brand name recognition and more established relationships with regulatory authorities and customers.

Telefónica de España, S.A.U. (together with its subsidiaries, "**Telefónica**") is the Group's principal competitor in the areas in which it operates. Telefónica is the former monopoly provider of most telecommunications services in Spain. As one of the world's largest telecommunications operators, Telefónica, when compared to the Group, has, among other advantages, greater financial resources, brand recognition and market presence (in the Spanish market) and scale which gives Telefónica the ability to influence pricing and commercial strategy in the broader Spanish Telecommunications Market. The launch of Movistar Fusión in October 2012 by Telefónica, and subsequent launch by other national telecommunications providers of similar bundled products in order to remain competitive, among other factors, contributed to a significant contraction in revenues in the Spanish Telecommunications Market (decreasing by 8.1 per cent. and 6.3 per cent. in 2013 and 2014, respectively) (*source: CNMC*). There can be no assurance that prices in Spain will not decline again if the Group's competitors implement aggressive pricing strategies.

In terms of bundled services, the Group has various competitors in addition to Telefónica, including Vodafone Spain and Orange Spain/Jazztel. Bundled service offerings are becoming increasingly competitive and important for attracting and retaining customers. In addition, it is possible that, in future years, competitors may add services to bundles which the Group may be unable to provide, and/or generate lower prices by effective bundling, thereby potentially increasing their subscriber numbers. If competitors' bundled products are successful in increasing their subscriber numbers, the Group's competitive position may be adversely affected.

The bundled offerings of the Group's competitors are becoming more flexible and are being adapted to different usage profiles, especially in mobile use of data, with a wider product range. For example, Telefónica has introduced a TV product into its high/medium "Movistar Fusión" range, bundling TV and broadband services as a single package for customers. Recent developments in bundling by other operators have included the addition of second mobile lines and the offer of mobile handset subsidies to attract new customers.

Television: As the market leader, Telecable is the largest operator of Pay TV services in Asturias. However, its cable television services compete against Spain's free digital terrestrial television nationwide, as well as regional and local channels. In addition, in the pay television market, the Group competes against Distribuidora de Televisión Digital, S.A. ("**DTS**"), which is a satellite TV platform which is wholly-owned by Telefónica and trading as "Canal+", and "Movistar TV" (Telefónica's Pay TV platform offered over ADSL/fibre). The combined Canal+/Movistar TV Pay TV platforms have greater market presence than Telecable does and have exclusive access to certain premium television content. While the Group currently has access to this content following the authorisation of the acquisition of DTS issued by the CNMC on 23 April 2015, it may become economically impractical to purchase this content in the future. This could negatively impact the Group's ability to attract and retain customers in the Pay TV segment. Orange has also launched its "Orange TV" platform over DSL technology, and small over-the-top ("**OTT**") operators such as Wuaki and Filmin may also win market share. In addition, mobile operators offering pay television services and the pay digital terrestrial television providers may also represent a threat to Telecable's business. In addition, Netflix has announced that it plans to start providing services in Spain in October 2015.

Broadband: Although Telecable is the market leader in broadband services in Asturias, Telefónica (operating under the Movistar brand) is its principal competitor. In addition to Telefónica, there are various providers of DSL broadband internet services that offer broadband services using Telefónica's network on a bundled and unbundled basis, such as Orange/Jazztel and Vodafone. The Group may face pressure from DSL offerings as customers may prefer to subscribe to such lower-cost offerings

instead of higher broadband speeds. The Group may also face increased competition from internet offerings by the mobile service providers, especially as they upgrade their networks for higher speed data services. Additionally, Telefónica has started to commercialise FTTH services in the Asturian cities of Oviedo and Gijón and Orange and Vodafone have announced FTTH deployments in Oviedo, Avilés and Gijón.

Mobile Telecommunications: The Group currently provides its mobile services through a Full Mobile Virtual Network Operator ("**MVNO"**) agreement with Vodafone Spain. Its mobile services compete against those provided by infrastructure-based mobile operators, in particular Telefónica, Vodafone Spain, Orange Spain and Yoigo. These competitors tend to have, in addition to their own infrastructure and among other competitive advantages, greater financial resources and (in the case of Telefónica, Orange Spain and Vodafone Spain) greater market presence in Asturias. In addition, Telecable's mobile services also face competition from other MVNOs (for example, Jazztel). Given the acquisitions of ONO by Vodafone Spain and the acquisition of Jazztel by Orange Spain (which obtained regulatory approval in May 2015), the MVNO market in Spain has significantly decreased in terms of number of operators and size (ONO and Jazztel were the largest MVNOs in Spain). There can be no assurance that the existing regulatory framework for network access for MVNOs will be preserved with the same or better terms as today.

Telefónica, Vodafone Spain, Orange Spain and Yoigo officially launched 4G services in 2013. These four operators have continued to expand their 4G coverage since then and have also announced further investment plans in this respect. A failure by the Group to introduce new products, such as 4G, successfully or in a timely fashion could threaten its business.

Fixed-line Telecommunications: In the fixed-line telecommunications market, the Group's principal competitor is Telefónica (operating under the Movistar brand). The Group also competes with other operators such as Orange/Jazztel and Vodafone that provide their customers with Local Loop Unbundling ("**LLU**") services through Telefónica's local access loop. These services could potentially threaten the competitive position of the Group's services.

Business Services: Telefónica and its affiliates are the Group's principal competitors in providing business telecommunications services, followed by Vodafone and Orange, among others. the Group also competes with other operators including wireless local loop operators. Telefónica, in particular, has a large network, a broad product portfolio and financial strength.

Competition from the companies identified above, as well as from new entrants and new technologies (including but not limited to internet-based telecommunications) could create downward pressure on prices across all the Group's business lines, resulting in a decrease in residential, SOHO and/or enterprise ARPU, a loss of customers and a decrease in revenues and profitability. In addition, technological developments are increasing cross-competition in certain markets, such as that between mobile and fixed-line telecommunications. Telecable's success in the marketplace may be affected by the actions of its competitors. In particular, its business may be adversely affected if its competitors:

- offer lower prices, more attractive bundled services or higher quality services, features or content;
- more rapidly develop and deploy new or improved products and services; or
- more rapidly enhance their networks.

To compete effectively, the Group will need to successfully design and market its services, and anticipate and respond to various competitive factors affecting its markets, such as the introduction of new products and services by its competitors, pricing strategies adopted by its competitors (including aggressive long-term promotions that it may be unable to match), changes in consumer preferences and general economic and social conditions. If the Group is unable to compete effectively with its competitors or effectively anticipate or respond to consumer sentiment, it could lose existing and potential customers, which could result in reduced operating margins and its results of operations falling substantially short of current expectations, and the Group could as a result suffer a material adverse effect to its business, prospects and financial performance.

The Group's growth prospects depend on demand for residential and business telecommunications services, which is difficult to predict and may be negatively impacted by worsening economic conditions

Telecable has benefited from the increased use of telecommunications products in Spain in recent years, and the Group's future growth and profitability depend on demand for these services in the coming years. Predicting changes in demand for different services is inherently difficult. If demand for bundled services does not increase as expected, which could be due to customer behaviours changing,

worsening economic conditions, or other reasons, it could have a material adverse effect on the Group's business, financial condition and results of operations.

Because the Group derives a substantial portion of its revenues from residential customers, whose demand for telecommunications services may be impacted by such events, it may be (i) more difficult to attract and retain new and existing subscribers; (ii) more likely that certain of its customers will downgrade or disconnect their services; and (iii) more difficult to maintain ARPU at existing levels. In addition, the Group can provide no assurances that a deterioration of the economy will not lead to a higher number of non-paying customers or generally result in service disconnections.

Bundling broadband internet, television and fixed-line and mobile telecommunications services is an important part of the Group's strategy. If one of its bundled offerings no longer appeals to its customers, they may discontinue using the Group's bundled or stand-alone services altogether, and the Group could as a result suffer a material adverse effect to its business, prospects and financial performance.

If the Group fails to introduce new or enhanced products and services successfully, its revenues and margins could be lower than expected

Part of the Group's business strategy is based on the introduction of new or enhanced products and services. Any of the new or enhanced products or services it introduces may fail to achieve market acceptance or products or services introduced by its competitors may be more appealing to customers. If the Group's new product or service offerings are not successful, its subscribers may decide to discontinue using its services and choose other distribution platforms.

The Group's strategy includes the customer-wide roll-out of high broadband internet speeds (using DOCSIS 3.0 and potentially, in the future, DOCSIS 3.1), the Group's WiFi service "Wifisfera" and the introduction of its "tedi" branded television services, among other product and service offerings, and it cannot be guaranteed that these new services, or any other new products that the Group may develop in the future, will perform as expected when introduced in the market. Should these or other new products and services fail to perform as expected, or should they fail to gain market acceptance, the Group's results of operations may be negatively affected.

Failure to control customer churn may adversely affect the Group's financial performance

The successful implementation of the Group's business plan depends on its ability to control customer churn. Customer churn is a measure of customers who stop using the Group's services. Customer churn could increase, amongst other reasons, as a result of:

- dissatisfaction with the quality of the Group's customer service, including billing errors;
- customers moving to areas where the Group cannot offer services;
- interruptions to the delivery of services to customers over the Group's network and poor fault management; or
- the availability of competing services, some of which may, from time to time, be less expensive or technologically superior to those offered by the Group or offer content or features that it does not offer.

The Group's inability to control churn or an increase in churn as a result of any of these factors could lead to a reduction in revenues. Telecable has experienced relatively consistent and low (generally under 12 per cent. per annum) levels of churn in recent periods, including during the recent difficult economic environment in Spain and in the face of a highly competitive market environment. There can be no assurance that this relative stability will continue in future periods and churn levels may increase, which could negatively impact the Group's business, prospects and financial performance.

Any negative impact on the reputation of and value associated with Telecable's brand could adversely affect its business

Telecable's brand is an important asset of its business. Maintaining the reputation of and value associated with this brand is central to the success of its business, but the Group's business strategy and its execution may not accomplish this objective. Telecable's reputation may be harmed if it encounters difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to its traditional product offerings, financial difficulties, customer acceptance or otherwise, which in turn may adversely affect its business, prospects, financial condition and results of operations.

The sectors in which the Group competes are subject to rapid and significant changes in technology and the results of technological changes are difficult to predict, and could potentially have a material adverse effect on its ability to provide competitive services

The residential broadband, television, fixed-line and mobile telecommunications markets and business telecommunications markets are characterised by rapid and significant changes in technology. The effect of future technological changes on the Group's business cannot be predicted. It is possible that products or other technological breakthroughs, such as VoIP (over fixed and mobile technologies), voice over LTE ("**VOLTE**"), 4G and in the future 5G mobile services, 4K and internet protocol television, or other new technology or service developments, may result in the Group's core offerings becoming less competitive or render its existing products and services obsolete. There is no guarantee that the Group will successfully anticipate the demands of the marketplace with regard to new technologies and services. This failure could adversely affect the Group's ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on its business, prospects, financial condition and results of operations.

Conversely, the Group may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service that the Group introduces fails to achieve market acceptance, its revenues, margins and cash flows may be adversely affected, and as a result the Group may not recover any investment made to develop and deploy such new technology, which in turn could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's future success depends on its ability to anticipate and adapt in a timely manner to technological changes. This may require it to invest in new technologies in order to compete effectively with its competitors. However, there is no guarantee that the Group will be able to fund the capital expenditures for such technological developments through operating cash flow. If the Group's cash flows from operations are insufficient, it will have to seek additional financing to fund its capital expenditures. The Group may not be able to obtain the funding or other resources required to adopt and deploy such new technology in a timely manner, which in turn could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Fibre deployment plans announced by some of the Group's competitors could make the telecommunications business in the Asturias region more competitive in the future, which could result in lower prices for the Group's products and the loss of existing and new customers

Telefónica is currently in the process of deploying a FTTH network in Spain which allows it to offer high-speed broadband services. Telefónica currently covers close to 62 per cent. of primary households in Spain (excluding business premises) (*source*: *Telefónica company presentation*). Telefónica continues to invest in its FTTH network deployment and has stated that it is aiming to reach approximately 75 per cent. of homes passed in Spain by 2016 (assuming a regulatory framework favourable to Telefónica's investment in fibre roll-out) with no declared targets for the Asturias region (*source*: *Telefónica company presentation*). Telefónica has also announced its intention to close down its ADSL network in the medium/long term and maintain a single fibre-based network. For this, all ADSL subscribers will be progressively migrated to FTTH where fibre coverage is available. The other operators, Orange Spain and Vodafone Spain, have announced plans to jointly deploy a FTTH network to be able to compete with the speed and quality of services offered by other fibre operators with the objective of reaching six million homes and workplaces across 50 major Spanish cities by September 2017. The agreement between these two companies also provides a mechanism by which they can provide each other with wholesale access to future FTTH deployments across Spain on a reciprocal basis. Orange/Jazztel has also announced an expansion of its original fibre network roll-out plan, from the original 3.2 million FTTH homes passed in Spain by the end of 2014 to the new target of five million FTTH homes passed by the end of 2015. As of 31 March 2015, Jazztel passed more than 3.6 million homes in Spain with FTTH (*source: Jazztel first quarter 2015 results presentation*).

In the Asturias region:

- Orange has announced that it intends to build FTTH network capability in the cities of Oviedo and Avilés; and
- Vodafone has announced that it intends to deploy FTTH network capability in Gijón.

In December 2014, Vodafone announced the forthcoming deployment of a FTTH network in the city of Gijon, that will in the future reach over 100,000 real estate units in the city. In January 2015, Orange began the design and preparation of FTTH deployment in the city of Oviedo, and in April 2015, Orange announced a new phase to start the deployment of its fibre network in the city of Avilés, that is expected to reach about 27,000 households in Avilés. Orange has announced that the first homes will be ready to market later this year or at the beginning of 2016. These announced plans include planned investment totalling 43 million euros in Asturias between 2015 and 2018.

Vodafone and Orange started to use the "fibre concept" in their communications to the market in June 2015.

If these operators, and in particular Telefónica, successfully deploy their respective FTTH networks on a broad scale and in a swift manner across Spain and in particular the Asturias region, they would be able to offer high internet speeds on a wider basis, which could erode the Group's competitive advantage in the high-speed broadband market and have an adverse effect on its revenues and ability to acquire and retain high-quality customers. Furthermore, if as a result of the nationwide deployment of its FTTH network, Telefónica is required by the CNMC to open up its FTTH network to third-party operators for speeds above 30Mbps in certain market areas (as initially proposed by the CNMC within the consultation launched in December 2014), this could further increase competition in the high-speed broadband market and could also have an adverse effect on the Group's revenues and ability to acquire and retain high-quality customers. Any such development could adversely affect the Group's business, prospects, financial condition and results of operations.

Certain of the Group's contracts are expiring soon (some of which are key contracts) and if it is unable to renew these contracts, its growth and profitability could be harmed

Certain of Telecable's contracts, including a number of TV content agreements, are expiring within the next year. Other parties to a number of these contracts have no obligation to renew their contracts with Telecable upon the expiration and, even if they do, they may not renew for a similar contract period or on the same terms as the existing contracts. The Group may be unable to find alternative ways to replace certain of these supply contracts.

Telecable's mobile access agreement with Vodafone Spain and its TV content agreement with Multicanal Iberia, S.L.U. for the provision of Canal+ channels are expiring within the next year. Both contracts are key to the Telecable Group. Vodafone Spain is under regulatory obligations to supply the key services which the Telecable Group currently receives at a normal commercial cost (see Part IV – Regulatory Overview). Telefonica (as owner of Multicanal Iberia, S.L.U.) is under a regulatory obligation to provide at a minimum half of the channels it owns for a regulated price, with Telecable able to select which of these channels it wants to acquire. The channels which can be acquired pursuant to this regulatory obligation include key TV content for the Telecable Group.

Even though Vodafone Spain and Telefonica are under regulatory obligations to supply certain products or services, the Group may be unable to renew these contracts under similarly advantageous terms (or, in the case of Vodafone Spain, be unable to procure a replacement mobile access agreement with another operator at similarly advantageous terms) or changes to regulations may remove such obligations from suppliers.

If the Group is unable to renew the contracts, or renews them on less favourable terms or for fewer services or products, its revenues may decline and its costs may rise. Such developments could require the Group to change its current operational structures, for example by requiring the Group to offer different bundles of channels through its Pay TV offering, and could have a material adverse effect on its business, results of operations and financial condition.

The Group is exposed to the risk of declining use of fixed-line telecommunications due to customer migration to mobile telecommunications and from fixed-line to mobile broadband services

The subscriber base for fixed-line telecommunications and usage levels throughout Spain (including the Asturias region) has generally been decreasing due to the migration of residential customers to mobile technology as mobile prices have decreased. The rate at which customers cease to use fixed-line telecommunications may increase, adversely affecting the Group's business, prospects, financial condition and results of operations.

The introduction of mobile handsets with VoIP functionality or OTT voice-like services may adversely affect the prices the Group can charge for, and its market share of, fixed-line telecommunications. Distribution of VoIP via mobile telecommunications networks is an emerging technology influenced by large, global corporations, which have greater resources than the Group, such as Apple, Google

and Microsoft, and there can be no guarantees that the Group will be able to develop service offerings and price plans that will prevent an erosion of revenues or profitability in its fixed-line telecommunications business due to the development of this emerging technology. This could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

As prices have decreased while bandwidth and coverage have increased, mobile broadband has, for certain customers, become an alternative to fixed-line broadband, especially given the faster speeds associated with 4G mobile technology. As a result of such developments, the Group may risk losing fixed-line broadband customers in the future to mobile broadband.

Any increase in mobile data consumption may also cause the Group's operating costs to increase. Therefore, such migration could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's business may be affected by the process of consolidation which the telecommunications industry is currently undergoing in Spain

There has been significant consolidation activity in the Spanish telecommunications and television market, primarily through mobile-centric operators acquiring fixed-line assets operators. In March 2014, Vodafone acquired ONO and in May 2015 the European Commission approved Orange's acquisition of Jazztel. These acquisitions will create a landscape dominated by three main convergent operators at the Spanish national level: Telefónica, Vodafone and Orange.

The consolidation process in Spain may affect the Group's business if it leads to, among other things:

- less capacity to influence regulatory matters, especially in its role as an MVNO due to the decrease in the number of MVNOs;
- difficulty in accessing key television content at a price which allows for attractive margins;
- the existence of competitors with greater market share in the Asturias region and with greater local resources; and
- an increase in the marketing spend by those larger integrated providers.

In addition, on 24 July 2015, Euskaltel SA announced a preliminary agreement to purchase R Cable y Telecomunicaciones Galicia S.A., subject to due diligence and regulatory and shareholder approvals. If any of these factors were to materialise, the Group's revenues, profitability and financial condition could deteriorate if it becomes necessary to increase operating costs and/or increase the level of investments above those originally anticipated. In addition, if the market is increasingly concentrated between three operators with significantly greater scale than the Group, it could become more difficult for the Group to compete, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's business depends on equipment and service suppliers who may fail to provide necessary equipment and services on a timely basis, discontinue their products or seek to charge prices that are not competitive, any of which could adversely affect its business or profitability

The Group depends upon a number of major suppliers, including Vodafone (for mobile access and origination services) and Euskaltel (for certain IT and billing services), among others, for essential products and services including its network infrastructure. In addition, many of its technical facilities are located in EDP properties and much of its network is located in ducts owned by this company. Access to these ducts is granted under long term lease agreements with EDP. These suppliers may, among other things, extend delivery times, supply unreliable equipment or services, raise prices and limit or discontinue supply due to their own shortages, business requirements, changes in commercial strategy or otherwise.

If the Group's suppliers are unable or unwilling to deliver products and services on a timely basis and at reasonable prices or their products are found to be faulty, or the Group does not fulfil its payment and other obligations to these suppliers and they terminate supply, the Group's ability to provide products and services to its customers at competitive prices and of adequate quality might be adversely affected, which could negatively impact the Group's growth, financial condition and results of operations.

The Group's businesses that offer mobile telecommunications and data services rely on the radio access networks of a third-party wireless network provider to carry their mobile communications traffic

As an MVNO, Telecable does not own or operate a physical mobile network, but currently utilises Vodafone's wireless communication networks, and any disruptions to such networks may adversely affect its business and financial results. The Group's business requires it to continue to provide its customers with reliable service over Vodafone's or another MNO's wireless communication networks. The Group relies on Vodafone and its third-party affiliates to maintain wireless facilities and government authorisations and to comply with government policies and regulations. If they fail to do so, the Group may incur substantial losses. Delays or failure to add network capacity, or increased costs of adding capacity or operating the network, could limit the Group's ability to increase its customer base, increase its revenues, or cause a deterioration of its operating margin.

Some of the risks related to the Group being an MVNO and using an MNO's wireless communication networks and infrastructure include: major equipment failures, breaches of network or information technology security that affect wireless networks, including transport facilities, communications switches, routers, microwave links, cell sites or other equipment or third-party owned local and long-distance networks on which Telecable relies, power surges or outages, software defects and disruptions beyond the Group's or the MNO's control, such as natural disasters and acts of terrorism, among others. Any impact on the MNO's wireless communication networks could disrupt the Group's operations, require significant resources, result in a loss of subscribers or impair the Group's ability to attract new subscribers, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

Wireless communications technology is evolving rapidly. If the MNO whose wireless network Telecable is using fails to keep up with a significant change in current wireless network technologies or the emergence of alternative technologies, it could reduce the Group's ability to offer a full range of data services, as compared to its competitors, and the Group may lose customers or may not be able to attract new customers, which could negatively impact the Group's revenues.

If an MNO terminates or determines that it does not wish to renew its agreement with the Group on expiration for any reason, or the Group's mobile access agreement with the MNO terminates for any other reason, transition to an alternative provider may be limited if there is handset or sim card incompatibility, and may be time-consuming and costly, or may require cooperation from the MNO, and the Group could lose a substantial number of customers during the transition period, which could negatively impact the Group's revenues.

Unanticipated network interruptions and events beyond the Group's control may adversely affect its ability to deliver its products and services

The Group's business is dependent on the continued and uninterrupted performance of its network. System, network, hardware and software failures may occur and affect the quality of, or cause an unexpected interruption in, the Group's service. Such failures could result in costly repairs and affect customer satisfaction, thereby reducing the Group's customer base and revenues and damaging its brand image.

Moreover, if any part of the Group's network or system infrastructure is affected by flood, fire or other natural disaster, computer virus, terrorism, power loss or other unforeseen events, its operations and customer relations could be materially adversely affected. The Group's disaster recovery, security and service continuity and protection measures may not be sufficient to prevent loss of data or prolonged network downtime.

In addition, the Group's business is dependent on certain sophisticated critical systems, including its switches, technical platforms and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if damage were to occur to any of these locations or if those systems develop other problems, there could be a material adverse effect on the Group's business. Any significant interruptions in providing services could negatively impact the Group's reputation as an efficient and reliable telecommunications provider and consequently impair its ability to obtain and retain customers which could negatively impact its business, prospects and financial performance.

The Group depends on the ability to attract and retain key personnel without whom it may not be able to manage its business effectively

The Group's operations are currently managed by a number of executives and employees who the Directors consider key. The Directors believe that the loss of any key personnel could significantly

impede the Group's financial plans, product development, network completion, marketing and other plans, which could affect its ability to comply with its financing arrangements and other commitments. In addition, competition for qualified executives in the telecommunications industry is intense. The Group's growth and success in implementing its business plans largely depends on its continued ability to attract and retain experienced senior executives as well as highly skilled employees and it may not be successful in doing so. If any of its senior executives or other key personnel ceases their employment with the Group, its business, prospects, financial position and results of operations could be negatively affected.

The Group may experience employee or labour relations problems

The Group's relationships with its employees are governed by the ''National Collective Bargaining Agreement for Concessionaire Companies in the Fibre-Optic Telecommunication-Cable Sector''. The Group has not entered into any Supplementary Internal Labour Agreement, because the Group exceeds most of the National Collective Bargaining Agreement terms and conditions. The Group does not have a representative workers committee. Although the Group believes that its relations with its employees have generally been satisfactory, it has on occasion had labour disputes in the past. If material labour disputes were to arise in the future, the Group could experience a significant disruption in operations or higher labour costs, which could have a material adverse effect on its business.

The Group's business may be adversely affected if it fails to carry out continuous maintenance and improvement of its network, systems and operations

The Group must continuously maintain and improve its networks in a timely and cost-effective manner in order to sustain and expand its customer base, service offerings and quality of service, enhance its operating and financial performance and satisfy regulatory requirements. The maintenance and improvement of the Group's existing networks depends on its ability to:

- enhance the functionality of its network in order to offer competitive services to its customers;
- expand the capacity of its networks to cope with increased bandwidth usage;
- maintain customer service, network management and administrative systems;
- modify network infrastructure for new products and services; and
- finance maintenance costs and network upgrades.

If the Group fails to maintain and improve its network, its services may be less attractive to existing and potential customers and it may lose customers to competitors who are able to provide higher quality services. This could negatively impact its financial condition and make it more difficult for the Group to fund its operations.

The Group requires effective information technology systems in order to continue providing a high quality customer service. Failure to maintain such systems may result in reduced quality of customer service, leading to an increase in customer churn, which may in turn result in decreases in revenues, otherwise impact on the Group's financial condition and make it more difficult for it to fund its operations.

The Group is subject to increasing operating costs and inflation risks which may adversely affect its earnings

While the Group attempts to offset increases in operating costs through a variety of measures focused on increasing revenues, there is no assurance that it will be able to do so. Therefore, operating costs may rise faster than associated revenues resulting in a material negative impact on the Group's cash flow and net profit.

The Group is also impacted by inflationary increases in salaries, wages, benefits and other costs. Increases in the inflation could significantly impact its cost base.

The Group's capital expenditures may not generate a positive return

The broadband internet, television and telecommunications markets in which the Group operates are capital intensive. Significant capital expenditures are required to attract and retain customers to its networks, including expenditures for equipment and installation costs and the implementation of new technologies and services. No assurance can be given that the Group's future upgrades and developments will generate a positive return or that it will have adequate capital available to finance them. If the Group is unable to, or elects not to, pay for costs associated with adding new customers, expanding or upgrading its networks or making other planned or unplanned capital expenditures, its

growth could be limited and its competitive position could be harmed which could negatively impact the Group's business, prospects and financial performance.

If the Group loses or is unable to obtain certain permits, licences or authorisations necessary for its operations, it may not be able to carry on parts of its current or planned businesses

The Group is, in certain cases, permitted to provide services, operate and deploy networks and to use electromagnetic spectrum under certain permits, licences and authorisations granted by competent authorities. Some of these are issued for a limited period of time and may not be renewed, or, if they are renewed, their terms may be changed. These permits, licences and authorisations contain a number of requirements regarding the way in which the Group conducts its business. Failure to meet these requirements could result in fines or other sanctions including, ultimately, revocation of such permits, licences and authorisations. Certain licences, particularly those relating to the use of mobile spectrum, are in scarce supply and may be difficult to obtain for regional operators as they are often allocated at the state level as opposed to the regional level. The Group may also be required to obtain certain permits, licences and authorisations in order to expand its network and services into new areas of business and it cannot guarantee that it will be able to obtain them or be able to comply with their requirements. Any of the foregoing circumstances could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group operates in a highly regulated market as a result of which it may be required to make additional expenditures or limit its revenue-making operations

The Group operates in a highly regulated market subject to the supervision of various regulatory bodies, including local, regional, national and European Union authorities. Changes in these regulations may increase its administrative and operational expenses or limit its ability to generate revenues. The Group is subject to rules and regulations relating to, among other things:

- the interconnection between different networks and the interconnection rates that it can charge and pay for fixed and mobile line connections;
- the authorisation of renewals and transfers of customers;
- customer privacy and data protection and other consumer rights;
- intelligent network services;
- the RTVE Financing Law and requirements to invest in content;
- the use of its spectrum;
- access offered by MNOs to MVNOs;
- other requirements covering a variety of operational areas such as land use and environmental protection, technical standards and subscriber service requirements and legal interception obligations;
- significant market power and other restrictions relating to competition;
- television and other audiovisual communication services; and
- accessing content in the audiovisual market.

In addition, changes in other governmental regulations, including with respect to corporate income tax, VAT or other tax rules, or other rules not directly related to its business may affect the Group's business, financial condition and results of operations.

Pursuant to Royal Decree 458/2011, MNOs are required to offer access to MVNOs which do not own the underlying wireless network infrastructure over which they provide services to wireless customers. Although this statute expired on 1 May 2015, the CNMC maintains the obligation imposed in 2006 on MNOs to provide access to MVNOs under reasonable terms (including access to new technologies, such as 4G). However, such obligation is subject to revision which is expected over the next 12 months. No assurance can be made that this obligation will be renewed or continued. Although the Group currently has a contract in place with Vodafone to provide mobile access and origination services, such contract provides for only 2G and 3G services. Should the Group's contract with Vodafone be terminated and not be renewed for any reason, the Group may not be able to obtain a contract for mobile access and origination services on similar terms or at all. If the obligation of MNOs to provide access to MVNOs is discontinued, or if the Group fails to maintain its current mobile access contract or enter into a new access contract, it could have a material adverse effect on its business, financial condition and results of operations.

One of the Group's regulators, the CNMC, is required to review both the retail and wholesale telecommunications markets in order to (i) define relevant markets, (ii) determine whether there is effective competition or not, and (iii) identify operators with significant market power. As a result, it has imposed certain regulatory obligations on operators, such as mobile and cable companies. For more information, see "Part IV – Regulatory overview".

Telecable is not considered by the CNMC as an operator with significant market power in any relevant market except in the wholesale markets for termination on fixed and mobile networks (as is the case for other fixed telephone network operators and mobile wholesale operators). No assurance can be given, however, that the Group will not, in the future, be identified by the CNMC as having significant market power in one or several other relevant markets and that the CNMC will not therefore impose additional regulatory requirements on it.

Changes in applicable law, regulations, governing policy, or the interpretation and application of existing laws or regulations, including recent developments on universal service (see "Part IV – Regulatory overview"), could adversely affect the Group's business, financial condition and ability to introduce new products and services. The Group's business could be materially adversely affected by any changes in relevant laws or regulations or their interpretation regarding, for example, authorisation requirements, access and price regulation, interconnection arrangements, the imposition of universal service obligations or any change in policy allowing more favourable conditions for its competitors. The Group's ability to introduce new products and services may also be affected if it cannot predict how existing or future laws and regulations or policies would apply to such products or services.

Many of the Group's suppliers, particularly content providers and suppliers of equipment and services, are also subject to extensive regulation, which could adversely impact their ability to satisfy their obligations to the Group and thereby indirectly expose the Group to additional risks if such suppliers are unable to fulfil their obligations to the Group as a result of such regulation.

Health risks, whether real or perceived, or other problems connected with mobile devices or their base stations and other technologies used by the Group, could result in less intensive use of mobile communications or other technologies

Certain studies of mobile and other technologies claim that the electromagnetic signals emitted by mobile and other devices and base stations involve health risks. Such risks, whether real or perceived, and the publicity they receive, together with any resulting legislation or litigation, could reduce the Group's base of mobile customers, make the establishment of new base stations and the maintenance of existing base stations more difficult, or incite customers to reduce their use of mobile telephones. Such health risks could also become linked to or associated with WiFi or other equipment, and if WiFi and/or mobile telephones become tarnished with such a reputation the Group could experience a material adverse effect to its business, prospects, financial condition and results of operations.

Telecable depends on third parties to provide premium programming for its Pay TV service

Telecable does not produce the majority of its content, and therefore its ability to compete in the Pay TV market depends, in part, on its ability to obtain attractive programming from third parties at reasonable prices. A relatively small number of third-party companies produce and control access to programming. If the Group is unable to purchase content at commercially reasonable prices, or at all, its ability to retain and grow its Pay TV customer base could be adversely affected.

DTS, the satellite TV platform which is wholly-owned by Telefónica and trading as Canal+, controls a significant portion of the Spanish Pay TV market. This significant market power may provide DTS with competitive advantages over Telecable's Pay TV operations, such as the ability to extend its range of preferential or exclusive agreements with providers of content, exert increased pricing power with respect to suppliers and the ability to benefit from cross-marketing with Telefónica. Although the authorisation issued by the CNMC on 23 April 2015 for the acquisition by Telefónica of DTS imposes conditions on Telefónica with regard to making exclusive content available to other operators, these conditions may not prove sufficient to avoid a significant increase in the acquisition cost of certain content by Telecable (including, for example, major football competitions or popular U.S. television series). The Group may therefore have to take legal action to protect its right to access such content. If such legal action is unsuccessful, the Group may lose access to such content which could lead to increased customer churn and adversely affect it's ability to attract new customers. This could negatively affect the Group's results of operation and financial performance.

The operation of Telecable's conditional access systems is dependent on licensed technology and subject to illegal piracy risks

Telecable operates conditional access systems provided by Alcatel Lucent for set-top boxes (DRMTV Key Server) and Verimatrix for TV Everywhere (VCAS ViewRight) to transmit encrypted digital programs, including Telecable's digital television packages. Billing and revenue generation for Telecable's services also rely on the proper functioning of such conditional access systems.

While the current conditional access systems that the Group has deployed throughout its network for the purposes of protecting content appear to be functioning adequately to protect it from the risk of illegal piracy, there can be no assurance that such systems always function as intended. There is a risk that the Group will not be able to successfully eliminate the piracy currently faced or that it may face in the future. In addition, there can be no assurances that any new conditional access system security that the Group may put in place will not be circumvented. Encryption failures could result in lower revenues, higher costs and increased Pay TV subscriber churn or otherwise have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's networks carry and store large volumes of confidential, personal and corporate data, and its internet access and hosting services may lead to claims for illegal or illicit use of the Internet

The Group's networks carry and store large volumes of confidential, personal and business data, through both voice and data traffic. This information is increasingly subject to regulation in various jurisdictions, including under European Directive 95/46/EC on the protection of personal data, Organic Law 15/1999 on Personal Data Protection, Royal Decree 1720/2007, developing the Organic Act 15/1999, and Articles 39 to 44 of the General Law on Telecommunications.

The Group stores and transmits increasing quantities and types of customer data in both business and consumer segments. Despite its best efforts to prevent it, the Group may be found liable for any loss, or inappropriate transfer or modification of the customer data or general public data stored on its servers or transmitted through its networks or for breaching any regulations related to personal information, any of which could involve many people and have an impact on Telecable's reputation, or lead to legal or regulatory claims and liabilities that are difficult to measure in advance.

In addition, the Group's internet access and hosting servers could lead to claims for illegal or unlawful use of the internet. The Group, like other telecommunications providers, may be held liable for any loss, transfer or inappropriate modification of the customer data stored on its servers or carried by its networks.

In Spain, the provision of internet access and hosting services (including the operation of websites with self-generated content) is regulated under a limited liability regime applicable to the content that it makes available to the public as a technical service provider, particularly content protected by copyright or similar laws. However, regulatory changes have been introduced imposing additional obligations on access providers (such as blocking access to certain websites) as part of the actions against illegal or illicit uses of the internet. Any of the foregoing could have an adverse impact on the business, financial position, results of operations and cash flows of the Group.

2. RISKS RELATING TO THE STRATEGY, MANAGEMENT AND OPERATIONS OF THE COMPANY

The Company is reliant on key executives and personnel

The Company's business, development and prospects are dependent upon the continued services and performance of its Directors and other key personnel. The experience and commercial relationships of the Directors and key personnel help provide the Company with a competitive edge. The Directors believe that the loss of services of any existing key executives or key personnel, for any reason, or failure to attract and retain necessary personnel, could adversely impact the business, prospects, financial condition, results of operations and development of the Company.

The Company may not successfully identify and complete further suitable acquisition opportunities in the future

As part of the Company's strategy, the Directors intend to identify further suitable acquisition opportunities and complete the purchase of the identified businesses. The Company cannot estimate how long this will take. If the Company fails to complete a proposed acquisition (for example, because it has been outbid by a competitor) it may be left with substantial unrecovered transaction costs, potentially including substantial break fees, legal costs or other expenses. Furthermore, even if an agreement is reached relating to a proposed acquisition, the Company may fail to complete such

acquisition for reasons beyond its control. Any such event will result in a loss to the Company of the related costs incurred, which could materially adversely affect subsequent attempts to identify and acquire another target business.

Success of the Company's strategy is not guaranteed

The Company's level of profit will be reliant upon the performance of the assets acquired and the Company's strategy from time to time. The success of the Company's strategy depends on the Directors' ability to identify investments in accordance with the Company's investment objectives and to access and interpret business and market data correctly. No assurance can be given that the strategy to be used will be successful under all or any market conditions, that the Directors will be able to identify further opportunities meeting the Company's investing criteria, that the Company will be able to invest its capital on attractive terms or that the Company will be able to generate positive returns for Shareholders. If the Company's strategy is not successfully implemented, or any amendments or modifications made to such strategy are unsuccessful, this could adversely impact the business, prospects, financial condition, results of operations and development of the Company.

The Company may be unable to complete desired acquisitions or to fund the operations of further target businesses if it does not obtain additional funding

Although the Company cannot currently predict the amount of additional capital that may be required, the Company may be unable to raise the additional funds required to implement its strategy in the future. The Company may not receive sufficient support from its existing Shareholders to raise additional equity, and new equity investors may be unwilling to invest on terms that are favourable to the Company, or at all. Lenders or investors may be unwilling to extend debt financing to the Company on attractive terms, or at all. To the extent that additional equity or debt financing is necessary to implement the Company's strategy and remains unavailable or only available on terms that are unacceptable to the Company, the Company may be compelled either to restructure or abandon a particular acquisition target, or proceed with acquisitions on less favourable terms, which may reduce the Company's return on the investment and may impact on the Company's financial strategy, including its ability to pay dividends.

In addition the Company may require additional capital in the future for the expansion of any of its acquired businesses, their activities and/or business development, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, material dilution to the then existing shareholdings may result. The level and timing of future expenditure will depend on a number of factors, many of which are outside of the Company's control. If the Company is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such expansion, activities and/or business development or change its financial policies, including dividend payments, which could adversely impact the business, prospects, financial condition, results of operations and development of the Company and the returns to its Shareholders.

If the Company acquires less than either the whole voting control of, or less than the entire equity interest in, a target company or business, its decision-making authority to implement its plans may be limited and third party minority shareholders may dispute the Company's strategy

The Company may be either an active investor and acquire control of a company or it may acquire non-controlling shareholdings. Although the Company intends to acquire the whole voting control of future target companies or businesses, it may also consider acquiring a controlling interest constituting less than the whole voting control or less than the entire equity interest of a target company or business if such opportunity is considered attractive or where the Company expects to acquire sufficient influence to implement its strategy. If the Company acquires either less than the whole voting control of, or less than the entire equity interest in, a target company or business, the remaining ownership interest will be held by third parties. Accordingly, the Company's decision-making authority may be limited. Such acquisition may also involve the risk that such third parties may become insolvent or unable or unwilling to fund additional investments in the target. Such third parties may also have interests which are inconsistent or conflict with the Company's interests, or they may obstruct the Company's strategy for the target or propose an alternative strategy. Any third party's interests may be contrary to the Company's interests. In addition, disputes among the Company and any such third parties could result in litigation or arbitration. Any of these events

could impair the Company's objectives and strategy, which could have a material adverse effect on the continued development or growth of the acquired company or business.

Investments in private companies are subject to a number of risks

In the future, the Company may invest in or acquire further privately held companies or assets.

These may:

- be highly leveraged and subject to significant debt service obligations, stringent operational and financial covenants and risks of default under financing and contractual arrangements, which may adversely affect their financial condition;
- have limited operating histories and smaller market shares than publicly held businesses making them more vulnerable to changes in market conditions or the activities of competitors;
- be more dependent on a limited number of management and operational personnel, increasing the impact of the loss of any one or more individuals; and/or
- require additional capital.

All or any of these factors may have a material adverse effect on the business, prospects, financial condition and results of operations of the Company.

Material facts or circumstances may not be revealed in the due diligence process

The Company will in future conduct such due diligence as it deems reasonably practicable and appropriate based on the facts and circumstances applicable to any potential future acquisition. The objective of the due diligence process is to identify material issues which might affect the decision to proceed with any particular acquisition target or the consideration payable for an acquisition. The Company will also use information revealed during the due diligence process to formulate its business and operational planning for, and its valuation of, any future target company or business. Whilst conducting due diligence and assessing a potential acquisition, the Company will rely on (i) publicly available information, if any; (ii) information provided by the relevant target company to the extent such company is willing or able to provide such information; and (iii) in some circumstances, third party investigations.

There can be no assurance that the due diligence undertaken with respect to a potential acquisition will reveal all relevant facts that may be necessary to evaluate such acquisition including the determination of the price the Company may pay, or to formulate a business strategy. Furthermore, the information provided during due diligence may be incomplete, inadequate or inaccurate. As part of the due diligence process, the Company will also make subjective judgments regarding the results of operations, financial condition and prospects of a potential opportunity. If the due diligence investigation fails correctly to identify material issues and liabilities that may be present in a target company or business, or if the Company considers such material risks to be commercially acceptable relative to the opportunity, and the Company proceeds with an acquisition, the Company may subsequently incur substantial impairment charges or other losses. In addition, following an acquisition, the Company may be subject to significant, previously undisclosed liabilities of the acquired business that were not identified during due diligence and which could contribute to poor operational performance, undermine any attempt to restructure the acquired company or business in line with the Company's business plan and have a material adverse effect on the Company's financial condition and results of operations.

The Company may be unable to refocus and improve the operating and financial performance of acquired businesses

It is unlikely that any substantial business operation acquired by the Company will immediately fit the Company's business model or be currently operating in accordance with the Company's requirements. The success of the Company's acquisitions will therefore depend on the Company's ability to implement the necessary strategic, operational and financial change programmes in order to refocus the business and improve its performance. Implementing change programmes within an acquired business may require significant modifications, including changes to business assets, operating and financial processes, business systems, management techniques and personnel, including senior management. There is no certainty that the Company will be able to successfully implement such change programmes within a reasonable timescale and cost, and any inability to do so could have a material adverse impact on the Company's performance and prospects.

The Company is a holding company whose principal source of operating cash is income received from Telecable

The Company is dependent on the income generated by Telecable to meet the Company's expenses, operating cash requirements and any debt costs. The amount of distributions and dividends, if any, which may be paid from any operating subsidiary to the Company will depend on many factors, including such subsidiary's results of operations and financial condition, limits on dividends under applicable law, its constitutional documents, documents governing any indebtedness of the Company and other members of the Group, and other factors which may be outside the control of the Company. If the acquired business is unable to generate sufficient cash flow, the Company may be unable to pay its expenses or make distributions and pay dividends on the Ordinary Shares.

The Company may be subject to foreign investment and exchange risks

Whilst the Company's functional currency is pounds sterling, the presentational currency is Euros. As a result, the Company's consolidated financial statements will carry the Company's assets in Euros. Any business the Company acquires may denominate its financial information, conduct operations or make sales in currencies other than Euros. When consolidating a business that has presentational currencies other than Euros, the Company will be required to translate, *inter alia*, the balance sheet and operational results of such business into Euros. Due to the foregoing, changes in exchange rates between Euros and other currencies could lead to significant changes in the Company's reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although the Company may seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at reasonable cost at all times when the Company wishes to use them or that they will be sufficient to cover the risk.

The Company may not be able to sell acquired businesses under attractive terms or at all

The Company has set out a 'Buy-Fix-Sell' strategy, acquiring target businesses, improving their performance and subsequently realising a return from the sale of the businesses or their assets. The Company is therefore dependent on finding suitable buyers for its businesses who are willing and able to complete an acquisition on favourable terms for the Company. There is no certainty that such buyers will exist when the Company is looking to sell or that the Company will be able to identify and attract them. There is also no certainty that any buyer will be willing and able to enter into a transaction on terms which the Company considers attractive and is willing to accept. If such terms cannot be agreed, the Company may be unwilling or unable to sell these businesses, and the level and timing of returns to the Company and its Shareholders may be materially adversely impacted.

The general economic climate may be adverse for the Company

The Company may acquire or make investments in companies and businesses that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, consumer spending for products such as telecommunications and entertainment services may decline, thereby potentially decreasing revenues and causing financial losses, difficulties in obtaining access to, and fulfilling commitments in respect of, financing, and increased funding costs. Consumer confidence, recessionary and/or inflationary trends, consumer credit availability (including financing and payment plans for the purchase of telecommunications and entertainment products), interest rates, consumers' disposable incomes and unemployment rates may impact customer demand and sales levels. Any of the foregoing could cause the value of the investment to decline. In addition, during periods of adverse economic conditions, the Company may have difficulty accessing financial markets, which could make it more difficult or impossible for the Company to obtain funding for additional investments and negatively affect the Company's net asset value and operating results. Accordingly, adverse economic conditions could adversely impact the business, prospects, financial condition, results of operations and development of the Company.

The Company is subject to risks from legal and arbitration proceedings

The Company may in the future become involved in commercial disputes as well as legal and arbitration proceedings, with public authorities or private entities, which involve claims for damages or other sanctions, for instance arising out of acquisitions or other material contracts entered into by it or any member of the Group.

In the event of a negative outcome of any material proceedings, whether based on a judgment or a settlement agreement, the Company could also be forced to make substantial payments or accept other sanctions, which could adversely affect its business, prospects, financial condition and results of operations. In addition, the costs related to litigation and arbitration proceedings may be significant.

The incurrence of indebtedness in connection with any future acquisition could lead to a decline in post-acquisition operating results

The incurrence by the Company of substantial indebtedness in connection with any future acquisitions could result in:

- default and foreclosure on the Group's assets, if its cash flow from operations was insufficient to pay its debt obligations as they became due; or
- an inability to obtain additional financing, if any indebtedness incurred contained covenants restricting its ability to incur additional indebtedness.

The occurrence of any or a combination of these, or other, factors could have a material adverse effect on the Group's financial condition and results of operations.

3. RISKS RELATING TO THE BROADER NETWORK COMMUNICATIONS AND ENTERTAINMENT SERVICES SECTOR

The network communications and entertainments services sector is highly competitive

The Company's strategy is to acquire, develop and ultimately sell businesses in the European network-based communications and entertainment sector. The success of network communications and entertainment services sector companies is highly dependent upon their share of overall revenues within their markets. Such success will depend, among other factors, on the ability of the Group to continue to compete successfully with other major providers and to respond to changes introduced by these other providers, which may involve the introduction of new technologies and services, modifications to customer offers and pricing, improvements to levels of quality, reliability and customer service, or changes to the structure of the industry including via other business combinations. Failure to successfully compete for the Group's share of revenues, while maintaining adequate margins, could adversely impact the business, prospects, financial condition, results of operations and development of the Company and the Group.

The network communications and entertainment services market in Europe is exposed to price and margin pressure

Network communications and entertainment services providers in Europe have been required continuously to upgrade their products and services in recent years to remain competitive. Competitive price pressure may increase in the future, in particular as access to alternative distribution platforms and technological progress may empower customers to demand reduced prices for network communications and entertainment services. In order to attract new subscribers and retain existing subscribers, costs of marketing, capital investments and other expenses may increase, which may adversely affect margins. Inability to attract new customers, while maintaining pricing and margins could adversely impact business prospects, profitability and margins.

Technology developments may lead to changes in consumer behaviour and additional investment costs, which may adversely affect the industry

New technologies have been, and will likely continue to be, developed. These technologies may affect the demand for the products and services any acquired business will provide. They may also cause existing assets of the business to become redundant and to require substantial new investments to introduce or compete with the new technology. It is not certain the Group will be able to access the new technology, have the financial resources required to introduce it, or make the changes necessary successfully to compete. These and other changes in technology could adversely impact the business, prospects, financial condition, results of operations and development of the Company.

Investing in businesses in the network communications and entertainment services sector may subject the Company to uncertainties that could increase its costs to comply with regulatory requirements in foreign jurisdictions, disrupt its operations, and require increased focus from its management

Network communications and entertainment services sector companies provide services to clients located in various international locations and are subject to many local and international regulations.

International operations and business expansion plans are subject to numerous additional risks, including:

- economic and political risks in foreign jurisdictions in which the Group may operate or seek to operate;
- difficulties in enforcing contracts and collecting receivables through foreign legal systems;
- differences in foreign laws and regulations, including foreign tax, intellectual property, privacy, labour and contract law, as well as unexpected changes in legal and regulatory requirements;
- differing technology standards and pace of adoption;
- export restrictions on encryption and other technologies; and
- fluctuations in currency exchange rates and any imposition of currency exchange controls.

Communications and entertainment services require a technology-intensive business where system/network failures can severely impact customers and adversely affect business performance

The communications and entertainment sectors are technology-intensive and rely on the performance of complex technical networks, systems and processes. The failure of any material part of such networks, systems or processes can cause the failure of service for customers, leading to loss of revenues, additional operating and capital costs and reduced customer satisfaction and loyalty. The Company may not be able to repair technical failures quickly or at acceptable cost, leading to such technical failures having a material impact on customer revenues and the financial results and prospects for the Company.

The Company's and the Group's business may require compliance with demanding personal data and other regulatory conditions which could add to the costs of operation and legal risks faced by the Company and the Group

Operating in the network communications and entertainment services sector involves having access to extensive personal information on customers and their activities. Such information is subject to numerous regulatory and security requirements, which may differ according to the territory in which the Company and the Group operates and which may alter over time. Complying with these and other existing and new regulatory and legal requirements may add to the cost and complexity of management of the business and any failure to comply could leave the business exposed to regulatory and/or legal challenges from governments, regulators, customers or other third parties. Additional legal and operating costs, fines, damage payments, or limitations on the operations of the Company and the Group could result which could significantly impact the Company, its development and value.

4. RISKS RELATING TO THE GROUP'S FINANCIAL PROFILE

The Group may not be able to generate sufficient cash flow to repay all of its debt obligations at maturity and to the extent the Group cannot repay such debt, it may not be able to refinance its debt obligations or may be able to refinance only on terms that will increase its cost of borrowing

Certain members of the Group have significant debt and debt service obligations, including net debt of approximately €270 million following the drawdown under the Loan Agreement (see paragraph 12.11 of Part IX of this Document).

The Group's ability to make payments on its debt or to refinance any such debt will depend on its ability to generate cash. Its ability to generate cash in turn depends on many factors, including, among others:

- general economic conditions and conditions affecting customer spending;
- competition;
- the demand and price levels for its products and services;
- its ability to improve its business processes and procedures;
- its future operating performance;
- its level of capital expenditures;
- its ability to use carry-forward tax credits;
- the availability of financing in the capital markets at attractive rates or at all; and
- legal, tax, litigation, regulatory and other factors affecting its business.

The Group's ability to raise capital or refinance its debt depends on a number of factors, including the liquidity of the capital markets, and the Group may not be able to do so on satisfactory terms, or at all. In the event that the Group cannot raise additional capital or refinance its debt, it may not be able to meet its debt repayment obligations at maturity. In addition, the terms of any refinancing indebtedness may be materially more burdensome to the Group than the indebtedness it refinances. Such terms, including additional restrictions on the Group's operations and higher interest rates, could have an adverse effect on the Company's and the Group's business, prospects, financial condition and results of operations and could have a material adverse effect on the value of the Ordinary Shares.

Furthermore, the Group's inability to meet repayment obligations under its debt agreements could trigger various default provisions, accelerate a substantial portion (if not all) of its debt and materially adversely affect the Company's and the Group's business, prospects, financial condition and results of operations.

The Group is exposed to risks associated with movements in interest rates as a result of incurring floating rate debt

The Loan Agreement has a floating interest rate. The Group may also incur further debt with floating interest rates in the future. Interest rates are highly sensitive to many factors beyond the Group's control, including central banks' policies, international and domestic economic and political conditions. The level of interest rates can fluctuate due to, among other things, inflationary pressures, disruption to financial markets or the availability of bank credit. If interest rates rise, the Group will be required to use a greater proportion of its revenues to pay interest expenses on its floating rate debt. While the Group may in the future choose to hedge, totally or partially, its interest rate exposure, any such measures may not be sufficient to protect it from such risks and there can be no assurance that it will be able to enter into hedge agreements in the future on satisfactory terms or at all. Any hedging arrangements will also expose the Group to credit risk in respect of the hedging counterparty. Any of the foregoing may have a material adverse effect on the Company's and the Group's business, prospects, financial condition and results of operations.

Restrictions imposed by the Group's debt obligations limit its ability to take certain actions

The Loan Agreement contains a number of provisions that limit the Group's ability to operate its business (see paragraph 12.11 of Part IX of this Document). For example, some of these provisions limit Telecable's ability to enter into mergers, make a substantial change to the nature of its business, make disposals, incur additional financial indebtedness, create security over assets, provide guarantees and indemnities, make loans, make acquisitions and investments, pay dividends or undertake share buy-backs. In addition, the Group's Revolving Facility under the Loan Agreement contains a financial covenant, which will require the Group to maintain a specified financial ratio tested on a quarterly basis while the facility is drawn.

These covenants could adversely affect the Group's ability to finance its future operations in the year commencing 1 January 2017 and beyond and its capital needs, pursue acquisitions and engage in other business activities that may be in the Group's best interest. In addition, a failure to comply with these obligations could lead to a default under the terms of the Loan Agreement, which would prevent the Group from borrowing any additional amounts thereunder or the lenders thereunder declaring all outstanding principal and interest becoming immediately due and payable, and there can be no assurance that its assets would be sufficient to repay such debt in full.

5. RISKS RELATING TO THE ORDINARY SHARES

Orderly market arrangements

The Directors and certain other Shareholders have agreed for a 12 month period following 19 March 2015 in respect of all of their Ordinary Shares, and the Telecable Vendors who received Telecable Consideration Shares as part of the Telecable Acquisition agreed for a six month period after Second Admission in relation to 40 per cent. of their Ordinary Shares and for a period of 12 months following Second Admission in relation to the remainder of their Ordinary Shares, subject to certain exceptions, and among other things, not to offer, sell, contract to sell, grant options over or otherwise dispose of, directly or indirectly, such Ordinary Shares. Although there is no present intention or arrangement to do so, those Shareholders may, following the expiry of the applicable initial lock-in period, sell their Ordinary Shares without restriction. The market price of Ordinary

Shares could decline significantly as a result of any sales of Ordinary Shares by such Shareholders following expiry of such period (or otherwise) or the perception that these sales could occur.

The Ordinary Shares will carry investment risk and may have limited liquidity

While the Company is applying for Admission, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. The market for Ordinary Shares may be, or may become, relatively illiquid, particularly given the lock-in and orderly market arrangements described in paragraphs 12.2, 12.8 and 12.9 of Part IX of this Document and therefore the Ordinary Shares may be or may become difficult to sell. The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or in response to various factors and events, including the Group's performance generally, variations in the Company's interim or full year operating results, business developments of the Company, the Group and/or its competitors, significant purchases or sales of Ordinary Shares, legislative changes, and general economic, political or regulatory conditions, and other factors outside the control of the Company. Potential investors should be aware that the value of securities and the income from them can go down as well as up, and investors may realise less than, or lose all of, their investment. The market price of the Ordinary Shares may not reflect the underlying value of the Company. The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others of which are extraneous.

Investors may not be able to realise returns on their investment in Ordinary Shares within a period that they would consider to be reasonable

Investments in Ordinary Shares may be relatively illiquid. There may be a limited number of Shareholders and this may contribute both to infrequent trading in the Ordinary Shares on the London Stock Exchange and to volatile Ordinary Share price movements. Investors should not expect that they will necessarily be able to realise their investment in Ordinary Shares within a period that they would regard as reasonable. Accordingly, the Ordinary Shares may not be suitable for short-term investment. Admission should not be taken as implying that there will be an active trading market for the Ordinary Shares.

The interests of significant Shareholders may conflict with those of other Shareholders

Upon Admission and in the future, it is possible that a limited number of Shareholders may have significant holdings of Ordinary Shares. Accordingly, such Shareholders will possess sufficient voting power to have significant influence on matters requiring Shareholder approval. The interests of such significant Shareholders may conflict with those of other holders of Ordinary Shares.

Further issues of shares may result in immediate dilution

The Company may issue additional Ordinary Shares in subsequent public offerings or private placements to fund acquisitions. Statutory pre-emption rights prevent the issue of shares for cash consideration without such shares being offered to Shareholders first, subject to the disapplication of such pre-emption rights by a special resolution of the Shareholders. Therefore, existing Shareholders may not be offered the right or opportunity to participate in any such future share issues (if such a special resolution is approved by Shareholders or if shares are issued for non-cash consideration), which may dilute existing Shareholders' interests in the Company.

The Company will be subject to restrictions in offering its Ordinary Shares as consideration for an acquisition in certain jurisdictions and may have to provide alternative consideration, which may have an adverse effect on its operations

The Company may offer its Ordinary Shares or other securities as part of the consideration to fund, or in connection with, future acquisitions. However, certain jurisdictions may restrict the Company's use of its Ordinary Shares or other securities for this purpose, which could result in the Company needing to use alternative sources of consideration. Such restrictions may limit the Company's available acquisition opportunities or make certain acquisitions more costly.

Dividend payments on the Ordinary Shares are not guaranteed

The Company is targeting a dividend on its Ordinary Shares of 4.5p per Ordinary Share in 2016. This is a target, not a forecast, and there is no guarantee that this return will be made. Thereafter, the Company intends to implement a progressive dividend payment policy.

The Company will principally depend on dividends received on shares held by it in its operating subsidiaries, interest on intercompany loans provided to its subsidiaries, or receipts from the future disposal of assets, in order to pay dividends to its Shareholders. Payments of such dividends (including the targeted 4.5p per Ordinary Share dividend in 2016) will be dependent on the availability of any dividends or other distributions from such subsidiaries, or the successful completion of such disposals, and will be subject to the limitations on dividends set out in the Loan Agreement (see paragraph 12.11 of Part IX of this Document for further details). The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

Market perception of the Company may change

Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

The proposed standard listing of the Ordinary Shares will afford Shareholders a lower level of regulatory protection than a premium listing

Application will be made for the Ordinary Shares to be admitted to a standard listing on the Official List. A standard listing will afford Shareholders in the Company a lower level of regulatory protection than that afforded to investors in companies with premium listings on the Official List, which are subject to additional obligations under the Listing Rules. In particular, Shareholders will not have the opportunity to vote on any future acquisitions, even if Ordinary Shares are being issued as consideration for such acquisition, save to the extent Shareholder approval is required to issue such Ordinary Shares. Further details regarding the differences in the protections afforded by a premium listing as against a standard listing are set out in the section entitled ''Consequences of a standard listing'' on page 44.

The Company may be unable to transfer to an appropriate listing venue

Following, or at a similar time to, the completion of any further material acquisition, or at another time at the Company's discretion, the Directors may seek to transfer from the Company's admission as a Standard Listing to a Premium Listing or other appropriate listing venue, subject to fulfilling the relevant eligibility criteria at the time. There can be no guarantee that the Company will meet such eligibility criteria or that a transfer to a Premium Listing or other appropriate listing venue will be achieved. For example, such eligibility criteria may not be met, due to the circumstances and internal control systems of the acquired business or if the Company acquires less than a controlling interest. In addition there may be a delay, which could be significant, between the completion of an acquisition and the date upon which the Company is able to seek or achieve a Premium Listing or a listing on another stock exchange.

A change of, or failure to change, listing venue in these circumstances may have an adverse effect on the valuation of the Ordinary Shares. Alternatively, in addition to, or in lieu of seeking a Premium Listing, the Company may determine to seek a listing on another stock exchange, which may not have standards of corporate governance comparable to those required by a Standard or Premium Listing, or which Shareholders may otherwise consider to be less attractive or convenient.

6. RISKS RELATING TO TAX

Adverse changes in the tax position of the Company and its subsidiaries

Any change in the Company's or any of its subsidiaries, or, following any further acquisition, any other member of the Group's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates could adversely affect the Company's ability to pay dividends, dividend growth and/or the market value of the Ordinary Shares.

Adverse changes in the tax position of the Group's consumers

Although the Directors are not aware of any further planned tax increases any potential increase in direct taxes to consumers in Spain could have a material adverse effect on the Group's business and financial performance.

Levels of and reliefs from taxation may change

The levels of, and reliefs from, taxation may change. Shareholders should not rely on general guidance and should seek their own advice. There can be no guarantee that the rates of taxation envisaged by the Directors will be the on-going rates of taxation paid by the Company or its Shareholders.

Further acquisitions may result in adverse tax, regulatory or other consequences for Shareholders which may differ for individual Shareholders depending on their status and residence

It is possible that any acquisition structure determined necessary by the Company to consummate a future acquisition may have adverse tax, regulatory or other consequences for Shareholders which may differ for individual Shareholders depending on their individual status and residence. The value of a Shareholder's interest in the Company may be impacted as a result.

The Company may not be able to use all or a portion of the tax credits it acquires

As part of the acquisition of Telecable, the Company acquired certain tax assets within the Telecable Group. Absent a change in the applicable law, and as a result of post-acquisition restructuring, the Company expects to be able to apply certain of these tax credits to offset its corporate income tax expense. However, there can be no assurance that the post-acquisition restructuring will result in the Company being able to use all or a portion of its tax credits, or that tax law will not change in the future to restrict the Company using all or a portion of its tax credits. In addition, if the business does not, within the corresponding timeframe for application, generate sufficient profits to offset its tax credits (whether by reason of negative taxable income or deductions), the Company could lose its tax credits, which could have a material effect on its business, prospects, financial condition and results of operations.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document	25 September 2015
Listing of Ordinary Shares on AIM cancelled	8.00 a.m. on 29 September 2015
Admission to the Official List	8.00 a.m. on 29 September 2015

Each of the times and dates set out above and mentioned elsewhere in this Document may be subject to change at the absolute discretion of the Company without further notice.

If any of the above times and/or dates change, the revised times and/or dates will be notified by an announcement through a Regulatory Information Service.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Eamonn O'Hare – Chairman and Chief Executive Officer Robert Samuelson – Director and Chief Operating Officer Mark Brangstrup Watts – Non-Executive Director Murray Scott – Non-Executive Director
Registered Office	Zegona Communications plc 20 Buckingham Street London, WC2N 6EF
Company Secretary	Axio Capital Solutions Limited Axio House Robin Place St Helier Jersey, JE2 4LT
Telephone Number	+44 (0)20 7389 6873
Website	www.zegona.com
Financial Adviser	Marwyn Capital LLP 11 Buckingham Street London, WC2N 6DF
Solicitors to the Company	Travers Smith LLP 10 Snow Hill London, EC1A 2AL
Reporting Accountants and Auditors	Deloitte LLP Athene Place 66 Shoe Lane London, EC4A 3BQ
Auditors to Telecable	Deloitte, S.L. Plaza Pablo Ruiz Picasso 1 28020 Madrid Spain
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Principal bankers	HSBC Bank plc 8 Canada Square London, E14 5HQ
Public Relations Advisers	Tavistock Communications Limited 131 Finsbury Pavement London, EC2A 1NT

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and Shareholders may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see Risk Factors).

Prospective investors contemplating an investment in the Ordinary Shares should recognise that the market value of the Ordinary Shares can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Company. No assurance is given, express or implied, that investors will receive back the amount of their investment in the Ordinary Shares.

This Document should be read in its entirety before making any investment in the Company.

Forward-looking statements

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Company and the Group and the industry and markets in which the Group will operate, the Directors' beliefs, and assumptions made by the Directors. Words such as ''expects'', ''should'', ''intends'', ''plans'', ''believes'', ''estimates'', ''projects'', ''may'', ''targets'', ''would'', ''could'' and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, foreign exchange fluctuations, changes of strategic direction, minority shareholder action, failure of internal controls, availability of purchasers in due course, price and margin pressure, technology developments, systems or network failures, changes in customer requirements, failure of suppliers to deliver against contract, availability of suitable acquisition targets, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of equity financing and/or debt financing on acceptable terms and changes in the legal or regulatory environment. These forward-looking statements speak only as at the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the DTRs.

This Document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and the assumptions that underline them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that the actual performance of the Group will not differ materially from the description in this Document.

Investors should therefore consider carefully whether investment in the Company is suitable for them, in light of the risk factors outlined on pages 17 to 37, their personal circumstances and the financial resources available to them.

Market and financial information

The data, statistics and information and other statements in this Document regarding the markets in which the Group operates are based on the Group's records or are taken or derived from statistical data and information derived from the other sources described in this Document. Information concerning Telecable's and its competitors' market shares in the Asturias region of Spain are derived from an Invesmark research report commissioned by Telecable and based on a periodical telephone survey.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Company is aware and is able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this Document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this Document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this Document are, unless otherwise stated, references to time in London, England.

Presentation of financial information

Unless otherwise stated, financial information relating to the Group (including the Telecable Group) has been extracted from the audited financial statements for the period from 19 January 2015 to 31 March 2015 set out in Section D of Part VII of this Document.

Unless otherwise stated, financial information relating to the Telecable Group has been extracted from the unaudited special purpose interim condensed consolidated financial statements for the three months ended 31 March 2015 set out in Section A of Part VII of this Document and the audited special purpose consolidated financial statements for the two years ended 31 December 2014 (including the unaudited special purpose consolidated financial information for the year ended 31 December 2012 presented exclusively for comparative purposes) set out in Section B of Part VII of this Document.

Unless otherwise stated, financial information in this Document relating to the Group has been prepared in accordance with IFRS.

Pro forma financial information

In this Document, any reference to "*pro forma*" financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part VIII of this Document.

The unaudited consolidated *pro forma* financial information set out in Part VIII of this Document has been prepared for illustrative purposes only and on the basis of the notes set out in Part VIII. The unaudited *pro forma* statement of net assets has been prepared to illustrate the effect of the Telecable Acquisition, the refinancing of the Telecable Group debt and the associated equity fundraising on the net assets of the Company as if they had occurred on 31 March 2015. Due to its nature, the unaudited consolidated *pro forma* statement of net assets addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results following the Telecable Acquisition, the refinancing of the Telecable Group debt and the associated equity fundraising.

The unaudited consolidated *pro forma* income statement of the Group for the period ended 31 March 2015 has been prepared on the basis set out in Part VIII of this Document and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II of the Prospectus Rules to illustrate the impact of (i) the Telecable Acquisition and (ii) the refinancing of the Telecable Group and (iii) the associated equity fundraising as if they had taken place on 1 January 2015, notwithstanding the fact that the Company was incorporated on 19 January 2015.

The unaudited *pro forma* financial information has been prepared using accounting policies consistent with these set out in Part VII: "Historical Financial Information". Deloitte LLP's report on the unaudited *pro forma* financial information is set out in Section A of Part VIII of this Document.

The unaudited *pro forma* financial information has not been prepared, or shall not be construed as having been prepared, in accordance with the Regulation S-X under the U.S. Securities Act.

No profit forecast

No statement in this Document is intended as a profit forecast.

Non-IFRS financial measures

The Document includes non-IFRS measures and ratios, including EBITDA, which are not measures of financial performance under IFRS.

The Company defines Adjusted EBITDA as profit or loss for the period before net finance costs, income taxes, depreciation and amortisation, impairment and gains/(losses) and disposal of non-current assets, changes in fair value of financial instruments, exchange differences, impairment losses and gains/(losses) on disposal of financial instruments and other non-recurring costs/income.

EBITDA-based measures and the related ratios are used by management as indicators of the Group's operating performance. The Company is not presenting EBITDA-based measures as measures of the Group's results of operations. EBITDA-based measures have important limitations as an analytical tool, and should not be considered in isolation or as substitutes for analysis of the Group's results of operations.

Some of these limitations are:

- EBITDA-based measures do not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if the Group incurs more debt.
- EBITDA-based measures do not reflect the impact of income tax expense on the Group's operating performance.
- EBITDA-based measures do not reflect the impact of depreciation of assets on the Group's performance.
- EBITDA-based measures remove the impact of non-recurring items from the Group's performance.

The assets of the Group's business that are being depreciated will have to be replaced in the future and such depreciation expense may approximate the cost to replace these assets in the future. By excluding this expense from EBITDA-based measures, these measures do not reflect the Group's future cash requirements for these replacements.

EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to profit from operations, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity derived in accordance with IFRS. They have not been prepared in accordance with SEC requirements, IFRS or the accounting standard of any other jurisdiction. The Company has included EBITDA and other non-IFRS measures in this Document, because it believes that they are useful measures of the Group's performance and liquidity. Other companies, including those in the Group's industry, may calculate similarly titled financial measures in a manner different to that of the Group. Because all companies do not calculate these financial measures in the same manner, the Group's presentation of such financial measures may not be comparable to other similarly titled measures of other companies. EBITDA is not audited.

Currency

Unless otherwise indicated, all references in this Document to "£", "pounds sterling", "pounds", "sterling", "pence", or "p", are to the lawful currency of the United Kingdom, all references to "Euros", "euros" or "€" are to the single currency of the Eurozone and all references to "U.S. dollars", "U.S.$" or "$" are to the lawful currency of the United States.

Data protection

The information that an investor provides in documents which relates to the investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the UK. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

- verifying the identity of the investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the investor with information about products and services, or its affiliates, which may be of interest to the investor;
- carrying out the business of the Group and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Group in England and Wales, Spain or elsewhere; and

- disclosing personal data to other functionaries of, or advisers to, the Group to operate and/or administer the Group.

Where appropriate it may be necessary for a member of the Group (or any third party, functionary or agent appointed by a member of the Group) to:

- disclose personal data to third party service providers, agents or functionaries appointed by a member of the Group to provide services to prospective investors; and
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the UK.

If a member of the Group (or any third party, functionary or agent appointed by a member of the Group) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data are disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

No incorporation of website

The contents of the Company's website, Telecable's website or any other website accessible via hyperlinks from the Company's or Telecable's websites are not incorporated into, and do not form part of, this Document.

Definitions

A list of defined terms used in this Document is set out at pages 257 to 263 and a glossary of technical terms used in this Document is set out at pages 264 to 268.

Governing law

Unless otherwise stated, statements made in this Document are based on the law and practice in force in England and Wales on the date of this Document and are subject to the changes therein.

PART I

INFORMATION ON ZEGONA

1. HISTORY AND OVERVIEW

Zegona was established with the objective of acquiring businesses in the European Telecommunications, Media and Technology sector with a 'Buy-Fix-Sell' strategy to deliver attractive shareholder returns. The first of such opportunities was the acquisition of Telecable which completed on 14 August 2015 and which the Directors believe represented a compelling investment because of, among other factors, Telecable's market leading position and strong cash generation, coupled with attractive dynamics in the Spanish Telecommunications Market and Spanish economy more broadly. Telecable's strengths are set out in more detail in paragraph 2 of Part II of this Document and an overview of the Spanish Telecommunications Market is set out in Part III of this Document. The Directors have also identified certain strategic actions (which are set out in more detail in paragraph 3 of Part II of this Document) which they believe can be implemented to create additional value within the Telecable business. In addition, the Directors have identified potential additional upside from further consolidation of Spanish regional cable operators in the future, which they believe could create material operating and capital expenditure synergies, and create longer term strategic value through the creation of an enlarged entity which could be an attractive acquisition target for the national Spanish telecommunications operators.

The principal purpose of this Document is to provide information on the Company's strategy and management and the Company's intentions in relation to the Group.

Key events in the Company's history

Key events in the Company's history are summarised below.

2015

January	Company incorporated.
March	Company's shares admitted to trading on AIM
August	Acquires the Telecable Group, completes a placing of 167,326,724 Ordinary Shares, issues 3,718,236 Ordinary Shares as part consideration for the Telecable Acquisition and readmits to trading on AIM.

2. STRATEGY

The Company's strategy is to seek to provide Shareholders with an attractive total return, primarily through appreciation in the value of the Company's assets. The Directors believe that opportunities exist to create significant value for Shareholders through a properly executed 'Buy-Fix-Sell' strategy being applied to selected assets within the European network-based communication and entertainment services sector. The Telecable Acquisition was the first such opportunity identified by the Directors.

The Directors intend to make further acquisitions which the Directors believe could create a combined business with an enterprise value in the range of £1-3 billion.

3. CONSEQUENCES OF A STANDARD LISTING

Application has been made for the Ordinary Shares to be admitted to the standard segment of the Official List. A Standard Listing affords Shareholders and investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the UKLA will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules and/or any provision of the Model Code or those aspects of the Disclosure and Transparency Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

The Ordinary Shares will be admitted to listing on the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings and does not require the Company to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules. The Company intends to comply with the Listing Principles set out in Chapter 7 of the Listing

Rules, notwithstanding that Listing Principles 3 to 7 only apply to companies which obtain a Premium Listing on the Official List. The Company is not, however, formally subject to such Listing Principles and will not be required to comply with them by the FCA. The FCA will monitor the Company's compliance with the first two Listing Principles: taking reasonable steps to establish and maintain adequate procedures, maintain adequate systems and controls to enable it to comply with its obligations and dealing with the FCA in an open and cooperative manner.

Listing Rules which are not applicable to a Standard Listing

Such non-applicable Listing Rules include, in particular:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. In particular, the Company is not required to appoint a sponsor in relation to the publication of this Document or Admission;
- Chapter 9 of the Listing Rules relating to further issues of shares, issuing shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules relating to significant transactions which requires Shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions.
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

Listing Rules with which the Company must comply under a Standard Listing

There are, however, a number of continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to the Company. These include requirements as to:

- the forwarding of circulars and other documentation to the UKLA for publication through the document viewing facility and related notification to a regulatory information service;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the UKLA in relation to compliance with the Listing Rules and the Disclosure and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- the making of regulatory information service notifications in relation to a range of debt and equity capital issues; and
- at least 25 per cent. of the Ordinary Shares being held by the public.

In addition, as a company whose securities are admitted to trading on a regulated market, the Company will be required to comply with the Disclosure and Transparency Rules.

4. ADMISSION

Applications will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange. It is expected that Admission will be effective and that dealings in the Ordinary Shares will commence on 29 September 2015.

5. MANAGEMENT INCENTIVE ARRANGEMENTS

Arrangements were put in place shortly after the Company's formation to create incentives for those who are expected to make key contributions to the success of the Company. The Company's success depends upon the sourcing of attractive investment opportunities, the improvement of the target businesses, and their subsequent sale to realise attractive returns for Shareholders. Accordingly, an incentive scheme was created to reward key contributors for the creation of value. The incentive scheme was structured as summarised below.

Management have been issued shares in IncentiveCo pursuant to their employee arrangements with the Group. These shares give Management the right, subject to certain provisions, to receive upon exercise up to a maximum of 15 per cent. of the growth in value of the Company. The Management

incentive arrangements are subject to Shareholders achieving a Preferred Return of five per cent. per annum on a compounded basis on their Net Invested Capital.

The rights attached to the Management Shares may be exercised by Management in the period from 14 August 2018 to 14 August 2020. Management are required to exercise all their rights at a single time during this period. The rights may be exercised prior to that period under certain specific conditions, including a takeover or change of control of the Company, as set out in Part IX of this Document.

After an exercise of Management Shares, the Management incentive mechanism will be renewed on a similar basis such that Management will continue to have rights to 15 per cent. of the future growth in value of the Company, subject to Shareholders achieving their Preferred Return of five per cent. per annum. On renewal, Shareholders' Preferred Return will be calculated from a starting baseline of the market capitalisation of the Company on the last date the Management Shares were exercised (provided this is not below the Net Shareholder Invested Capital).

Renewal of the Management incentive mechanism is subject to Shareholder approval at the annual general meeting immediately following the date of renewal.

Further details of the Management incentive arrangements are set out in paragraph 9 of Part IX of this Document.

6. CORE INVESTOR INCENTIVE ARRANGEMENTS

In recognition of the Core Investor's significant capital commitment to the Company at 19 March 2015, MLTI was issued Core Investor Shares in IncentiveCo shortly after the Company's formation. These shares give MLTI the right, subject to certain provisions, to receive upon exercise up to a maximum of five per cent. of the growth in value of the Company. The Core Investor incentive arrangements are subject to Shareholders achieving a Preferred Return of 5 per cent. per annum on a compounded basis on their Net Invested Capital.

The rights attached to the Core Investor Shares may be exercised by MLTI in the period from 14 August 2018 to 14 August 2020. The rights may be exercised within the first three years under certain specific conditions, including a takeover or change of control of the Company, as set out in Part IX of this Document.

If, on the date that MLTI exercises its Core Investor Shares, the Core Investor holds an Equity Interest in which it has invested in aggregate an amount less than five times the investment cost of the Equity Interest it held at 19 March 2015, MLTI will only be entitled to a maximum of three per cent. of the growth in value of the Company.

Further details of the Core Investor incentive arrangements are set out in paragraph 10 of Part IX of this Document.

7. DIVIDEND POLICY

The Company is targeting a dividend on its Ordinary Shares of 4.5p per Ordinary Share in 2016. It is anticipated that the first dividend payment will be an interim dividend for the six months to 30 June 2016, which will be paid in the third quarter of 2016. This is a target, not a forecast, and there is no guarantee that this return will be made. Thereafter, the Company intends to implement a progressive dividend payment policy.

The Company will principally depend on dividends received on shares held by it in its operating subsidiaries, interest on intercompany loans provided to its subsidiaries, or receipts from the future disposal of assets, in order to pay dividends to its shareholders. Payments of such dividends (including the targeted 4.5p per Ordinary Share dividend in 2016) will be dependent on the availability of any dividends or other distributions from such subsidiaries, or the successful completion of such disposals, and will be subject to the limitations on dividends set out in the Loan Agreement (see paragraph 12.11 of Part IX of this Document for further details). The Company can therefore give no assurance that it will be able to pay dividends going forward or as to the amount or timing of such dividends, if any.

8. CURRENT TRADING AND PROSPECTS OF THE GROUP

Since 31 March 2015, the Group has continued to perform broadly in line with its expectations for 2015, with no significant variations in key financial or operating metrics.

Excluding costs associated with the acquisition of the Telecable Group, the Company's costs have been in line with expectations since 19 March 2015.

The Directors are confident about the prospects of the Group going forward, and expect that it is well placed to implement the strategies identified by the Directors to continue to grow the business.

9. FURTHER INFORMATION AND RISK FACTORS

Prospective investors should read the whole of this Document which provides additional information on the Company and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to the Risk Factors set out on pages 17 to 37 of this Document which contains a summary of the risk factors relating to an investment in the Company.

PART II

INFORMATION ON THE TELECABLE GROUP

All figures relating to the Telecable Group's financial performance set out in this Part II are sourced from Telecable's management numbers – please see Section C of Part VII for a reconciliation of these numbers to Telecable's audited financial information.

1. INTRODUCTION

Telecable is the leading "quad-play" telecommunications operator in the Spanish region of Asturias, with more than 164,000 customers as of 31 December 2014, offering television, broadband internet, mobile telecommunications and fixed-line telecommunications services to residential and business customers.

Telecable is the leading cable operator in Asturias and has installed over 2,400 kilometres of fibre optic cable and 2,600 kilometres of coaxial cable, with more than 450,000 homes passed in 44 municipalities in Asturias. Telecable complements its own network with a network provided by the Principado de Asturias ("**GIT**") that enables it to offer optic fibre services to approximately 43,000 homes in rural areas of Asturias. As of 31 December 2014, Telecable was the Asturias region's leading "quad-play" residential telecommunications operator, being the largest provider of pay television and broadband services and the second and fourth largest fixed-line and mobile telecommunications provider respectively.

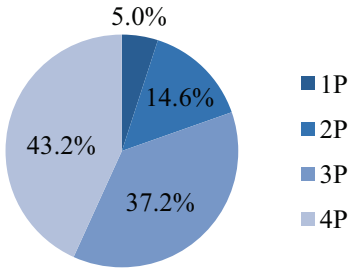
For the year ended 31 December 2014, Telecable generated revenues of €130.9 million, Adjusted EBITDA of €62.9 million and Adjusted EBITDA margin of 48.1 per cent.

Residential segment

As of 31 December 2014, Telecable had approximately 145,000 residential customers, representing 88.1 per cent. of Telecable's total customer base and €97.7 million, or 74.6 per cent., of Telecable's total revenues for 2014.

Residential customers are offered the opportunity to subscribe to bundled packages for combinations of multiple services, provided that in order to access any fixed-line telecommunications services they must subscribe to Telecable's television service. Telecable actively promotes subscriptions to more than one service, and its bundled packaging and pricing are designed to encourage customers to purchase multiple services by offering incentives to customers who subscribe to two or more products as well as providing the convenience of having a single supplier and a single point of contact and billing for such services. "Single play" ("**1P**") customers contract for either Pay TV or mobile telecommunications services. "Double-play" ("**2P**"), "triple-play" ("**3P**") and "quad-play" ("**4P**") customers contract for Pay TV plus one, two or three of the following services: mobile telecommunications, fixed-line telecommunications and broadband. For the year ended 31 December 2014, 95 per cent. of Telecable's residential revenues were generated by customers subscribed to a bundled package, as shown in the chart below.

Residential Revenues by Customer Type

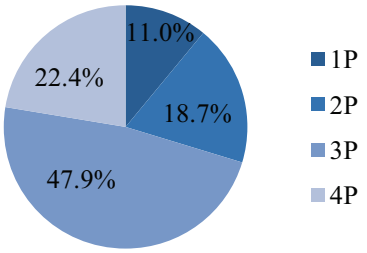


Source: Telecable management accounts

Small office/home office segment ("SOHO")

Telecable's SOHO customers comprise companies of five or less employees. For the year ended 31 December 2014, Telecable's SOHO customers totalled 16,150, representing 9.8 per cent. of Telecable's total customer base and €12.5 million, or 9.5 per cent., of Telecable's total revenues. SOHO customers can subscribe for any product mix irrespective of whether they contract for Telecable's television service. As of 31 December 2014, 89 per cent. of Telecable's SOHO revenues were generated by customers subscribed to a bundled package, as shown in the chart below.

SOHO Revenues by Customer Type



Source: Telecable management accounts

Enterprise segment

Telecable's enterprise customers include larger corporations and companies with more than five employees. For the year ended 31 December 2014, Telecable had 3,454 enterprise customers, representing 2.1 per cent. of its total customer base and €20.2 million, or 15.4 per cent., of its total revenues.

Telecable offers its enterprise customers customised products, including fixed-line and mobile telecommunications, broadband, data services, multiple lines, online back-up services, hosting services, virtual private networks and Ethernet services.

2. STRENGTHS

The Telecable Group has a number of key strengths, which helped it to maintain a robust operating performance in the three years ended 31 December 2014 and the first quarter of 2015, with a stable residential customer base and ARPU, an increase in the RGUs per customer and with consistent levels of customer churn. In its mobile services, there has been significant growth over the same period, and in its B2B division, customer numbers, RGUs and ARPU have all grown over the period.

	FY 2012	FY 2013	FY 2014	Q1 2015	CAGR
Residential					
Customers (k)[1]	144	143	145	145	0.2%
ARPU (€/mth)	56.8	57.7	56.8	56.1	-0.5%
RGUs (k)[1]	420	436	454	456	3.7%
RGUs per customer	2.93	3.05	3.14	3.15	3.5%
Churn	11.40%	12.40%	11.20%	11.70%	1.2%
Mobile[2]					
Postpaid market share (residential)	8.7%	11.9%	13.8%	N/A	22.8%
Business					
Customers (k)[1]	17	19	20	20	7.5%
RGUs (k)[1]	62	73	83	85	15.1%
RGUs per customer	3.65	3.84	4.15	4.25	7.0%
ARPU (€/mth)	126.5	142.0	142.5	145.7	6.5%

Note: (1) As at end of period.
(2) No mobile market share data is available for Q1 2015.

2.1 Leading quad-play provider in Asturias

Telecable is the leading quad-play telecommunications provider in Asturias, with an 80 per cent. market share in residential Pay TV in 2014, a 49 per cent. market share in residential broadband in 2014 and a rapidly growing mobile business. 49 per cent. of its fixed residential customers also subscribed to its mobile service as at the end of 2014, a percentage that has increased over time.

Telecable has a high profile local brand and its customers demonstrate high level of loyalty to the company and its services, with its residential churn rate being 11.2 per cent. in 2014.

Telecable also has a strong position in the business customer market segment, having a 26 per cent. market share in enterprise broadband internet services, 23 per cent. share of enterprise fixed-line telecommunications, and 64 per cent. share of enterprise Pay TV services, each as of 31 December 2014.

2.2 Potential growth through increased penetration and cross-selling of services

In the residential market, as at 31 December 2014, Telecable served 32 per cent. of the approximately 450,000 households passed by its network. These approximately 145,000 residential customers subscribed to approximately 453,000 RGUs in 2014, an average of 3.14 services per customer. The number of RGUs per customer has been growing, having been below 3.0 in 2012. The Directors believe that Telecable has the opportunity to increase both the number of residential customers as a percentage of homes passed through acquiring new customers to its services, and the number of RGUs per customer through continued cross-selling of additional services to existing customers under its bundled product offerings.

The following table sets out Telecable's residential mobile telecommunications penetration levels for 2011 to 2014, together with its RGUs in Pay TV, fixed-line telecommunications and broadband for all customers over the same period.

Residential mobile penetration

	2011	2012	2013	2014
Mobile customers / Total residential customers	27.7%	30.5%	43.0%	49.0%

RGUs by product over total customers

RGUs	2011	2012	2013	2014
Pay TV	148,806	144,678	142,809	144,240
Fixed telephony	136,732	136,277	136,052	139,571
Broadband	119,439	120,290	121,715	125,582
Total customers	**162,420**	**160,775**	**161,591**	**164,178**

In the business market, the Directors believe that Telecable has similar opportunities to supply more customers passed by its advanced network and in selling more services to these customers. The number of RGUs per business customer has increased from 3.60 in 2012 to 4.23 in 2014. Given business customers take multiple lines/connections, the Directors believe that there is scope to materially increase the number of RGUs per business customer.

2.3 Advanced high speed network

Telecable's business is underpinned by its advanced HFC cable network which was updated in 2013 to the latest DOCSIS 3.0 standard and is capable of providing reliable high speed, high capacity network services to both residential and business customers. The HFC network, which is very rich in fibre, was built in the late 1990s and is therefore more modern than many European cable networks. It is also a unified services network, with voice services being carried over the same fibre and coaxial cable connections as the data services. The advantage of this network architecture is that Telecable does not have a parallel copper network for voice services, as many older cable networks have, reducing complexity and therefore service and maintenance costs.

2.4 Extensive network

Telecable's network is extensive within the Asturias region and, with access to the GIT rural fibre network, passes 73 per cent. of households in the region. The Directors believe that, for the majority of these households (estimated at around 70 per cent.), it is the only high-speed network which is available to them. Although Telefónica is rolling out FTTH services across Spain, it has a lower share of houses passed in Asturias, which the Directors estimate is under 141,000 marketable homes available as at 31 December 2014, a penetration level of just 23 per cent. of Asturian households.

2.5 Ability to upgrade network further cost efficiently

Telecable already offers market-leading 300Mbps broadband connections over its HFC network and is able to upgrade to even higher speeds at limited incremental cost (in September 2015, a new 500Mbps broadband service will be launched). It also has the advantage that all its fixed broadband internet customers receive as least 100Mbps broadband speeds and therefore it is the only company in the region that offers 100 per cent. fibre-based high speed services. In the medium term, the Directors believe that Telecable will be able to offer up to 10Gbps fixed broadband internet services through upgrading to the DOCSIS 3.1 standard.

2.6 Wide-ranging WiFi coverage

Telecable's HFC network is complemented by an extensive WiFi service (under the brand name "Wifisfera"), which is available to Telecable customers and has been created by establishing more than 100,000 "homespots" (by opening up WiFi channels on customer WiFi router equipment to make them accessible to other customers within range) complemented with the installation of WiFi hotspots in many urban locations. Telecable is continuing to invest to extend its WiFi coverage. Another advantage of the WiFi network is that it reduces the data usage under Telecable's mobile access agreement with Vodafone as customer usage is diverted onto the WiFi network instead of using Vodafone's mobile network, giving customers a higher speed connection and reducing the mobile network access costs for Telecable.

2.7 Experienced management team

Telecable's management team is highly experienced, with its chief executive officer, chief technology officer and chief financial officer having many years' experience in the business. The Directors consider that this management team has been successful in operating Telecable's business, especially during a period of economic decline in the telecommunications market in Spain. Telecable has managed to increase revenues during this period and it has a relatively efficient cost structure, with many services outsourced.

3. STRATEGY

The Directors have the following strategy for value growth in the Telecable Group:

- strengthen the product offering, particularly within television and mobile, providing a foundation for up selling and greater bundling of services to customers;
- grow revenues in the enterprise division (B2B) by serving larger corporations (in addition to Telecable's existing customer base) and through delivering more advanced data-orientated products; and
- realise productivity gains by optimising Telecable's mobile access agreement, enhancing procurement and investment focus.

The Directors believe that these objectives can be delivered through the following strategic actions which have been identified by the Group's management.

3.1 Up-sell and cross-sell high-value product bundles to existing customer base

The Directors believe that customer lifetime value is maximised by increasing customer ARPU and reducing churn, while carefully managing operating costs and incremental capital expenditure.

Telecable's strategy to increase customer ARPU is based around up-selling existing customers to more advanced services, such as higher speed broadband, premium channel and VoD services and cross-selling additional services into the existing customer base. Telecable has been successful in increasing the number of RGUs per residential customer from 2.93 in 2012 to 3.14 in 2014. In 2014, 43 per cent. of residential revenues came from customers taking all four main products (Pay TV, broadband, fixed-line telecommunications and mobile telecommunications). The strategy of the business is to

continue to increase the number of RGUs per customer, especially through increasing the percentage of residential households also taking mobile telecommunications services, which was 49 per cent. in 2014, and the number of mobile connections in these households. Telecable has a lower market share in mobile telecommunications than the other regional Spanish cable operators, Euskaltel and R Cable, supporting the Directors' view that growth in sales of mobile telecommunications is possible.

The drive to increase sales of mobile connections will be supported by plans to increase the data allowances within Telecable's mobile plans and to increase the percentage of mobile data traffic diverted onto Telecable's "Wifisfera" WiFi connections. Investment by Telecable into WiFi hot-spots, alongside opening up customers' WiFi routers to other customers' usage, has already created an extensive WiFi network offering high speed data connections. It is the intention of the Group's management to support this improvement to mobile data allowances further through optimising Telecable's mobile access agreement, making it more cost-effective for Telecable to increase the data allowances within customers' mobile plans. Lastly, the Directors believe that there is room to improve Telecable's mobile handset selection, including potentially through revised customer handset financing arrangements with external credit providers, as are used by some other mobile operators in the Spanish market.

In the Pay TV sector, Telecable has a relatively low penetration of TV set-top boxes within its customer base, limiting the proportion of Pay TV customers who can access advanced PVR services and functionality. As at March 2015, only approximately 27 per cent. of Telecable's residential customers had set-top boxes, with approximately 46 per cent. of such set-top boxes having PVR functions, limiting the ability of Telecable to offer advanced TV services such as VoD, catch-up services and conditional access premium channels, as well as PVR functions such as recording, fast forward and programme pause. These more advanced TV services, alongside the broad range of content currently offered by Telecable, can increase customer ARPU and can also increase customer satisfaction and loyalty levels, potentially reducing residential churn levels.

Since 2012, Telecable has deployed a VoD and a TV catch-up service. In January 2014, Telecable launched a "TV everywhere" capability under its "tedi" branded TV service, enabling subscribing customers to access content via any connected device, including laptops, tablet and smartphones. These services improve the quality of experience for Telecable's Pay TV customers.

Telecable is also planning to launch a nPVR (network Personal Video Recording) service in July 2015, which will enable tedi customers to access all TV content on any device (set-top-box, smartphone, tablet or PC) from the last week of programming and manage recordings. The nPVR service enables all content storage to be held centrally, avoiding the need for expensive set-top boxes with hard disks for local storage having to be provided to customers wanting to access advanced TV services. The cost of simple set-top boxes, without local storage, is far lower than for boxes with internal hard disk storage, making the roll-out of advanced TV services more economical.

The Directors' intention is to progressively improve the quality of content offered by Telecable through offering more high definition (HD) channels and, over time, 4K television compatible programming. Telecable also has exclusive rights to local football clubs, one of which has just been promoted back to La Liga first division after an absence of three years, which is expected to increase the level of interest locally in premium Pay TV football coverage.

Telecable already offers leading broadband services, with 300Mbps connections and all fixed broadband internet customers having access to at least 100Mbps services. Broadband data usage continues to grow worldwide and Telecable is well positioned with its fibre-rich HFC network to continue to satisfy customer demands without heavy incremental investment requirements. Further increases in data speeds and the up-selling of customers to higher speed services is possible using the existing DOCSIS 3.0 capability, with the intention to move to a 500Mbps download speed service through using upgraded customer premises equipment. In the medium term, the Directors believe that Telecable should also be able to upgrade to the DOCSIS 3.1 standard for a relatively limited capital investment, which supports services up to 10Gbps to create a differentiated, market leading product. The Directors therefore believe that Telecable can continue to evolve its fixed broadband offer to customers, which the Directors believe will give Telecable a continuing strategic advantage.

3.2 Manage churn, including through increasing the number of products sold to each customer

Telecable seeks to carefully control its customer churn levels, with residential churn of 11.2 per cent. in 2014, down from 12.4 per cent. in 2013. As customers take more services, their churn level tends to decrease, improving customer lifetime value. Quad-play customers taking all four services (fixed

broadband internet, Pay TV, fixed-line telecommunications and mobile telecommunications services) had a churn level of only 6.3 per cent. in 2014, compared to the churn level of 18.1 per cent. for customers taking only one product. Therefore, by cross-selling more products to existing customers, the average number of products purchased by each customer will increase and the Directors believe that churn levels should be capable of being reduced, improving customer lifetime value.

3.3 Acquire new customers using attractive product bundles

Telecable's current bundles, and the intended enhancements to them, provide high quality services which the Directors believe should be attractive to new customers. As at 31 December 2014, Telecable had a residential penetration rate of 32 per cent. of homes passed by its network, leaving room for customer growth on the existing network. As new products, such as improved mobile, TV functionality and higher speed broadband connectivity become available, Telecable's ability to win new customers should be enhanced.

Telecable has access to its markets through multiple distribution channels. It is expected that Telecable will continue to invest in these channels and, in particular, develop its direct channels to market further. Existing channels include nearly 40 outlets in its stores network, direct and indirect sales forces, outbound and inbound telemarketing and online web sales. The Telecable website was upgraded in early 2015 which should facilitate growth in online sales.

As residential demand for high speed connectivity and advanced entertainment services increases, the Directors believe that Telecable is well positioned to benefit, given it is the only operator in Asturias with a 100 per cent. high-speed network and many of the households it passes cannot access any other high speed fixed network service.

3.4 Potential to increase prices, allied to customer offer improvements

The main national players in Spain have all increased prices on certain products during 2015. For example, Movistar increased all its Fusión bundle product prices by €5 from May 2015 and Vodafone has announced price rises of €1 to €3 to its mobile tariffs from April 2015. A number of these price increases have been combined with product offer improvements such as faster broadband access and increases to data bundle allowances.

Telecable has not, to date, followed such price increases, but the Directors believe that a suitably designed price increase, allied to product offer improvements, such that customers continue to receive good value, could be implemented by early 2016. This strategy has been implemented successfully by cable operators in other countries without materially impacting customer churn metrics, and the Zegona management team has significant experience in implementing price increases in this way.

3.5 Accelerate growth in the business customer segment

Telecable currently has a lower market share of business customers in Asturias than it has of residential customers. For example, its broadband product has a 26 per cent. market share in the business segment compared to 49 per cent. in the residential segment. Business customer revenues have been growing strongly, with 2014 revenues having grown at a CAGR of 13.1 per cent. since 2012, driven by both customer numbers and ARPU.

The Directors believe that more advanced data-oriented products can be developed and launched to address the needs of larger enterprises. This planned development would enable Telecable to access additional, higher value, enterprise customers and also provide additional service offerings for existing customers. Zegona's management helped to grow Virgin Media's B2B business, giving the Directors confidence that business market growth for Telecable can be sustained and even accelerated.

The Directors believe that the strengths of Telecable's high-speed network give it the ability to continue to evolve its offers to enterprises as their needs for higher speed connectivity increase and as data volumes continue to grow.

3.6 Carefully manage operating and investment costs

Telecable already delivers an Adjusted EBITDA margin of 48.1 per cent. (as at 31 December 2014) and had an operating cash flow margin of 27 per cent. in 2014, spending 21 per cent. of revenues on capital expenditures in 2014.

A substantial portion of its business functions is outsourced and Telecable itself only had 180 employees as at 30 April 2015. Over 75 per cent. of its cost base is therefore external, making the

effectiveness of its procurement process a key factor for the business. Telecable's strategy includes management of this external cost base.

Telecable's strategy also includes the intention to optimise Telecable's mobile access agreement. As mobile data usage increases, there would be an increase in the amount Telecable spends for data services under the existing contract terms. Telecable's strategy to address potentially increasing mobile data costs includes a plan to increase the proportion of customer mobile data traffic diverted onto its own WiFi network, which it is offering to all customers under the Wifisfera branding. It has developed a customer friendly application such that customer mobile phones will connect automatically to the Wifisfera network when in range and since May 2015 this application has been pre-loaded onto the mobile handsets sold by Telecable. In addition, Telecable intends either to negotiate improved mobile data access terms under its mobile network access agreement to enable increased data allowances to be provided to customers or alternatively to seek to enter into a replacement agreement with another mobile network provider. Zegona's management will be able to support this process through its deep knowledge of mobile access deals, having helped to set up multiple mobile businesses internationally.

The Directors intend that all other areas of procurement will also be tightly managed, including through deploying the types of procurement strategies used by larger businesses to rationalise their supply bases and improve contract terms.

Telecable's strategy includes carefully managing capital expenditures. It has a well-maintained up-to-date fibre-rich network, with a unified services structure under which both voice and data traffic is carried over the same fibre and coaxial cable connections. The Directors believe that further upgrades to this network should be possible to be implemented without heavy incremental investments and the Directors intend that the investment strategy for the business will focus spend on customer-facing developments which have the potential to increase customer value.

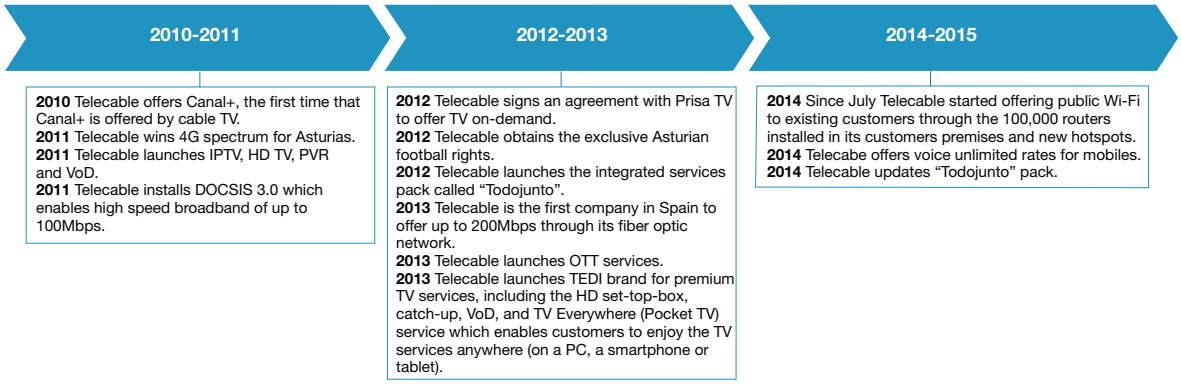
Compared to the other Spanish regional cable operators, Telecable currently has a relatively higher level of capital expenditure at 21 per cent. of revenues in 2014, versus 13.1 per cent. for Euskaltel in 2014 (*Source: Euskaltel prospectus dated 19 June 2015*) The Directors believe that there is potential over time to reduce Telecable's capital expenditure levels somewhat as a percentage of revenues.

4. CORPORATE HISTORY

Telecable was founded in 1995 and is headquartered in Oviedo, in the Asturias region of Spain.

The Telecable Group was acquired by the Carlyle Group in December 2011.

Key company events for the last five years are shown in the following diagram.



5. PRODUCTS AND SERVICES

Pay television

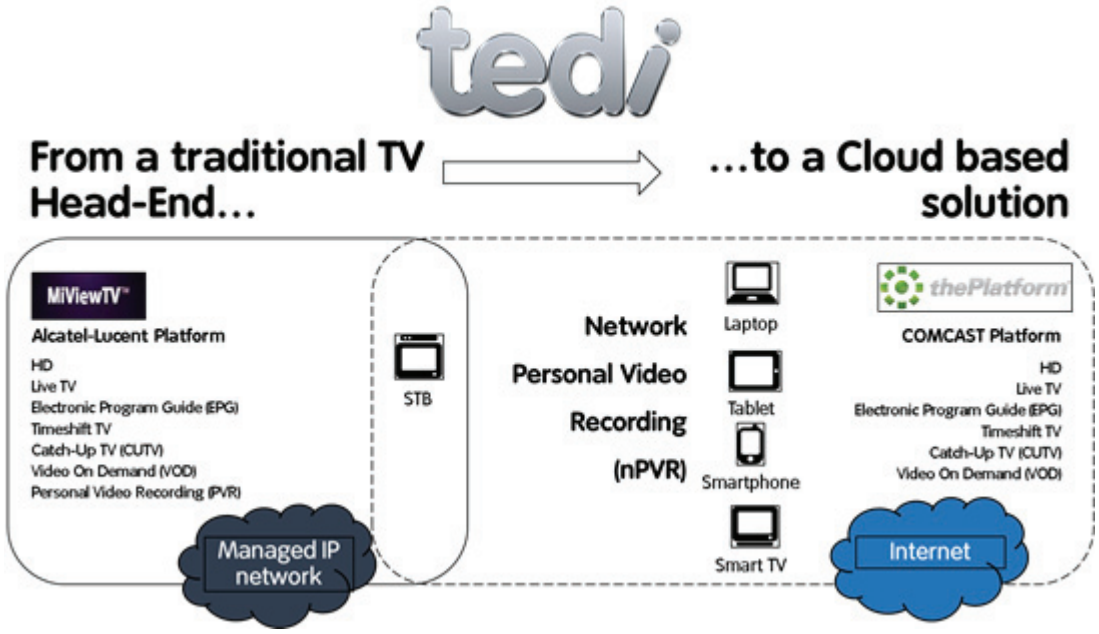
Telecable offers a wide range of television services to customers on its cable network, including basic and premium television packages. It is the market leader in Pay TV in Asturias, supplying 80 per cent. of the residential Pay TV market and 64 per cent. of the enterprise Pay TV market in the region. Telecable had approximately 144,000 Pay TV customers as of 31 December 2014.

Telecable's basic television package, which is the mandatory minimum subscription for residential customers who wish to purchase any fixed line telecommunications products, includes 69 digital channels and seven HD channels. The package provides multi-room service with no set-top box

required. Among other content, the basic package includes exclusive Asturian Second League football content.

Telecable's premium television package includes a set-top box and adds Premier League football content and other premium channels, including Canal+, Canal+ Liga and Caza y Pesca. The premium package also includes value-added services, such as VoD, catch-up television, PVR functionality and real-time programming control.

In July 2013, Telecable rebranded its premium television offerings under the "tedi" name and logo. Tedi includes the HD set-top box, catch-up, VoD, and TV Everywhere (Pocket TV) service which enables customers to enjoy the Telecable TV services everywhere from any device (a smartphone, tablet or a PC). The TV Everywhere service is provided by ThePlatform, a cloud base solution from Comcast.



The Directors believe that tedi adds to customer loyalty and profitability, with higher ARPU for tedi customers than basic television customers for the year ended 31 December 2014. tedi customers also had lower churn than basic television customers for the year ended 31 December 2014.

Telecable is currently developing and testing nPVR, which permits customers to remotely store recorded television on a central server rather than storing it on hard disks within set-top boxes in their premises. This is expected to result in the elimination of Telecable's most expensive set-top box, reducing Telecable's equipment costs while continuing to provide recording and other PVR services to premium customers. The Directors believe that not having to provide expensive set-top boxes with their own storage capability will also make it much more economical to supply an increased number of customers with nPVR functionality.

Broadband

Telecable is the leading provider of residential fixed broadband services and the number two provider of enterprise broadband services in Asturias, with 49 per cent. and 26 per cent. market share, respectively, as of 31 December 2014. As of 31 December 2014, Telecable had approximately 126,000 broadband RGUs.

Telecable offers its customers broadband products based on two capacity and speed options. In 2013, Telecable became the first company in Spain to offer speeds of up to 200Mbps, and it currently offers a choice of 100/10Mbps downstream/upstream or 300/20Mbps downstream/upstream broadband services.

Telecable is the only significant telecommunications provider in Asturias which offers all its customers high-speed broadband services.

Mobile services

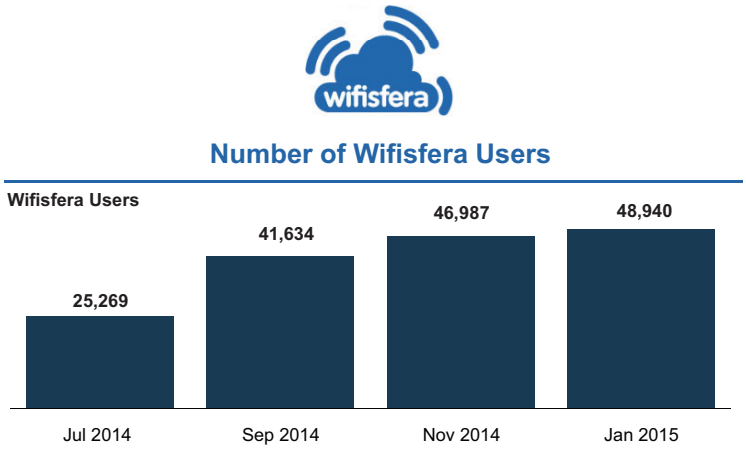
Telecable launched its mobile telecommunications services in 2008 and offers a wide range of mobile telecommunications services, operating as a MVNO through Vodafone's network. Telecable provides postpaid mobile telecommunications services to the majority of its mobile customers, with a minority using prepaid mobile services. In 2011, Telecable was granted a 2.6GHz licence for its own 4G spectrum (comprising 10MHz FDD and 10MHz TDD spectrum in the 2.6GHz frequency range) for a licence fee payment of €1 million. This spectrum gives Telecable the opportunity to roll out its own mobile network, especially in urban areas, an option it is considering but to which it has not yet committed.

Telecable is the number four supplier of consumer mobile telecommunications services in Asturias after the three main national operators, with 13 per cent. and 7 per cent. market share in the residential and business sectors, respectively, as of 31 December 2014. As of 31 December 2014, Telecable had approximately 127,000 mobile telecommunications RGUs.

Telecable's mobile telecommunications services include Telecable's WiFi service, known as Wifisfera. Wifisfera makes use of Telecable's strong market share in the major cities of Asturias, including more than 100,000 "homespots" established through opening up channels in WiFi routers in existing customers' premises to other Telecable customers as well as approximately 2,000 new and planned indoor and outdoor WiFi "hot spot" access points.

Wifisfera is free to all Telecable broadband customers, who have unlimited data access on the network. Customers are only required to log into Wifisfera once per device and are automatically connected to the network subsequently. Telecable now enables the mobile handsets it sells to customers to connect automatically to the Wifisfera service.

The number of Wifisfera users has increased since the service was introduced, as shown in the graphic below.



Wifisfera offers increased download speeds to Telecable's mobile customers over secure connections and also enables them to access data without using up the data allowance within their mobile plans. In addition, it reduces the mobile network data usage under the MVNO contract with Vodafone, reducing costs for Telecable.

Fixed-line telecommunications

Telecable's fixed-line telecommunications service offers direct access connectivity to customers. Telecable is the number two provider of fixed-line telecommunications services in Asturias, supplying 29 per cent. of the residential fixed-line market and 23 per cent. of the enterprise fixed-line telecommunications market in the region as of 31 December 2014. Telecable had approximately 140,000 fixed-line telecommunications RGUs as of 31 December 2014.

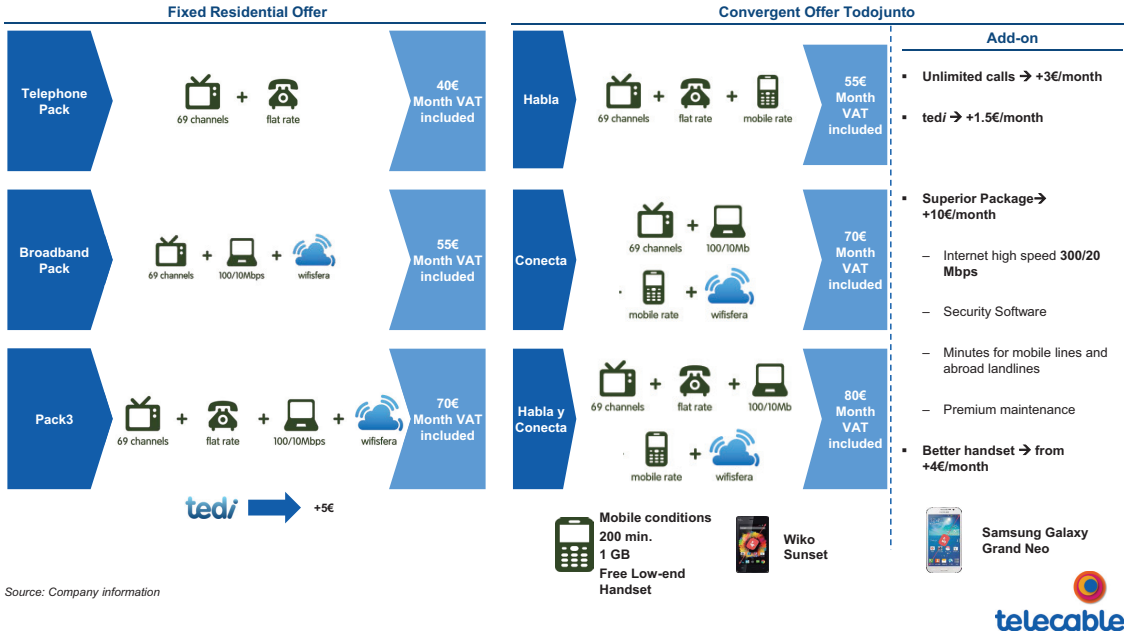
As well as offering standard minute rates, Telecable offers an unlimited direct access telecommunications service, which includes free calls to any standard fixed-line telephone number in Spain as well as a superior package which includes minutes for overseas and mobile calls. Telecable also offers a range of add-on services, including a second home phone line, and additionally, customers are offered a number of value-added services including voicemail, call waiting, short code dialing, caller identification, selective barring of calls and call return. Telecable also offers telephone handsets for sale or rental.

Telecable monitors the tariffs and services offered by its competitors and adjusts pricing and the type of services it offers on a regular basis with the aim of maintaining or improving its competitive position. The Directors believe that Telecable's tariffs are usually priced competitively against those of other operators, especially when fixed-line telecommunications services are bundled with other products.

Telecable offers its enterprise customers specialised and tailor-made services, including multiple lines, hosting and housing services, online back-up and security services, corporate virtual private networks and Ethernet.

6. PRICING

Telecable's bundled packaging is priced to encourage customers to subscribe to more than one service. Pricing is tiered such that customers who subscribe for more than one service enjoy a significant discount compared to the aggregate price of the corresponding services taken on an individual basis. The table below sets forth Telecable's pricing for fixed residential services and Telecable's mobile convergent services, branded as "Todojunto", which couple mobile telecommunications services with one or more of Telecable's television, telephone and broadband services.



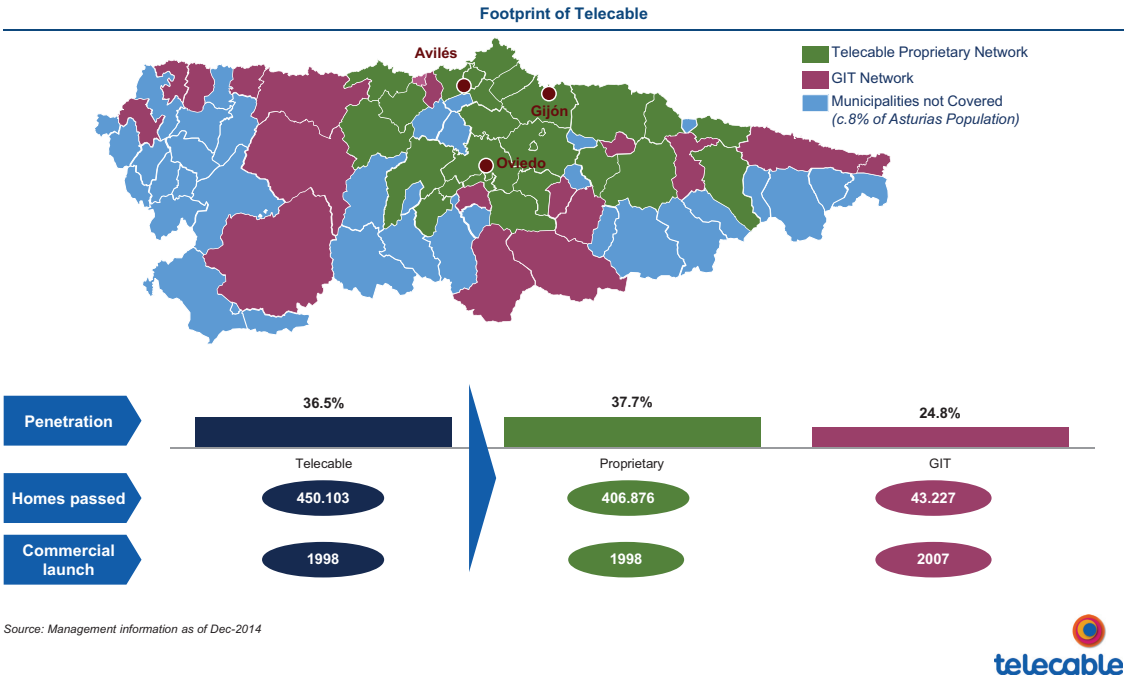
Source: Company information

Table presents monthly final prices as of June 2015. Figures correspond to the final price following the expiration of sign-up incentives and discounts. Promotional activity may affect these prices.

In addition to monthly charges, customers also pay variable charges related to telephone usage, pay-per-view television programs, VoD and other value-added services and one-off charges, such as installation when it is not promoted.

7. NETWORK

Telecable's network, including homes accessed via the GIT network, covers 73 per cent. of homes in the Asturias region, with customer penetration (residential and business) of 36.5 per cent. of total homes passed as of 31 December 2014.



Telecable delivers television, broadband and telecommunications services over its fully redundant fibre network, comprising 2,400 kilometres of fibre, 2,600 kilometres of coaxial cable and 9,200 amplifiers in the coaxial distribution network. 72 per cent. of the network is underground.

In 2006, Telecable entered into a 40-year exclusive lease agreement with the EDP utility network in relation to 1,254 kilometres of its fibre network and 727 kilometres of ducts used. Additionally, Telecable has signed agreements with major municipalities and public administrations of Asturias for the use of municipal pipelines, having deployed 213 Km. of ducts under such agreements. The agreements signed with the municipalities for the use of ducts are long term (10-15 years), and provide for automatic renewal.

Telecable is currently using 1,216 Km. of underground infrastructure (ducts):

- EDP Group 727 Km. (60 per cent.)
- Public Administrations and Municipalities 310 Km. (25 per cent.)
- Telecable (new development) 179 Km. (15 per cent.)

In addition to its proprietary fibre network, Telecable relies on the government-owned network provided by GIT. The GIT network was launched in 2007 and is a full FTTH network. It is complementary to Telecable's proprietary network, with no overlap. The GIT network covers approximately 43,000 homes, and 85 per cent. of customers on the network were Telecable customers as of 31 December 2014.

Telecable transmits data by means of fibre optic cable from its multi-media, high definition "headends" to widely deployed distribution cabinets across Asturias. In 2013, Telecable became the first company in Spain to offer download/upload speeds of up to 200/20Mbps through its fibre optic cable network. Since May 2015, Telecable has offered customers minimum download/upload speeds of 100/10Mbps, and since June 2015, has offered download/upload speeds of up to 300/20Mbps making it the market leader in supplying high-speed only fixed broadband services in Asturias.

In 2012 and 2013, Telecable's network was fully upgraded to DOCSIS 3.0, which allows Telecable to offer customers greater quality and higher internet speeds. Telecable expects to begin an upgrade to DOCSIS 3.1 in 2016, which will support downstream/upstream data speeds of up to 10/1Gbps.

Telecable's network capacity was increased in 2015 by introducing two deep packet inspection ("**DPI**") nodes to optimise internet traffic and enable download/upload speeds of up to 300/20Mbps. Additionally, in May 2015, Telecable introduced a new 3.0 MTA customer equipment, with WiFi ac enabling download/upload speeds of up to 600/60Mbps for customers with the upgraded equipment.

8. MARKETING, SALES AND CUSTOMER SERVICE

Brand recognition

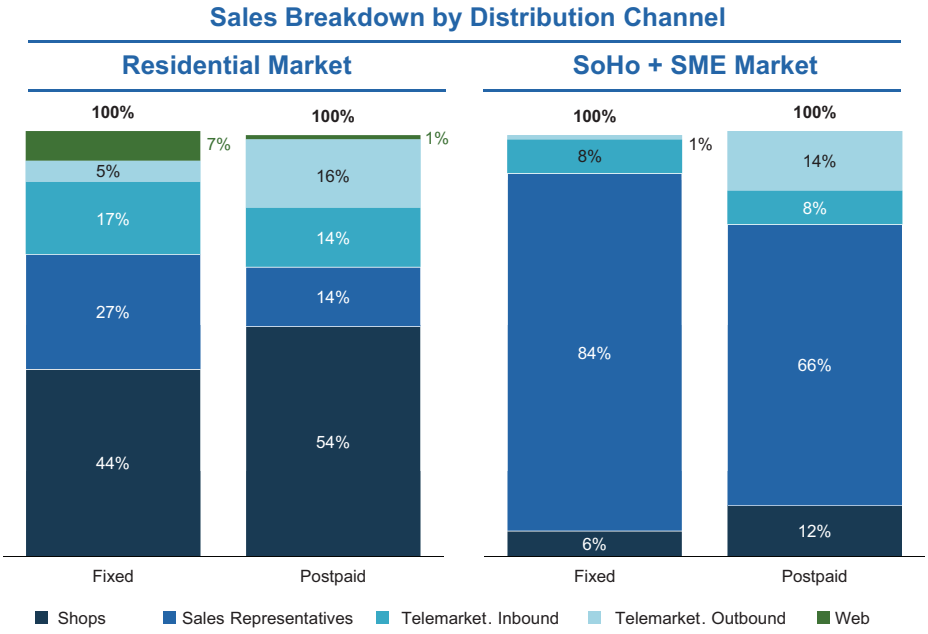
Telecable is a well-known brand in Asturias with the brand having a good reputation in Asturias for customer care, value, internet speed and product leadership (*Source: Invesmark Survey Commissioned by Telecable*). Telecable conducts extensive advertising to support its brand, including through billboards, the regional press, radio and internet. In addition, Telecable supports local radio and outdoor advertising with sponsorship of regional cultural events and sports teams.

Sales and distribution channels

Telecable utilises a mix of sales channels to sell its products.

- **Shops**: Telecable has two owned stores and 37 franchise shops across Asturias, constituting the region's largest telecommunications retail network. Telecable's stores are located primarily in shopping centres and urban centres. Since 2012 Telecable has undertaken significant refurbishment and expansion with respect to its retail outlets, opening a total of 19 new stores between 2012 and 2015 and redesigning existing store layouts to improve the customer experience.
- **Sales force**: Telecable's indirect sales force comprises 40 agents for the residential market and 45 agents for the enterprise market. Telecable also has a direct sales force for corporate clients, consisting of five agents.
- **Inbound telemarketing**: Approximately 100 employees respond to calls to Telecable's customer services, operating 24 hours a day, seven days per week. 20 of these employees handle sales to potential new customers and market additional products and services to existing customers once their original customer services request has been satisfactorily resolved.
- **Outbound telemarketing**: Approximately 40 employees proactively call potential new customers to inform them of Telecable's products and services as well as calling existing customers to market additional products and services and enhance customer loyalty.
- **Web**: Telecable also markets and sells its products on its website, which was redesigned in early 2015 with the aim of providing greater information about Telecable's service and content, facilitating customer relations and increasing online sales. Telecable's website is integrated with social networks.

The following graphic illustrates the percentage of sales by each of Telecable's distribution channels for the year ended 31 December 2014.



Customer service

Telecable operates a 24/7 customer assistance centre in El Entrego, Asturias, with around 160 agents (equivalent to 120 full time employees) providing support to customers. These employees are split into five main groups:

- Residential – who attend all types of inbound call;
- Sales – who specialise in inbound sales;
- Technical Support – who deal in the first instance with technical queries, with only two per cent. of technical calls requiring further support;
- Enterprise – who attend to business clients; and
- Back office

Telecable regards customer management as essential to preserve market share. For each customer, Telecable designs a strategy to up-sell and to determine the optimal time to take action with regard to that customer, including designing specific loyalty plans dependent on churn risk and customer value. Telecable also employs so-called "big data" methodology to identify customers with a higher probability of leaving Telecable and potential customers for new services. Variables looked at as part of such analysis include call minutes, consumption of internet, VoD consumption, location and internet speed.

Telecable also utilises campaigns using all of its distribution channels, including direct marketing, shops, sales representatives, and outbound and inbound telemarketing.

9. PRINCIPAL SUPPLIERS

Equipment Suppliers

Telecable relies on a number of equipment suppliers for its various business segments and products. The following table set forth Telecable's main suppliers:

Supplier	HFC Network Equipment	Digital TV and Next Generation TV	Eurodocsis 3.0 Data Headend	Optical Network	Data Network	Mobile Network	Wifi	Voice Switching	Set-top Boxes	MTA customer equipment
Arris	X		X							
Wisi	X									
Alcatel-Lucent		X			X					
The Platform		X								
Accedo		X								
Ciena				X	X					
Juniper					X					
Atos Origin /JSC Ingenium						X				
Cisco					X	X	X			X
Genband								X		
Zyxel									X	
Technicolor										X

Content Suppliers

Telecable relies on external content suppliers and currently has contracts with, among others:

- AMC (Hollywood, AMC, Xtrm, Buzz, Panda, Historia, Odisea, Cocina, Biography, Sol Musica, Dcasa);
- Fox (Fox, Fox Life, National Geographic, Nat Geo Wild);
- Sony (AXN, AXN White);
- DTS (Canal+, Dcine, Canal+Liga);
- Discovery (Discovery, Discovery Max, Eurosport);
- NBC Universal (Calle 13);
- Viacom (Comedy Central, Nickelodeon, MTV Hits, MTV Rocks);
- Disney (Disney, Disney Junior, Disney XD); and
- ONO (transactional VoD sublicense for "Big Six" major film studios (Warner Bros. Entertainment, The Walt Disney Studios, NBC Universal, Columbia TriStar Motion Picture Group, Fox Filmed Entertainment and Paramount Motion Pictures Group)).

Telecable also has contracts with international channels (e.g., BBC World, DW, Al Jazeera, RTP Internacional and TV5 Monde) and local channels (e.g., Teleasturias, Oveido TV, Canal 10 TV and Másquetele).

Telecable provides its mobile services as an MVNO through a mobile access agreement with Vodafone.

Please see "*Risk Factors—Risks Relating to Telecable's Business—Telecable depends on third parties to provide premium programming for its Pay TV service*" for more information.

10. PROPERTIES

Telecable leases and owns certain properties for administrative and sales offices, hubs, stores, switches, head-end sites and warehouses. A significant portion of the properties are used for both administrative and technical purposes. Telecable's main network operations centre is located in the city of Gijón in Asturias and its call centre is located in the town of El Entrego in Asturias.

11. EMPLOYEES

Telecable had 180 employees as at 30 April 2015 across its various business functions. All employees are based in Asturias. Many of Telecable's business functions are outsourced to third party providers, limiting the number of directly employed personnel required to operate the business. Telecable does not have a workers committee and, as far as the Directors are aware, Telecable does not have any workers who are members of trade unions and Telecable has not suffered from any material industrial actions by its staff which have affected its business over the last five years. Employee rotation rate is below one per cent. historically which the Directors believe stems from the good

terms and conditions agreed with the employees, including in relation to holidays, working hours, timetable, flexibility, remuneration package and social benefits.

12. ENVIRONMENTAL MATTERS

Telecable is subject to a variety of laws and regulations relating to land use and environmental protection in connection with its ownership of real property and other operations, including its use of fuels, coolants and batteries. While it could incur costs, such as clean-up costs, fines and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws or regulations, the Directors believe that Telecable substantially complies with the applicable requirements of such laws and regulations and follows standardised procedures to manage environmental risks.

PART III

MARKET OVERVIEW

*Certain information set forth in this section has been derived from external sources, including reports of the CNMC, the Spanish National Statistics Institute ("**INE**"), State Secretariat for Telecommunications and the Information Society ("**SETSI**") and Eurostat of the European Commission, as well as publicly available reports from telecommunications operators. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company believes that these industry publications, surveys and forecasts are reliable but it has not independently verified them and cannot guarantee their accuracy or completeness. Although Telecable is a regional cable operator in Asturias, its main competitors are national operators in Spain, and the Directors therefore believe that the conditions in the Spanish telecommunications market as a whole are relevant to Telecable's business, and consequently, the Group's.*

1. OVERVIEW

1.1 Spain

Spain's economy is the fifth largest in the European Union, with a GDP of €1.1 trillion in 2014 according to INE. After seven years of downturn, key macroeconomic indicators are rebounding and are expected to improve further. The Spanish GDP showed a fall of 1.2 per cent. in 2013 and a recovery of 1.4 per cent. in 2014 (*source INE*) and is expected to grow by 3.1 per cent. in 2015 and 2.5 per cent. in 2016 (*source IMF, 8 June 2015*). The unemployment rate in Spain has likewise begun to decline from 26.1 per cent. in 2013 to 24.5 per cent. in 2014 (*source: Eurostat*). Domestic demand recovered in 2014 showing a 2.0 per cent. growth from the negative evolution seen in previous years. The European Commission expects demand to grow at a rate of 2.6 per cent. for 2015.

GDP per capita in Spain at the first quarter of 2014 was estimated at €22,800, a 1.1 per cent. improvement year on year.

Spain is also the fifth most populous country in the European Union, with an estimated 46.5 million inhabitants as of January 2014, according to Eurostat and an estimated 18.3 million households (primary homes only). There are also an estimated 3.1 million enterprises in Spain. Like the majority of developed economies, the Spanish population is mostly concentrated in urban areas. According to INE, 52.3 per cent. of the population lived in city centres with more than 50 thousand inhabitants as of 2014. However, with approximately 93 inhabitants per square kilometre as of January 2014, the Spanish population density is lower than the 248 inhabitants per square kilometre in other major Western Europe economies.

The Spanish telecommunications and TV market generated revenues of €30.1 billion over the year ended 31 December 2014, according to the CNMC. The largest sector is mobile communications (voice and broadband) with €9.8 billion (32 per cent. of total), followed by fixed-line communications (voice and broadband) with €7.1 billion (23 per cent. of total). Telecable operates mostly in four sectors of the telecommunications and television market: internet, Pay TV, fixed-line telecommunications and mobile telecommunications, and supplies both the residential and business markets. These sectors in total generated revenues of €22.0 billion in Spain in the year ended 31 December 2014, which represents approximately 73 per cent. of the total Spanish telecommunications market. These sectors showed a decline of 7.6 per cent. per year (calculated as a compound annual growth rate, or CAGR) in the period between 2010 and 31 December 2014, mainly driven by reductions in fixed-line telecommunications and mobile telecommunications revenues.

	Market revenue development in the Spanish telecommunications market					
	2010	2011	2012	2013	2014	% of total 2014
					(euro in billion, except as otherwise indicated)	
Fixed telecommunications	5.9	5.4	4.8	4.2	3.5	*11.5%*
Broadband	4.0	3.8	3.7	3.6	3.6	*11.9%*
Pay TV	1.7	1.7	1.7	1.7	1.7	*5.8%*
Business Communication	1.5	1.5	1.5	1.4	1.4	*4.5%*
Wholesale (fixed)	2.9	3.0	3.1	3.0	2.7	*9.0%*
Mobile	14.0	13.5	12.3	10.9	9.8	*32.5%*
Subtotal	**30.0**	**28.9**	**27.1**	**24.9**	**22.6**	***75.2%***
% YoY growth	*(4.4)%*	*(3.1)%*	*(3.7)%*	*(6.3)%*	*(8.1)%*	
TV advertising	2.6	2.3	1.9	1.8	2.0	*6.5%*
Other TV (non-pay TV)	0.2	0.1	0.1	0.1	0.1	*0.2%*
Wholesale (mobile, TV, other)	3.6	3.4	2.9	2.5	2.3	*7.6%*
Other	3.5	3.2	3.3	3.6	3.1	*10.4%*
Total Market	**39.8**	**37.9**	**35.3**	**32.8**	**30.1**	***100.0%***
% YoY growth	*(6.6)%*	*(3.5)%*	*(4.7)%*	*(7.1)%*	*(7.0)%*	

Source: CNMC.

The Spanish telecommunications market has a relatively long history of competition. Deregulation of the market was a necessary consequence of Spanish accession into the European Union and the obligation to abide by EU free competition principles and traces back to Law 31/1987, which commenced the process of deregulation. Law 42/1995 on Cable Telecommunications contributed to further deregulation of the sector. However, the incumbent operator Telefónica retained a monopoly of fixed-line services until 1997, when the Telecommunications Liberalization Act (Law 12/1997) permitted other participants to begin offering their own services on a national basis. The Spanish telecommunications regulator (CMT) was also created in 1997 to supervise Spain's telecommunications operators and promote competition in the market.

Acknowledging that effective competition would not be possible without measures intended to offset Telefónica's dominance, the regulator has been active in preventing Telefónica from abusing its dominant position. As a consequence of the drive to increase competition in the market, Telefónica was fully privatised in 1999 after a partial privatisation in 1995. Following the passage of Law 12/1997, Spain's national radio and television utility Retevisión obtained a license in the fixed-line telecommunications market and commenced operations in January 1998. In May 1998, LINCE (majority owned by France Telecom) became the third participant to enter the market.

With Law 11/1998 General on Telecommunications, the provision of telecommunication services was liberalised and telecommunication networks could be exploited under free competition. Competition then increased as additional participants entered the market and challenged Telefónica's dominance. Additional alternative players entered the market in the late 1990s and early 2000s. As a consequence of the adoption of the EU telecommunications package in 2002, Law 11/1998 was replaced by Law 32/2003, General Law on Telecommunications, with the aim to increase competition in the sector by reducing market regulatory barriers and allowing competition law to provide effective competition to the extent possible.

The new 2009 EU regulatory regime was implemented in Spain by virtue of Royal Decree Law 13/2012, which introduced new provisions to Law 32/2003 relating, for instance, to net neutrality, functional separation, network roll-out and, in connection with radio spectrum, technological neutrality and secondary trading. These measures were then consolidated on 10 May 2014, in the new Law 9/2014, General Law 9/2014 on Telecommunications, replacing Law 32/2003 and complemented with rules aimed at fulfilling the targets of the Digital Agenda in Spain. For more information, see "Part IV – Regulatory Overview".

The development of fibre as an alternative technology added more competition in the telecommunications market and provided consumers with an alternative to legacy copper technology. Spain's fibre industry is relatively young compared to other European countries. Commercial networks were first constructed in the mid-1990s, as compared to most other European countries

where fibre networks launched services in the 1970s and 1980s. Telefónica's FTTH coverage is now close to 62 per cent. of primary households passed in Spain (excluding business premises) (*source: Telefónica company presentations*) but the Directors estimate, based on CNMC data, that it passes only 23 per cent. of homes in the Asturias region. The other main fibre operators in Spain are ONO, now owned by Vodafone, Euskaltel in the Basque region, R Cable in Galicia and Telecable in Asturias.

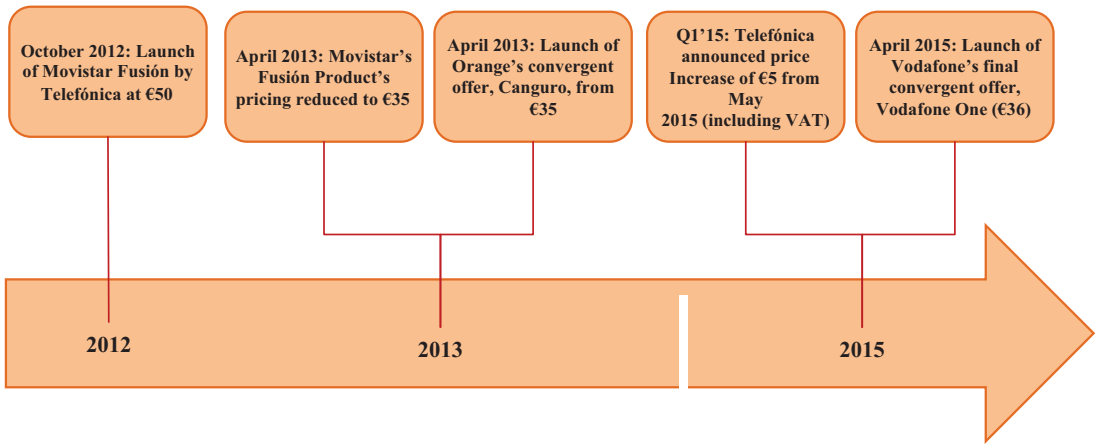
The industry has undergone a period of consolidation that is still in progress, primarily driven by mobile-centric operators buying cable and other fixed telecommunications and TV providers. Vodafone acquired ONO in July 2014, Movistar's acquisition of Canal+ was approved by CNMC in April 2015 and Orange's acquisition of Jazztel was approved, subject to conditions, in May 2015. As part of the approval by CNMC of Telefónica's acquisition of Canal+, Telefónica is required to offer certain premium content to other telecommunications providers in Spain.

The Company believes the impacts of consolidation are multi-fold: (i) as concentration increases with the top three operators controlling 85 per cent. of the market (compared to 78 per cent. in 2012) (*source: CNMC*), the main operators may shift their commercial focus from price to quality and innovative services supported by network differentiation; (ii) churn levels may fall as customers have fewer providers to select from; (iii) in the short term, Vodafone and Orange are likely to be focused on integrating their acquisitions, which could also incentivise the companies to focus on retaining customers instead of new aggressive commercial campaigns; and (iv) pricing discipline may return, as indicated by recent price increases by the national telecommunications providers.

The Spanish telecommunications market is now moving towards convergence of voice, data and video networks and services. Telecommunications operators are introducing new products and services and trying to leverage their infrastructure by bundling services for consumers. The convergence process is driven by operators bundling services such as broadband internet access, television, fixed-line telecommunications and mobile telecommunications into integrated offers (double, triple and quadruple-play), with the aim of lowering the churn rate of subscribers and increasing the number of products sold to each subscriber, for example the launch in October 2012 by Telefónica of Movistar Fusión, where prices of bundled offerings were significantly lower than the aggregated price of the individual elements.

The market suffered a decline in prices with the launch of Movistar Fusión and a second step decline in pricing in 2013 when the other market operators followed Telefónica's strategy, launching their own convergent bundled offerings, and reducing prices to remain competitive. The price competition particularly impacted the Spanish mobile market, which suffered a significant reduction in prices and in total market revenues. Since 2013, prices of bundled offerings have stabilised and recently a number of providers have started to announce selective price increases for 2015, often associated with improved functionality or usage allowances.

For example, in March 2015, Telefónicá announced an automatic €5 price increase from May onwards to all its "Movistar Fusión" customers in exchange for broadband speeds (both download and upload) three times higher than previous speeds. In April 2015, Vodafone announced its new "Vodafone One" commercial offering beginning on 20 April 2015 for all of its convergent packages, which entails price increases in exchange for enhanced services. In May 2015, Vodafone announced a new commercial initiative with an improvement in its broadband speeds (from 200Mbps to 300Mbps) in order to keep pace with Telefónica.



This convergence strategy, led by Telefónica, has driven a rapid uptake of bundled offerings in Spain. As of 31 December 2014, the number of triple and quadruple-play customers in Spain increased to 8.7 million, more than triple the number from 2012 (*source: CNMC*). Currently, 67 per cent. of the Spanish market is represented by triple (3P) and quadruple (4P)-play bundled offerings, up from 24 per cent. in 2012 (*source: CNMC – note 1P only assumes fixed broadband to calculate total market*). The following table sets out certain selected convergent offers as at 1 July 2015 in the Spanish telecommunications market:

Selected convergent offers in the Spanish market

		telecable	movistar	orange[1]	vodafone ONO	Jazztel
OFFER	Fixed line	Unlimited min to other fixed lines and Telecable mobiles	Unlimited min to other fixed lines 550 min to mobile	Unlimited min to other fixed lines 1,000 min to mobile	3,000min to other fixed lines 60 min to mobile	Unlimited min to other fixed lines 120 min to mobile
	Broadband	300Mb HFC Wifisfera	300Mb FTTH / Up to 20Mb DSL[3]	200Mb FTTH / Up to 20Mb DSL[3]	300Mb FTTH	200Mb FTTH
	Mobile	200 min 2GB (4G)	Unlimited min to mobile and fixed 2GB (4G)[4]	Unlimited min to mobile and fixed 2.5GB (4G)	Unlimited min to mobile and fixed 2GB (4G)	Unlimited min to mobile and fixed 2GB (4G)
	Pay TV	"Tedi –TV" offering 69 channels	"Movistar TV" offering 80 channels	"Orange TV" offering +30 channels	"Vodafone TV Extra" offering +100 channels	"Canal +" offering +35 channels
	Pricing[2] (€/month)	€80.0	€77.0[5]	€88.0[6]	€81.1[7]	€78.5[8]

(1) Offering includes 2 mobile lines, with second accessory line offering limited capabilities.

(2) Includes VAT.

(3) If FTTH not available (in which case, price may be reduced).

(4) 1GB additional for free until 17/09/2015.

(5) Price for "TV Para Todos", with other alternative packs including: "TV Energía" (€85), "TV Fútbol" (€92) and "TV Total" (€112).

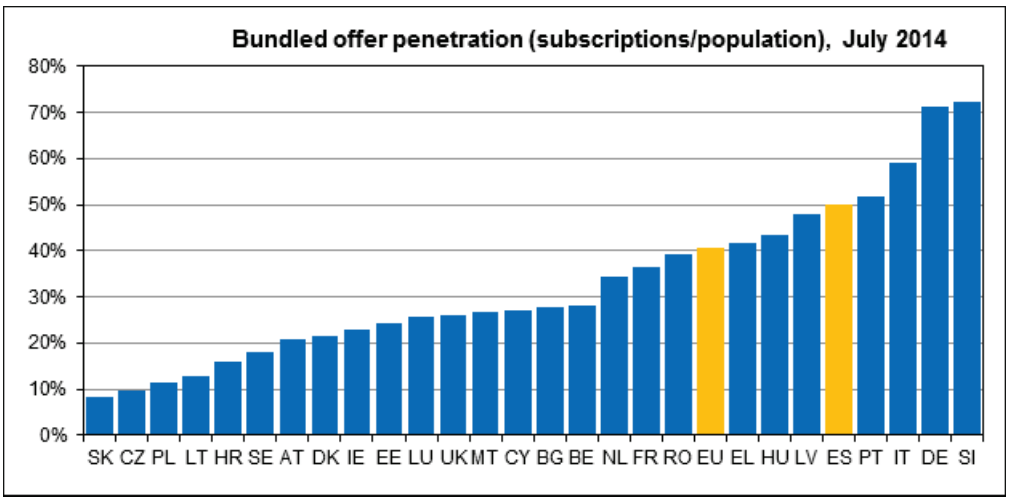
(6) Price includes €12 of "Orange TV"; current promotion for the first 3 months: €44.9 for Basic and €55.9 for Premium (inc. TV).

(7) Basic offer includes "TV Esencial" for €6 (free until 2016 if subscribed before 31/07/2015). Premium offer includes "TV Extra" for €12. Under current promotion for the first 3 months: €34.4 for Basic and €57.6 for Premium (ex. TV).

(8) Current promotion price for the first 5 months of €54.3 for Basic. Premium offer includes 1 month free trial.

Spain has one of the highest convergence rates among European countries. According to the Digital Agenda for Europe Scoreboard, Spain is above the average penetration (at 50 per cent. as at July 2014) of bundled packages in the European Union, which was 41 per cent. as at July 2014. Telecable is relatively advanced compared to the Spanish market, with 37 per cent. of its residential fibre customers subscribing to a triple-play bundle as of 31 December 2014 and 31 per cent. subscribing to a quad-play bundle.

Bundled offer penetration (of population)



Source: European Commission (Data as of July 2014).

All the above trends are, in the Directors' view, showing signs of stabilisation in the Spanish telecommunications market after a period of significant market transition and revenue challenges. The reduction in the number of operators is considered to encourage investments and more rational competitive behaviour, as infrastructure investments require price discipline to achieve target returns.

1.2 Asturias

Asturias has approximately 1.1 million inhabitants and 613,900 households. As of 31 December 2014, there were approximately 450,000 homes with capability to connect to a Telecable network in Asturias, comprising 73 per cent. of the total households (*source: INE*).

Asturias has a stable economy with the service segment as a particular driver of economic growth, representing 70.57 per cent. of GVA in 2014 (*Source: INE (1st estimate)*). However, Asturias also has other sectors that have an important role to play in driving the region's economy, including:

- Manufacturing, which contributes significantly to the Asturian economy, with metallurgy and metal manufacturing industries making the largest contribution to the regional economy, followed by mining, energy and water industries; and
- Construction, which contributed 9.24 per cent. of GDP in Asturias in 2013.

The information technology and communications sector has experienced moderate growth in Asturias in recent years and, in 2013, Asturias was ranked as the second most developed region in Spain for information technology by the Orange Foundation. According to the data provided by the INE in the "Survey on Equipment and Use of Information Technologies and Communication in 2013 homes", in Asturias in 2013 73.3 per cent. of households had a computer and 70.7 per cent. had internet access. Furthermore, it ranked seventh in dwellings with broadband connection (ADSL, cable network, etc.), with 69.8 per cent. of households being connected, compared to 68.9 per cent. nationally.

The unemployment rate in the first quarter 2015 for Asturias was 18.99 per cent., compared to the national average in Spain for the same period of 23.78 per cent. (*source: INE*). In 2013, there were 66,342 companies in Asturias (*source: INE*). In 2014, GDP per capita in Asturias was €20,334 compared to the national average in Spain of €22,780 (*source: INE*).

2. TECHNOLOGIES

Telecommunication and television needs of the consumers in the Spanish market are mainly addressed through PSTN (Public Switched Telephone Network), fibre/cable, satellite, DTT (Digital Terrestrial Television) and mobile technologies.

2.1 PSTN

Telefónica, as the incumbent operator, has a PSTN network that covers the majority of Spain for fixed-line services and fixed broadband (xDSL) services. Telefónica is also upgrading parts of its

PSTN network to fibre to the node and fibre to the home ("**FTTx**") technologies, allowing it to offer higher speed broadband services.

The current Telecommunications Law (Law 9/2014, of May 10) and accompanying regulations impose obligations on Telefónica to unbundle its PSTN local loops. Alternative telecommunications operators are allowed to use Telefónica's copper-based network to provide their own services through a process referred to as "unbundling of the local loop" ("**ULL**"). Other alternative telecommunications operators using ULL (ADSL) in Spain include Vodafone, Orange and Jazztel (which is being acquired by Orange). ULL (ADSL) operators depend on Telefónica's network, which reduces the control such operators have over their customer experience.

In addition to voice and broadband services, Telefónica's PSTN network is used to offer TV services via IPTV. IPTV is a technology through which digital TV services are delivered via internet protocol (IP) instead of traditional broadcasting methods including DTT, fibre, cable or satellite. IPTV, as is the case with fibre and cable, allows for interactivity, a difference that operators are focusing on when competing with satellite and DTT, both of which do not allow for interactive services. Growth in the Pay TV market for telecommunications operators could be one means to partly offset stagnating or declining fixed line revenues.

2.2 Fibre/cable

Fibre/cable operators ("**Fibre Operators**") have direct customer relationships and serve their clients via end-to-end networks without the necessity of using the incumbent's last mile access. Fibre Operators can therefore directly influence the quality of service and the products offered to their customers. Fibre infrastructure in Spain is in most cases fully able to bundle digital and interactive services, partly due to the relatively late build-out. Furthermore, due to the use of HFC, Fibre Operators are generally able to offer higher bandwidth broadband services than PSTN-based telecommunications operators (twisted copper pair from central office to the home) and a greater choice of TV channels than offered via IPTV.

Reflecting the economics of network build-outs, fibre coverage tends to provide improved economics in denser urban areas than in rural areas. Until recently, Fibre Operators continued to focus on increasing their HFC network coverage. More recently, Fibre Operators have substantially slowed network build-outs after accomplishing their main coverage plans. Instead, Fibre Operators tend to be focused now primarily on increasing subscriber penetration and the number of services sold to each subscriber, leveraging their existing network infrastructure. When comparing market shares, it has to be taken into account that Fibre Operators do not cover all Spanish households and therefore their market shares within their coverage footprint are higher than their market shares on a national level.

As mentioned previously, there has been an increase in FTTH deployment by the main providers in Spain, (Telefónica, Vodafone and Orange) in order to be able to compete with the speed and quality of services offered by existing Fibre Operators. The Directors believe that there are a number of factors which could delay the fibre deployment plans of Telecable's competitors in Spain and, in particular, in the Asturias region, including:

- the heavy capital investment required to deploy a fibre network;
- the typically lengthy administrative and regulatory process to obtain authorisation to deploy the internal fibre optic cabling inside the buildings to the end-user premises (the "vertical access");
- the associated uncertainties about the economics of investing in vertical access deployment.

The development of fibre networks using FTTx technologies is expected to facilitate the delivery of high quality internet and network pay TV services.

Telefónica is currently required by regulation to provide a broadband bitstream access service (30Mbps) at regulated prices to other telecommunications operators as well as wholesale access to its fibre ducts and passive infrastructure. Telefónica and other access operators like Telecable are required to attend to all reasonable requests for access to their new in-building fibre network roll-out.

2.3 Satellite

Satellite in Spain has traditionally been the dominant alternative technology for Pay TV distribution. As of 31 December 2014, there were 1.6 million households subscribing to satellite Pay TV services, down from 2 million in 2008 (*source: CNMC*). After the 2003 merger of Vía Digital and Canal Satélite Digital, Canal+ is the only participant in the market using satellite as a technological alternative for the distribution of Pay TV services.

Canal+ is now owned by Telefónica, following the acquisition of DTS in April 2015, but there are certain limits to Telefónica's capacity to bundle services with Canal+ as a result of the CNMC's 23 April 2015 Authorisation Decision.

Specifically, the decision conditioned the authorisation on compliance with commitments offered by Telefónica in four categories:

1. Commitments related to the Pay TV market in Spain. Telefónica has committed not to hinder the mobility of current and future customers of Pay TV customers through the imposition of minimum contract terms and customer retention policies. Specifically, it will end customer contracts, if requested by its customers, in a maximum fixed period, it will not use minimum duration contracts under certain circumstances and it undertakes not to "recover" certain types of customers during a two-month period after the ending of the contract.
2. Commitments related to wholesale distribution of individual audiovisual contents and television channels. Telefónica has committed to keep fulfilling the distribution contracts of satellite TV services that DTS had signed with other electronic communications operators and are still in force and has further committed to supply other TV operators with a wholesale offer of premium TV channels, consisting of those channels that contain exclusive premium content of the major film studios (Sony, Warner, Disney, Universal, Paramount and Fox) and major live sports events, such as the Spanish League, Copa del Rey, Olympic Games, FIFA World Cup, Champions League, FIBA Basketball World Cup, etc. Specifically, each such TV operator will be able to choose the channels it wishes to contract and combined channels that represent up to 50 per cent. of Telefónica's premium TV channels.
3. Rights acquisition. The exclusive broadcasting rights that Telefónica acquires will be limited to a period of two years and the contracts concerning the acquisition of audiovisual contents will also be limited to three years.
4. Commitments related to access to Telefónica's internet network in Spain. Telefónica has committed to guarantee OTT providers access to Telefónica's broadband customers under conditions that allow them to compete efficiently. Telefónica will guarantee access to at least three routes to its internet network and that the congestion of the routes will not exceed 80 per cent. Telefónica has also undertaken not to use network management techniques to downgrade traffic related to video data in a discriminatory way.

The commitments will be applicable for five years but can be extended by an additional three years if necessary.

2.4 Digital Terrestrial Television ("DTT")

In its current form, DTT in Spain was launched in November 2005. The Spanish government supported the planned replacement of analogue terrestrial television, which was previously the main form of free TV reception in the market. Furthermore, the Spanish government prepared a package of measures to prepare for an analogue switch-off that was completed in April 2010. Alongside, the government obliged DTT operators to extend DTT coverage to 96 per cent. of the population by 2010 (98 per cent. for public TV networks) and required operators to use fully interoperable decoders in order to avoid customer lock-in risk. As a consequence of this transition process, customers now have a broader choice of channels they can access via DTT.

Pay-DTT became a reality in Spain after the government passed legislation in August 2009 (Royal Decree-Law 11/2009) and March 2010 (Law 7/2010, of March 31, General Law on Audiovisual Communication). According to the legislation currently in force, national DTT broadcasters are allowed to provide total or partial Pay TV channels using up to 50 per cent. of the radio spectrum assigned.

2.5 Mobile

As at 31 December 2014, there were 51 million mobile telecommunications lines (excluding mobile broadband data cards) in Spain, implying a penetration rate of 109 per cent. of the population according to the CNMC.

The Spanish market is mainly served by four network operators: Telefónica, Vodafone, Orange/Jazztel and Yoigo. MVNOs have a relatively small presence in the market, accounting for 16 per cent. of mobile subscribers at 31 December 2014.

According to the CNMC, the Spanish retail mobile telecommunications market generated revenues of approximately €9.8 billion in the year ended 31 December 2014, down from €13.4 billion in 2011. The decline in revenues is mainly due to competitive pressures (lower retail prices), linked also to the launch of convergent offers and declines in the regulated mobile termination rate (MTR).

Traditionally focused on voice, the importance of data in the revenue mix of mobile operators has grown. Whereas only 3.5 per cent. of mobile telecommunications revenues came from data in 2006, the share of data revenues grew to 33.8 per cent. as of 31 December 2014 according to the CNMC. The growth in data consumption is mainly fuelled by the increasing ubiquity of datacards and smartphones. Spain had a smartphone penetration rate of 89 per cent. as at 31 December 2014, one of the highest in Europe.

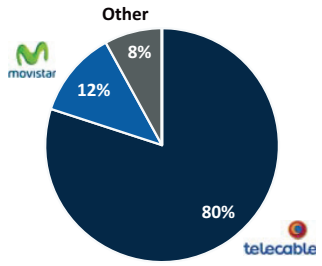
Spanish mobile network operators currently offer 4G, 3G and 3.5G services based on HSPA and HSPA+ technology, and 2G services based on GSM and GPRS technology. 3G/3.5G and 4G allow for mobile data consumption, helping the mobile operators to offset the decline in revenues from traditional mobile voice and SMS services.

3. COMPETITION

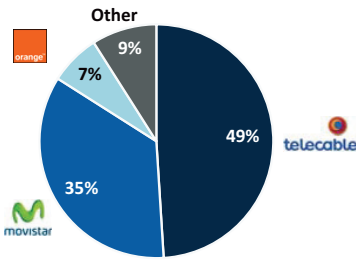
There is significant competition in Asturias from established and new companies that provide broadband internet, pay television and telecommunications services to residential customers and data telecommunications and telecommunications services to SMEs and corporations, as well as carrier services to other telecommunications operators.

The key considerations for consumers selecting a telecommunications provider include the ability to offer bundled services, the speed and reliability of broadband internet service, features such as interactive TV, as well as price. The following charts outline Telecable's estimated market share and the market share of the other principal operators in the residential broadband, Pay TV, residential fixed-line telecommunications, and residential mobile telecommunications market in Asturias, as of December 2014.

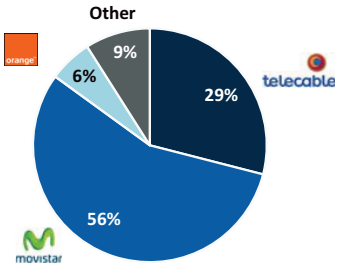
Residential Pay TV:



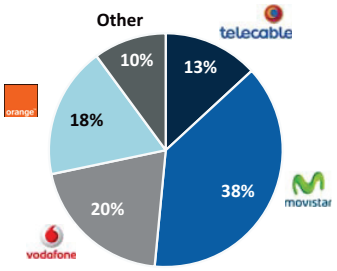
Residential broadband:



Residential Fixed-line telecommunications:



Residential mobile telecommunications:



Source: Invesmark research report commissioned by Telecable

Telecable is the leading cable operator in Asturias with over 165,000 customers split between residential, SOHO and enterprise business segments. Telecable's main competitors in the Asturian telecommunications market are Telefónica, Vodafone and Orange.

The telecommunications market in Spain continues to move towards fixed-line/mobile convergent offers where broadband, fixed-line and mobile voice and Pay TV services are provided to end

customers in a single bill. Telecable has been growing its mobile business unit on the back of its fixed-line/mobile convergent offers, and had approximately 80,000 mobile customers as of 31 December 2014. Nearly all these mobile customers also take fixed-line services and nearly all are also postpaid contract customers.

3.1 Fixed-line telecommunications

According to the CNMC, the Spanish retail fixed-line telecommunications market generated revenues of approximately €3.4 billion in the year ended 31 December 2014, down from €4.8 billion in 2012. In line with the general trend across Western Europe, this largely saturated market is declining due to substitution with mobile communication and VoIP-based technology and price reductions, especially as part of bundled offers. Fixed-line participants are becoming increasingly dependent on the quality of their broadband offering and telecommunications services are increasingly bundled with broadband offerings.

Fixed-line telecommunications in Asturias is primarily based on the analogue and digital access lines of Telefónica's incumbent telephone network and the access lines of Telecable. As of 31 December 2013, there were 462,346 fixed-line subscribers (including residential and business) in Asturias (*Source: CNMC*).

Telecable is the second most significant operator in Asturias in fixed-line telecommunications services with an estimated market share of 29 per cent. as of 31 December 2014, behind Telefónica with 56 per cent.

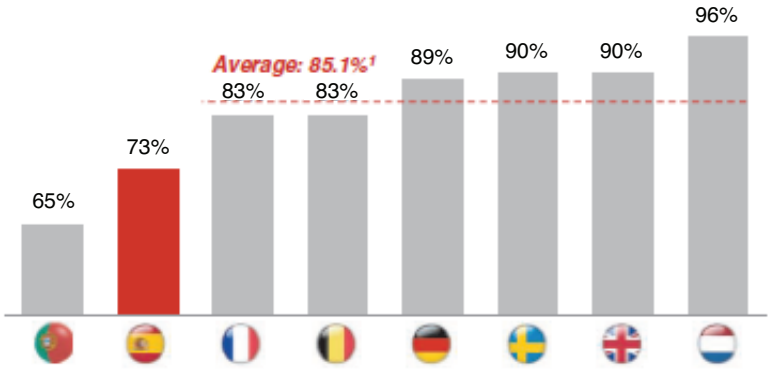
3.2 Broadband internet

In 2013, Telecable was the first company in Spain to offer up to 200Mbps (now 300Mbps) through its fibre optic HFC network.

Fixed broadband

According to the CNMC, the number of fixed-line broadband subscribers in Spain totalled 12.8 million as of 31 December 2014, of which 10.4 million were residential and 2.5 million were attributable to the business segment. The broadband penetration rate in 2014 was approximately 73 per cent. of Spanish households according to Eurostat, which was below many other European countries. The following table presents data on broadband penetration rates for selected European countries in 2014.

Fixed Broadband penetration 2014 (per cent.)



Source: Eurostat.

(1) Average excluding Spain.

The Spanish market is primarily serviced by DSL-based technologies, which represent 70 per cent. of Spanish fixed-line broadband subscribers (as at 31 December 2014). Fibre (cable and FTTx) represented 29 per cent. of the Spanish market, which has grown from 22 per cent. as at 31 December

2013. Within the fibre markets, FTTH has considerably increased in the 2012-2014 period, growing from 2.9 per cent. to 12.2 per cent. of the Spanish fixed-line broadband subscribers.

Spanish fixed-line broadband subscribers development

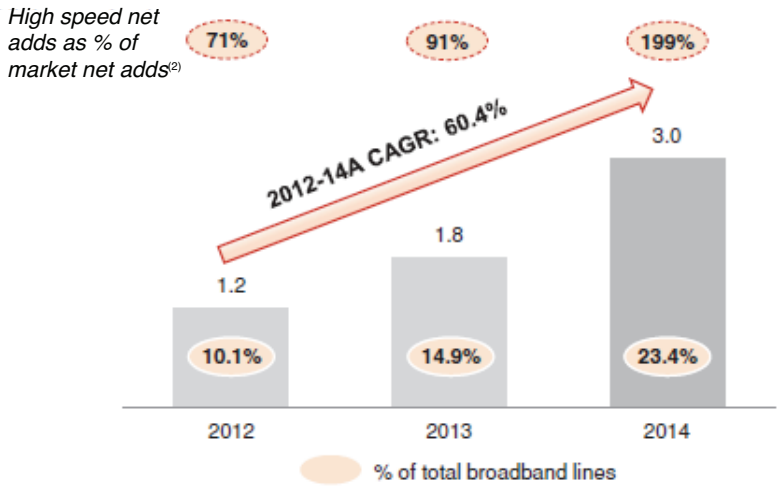
	Subscribers			Percent of total
	2012	2013	2014	
DSL	8,898,114	9,334,600	8,982,812	*70.0%*
Cable	2,161,514	2,141,822	2,205,492	*17.2%*
FTTx	336,719	626,678	1,564,413	*12.2%*
Other	120,650	138,966	81,340	*0.6%*
Total fixed broadband	**11,516,997**	**12,242,066**	**12,834,057**	***100%***

Source: CNMC.

Broadband speeds

Another trend that the Directors have observed relates to the increasing customer demand for higher speeds, as data consumption grows in the household. Penetration of high-speed broadband (lines capable of providing at least 30Mbps) in Spain is still low compared to other European markets. This penetration rate is expected to increase rapidly in the coming years driven by the increasing demand for higher bandwidth at home and higher data consumption due to new uses (*source: Cisco Visual Networking Index 2014-2019 White Paper*). Increasing demand for more bandwidth and connectivity is expected to be driven by increasing penetration of connected devices (such as smartphones and tablets), growth in non-linear TV, including the rise in video-streaming services, boost of UHD and other trends such as online gaming, home security and smart home.

High speed (⩾30Mbps) broadband lines evolution in Spain (millions)(1)



Source: CNMC.

(1) 2012 and 2013 data from CNMC 2012 and 2013 Annual Reports; 2014 from CNMC 4Q14 Quarterly Report.

(2) 30Mbps or higher; 2012: 0.4m high speed net adds over 0.6m total market net adds; 2013: 0.7m high speed net adds over 0.7m total market net adds; 2014: 1.2m high speed net adds over 0.6m total market net adds.

This is a positive trend for cable operators, given their technological advantage over DSL participants. After the deployment of DOCSIS 3.0 technology, cable operators are able to offer speeds well above 100Mbps, which DSL providers will not be able to match without investing in FTTx. However, the deployment of fibre over a significant share of the Spanish territory is likely to be a lengthy process, giving operators such as Telecable an important temporal advantage. Telecable completed the final stage of the deployment of DOCSIS 3.0 technology in 2013 and is now able to offer DOCSIS 3.0 technology related services across its entire network. All Telecable customers have

been at or above 100/10Mbps since May 2015. In addition, in May 2015, Telecable introduced new 3.0 MTA equipment that allows 600Mbps download speeds. Telecable expects to start a DOCSIS 3.1 upgrade in 2016. The new DOCSIS 3.1 standard should support broadband speeds of up to 10Gbps downstream and 1Gbps upstream.

In addition, fibre is more reliable than DSL in delivering promised speeds to the customer. As the gap between promised and delivered speeds widens for high-tier subscriptions, fibre capabilities should be an even more important competitive factor in the context of increasing demand for fast broadband connections.

Mobile broadband

As broadband connectivity becomes a ubiquitous service and customers increasingly value flexibility, the importance of mobile broadband is expected to continue to increase. The Spanish mobile broadband market is relatively young. Orange, Telefónica and Vodafone all launched HSDPA (high-speed downlink packet access) services in 2006.

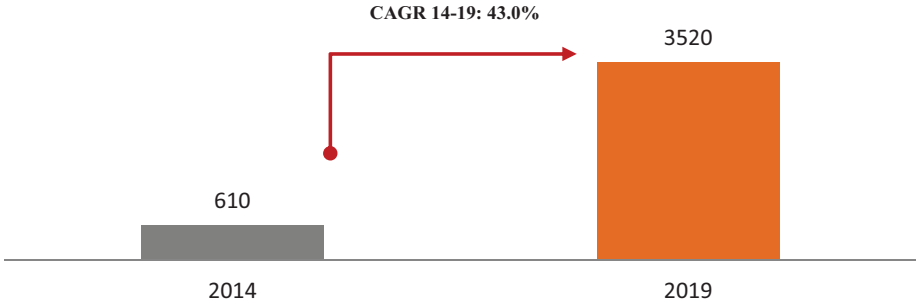
The most widely used mobile broadband devices in Spain are smartphones (with 89 per cent. penetration in Spanish homes as at 31 December 2014) and tablets (with 54 per cent. penetration as at 31 December 2014).

Vodafone, Orange and Yoigo officially launched 4G services between May 2013 and July 2013, and Telefónica followed suit in September 2013. The four operators have continued to expand their 4G coverage since then and have also announced further investment plans in this respect.

Mobile operators are deploying aggressive campaigns to increase the uptake of this service in their customer base. Mobile broadband is mostly priced at flat rates. However, typically, commercial offerings in Spain tend to include a cap on the maximum broadband consumption due to limited mobile network and spectrum capacity and speeds are lower than for fixed broadband.

Mobile broadband is expected to become increasingly prominent in the future as advanced mobile standards such as LTE/4G become mainstream and foster an increasing demand for mobile data services. According to CISCO Visual Networking Index, overall mobile traffic demand in Spain is expected to increase by 7x from 2014 to 2019, with mobile traffic per user expected to grow at a CAGR of 43 per cent. over the same period.

Mobile traffic per user in Spain (Megabytes per month)



Source: Cisco Visual Networking Index 2014-2019 White Paper.

A number of telecommunications and cable operators across Europe have rolled out WiFi offerings to enhance their mobility proposition and address the increasing demand for mobile data. Companies such as Telenet, BT, Deutsche Telekom, and recently Vodafone have rolled out plans to provide their customers with WiFi hotspots outside the home. This has allowed for offloading some mobile bandwidth needs to WiFi, which is proving an effective complement to mobile networks.

3.3 Fibre deployment

Aiming to foster investment in fibre networks, the CMT published a study on the deployment of FTTx networks in Spain in May 2009. According to the study, the payback of fibre deployment investments in cities with over 50 thousand inhabitants will be around 9 to 12 years. The payback period in smaller cities or rural areas is usually expected to be longer.

Telefónica is likely to have an advantage in deploying a FTTx network. In order to incentivise Telefónica to invest in FTTx, the CMT in 2009 gave Telefónica freedom in the use of its fibre

network, cancelling its previous decision to grant access to Telefónica's competitors. However, the incumbent was obliged to offer bit stream services that enable competitors to replicate products with speeds of up to 30Mbps. Telefónica is also required to provide competitors with wholesale access to its ducts and passive infrastructure. Furthermore, the first operator to deploy a fibre network inside a building will have to offer in-building wiring at reasonable wholesale prices to any other operator wishing to access the building in order to offer FTTx services.

Telefónica and Jazztel agreed to undertake a common deployment of FTTH in 2012. A similar agreement was reached between Orange and Vodafone in 2013. The CNMC is currently conducting a fibre access market review which could result in Telefónica being obliged to offer wholesale FTTH in the near future in areas where the CNMC considers there is insufficient competition (*Source: CNMC consultation issued on 19 December 2014*). As a result, Telefónica announced a 35 per cent. reduction in the deployment of its network in February. No resolution has yet been approved by the CNMC in this regard.

Telefónica's FTTx coverage in Asturias is currently relatively limited compared to Spain in total (with 141,000 homes estimated by Telecable to be passed as of 31 December 2014, equivalent to 23 per cent. of homes in Asturias).

The Digital Agenda objectives are to reach 30Mbps internet access download speeds in the whole of Spain and 100Mbps in 50 per cent. of the territory by 2020. The Spanish government aims to adopt measures, including public subsidies and tenders, to facilitate the attainment of these goals.

3.4 Television

The primary competitors in the television segment are public and private television broadcast companies, including free and pay DTT providers. Additional competitors include, to varying degrees, other forms of communications and entertainment media, principally the internet, home cinema, movie theatres and video stores.

Pay TV distribution platforms in Spain mainly consist of satellite, fibre and IPTV, with the addition of DTT in 2009. According to CMT, the 5.1 million pay TV subscribers (including mobile television) generated total Pay TV revenues of €1.7 billion in the year ended 31 December 2014. As of 31 December 2014, based on subscriber numbers, satellite Pay TV services (excluding mobile TV) held a 31 per cent. share, fibre 23 per cent., IPTV (FTTH and DSL) 39 per cent. and DTT 5 per cent. The total market has grown recently, with total Pay TV subscribers increasing from 4.2 million in 2012 to 5.1 million by the end of 2014 (excluding mobile television).

Pay TV subscribers development

	Spain			
	2012	**2013**	**2014**	**Percent of total**
Satellite (DTH)	1,719,919	1,620,632	1,553,010	*30.7%*
Cable	1,366,665	1,236,306	1,141,008	*22.5%*
IPTV (FTTH+DSL)	786,582	817,154	1,990,972	*39.3*
DTT	290,246	237,178	231,406	*4.6%*
Other	14,191	28,399	143,575	*2.8%*
Total Pay TV	**4,177,603**	**3,939,669**	**5,059,977**	***100%***

Source: CNMC.

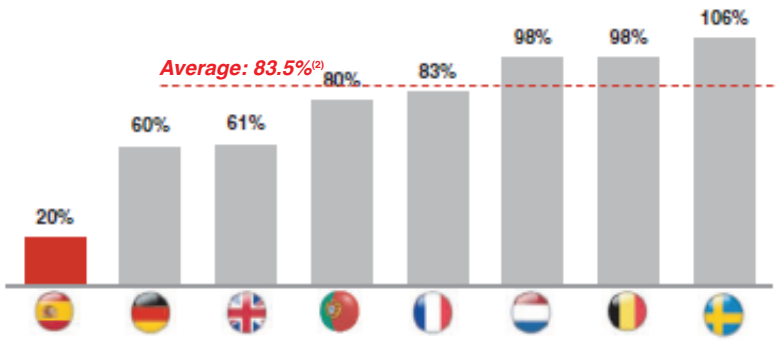
Telecable television services compete against Spain's free DTT nationwide, regional and local channels. In addition, in the Pay TV market, Telecable primarily competes against the combined Canal+/"Movistar TV" offerings, a combination of Telefónica's IPTV Pay TV platform delivered over ADSL/fibre and Canal+ delivered over satellite/DTH. The combined Canal+/"Movistar TV" Pay TV platforms have significant market presence and exclusive access to certain premium television content.

At present, the other national operators do not have differentiated Pay TV offerings, although this situation could change following their ability to access 50 per cent. of Telefónica's premium content on a wholesale basis. Orange entered the Spanish IPTV market in July 2007 when Orange acquired Deutsche Telekom's internet service provider Ya.com, including its IPTV service, and is now

promoting its Orange TV platform. Vodafone has adopted the Pay TV offering of ONO, which is based on the TiVo platform.

Pay TV penetration is significantly lower in Spain relative to the average of other European countries, primarily as a result of the attractive content available over free DTT, the relatively high entry price points that made Pay TV a premium product and the lack of advanced TV functionality. Pay TV penetration in Spain was 20 per cent. in 2014 versus the relevant cable market (i.e., Sweden, Belgium, Germany, UK, France, Netherlands and Portugal) average of 83.5 per cent. as shown in the following table, which presents Pay TV penetration rates for relevant cable markets in selected European countries and the European Union average in 2014 (*source: SNL Kagan, 2015*). Going forward, the Directors expect Pay TV penetration levels in Spain to increase, primarily driven by the macroeconomic recovery, the lowering Pay TV entry price points embedded in convergent offerings and the enhancement of the TV customer experience through a combination of attractive Pay TV content and added functionality of next generation TV services.

European Pay TV penetration, 2014E(1)



Source: SNL Kagan 2015.

(1) Pay TV subscribers as per cent. TV households as of 2014E.

(2) Average excluding Spain.

Telecable has been working to create what it believes is the best TV experience for customers in Asturias. In July 2013, Telecable launched tedi, the brand to rename its new TV experience. tedi is a recognised TV brand that encompasses every service through the set-top-box and Telecable's cloud TV. Of Telecable's approximately 145,000 residential customers, around 30 per cent. have set-top boxes offering PVR functionality. Telecable is also currently developing a nPVR capability such that customer specific and other recorded content can be stored centrally rather than via hard disks in customers' set-top boxes.

3.5 Content rights

Traditionally, satellite television leader Canal+ (now owned by Telefónica) has been the owner of the majority of Pay TV content rights, including rights for key content such as movies and sport events. Telefónica/Canal+ is still the owner of the majority of Pay TV content rights, although in relation to football the majority of broadcasting rights are held by Mediapro.

Moreover, the authorisation of the combination of Telefónica and Canal+ was conditioned on commitments by Telefónica related to wholesale distribution of individual audiovisual contents and television channels. Telefónica has committed to keep fulfilling the distribution contracts of satellite TV services that DTS had signed with other electronic communications operators and are still in force and has further committed to supply other TV operators with a wholesale offer of premium TV channels, as described in fuller detail in paragraph 2.3 of this Part III.

Changes are also expected as a result of Royal Decree-Law 5/2015, adopted on 30 April 2015 on urgent measures in connection with marketing rights to exploit audiovisual content relating to professional football competitions. The Royal Decree-Law is expected to apply to the football season 2016/2017 and future seasons and provides for detailed rules in relation to the joint selling of TV rights for Spanish football content.

3.6 Mobile

As of 31 December 2014, there were 51 million mobile telecommunications lines (excluding mobile broadband data cards) in Spain, implying a penetration rate of 109 per cent. of the population (*source: CNMC*).

The Spanish market is mainly served by four network operators: Telefónica, Vodafone, Yoigo, and Orange/Jazztel. Telecable operates as a full MVNO through its mobile access and origination services agreement with Vodafone and has seen significant subscriber growth over the past few years: Telecable's mobile postpaid subscribers grew 33 per cent. and 18 per cent. in 2013 and 2014, respectively. The acquisitions of ONO by Vodafone and of Jazztel by Orange, have significantly decreased the size and number of operators in the MVNO market in Spain. This has the result that customers are faced with fewer mobile alternatives.

In the mobile telecommunications market, despite not owning a network, Telecable was the fourth largest mobile services provider in Asturias as at 31 December 2014, having launched its mobile telecommunications business as an MVNO in 2008. The importance of mobile telecommunications to the convergent bundled offering has increased. Currently, 65 per cent. of bundled offerings in Spain have mobile included, up from 11 per cent. in 2012 (*source: CNMC*). Mobile is considered a powerful customer loyalty and satisfaction tool and is believed by the Directors to significantly reduce fixed-line customer churn levels when offered as a convergent service within a bundle, with churn rates within Telecable residential fixed-line subscribers having historically been lower when the customer also subscribes to a mobile line. As of 31 December 2014, 49 per cent. of Telecable's fixed-line subscribers had mobile services with Telecable, which is significantly lower than peers like Jazztel, with an 81 per cent. penetration of its fixed broadband customer base, Telefónica with 73 per cent. and Orange with 79 per cent., making increasing mobile penetration of Telecable's fixed-line customer base a significant potential opportunity.

3.7 Spectrum auctions

Pursuant to Royal Decree 458/2011, in April 2011 the Spanish Ministry of Industry, Energy and Tourism ("**MIET**") announced three different public bidding procedures, including two tenders and one auction, in order to grant concessions in the 800 MHz, 900 MHz, 1800 MHz and GHz bands and 2.6 GHz bands.

Pursuant to awards published by the MIET, in the tenders that concluded on June 2011 Orange and Yoigo received technology-neutral concessions in the 900 MHz and 1,800 MHz band. Orange received a 2x5 MHz block in the 900 MHz band for €126 million fee and a €433 million investment commitment in telecommunications infrastructure, whereas Yoigo received two blocks of 2x5 MHz and one block of 2x4.8 MHz, all in the 1,800 MHz band, for €42 million and a €300 million investment commitment.

The results of the auction were announced by the MIET on 1 August 2011. According to the MIET's press release, a total of €1,647 million was raised for 51 frequency blocks, with the following split:

- Telefónica España invested €668 million for 5 blocks with a total of 70 MHz (2x10 MHz in the 800 MHz band; 2x5 MHz in the 900 MHz band; 2x20 MHz in the 2.6 GHz band).
- Vodafone España invested €518 million for 4 blocks with a total of 60 MHz (2x10 MHz in the 800 MHz band and 2x20 MHz in the 2.6 GHz band).
- Orange invested €437 million for 4 blocks with a total of 60 MHz (2x10 MHz in the 800 MHz band and 2x20 MHz in the 2.6 GHz band).
- Other operators which obtained mobile spectrum in the auction making limited investments (i.e., below €10 million) included Jazztel; Euskaltel; R Cable; Telecable and Telecom Castilla La Mancha.

In this auction, Telecable was granted concessions in the 2.6GHz mobile spectrum in Asturias comprising of 10MHz FDD and 10MHz TDD for a total one-off consideration of €1 million including taxes.

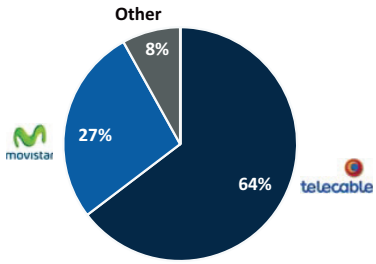
This spectrum is available to Telecable to use in launching its own mobile network. It has conducted technology and market studies looking into the feasibility of having its own 4G network within urban centres, using an existing MNO's network in less populated areas. Rolling out its own network using this 2.6GHz spectrum provides Telecable with a feasible alternative to entering into a new, or extending its existing, mobile access and origination services agreement with one of the national MNOs.

4. BUSINESS SERVICES

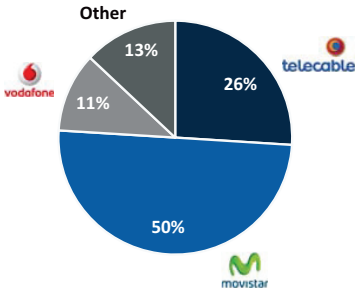
There are different ways to define the business customer market. The CNMC definition of the business segment includes data transmission to final clients, circuit lease to final clients and corporate communications. This definition largely relates to Telecable's SOHO and enterprise segments.

Telecable's market shares in Asturias in the enterprise sector (combining SOHO, SMEs, Large Accounts and Corporations) are shown in the table below alongside the market share of its main competitors.

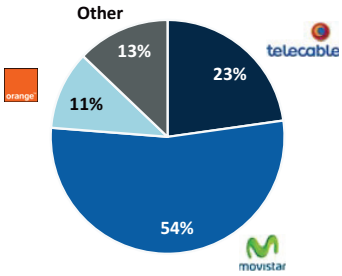
Enterprise Pay TV:



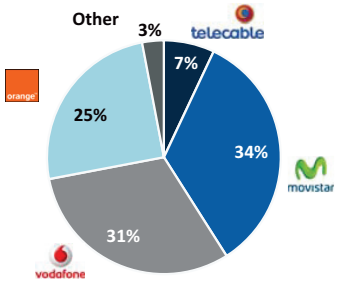
Enterprise broadband:



Enterprise Fixed-line telecommunications:



Enterprise mobile telecommunications:



Source: Invesmark survey commissioned by Telecable

4.1 SOHO and SME segments

SOHOs as well as SMEs tend to receive a portfolio of services similar to that of residential customers (such as fixed-line and mobile telecommunications and broadband). They also receive additional services based on their specific needs, such as data multiple lines, backup services and hosting. SOHOs form the vast majority of Asturian companies so they are an important market as a whole.

Telefónica is the principal competitor in providing business telecommunications services to SOHOs in Asturias. Vodafone and Orange are also competitors, though with significantly smaller market shares than Telecable in fixed-line telecommunications services.

4.2 Large accounts and corporations

Large accounts require tailored solutions to meet their specific technical and service needs. Telecommunications operators tend to employ a group of highly skilled account managers that look after a limited number of key accounts in this sector.

Telefónica is the principal competitor in providing data services to large corporations and public sector entities in Asturias. Large corporations and public sector entities continue to demand more bandwidth to accommodate their ever increasing data needs, and are demonstrating a strong preference for unified voice and data infrastructures, which require proprietary fibre networks as offered by Telecable for their delivery.

PART IV

REGULATORY OVERVIEW

Set forth below is a summary discussion of the current European and Spanish regulatory environments relating to telecommunications and audio visual communication services as at the date of this Document. This discussion is intended to provide a general outline of the most relevant applicable regulations and is not intended as a comprehensive discussion of such regulations. You should consider the regulatory environment discussion below as it could have a material impact on Telecable's and, consequently, the Group's business and results of operations in the future.

1. REGULATION OF ELECTRONIC COMMUNICATIONS SERVICES

1.1 European Union overview

Over the past more than fifteen years, the telecommunications market in the European Union ("**EU**") has gradually been liberalised. Following the full liberalisation package and ONP Directives in the late 1990s, the EU approved a new Regulatory Framework for electronic communications (the "**RF**") in March 2002, with the aim of adopting a harmonised regulatory framework amongst Member States. The RF consists of five directives (the "**Directives**"):

- *Framework Directive:* A common regulatory framework for electronic communications networks and services which sets up the general principles of the RF as well as the procedure to be followed by national regulatory authorities in order to impose *ex ante* obligations on operators holding significant market power ("**SMP**");
- *Universal Service Directive*: Regulates universal service and users' rights relating to electronic communications networks and services;
- *Access Directive:* Regulates access to and interconnection of electronic communications networks and associated facilities;
- *Authorisation Directive*: Regulates authorisation of electronic communications networks and services; and
- *Directive on Privacy and Electronic Communications*: Regulates the processing of personal data and privacy protection in electronic communications.

This regulatory package also included three important pieces of "soft" law: the European Commission's recommendation on relevant markets susceptible to *ex ante* regulation (the "**2003 Market Recommendation**"); the guidelines on market analysis and the assessment of SMP (the "**Guidelines**"); and the decision on a regulatory framework for radio spectrum policy. The EU RF Directives were transposed into Spanish law on 3 November 2003 by Law 32/2003 on General Telecommunications (the "**General Law on Telecommunications**").

In November 2009, the electronic communications regulatory package was revised following a two-year review carried out by the European Commission, the Parliament and the Council. The main changes related to enhancing Commission powers to coordinate the use of the radio spectrum. The Commission was also granted greater powers in connection with SMP obligations proposed by national regulatory authorities when such proposed measures could create a barrier to the single market or violate EU Law. The modified Directives also contain a number of provisions relating to new generation networks, consumer rights and (as an exceptional measure) the introduction of functional separation of vertically integrated undertakings. This measure is taken where the national regulatory authority concludes that the obligations imposed by the national regulatory authorities on operators with SMP according to applicable SMP legislation has not achieved effective competition compliance and that there are important and persisting competition problems and/or market failures identified in relation to the wholesale provision of certain access markets.

In November 2009, Parliament and the Council Regulation created the Body of European Regulators for Electronic Communications ("**BEREC**"), a European body of national regulatory authorities acting as a high advisory board to the Commission. The BEREC commenced its activities in January 2010 and the modified Directives in December 2009. As part of the review, a new market recommendation (the "**2007 Market Recommendation**") was adopted by the Commission in December 2007 (repealing and replacing the former 2003 Market Recommendation) reducing the markets potentially subject to *ex ante* regulation from 18 to 7. This reduction included most retail markets, wholesale access to mobile networks and the broadcasting market.

The Commission has since updated the markets recommendation (the "**2014 Market Recommendation"**), removing the retail fixed access and wholesale leased line (tail segment) markets. It has also adopted measures aimed at promoting the development of broadband, with the adoption of: (a) recommendations in 2010 and 2013 aimed at creating greater harmonisation and effectiveness in NRA SMP remedies relating to NGN access, (b) a Directive with measures for facilitating the roll-out of networks, and (c) a new spectrum decision in the 790-862 MHz, 880-915 MHz, 925-960 MHz, 1 710-1 785 MHz, 1 805-1 880 MHz, 1 900-1 980 MHz, 2 010-2 025 MHz, 2 110-2 170 MHz, 2,5-2,69 GHz, and 3,4-3,8 GHz bands.

On 1 July 2012, Regulation (EU) Nº 531/2012 on roaming pubic mobile communications network within the EU entered into force. With the ultimate aim of eliminating differences between domestic and roaming charges to establish an internal market for mobile communication services, the Regulation allows: (i) mobile operators to use other operators' networks in other Member States at regulated wholesale prices; and (ii) customers to purchase voice, SMS and data roaming services from an alternative roaming provider without changing the phone, number or SIM card. The effective application of this Regulation started on 1 July 2014. On 30 June 2015, the European Commission announced that it had reached a compromise with the European Parliament and the Council to end all roaming charges by 15 June 2017 and enshrine the principle of net neutrality on 30 April 2016.

In 2013, the Commission adopted proposals for further regulation of electronic communications in Europe, directed at achieving a truly single market in super-fast electronic communications, the so-called draft Connected Continent Regulation. These proposals, which include the introduction of a single EU authorisation, greater coordination of radio spectrum at the EU level, the eventual elimination of international roaming charges and more harmonised remedies for wholesale broadband access, are still subject to debate, and are now within the broader scope of the Commission's Digital Single Market programme.

The revised electronic communications regulatory package of 2009 was transposed into Spanish law by Royal Decree-Law 13/2012, of 30 March, amending the General Law on Telecommunications in this regard. The latter has since been substituted by the new Spanish Telecommunications Law Act 9/2014, of 9 May which has consolidated the previous regulation and introduced elements linked to assisting broadband network roll-out in the whole of Spain and achieving the 2020 objectives of the Digital Agenda (the "**New Telecommunications Law**").

In 2013, the EU announced its cyber security strategy, comprising a number of measures, among which is a new proposed Directive on Network and Information Security. This proposed legislation seeks to guarantee a reliable and trusted information society across the EU, where internet providers are also subject to security requirements. This Directive is expected to be finally adopted in the EU during 2015, although the legislative procedure has been halted for one year.

In January 2012, the European Commission announced the proposal to substitute Directive 95/46 on the Protection of Personal Data with a new General Data Protection Regulation. This Regulation would apply, among others, to those providers which process personal data in activities related to the activities of their establishments in the EU, regardless of whether such processing takes place in the EU or not. Insofar as it will concern Telecable's activities as a telecommunications operator and a provider of digital services, this Regulation will impact Telecable's privacy obligations. The outcome of the Regulation, which has been subject to several amendments, is uncertain, although it is expected that it will be definitively approved by the end of 2015.

The EU is also discussing a future Directive for Payment Services that might have influence on the type of financial obligations that could affect the services provided by Telecable in the area of premium rate services or mobile wallets. The approval of the Directive is expected by the end of 2015.

Competition law

EU competition law applies to all EU Member States and is therefore applicable to Telecable's operations in Spain as well as to operations of its competitors.

Article 101 of the Treaty on the Functioning of the European Union ("**TFEU**") prohibits all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the EU. Article 102 TFEU prohibits any abuse by one or more undertakings of a dominant position within the EU or in a substantial part of the EU. Article 107 TFEU prohibits any aid granted by a Member State or through State resources

in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods that affects trade between Member States. Finally, the EU Merger Control Regulation requires that all mergers, acquisitions and full function joint ventures meeting certain turnover thresholds be notified to the European Commission for review, rather than to the national competition authorities. Market concentrations will be prohibited if they would significantly impede effective competition, in the EU or in a substantial part of it, in particular as a result of the creation or strengthening of a dominant position.

Both the European Commission and National Competition Authorities and Courts have the authority to apply EU competition law (although only the European Commission has authority to apply the law relating to State Aids). Similar competition rules exist in the national law of each EU Member State. National and regional competition authorities and courts have the authority to oversee compliance with these regulations.

1.2 National regulatory authorities in Spain

The MIET regulates and oversees electronic communication services. The MIET's principal role is to set policy, issue regulations and sanction electronic communications and television operators where necessary. Under the New Telecommunications Law, among other things, the MIET appoints the operator (or operators) in charge of providing universal service, monitors their compliance with public service obligations, approves certain standard contracts with users (such as those submitted to public services obligations and related to premium rate services), and holds certain powers on guaranteeing users' rights. It also is in charge of the Registry of Operators and manages equipment and device conformity and the public domain radio spectrum. With respect to the audiovisual sector, the MIET is in charge of the Registry of Audiovisual Service Providers pursuant to the General Law on Audiovisual Communication, although such power has not been transferred to it as yet.

An additional independent regulatory body, the CMT, was created in 1996. The CMT was absorbed within the newly merged regulator, the CNMC, in 2013 pursuant to Law 3/2013, of June 4, on creation of the National Commission for Markets and Competition. The powers previously exercised by the CMT were assumed by the CNMC. For ease of reference, we will refer to the activities of both as those of the CNMC. The CNMC currently has competences to regulate in *inter alia* the following areas: Competition, Telecommunications and Audiovisual Services.

The CNMC supervises electronic and audiovisual communications operators in Spain.

The CNMC carries out reviews of markets identified by the European Commission Markets Recommendation as being susceptible to *ex ante* regulation, and exceptionally other markets it considers justify such intervention. The CNMC establishes and supervises operators, promotes competition in the electronic communications and audiovisual markets, solves conflicts between operators and (as the case may be) arbitrates operator disputes at the request of the parties. The CNMC has certain additional powers to safeguard the plurality of service offerings and to access networks and network interconnection. The CNMC also holds powers of inspection and sanction in connection with matters such as price policy, specific market definition, declaration of SMP operators (upon whom the CNMC is entitled to impose obligations) and merger control. Until such power is formally transferred to the MIET, it is also still in charge of the Registry of Audiovisual Services Providers.

The CNMC also monitors compliance with the obligations contained in the General Law on Audiovisual Communication with respect to financing and annual broadcast of European audio visual works, advertising, transparency, minors' and disabled people's rights. Also, it oversees the compliance of audiovisual contents with the law and operators' self-regulation codes.

The authorities of the relevant autonomous Spanish communities also have certain powers over the audio visual sector.

1.3 The 2014 Telecommunications Law

The New Telecommunications Law establishes the new regulatory framework for electronic communications services in accordance with applicable EU directives. This law repealed and replaced the previous General Law on Telecommunications of 2003 which, in turn, substituted the former law of 1998 which had liberalised the provision of telecommunications services in Spain. It is the primary legislation governing the provision of electronic communications services and networks and transposes the European RF (see above). The New Telecommunications Law aims, among other things, to enhance effective competition in the telecommunications sector, safeguard operator compliance with

public service obligations (especially those related to universal service), promote development of the telecommunications sector, ensure an efficient use of scarce resources (such as numbering and radio spectrum), defend users' rights, promote, to the extent possible, technological neutrality in regulations, promote the development of the industry of telecommunications products and services, guarantee integrity and security of electronic communications networks and services, facilitate access to terminal equipment for disabled users and contribute to the development of the internal electronic communications market within the EU.

According to the New Telecommunications Law, telecommunications are considered services of general interest to be provided under free competition regardless of the fact that certain public service obligations are imposed upon the operators. Measures taken regarding end-users' access to, or use of, services and applications through electronic communications networks shall respect the fundamental rights and freedoms of natural persons, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms and general principles of EU law.

The New Telecommunications Law grants universal rights of access to basic services and contains provisions with which an individual or legal entity must comply in order to be considered an electronic communications operator. It governs the privacy of communications, the protection of personal data, the configuration of networks and services, interconnection and access, public service obligations, users' protection, market definitions and SMP operators. Additionally, it provides rules and procedures for the certification of devices used for providing telecommunications services.

The provisions of the prior General Law on Telecommunications were implemented through several regulations, which remain in force as the relevant implementing regulations under the New Telecommunications Law. The following are the most important applicable regulations to date:

- Regulation providing the conditions necessary for electronic communications services, universal service and user's protection (approved by means of Royal Decree 424/2005, of 15 April, as amended) ("**Services Regulation**");
- Regulation providing for conditions relating to the quality of electronic communication services (approved by means of Ministerial Order ITC/912/2006, of 29 March, developing Royal Decree 424/2005);
- Users' rights and premium rate service regulation (approved by Ministerial Order PRE 361/2002, of 14 October, as amended). In May 2009, the Spanish government approved the Users' Rights Letter through Royal Decree 899/2009, of 22 May;
- Regulation of the electronic communications market, network access and numbering (approved by means of Royal Decree 2296/2004, of 10 December, as amended) ("**Markets and Access Regulation**"); and
- Regulation of the use of the radio spectrum (approved by means of Royal Decree 863/2008, of 23 May) ("**Spectrum Regulation**").

The New Telecommunications Law establishes that the CNMC will define the relevant markets (following the European Commission's Market Recommendation and the Guidelines), determine whether markets are competitive and, if they are deemed not to be competitive, impose proportional and appropriate obligations on SMP operators.

1.4 Principal operators

According to Article 34 of Royal Decree-Law 6/2000 of 23 June on urgent measures to improve competition in the goods and services markets, individuals and legal entities holding (directly and indirectly) more than 3 per cent. of the total share capital/voting rights of two or more principal operator companies in, among other markets, the fixed-line and mobile-line telecommunications markets are not allowed to exercise their voting rights in excess of 3 per cent. of the total in more than one company, except with the prior authorisation of the CNMC. Principal operators are defined as one of the five operators with the largest market share in the relevant market ("**Principal Operators**"). In addition, no individual or legal entity is allowed to appoint, directly or indirectly, members of the management body of more than one Principal Operator in, among others, the fixed-line or mobile-line telecommunications markets, except with the prior authorisation of the CNMC. Additionally, individuals or legal entities considered Principal Operators are neither allowed to exercise more than 3 per cent. of the voting rights of another Principal Operator nor to appoint, directly or indirectly, members of the management body of any Principal Operator, except in both cases with the prior authorisation of the CNMC.

In May 2015, the CNMC declared Telefónica de España, S.A.U., Cableuropa, S.A.U., Orange Espagne, S.A.U., Jazz Telecom, S.A.U. together with Vodafone España, S.A.U. as Principal Operators in the fixed-line telecommunications market. At the same time, it also declared in May 2015 Telefónica Móviles España, S.A.U., Orange Espagne, S.A.U., Vodafone España, S.A.U., Xfera Móviles, S.A. and Lycamobile, S.L. as Principal Operators in the mobile telecommunications market.

Telecable is not currently considered a Principal Operator in either the fixed-line telecommunications market or the mobile telecommunications market and is therefore not subject to the relevant restrictions applying to such operators.

1.5 Status of electronic communications operator

Under the New Telecommunications Law, EU individuals, legal entities, and nationals of other non-EU member states (if so established by the relevant international treaty signed by Spain or in other cases prior government authorisation) are allowed to provide electronic communications services and to utilise electronic communications networks in Spain. The New Telecommunications Law provides for this right which is to be exercised by means of a set form of notice to the relevant regulatory authority. Although the New Telecommunications Law provides for the transfer of this competence to the MIET, this transfer has not yet taken place and is accordingly still managed by the CNMC. The MIET grants private rights for use of the radio spectrum.

Notification to the regulatory authority must declare compliance with the applicable rules of the service or utilisation of the network. The regulatory authority has 15 days to oppose such notification if it does not comply with the requirements established in the New Telecommunications Law and the Services Regulation. If the requirements are met, the regulatory authority registers the operator in the Registry of Operators. Operators can provide electronic communications services and install and utilise electronic communications networks after the notification takes place.

Pursuant to the 2003 General Law on Telecommunications, individual licenses and general authorisations granted under the former General Law on Telecommunications of 1998 were extinguished. Their holders were automatically authorised to render the same services under the new Law, provided that they met the requirements of the General Law on Telecommunications and are recorded at the Registry of Operators ex officio by the CNMC. These operators are currently subject to the obligations and conditions established by the New Telecommunications Law and the Services Regulation. The Services Regulation establishes general and specific obligations and conditions for operators utilising public electronic communications networks and for operators providing fixed-line and mobile telecommunications services to the public.

Telecable is duly registered with the CNMC as an operator entitled to provide certain electronic communications services and to install and utilise certain electronic communications networks (among others, fixed-line telecommunications services to the public, leased lines, reselling of fixed-line telecommunications services to the public, data transmission services such as internet access, frame relay, interconnection of local area networks, MVNO and the operation of an electronic communication network operator).

The right to provide electronic communications services and to utilise electronic communications networks is extinguished upon occurrence of any of the following circumstances:

- definitive suspension of activity (the operator must notify the CNMC);
- extinction of the legal personality of the operator;
- sanction imposed (after available appeals have been exhausted) by the relevant authority; or
- failure to notify the CNMC of the operator's intention to continue providing service or utilising the network (the notification must take place every three years) prior to filing the relevant administrative procedure where the CNMC obtains evidence that the operator is effectively not providing service or utilising any network.

1.6 Interconnection

In order for Telecable's customers to communicate with other operators' customers, Telecable needs to interconnect its networks with such other networks. The Access Directive, within the terms of the Framework Directive, harmonises the way in which EU Member States regulate access to and interconnection with electronic communications networks and associated facilities. Its aim is to establish a regulatory framework (in accordance with internal market principles) to govern relationships between suppliers of networks and services that will result in sustainable competition,

interoperability of electronic communications services and consumer benefits. The Access Directive and the New Telecommunications Law establish rights and obligations for operators and undertakings seeking access to or interconnection with their networks or associated facilities. The Access Directive sets out national regulatory authority objectives for access and interconnection.

According to the New Telecommunications Law, operators of public electronic communications networks have the right and (when so requested by other operators) obligation to negotiate mutual interconnection for the provision of electronic communications services to the public in order to guarantee the provision of services and their interoperability. The MIET is entitled, in justified cases and to the extent that is necessary, to impose obligations on undertakings that control access to end-users to make their services interoperable.

The Markets and Access Regulation governs interconnection, access to public networks and numbering. It establishes that, unless the parties agree otherwise, interconnection and access agreements must be reached within four months from the date of any request to start negotiations. There shall be no restrictions preventing operators from negotiating interconnection or access agreements among themselves. The CNMC will decide the terms of the interconnection or access agreement in the event that the parties do not reach an agreement. The CNMC is also entitled to solve other interconnection and access conflicts between operators and between operators and other entities that benefit from access and interconnection obligations, in the terms of the New Telecommunications Law. Access and interconnection conditions or obligations imposed on operators must be objective, transparent, proportional and non-discriminatory.

As a result of the first market review process, envisaged by the RF and the General Law on Telecommunications, the CNMC approved a decision on call termination on individual public telephone networks provided at a fixed location according to which some fixed network operators (Telecable included), in addition to Telefónica, were declared to have SMP. The CNMC distinguished the obligations to be imposed on Telefónica, as an operator with SMP, from those to be imposed on the rest of fixed network operators (Telecable included). The CNMC imposed on alternative operators with SMP the obligation to set reasonable prices for call termination services offered to other operators (as opposed to Telefónica, which is subject to cost oriented prices). According to this decision, the CNMC construed ''reasonable prices'' to be up to 30 per cent. higher than those applied by Telefónica, the incumbent, for local call termination on a ''per minute'' basis, resulting from its approved reference interconnection offer (''**RIO**'') or the relevant regulated prices that would replace them.

The second market review took place in 2008. Despite the EU's opposition, the CNMC, in a decision adopted on 18 December, maintained the same market position on call termination on individual public telephone networks provided at a fixed location. This review maintained the set price (maximum of 30 per cent. greater than Telefónica's) for alternative networks with SMP and declared Telecable (among others) an operator with SMP.

The latest review of the market for fixed termination was completed on 23 September 2014 with the adoption of new rules which removed the asymmetry in pricing and obliged all operators including Telefónica and alternative operators, including Telecable, to apply significantly lower (over 80 per cent.) termination charges of 0.0817€cent per minute. The new regulation also mandates IP interconnection for operators offering VoIP and rationalises network configuration in the next generation era, reducing Telefónica's interconnection points from several hundred to only 21.

Telefónica is obliged to publish a RIO. The RIO establishes the charges for fixed network termination and access. In July 2011, the CMT approved the consolidated version of Telefónica's current standard interconnection agreement reflecting the amendments approved on 18 November 2010.

On 13 May 2015 the CNMC launched a public consultation on the revision of the market for access and origination of call from fixed telephones. The CNMC proposes to maintain Telefónica's obligations due to the lack of effective competition in the market and to extend Telefónica's obligation to maintain a RIO and a wholesale offer for fixed-line telecommunications services with prices based on costs.

On 10 May 2012, the CNMC approved the analysis of mobile wholesale termination markets and the new ''glide path'' for termination rates. Telecable, together with other MVNOs, is obliged to set cost oriented termination prices for call termination services offered to other operators. In order to implement this decision, the CNMC has also approved a glide path on mobile termination rates to be effective as of 16 April 2012. Pursuant to this new glide path, the MTR had to reach a rate of

1.09€cent per minute in July 2013, and that price will be maintained until it is revised by the CNMC. As of May 2015, the price for mobile termination remains at 1.09€cent per minute.

Telefónica and Vodafone challenged the 2012 CNMC resolution seeking a declaration of nullity before the Spanish High Court. Vodafone's challenge was dismissed in May 2014. To the Directors' knowledge, Vodafone has not brought further appeals before the Supreme Court. Telefónica's challenge remains pending before the Spanish High Court.

1.7 Network access and regulation of next generation access networks

Telefónica's wholesale bit stream access was introduced in 1999 and a regulation was enacted in 2000 incorporating two new methods of local loop unbundling: shared access and full unbundling. On this basis, Telefónica had the obligation to publish an access reference offer which regulates the economic and technical conditions of these wholesale services. Under the RF and the General Telecommunications Law, the CNMC set up the regulatory regime for access to SMP operators, after carrying out a market analysis which took into account (among other things) the feasibility of alternative network deployments and the competition problems that may result from denying access.

In January 2009, the CNMC defined the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location and the market for wholesale broadband access, declaring Telefónica as the operator with SMP in both markets and imposing specific obligations on Telefónica to operate in the same. The CNMC imposed an obligation on Telefónica to provide access to its copper local loops and infrastructure ducts (wholesale physical network infrastructure access) and a bit stream service (wholesale broadband access) of up to 30Mbps in the whole national territory (no geographic segmentation) both at cost-oriented prices. In November 2009, the CNMC approved Telefónica's offer to provide alternative operators access to its civil infrastructure with respect to the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location. Prices for the provision of unbundled access to the local loop (based on Telefónica's then-current costs) were approved in July 2013 by the CNMC. This is in line with the European Commission's 2013 Recommendation that the price of ULL be between €8 and €10.

In November 2011, the CNMC approved the new wholesale bit stream service that Telefónica started offering to alternative operators in January 2013. This wholesale services NEBA (new Ethernet Broadband Access) allows operators to contract this service to access all of Telefónica's network and technologies: ADSL, VDSL, fibre to the node and FTTH. Prices for the provision of this service were temporarily approved by the CNMC in July 2012. Prices for the provision by Telefónica of NEBA services and wholesale broadband access of up to 30Mbps were approved by the CNMC in January 2014.

On 12 February 2009, the CNMC approved a resolution to impose mutual obligations to provide third party access to new in-building fibre optic infrastructure deployed by operators (not just the incumbent) as part of the next generation network roll-out. The obligations set forth in this resolution only affect new fibre optic deployment and do not affect access to building existing common telecommunications infrastructure such as cable (coax and copper pair).

On 19 December 2014, the CNMC launched a public consultation regarding the market for wholesale broadband access and a final decision is expected in Q4 this year. The proposal, which is still under review, would at least introduce a new virtual unbundled access to Telefónica FTTH, alongside traditional ULL access, in all but nine cities in Spain which are considered by the CNMC sufficiently competitive already. Access would not be cost-oriented but would be subject to emulation requirements. Access obligations with regard to ducts and physical infrastructure would continue. Bitstream access would be limited, for residential services, to so-called non-competitive zones (except for a transitional period of one year) and, on the other hand, would no longer be subject to any speed restrictions (i.e. the previous 30Mbps limit). With respect to the business segment, the CNMC has initially proposed to evaluate the possibility to create a specific NEBA which would allow the provision of high quality broadband services to business customers throughout Spain.

1.8 Network access for MVNOs

Telecable is a MVNO with the capability to switch traffic. In order for Telecable to provide mobile telecommunications services to the public as a MVNO, it needs to enter into a network access agreement with a mobile network operator. Vodafone is the host network operator in this case until at least the end of 2015.

Vodafone, as operator with SMP in the access and call origination on public mobile telephone networks market, is obliged to offer reasonable prices. In the future, the mobile access and origination market could be subject to be review by the CNMC.

1.9 Use of the spectrum

In April 2011, Royal Decree 458/2011 on actions related to the spectrum for the purposes of the information society development was approved by the Spanish Council of Ministers. The purpose of Royal Decree 458/2011 is (i) the introduction of the principle of technological neutrality in the 900 MHz and 1800 MHz bands; (ii) the granting of the relevant concessions to use the spectrum in the referred bands and in the bands of 800 MHz and 2.6 GHz, in which the principle of technological neutrality may also be applied; and (iii) the establishment of the relevant measures on spectrum intended to promote the development of the information society, such as the enlargement of the frequency bands where the transfer or assignment of rights and titles to use the spectrum may be allowed. The Spanish MIET awarded concessions in the 800 MHz, 900 MHz, 1800 MHz and 2.6 GHz bands, prior to calling the relevant public bidding procedures, pursuant to Royal Decree 458/2011. Telefónica, Vodafone and Orange obtained concessions of national scope in the 2.6 GHz band. Telecable obtained concessions in the same frequency band in Asturias. Vodafone, ONO, JazzTelecom and other cable operators obtained concessions of regional scope in the 2.6 GHz band. Telefónica, Vodafone and France Telecom obtained concessions of national scope in the 800 MHz and Telefónica and France Telecom in the 900 MHz bands.

These concessions will enable Telecable to (i) benefit from a concession on 4G that runs until 2030 for a limited cash consideration; (ii) potentially provide high speed services for additional fixed residential and SME customers in areas close to Telecable's cable footprint; and (iii) potentially improve Telecable's mobile proposition reducing host dependence and increasing the quality of Telecable's 4P services. The concessions allow the use of the frequencies through any type of technology, in compliance with the principle of technological neutrality. They must be used to provide, amongst other things, fixed-line and mobile electronic communication services. Prior to providing electronic communication services using these frequencies, Telecable must inform the MIET about the technology that Telecable will use. For any change of technology, the MIET must also receive advanced notice.

As a holder of spectrum concessions, Telecable is mainly subject to specific obligations set forth in the New Telecommunications Law, the Spectrum Regulation and the relevant concession documents. Among others, Telecable is subject to the following obligations:

- to obtain the relevant functioning authorisation for each of the radio stations installed prior to operating the spectrum network;
- to use the frequency right in the terms set forth in the concession documents and for the purpose identified in the same;
- not to cause interferences that would be considered harmful;
- not to exceed the radio electrical emission levels set forth in the relevant laws and regulations and the concession document; and
- use the spectrum effectively and efficiently.

Telecable's spectrum concessions expire on 31 December 2030.

Spectrum concessions are extinguished upon occurrence, amongst others, of any of the following circumstances:

- extinction of the legal personality of the operator;
- disqualification as electronic communications operator;
- lack of concession renewal; and
- revocation by the granting authority, which will occur, amongst others, in the following circumstances: breach of technical terms and conditions established for the use of the spectrum; failure to pay the stamp duty; inefficient or ineffective use of the spectrum; and unauthorised use of the spectrum.

Telecable's spectrum concessions may be transferred or assigned in accordance with the terms of the New Telecommunications Law, the Spectrum Regulation and the corresponding concession documents.

1.10 Numbering and operator selection

In order to provide telecommunications services, operators need to be furnished with public numbering resources, i.e., the ability to allocate phone numbers among subscribers or users of telecommunications services in accordance with the applicable, government-approved, National Numbering Plan. The CNMC has the authority to allocate numbers and is generally obliged to issue the relevant resolution allocating the numbers within a maximum period of three weeks from the date of the relevant application.

The New Telecommunications Law and the Markets and Access Regulation address Operator Selection. Operators with SMP in the provision of connection to and use of the public telecommunications network at fixed locations (currently Telefónica) are obliged to provide Operator Selection to operators of fixed-line telecommunications services to the public interconnected with them. The Spanish government is allowed to impose Operator Selection obligations on other types of networks.

Circular 2/2009, approved on 18 June by the CNMC, implements the telecommunications regulations with respect to Operator Selection, superseding past Circulars issued by the CNMC on this matter. It sets forth the instructions to implement the mechanisms necessary to provide Operator Selection in the fixed-line public telecommunications networks.

1.11 Number portability

Under the New Telecommunications Law and the Markets and Access Regulation, users or subscribers to telecommunications services to the public have the right to keep their existing telephone numbers when changing operators, service or physical location, or when any of these circumstances occur simultaneously. Operators of public telecommunications networks and those providing telecommunications services to the public are obliged to provide users with number portability rights if so requested, in the terms of the applicable regulations. The New Telecommunications Law and the Markets and Access Regulation require the operators to share some of the costs associated with this service. According to the Markets and Access Regulation the following types of number portability must be available:

- change of operator for the provision of fixed-line telecommunications services to the public, as long as the service and the geographical location do not change;
- change of operator for the provision of mobile telecommunications services to the public, even in the event of the type of mobile telecommunications service changing; and
- change of operator for special rate services and personal numbering, as long as the service does not change.

The CNMC approved Circulars 1/2008 and 3/2009 establishing the principles intended to guarantee number portability to users. In December 2009, the CNMC began proceedings to modify portability operations with the objective of reducing the time for a customer to change its telecommunications operator. As of June 2012, the new portability term for mobile telecommunications is 24 hours instead of the former term of five days. In April 2012, the CNMC approved the new procedure for fixed-line telecommunications number portability establishing that the term must be 24 hours before 1 July 2013 (which has now been incorporated in the New Telecommunications Law).

In February 2011, the CNMC published a decision on the regulation about portability cost for fixed-line telecommunications. With respect to geographic numbering, the decision reduced the cost from €8.78 to €2.78 per portability request. The same decision also set the price for intelligent network number portability.

1.12 Occupancy rights

Electronic communications operators deploying networks have the right to occupy the public domain, benefit from expropriation procedures and be granted rights of way or easements over the property of third parties, subject to certain conditions. The New Telecommunications Law also governs the shared use of public and private property for the purposes of deploying public electronic communications networks and the shared use of infrastructure and associated resources, with the MIET entitled to impose it. The shared use of location or infrastructure shall be formalised through an agreement between the interested operators. In the event such agreement is not reached, the CNMC is entitled to solve the conflict.

In the context of the Spanish Government's drive to achieve the Digital Agenda, and in compliance with the EU's 2014 Directive on measures to facilitate NGAN roll-out, the New Telecommunications Law has introduced a series of further measures directed at promoting the use of public property, easements and infrastructure (including in particular infrastructure owned by administrative bodies or public entities) and simplifying administrative processes, all of which are aimed materially to facilitate the roll-out of networks.

1.13 Payments

Telecommunications operators are required to make certain payments. Most importantly, they are required to pay to the CNMC a maximum annual fee of 0.15 per cent. (currently set at 0.1 per cent.) of their gross telecommunications revenues less certain interconnection, connectivity and other related costs. Operators also pay a separate annual municipal fee (obtained in each municipality) of, initially, 1.5 per cent. of gross revenues in order to use the local public domain and certain other local fees and taxes.

Holders of spectrum concessions are required to pay on an annual basis to the MIET the spectrum fee in the terms set forth in the New Telecommunications Law, implementing regulations on this matter and the Budget Act for the relevant year. As a consequence of being granted the spectrum concession in the 2.6GHz. frequency band in the region of Asturias, Telecable is subject to the spectrum fee.

In addition, according the RTVE Financing Law, since September 2009, telecommunications operators who provide audiovisual services are required to pay 0.9 per cent of their revenues on a yearly basis for the financing of RTVE (Spanish State public broadcasting company), excluding the income obtained in the wholesale reference market. Royal Decree 1004/2010 established the rebuttable presumption that a telecommunications operator is to be considered as having state or supra-regional geographic scope. The Resolution of the CMT of 14 October 2010 clarified such exemption, by providing that when telecommunications operators can prove that they obtain over 75 per cent. of their revenues from a single Spanish Region, they are not to be considered State or supra-regional operators, and will therefore be exempted from paying. The CNMC will award such exemption at the express request of the concerned telecommunications operator. Telecable obtains over 75 per cent. of its revenues in a single Spanish Region and has accordingly been granted an exemption from financing the RTVE by the CNMC. Territorial expansion of Telecable could subject the Group to this contribution in the future.

1.14 Telecommunications customer charges

Telecommunications operators, other than operators with SMP, are generally free to set end-user prices.

In its second round of market analysis, the CNMC issued a Decision in March 2009 defining the retail market for access to the public telephone network at a fixed location for residential and non-residential customers. It declared Telefónica an operator with SMP and imposed on Telefónica certain specific obligations. Among other things, the CNMC obliged Telefónica to provide line Operator Selection and retail access to users. Access prices were subject to control by the CNMC. In particular, Telefónica's line rental was regulated under an IPC-X mechanism whereby IPC refers to the consumer price index and X (a factor which is set by the CNMC 12 months in advance). Telefónica was not allowed to apply geographically differentiated line rental fees. Retail call prices were altogether deregulated, as was Telefónica's one-off connection fee.

In December 2012, the CNMC approved the third review of the market for retail access to the public switched telephone network from a fixed location. While maintaining some obligations concerning transparency and non-discrimination, the CNMC has removed former price controls on Telefónica's rental lines (although Telefónica continues to apply IPC related caps to line rentals pursuant to its commitments as universal service provider, until at least 2016). This new market definition and the obligations imposed on Telefónica only apply to "mass market" offers (i.e., residential market). The review of the non-residential market is left for a further separate market analysis and is still pending. In the meantime, obligations imposed on Telefónica in the decision approved by the CNMC in March 2009 referred to in the paragraph above are still applicable with respect to the non-residential market and the CNMC has maintained IPC related caps for line rental. Insofar as the general provision against anticompetitive prices adopted by the CNMC in connection with Telefónica's retail offers when they include the bundling of voice line rental and internet broadband access, the CNMC applies ex ante controls: pursuant initially to the methodology adopted by the CNMC in a decision

dated July 2007 (to assess when and under which conditions individual price offers, as well as double and triple-play bundles, might be considered anticompetitive) and, from 1 January 2014, by a new methodology adopted by the CNMC in May 2013.

1.15 Universal service, public service obligations and other obligations of public character

The New Telecommunications Law, coupled with the Services Regulation, provides that electronic communications operators may be requested to provide certain universal services, comply with other public service obligations to be imposed for general interest reasons or with obligations of public character.

Universal service covers a range of electronic communications services which must be provided to all users at a reasonable price and determined quality, regardless of their geographical location. This includes access to the fixed-line telecommunications network and to the provision of telecommunications services to the public (including functional access to the internet, allowing bandwidth communications at a downlink speed of 1Mbps), availability of directory information (excluding telephone directory enquiry services), sufficient provision of public pay phones and access to fixed-line telecommunications for the disabled and those with special social needs (who will be offered different options or bundled tariffs than those offered under normal commercial conditions). The New Telecommunications Law provides that the MIET shall designate the operator(s) entrusted to ensure the universal service. The operator(s) may be different in each region and different services included within the scope of the universal service may be provided by different operators. Should other operators be interested in rendering these services, the New Telecommunications Law provides for a public bidding procedure to designate the operator(s) in charge. With respect to the provision of directory services, the Service Regulation establishes that if the provision of the service is not guaranteed by the market, the MIET will designate the operator entrusted to provide it, in the terms set forth in the same.

Telefónica is still the sole operator providing universal service across the entire territory of Spain until 31 December 2016. Other operators, besides Telefónica, may be required to provide universal service in the future.

The CNMC may determine that providing universal service imposes a competitive disadvantage on the operators that provide these services and that the net cost of these services should be allocated among certain operators in accordance with criteria to be determined by the CNMC. The mechanism to compensate for these costs will be the National Universal Service Fund. Contributions to the National Universal Service Fund must be made by the operators in accordance with the Services Regulation. It provides that a National Universal Service Fund will be created and that the costs will eventually be allocated among operators on the basis of gross ordinary revenues. Contributions are required to be proportional to the activity carried out by the relevant operator obliged to contribute to the financing of the universal service and will be determined by the CNMC pursuant to the rules established in the Services Regulation.

The CNMC has calculated the cost of universal service in Spain for years 2003-2012 and has also established the criteria that are used to distribute this cost among electronic communications operators, including Telefónica itself. In September 2008, the CNMC confirmed that the net cost of universal service (€182.77 million in the aggregate for years 2003-2005) was to be paid by Telefónica, Movistar, Vodafone and Orange. The CNMC decision on the cost of universal service was appealed by Telefónica, Orange and Vodafone. The Court rendered its decision on the appeal partially accepting Telefónica's claim, requiring the CNMC to review the valuation of certain costs. The CNMC decision on universal service cost distribution was also appealed by Orange and Vodafone. In November 2010, the Court ruled against Vodafone's position and upheld the CNMC distribution criteria. Applying the holding of the court to Telecable's circumstances, Telecable would not be required to contribute to the financing of universal service in Spain for the 2003-2005 period. This judgment has been appealed before the Spanish Supreme Court and dismissed in 2014. Orange lost a case on the same matter in June 2011 on technical procedural grounds not related to the regulations on the financing of universal service, which also has been appealed before the Spanish Supreme Court.

The CNMC approved a decision in March 2009 whereby the net cost of universal service provided by Telefónica in 2006 was set at €75.34 million. This cost was to be paid by Telefónica (38.89 per cent.), Movistar (30.50 per cent.), Vodafone (19.95 per cent.) and France Telecom (10.66 per cent.). In December 2009, the CNMC set the universal service cost for 2007 at €71.09 million and according to a decision dated July 2010, the cost is to be paid by Telefónica (38.20 per cent.), Movistar (30.38 per

cent.), Vodafone (20.93 per cent.) and France Telecom (10.50 per cent.). Vodafone has also appealed the CNMC Resolution on cost distribution for the years 2006 and 2007. In addition, Orange has appealed the CNMC Resolution on cost distribution for the year 2006 and in July 2012, the Court ruled against Orange but, as for the 2003-2005 period, based on technical procedural grounds not related to the universal service regulation. This judicial decision has also been appealed before the Spanish Supreme Court. In December 2010, the CNMC set the universal service cost for 2008 at €74.85 million. This cost is to be paid by Telefónica de España, S.A.U. (37.37 per cent.), Telefónica Móviles España. S.A.U. (30.32 per cent.), Vodafone España, S.A.U. (22.14 per cent.) and France Telecom España, S.A. (10.17 per cent.), pursuant to a decision of the CNMC dated September 2011. Vodafone and Orange have also appealed this CNMC decision. In December 2011, the CNMC approved a decision whereby the net cost of universal service provided by Telefónica in 2009 will be set at €46.78 million. Vodafone España, S.A.U. and France Telecom España, S.A. have appealed this decision of December 2011 before the CNMC, which denied the appeal in April 2012. It is likely that they will appeal it before the relevant Court. According to a decision approved by the CNMC in December 2012, the cost of universal service in 2009 is to be paid by Telefónica (37.9 per cent.), Movistar (30.2 per cent.), Vodafone España, S.A.U. (21.6 per cent.) and France Telecom, S.A.U. (10.3 per cent.). In December 2012, the CNMC approved a decision whereby the net cost of universal service provided by Telefónica in 2010 is set at €43.57 million.

In March 2014, the CNMC approved a decision whereby the net cost of universal service provided by Telefónica in 2011 was set at €31.93 million. Lastly, in 21 May 2015 the CNMC approved a decision whereby the net cost of universal service provided by Telefónica in 2012 was set at €21.03 million.

The above decisions on distribution of the cost of universal service do not preclude the regulator changing the terms of distribution in the future, including requiring other operators to finance the cost of universal service.

The New Telecommunications Law establishes that operators with annual gross telecommunications revenues higher than €100 million are obliged to contribute to the financing of the universal service. The Council of Ministers is entitled to amend or update this figure in light of the market situation and the market share of operators at a particular time. According to these rules, Telecable could be obliged to contribute to the cost of financing universal service in the future if such cost is deemed to exist.

In addition to universal service, the Spanish Government may impose other public service obligations on operators to assist with public safety or national defence. The Spanish Government may impose other public service obligations (pending a report from the CNMC) for the following reasons: territorial cohesion, extending the use of new technologies and services, facilitating communications for groups with special circumstances and increasing availability of message notification services.

In the event of a breach by the relevant operator of its public service obligations, the Spanish Government is entitled to directly assume the provision of the relevant services or the utilisation of the relevant networks as an exceptional temporary measure. Likewise, the Spanish State Administration is also entitled to directly assume (subject to prior Spanish Government decision) the provision of certain electronic communications services or the utilisation of certain electronic communications networks to guarantee public safety and national defence as an exceptional temporary measure.

2. REGULATION OF AUDIOVISUAL COMMUNICATION SERVICES

2.1 European Union overview

Audiovisual Europe has seen a tremendous change since 1989 when the Television Without Frontiers Directive defined the first set of rules for television broadcasting in the European Union.

In November 2007, the European Parliament and the Council approved the revision of the EU Directive "Television Without Frontiers" of 1989. The new framework offers a solution that preserves the core principles of the existing European rules for television and adapts them to the new audiovisual environment. The Directive covers both traditional television broadcasting and new on-demand services like on-demand films and news. The distinction between the two depends on who decides when a specific program is transmitted and whether a schedule exists and is independent of the method of broadcasting. Television services are "linear" because they follow a schedule arranged by the broadcaster, while on-demand (or "non-linear") services leave users to decide when to watch a particular program. While these services differ in how they are made available, they are both addressed to the general public. The Directive treats linear and on-demand services differently, taking

into account the degree of user control over the service. On-demand services are thus subject to lighter regulation. Additionally, the Directive extends to all audiovisual media services the country of origin principle. It means that each service must comply with the rules of the country in which its provider is located. The enforcement of the rules is the responsibility of that Member State. At the same time, the principle promotes media pluralism by opening up national markets to competition from other EU countries.

Finally, in order to protect viewers, the Directive:

- introduces a set of rules for commercial communications and updates the rules on television advertising;
- sets rules for the so called product placement technique which is used to include or to refer to products in film scenes or as part of certain audio visual programs;
- extends the existing ban on tobacco advertising to on-demand services (the same applies to the portrayal of alcohol, thus giving special consideration to the protection of minors); and
- addresses, for the first time, the issue of ''fatty foods'' in commercials linked to children's programs.

In May 2010, the European Parliament and the Council approved a consolidated version of the EU Directive ''Television Without Frontiers'', called ''Directive for Audiovisual Media Services'' since the amendment approved in 2007. This consolidated Directive repeals and replaces the original Television Without Frontiers Directive and its subsequent amendments of 1997 and 2007 (without prejudice to Member States' obligations relating to time limits for transposition into national law of former Directives).

The Directive for Audiovisual Media Services has been implemented in Spain through the General Law on Audiovisual Communication that became effective in May 2010, save for certain provisions on audiovisual commercial communication, which came into force on 1 August 2010.

For a discussion of the media audiovisual national regulatory authorities, please see paragraph 1.2 above.

2.2 General Law on Audiovisual Communication

The General Law on Audiovisual Communication is the primary law governing the provision of audiovisual communication services, regardless of the technology used for broadcasting, without prejudice to the powers held by the Spanish Autonomous Communities on audiovisual matters within the boundaries of their corresponding territory.

Audiovisual communication services (including both linear and on-demand services) are considered to be services of general interest provided under competition and in the terms of the obligations corresponding to services of general interest.

The General Law defines audiovisual communication services as those over which editorial responsibility corresponds to a service provider and which have as their primary purpose the provision, through electronic communications networks, of programs and content in order to inform and entertain the general public and to broadcast commercial communications. The provider of audiovisual communication services is the individual or legal entity having effective control (editorial direction) over the selection of programs, content and their organisation (either in a chronological schedule, in the case of television broadcasts, or in a catalogue, in the case of on-demand audio visual communication services). These definitions are of utmost importance because electronic communications operators broadcasting television channels or providing on-demand audiovisual services over which they do not hold editorial responsibility will not be considered audiovisual communication providers pursuant to the General Law on Audiovisual Communication with respect to the relevant television channels or catalogues.

The General Law on Audiovisual Communication establishes the right to provide audiovisual communication services. Service providers only have to notify the relevant authority of their intention to provide services prior to the start of the activity. As an exception in the case of services rendered through hertzian terrestrial waves, the relevant operator needs to obtain from the MIET an audiovisual license which will include the corresponding frequency right. Notifications and audiovisual licenses will be recorded at the State Registry for Audiovisual Communication Services Providers, incorporated in June 2010 by the CNMC as a temporary measure. The General Law on Audiovisual Communication foresees that the State Registry for Audiovisual Communication Services Providers will be transferred to the MIET although, pending such transfer, the CNMC is still in charge of it.

According to the interim regime of the General Law on Audiovisual Communication, former administrative authorisations allowing the provision of cable, radio and television services have been extinguished. Former title-holders are to be duly registered ex officio by the CNMC at the State Registry for Audiovisual Communication Service Providers.

The General Law on Audiovisual Communication has been implemented by Royal Decree 1624/2011 on certain aspects of television commercial communication (self-promotion, telepromotion and sponsorship). This law has been amended by Law 6/2012. The amendment mainly refers to the provision of audiovisual services by the Spanish Regions (as public service), without amending the provisions governing the provision of audiovisual services by non-public sector entities, such as Telecable.

Telecable was granted authorisation to provide cable, radio and television services under the former cable television regulatory framework superseded by the General Law on Audiovisual Communication. Telecable is also authorised to provide pay-per-view, near VoD and VoD services which are currently considered audiovisual communication services pursuant to the new EU audiovisual framework and the General Law on Audiovisual Communication (although prior to its coming into force, they were considered electronic communication services provided under the General Law on Telecommunications). Accordingly, Telecable's registration is now with the State Registry for Audiovisual Communication Services Providers as a television broadcaster with respect to the channels over which it holds editorial responsibility (television, near VoD and pay-per-view channels) and as an on-demand audiovisual service provider (VoD services over which it holds editorial responsibility).

2.3 Ownership restrictions

The General Law on Audiovisual Communication sets forth the following ownership restrictions on operators providing television audiovisual communication services:

- Individuals or legal entities are forbidden from holding a significant stake (that is, holding directly or indirectly 5 per cent. of the share capital or 30 per cent. of the voting rights, or a lower percentage if such percentage is to be used to appoint, in the 24 months following the acquisition, a number of members to the board of directors representing more than half of the total) in more than one operator providing television audiovisual communication services of national scope, if the average audience of the television channels broadcast by the audio visual communication service providers concerned exceeded 27 per cent. of the total audience in the past 12 consecutive months;
- Stake participation and voting rights of non-EEA individuals or legal entities in television audiovisual communication services providers are subject to the reciprocity principle. In the event of an increase in the existing participation by said non-EEA individuals or legal entities in a television audiovisual communication service provider after the entering into force of the General Law on Audiovisual Communication, such increase cannot exceed 50 per cent.; and
- Individuals and legal entities are not allowed to acquire a significant stake or voting rights in more than one provider of television audiovisual communication services:
  - when national providers in aggregate hold rights to use the spectrum exceeding the technical capacity corresponding to two multiplex channels;
  - when regional providers in aggregate hold rights to use the spectrum exceeding the technical capacity corresponding to one multiplex channel; and
  - no individuals or legal entities holding a stake in a national provider of television audiovisual communication services are entitled to acquire a significant stake or voting rights in another provider of the same service, if the acquisition prevents the existence of at least three different private providers of national television audio visual communication services, because otherwise pluralism of information is not guaranteed.

2.4 Obligations

According to the General Law on Audiovisual Communication and its implementing regulation, Telecable (and others) are subject to the following primary obligations:

- Respect the rights of viewers set forth in the General Law on Audiovisual Communication;

- With respect to the television channels (including pay-per-view) over which it holds editorial responsibility, Telecable must reserve 51 per cent. of its channels for European audiovisual production (50 per cent. out of the 51 per cent. reserve must be reserved for European audiovisual productions in any of the Spanish languages and 10 per cent. of the total quota shall be reserved for independent producers of which 10 per cent. must have been produced in the last five years);
- With respect to on-demand audio visual services over which it holds editorial responsibility, 30 per cent. of the catalogue of programs must be reserved for European audio visual productions and half of the said 30 per cent. for European audiovisual productions in any of the Spanish languages;
- To contribute on a yearly basis 5 per cent. of the total income accrued for the preceding fiscal year, according to its exploitation account, to the pre-financing of the production of certain audio visual works such as, amongst others, full-length feature films, television films and series and documentaries and animated series and short movies, as long as Telecable (either in chronological schedule or in a catalogue) or the channels it broadcasts without bearing editorial responsibility over them include full-length feature films, television films and series, as well as documentaries and animated series and movies of recent productions, that are less than seven years old as of their production date. This 5 per cent. contribution has to comply with the following rules:
    - 60 per cent. out of the referred 5 per cent. must be devoted to works whose original language is one of the existing official languages in Spain;
    - 50 per cent. out of the referred 5 per cent. must be devoted to works of independent producers;
    - 60 per cent. out of the referred 5 per cent. must be devoted to full-length feature films; and
    - 40 per cent. out of the referred 5 per cent. can be devoted to television films or television series or miniseries.

The 5 per cent. quota obligation was also included in the former Spanish Law on Television Without Frontiers (replaced by the General Law on Audiovisual Communication). In April 2010, the Spanish Constitutional Court accepted the filing of a constitutional claim against the 5 per cent. quota obligation set forth in the former Spanish Law on Television Without Frontiers. A final decision is still pending.

The Spanish government intends to review this model for the financing of the audiovisual production sector, including the 5 per cent. investment quota, and put out a draft Royal Decree for consultation earlier this year.

In order to maintain informational and audiovisual pluralism, the public broadcaster RTVE must provide cable television operators with its radio and television channels for free broadcasting through their network. Nationwide digital terrestrial television operators must provide cable television operators with their main free-to-air television channels for broadcasting through their network, subject to negotiating the relevant price to be paid by cable television operators for such carrier service.

Lastly, on 2 May 2015 Royal Decree-Law 5/2015 on urgent measures in connection with marketing rights to exploit audiovisual contents of professional football competition entered into force. The Law regulates the commercialisation of football contents of the first and second Spanish division leagues and the King's Cup as well as the criteria for distribution of revenues obtained by the organisers and participants in these tournaments.

2.5 Payments

According to the RTVE Financing Law, since September 2009, pay television operators who are providers of audiovisual communication services are required to pay 1.5 per cent of revenues on a yearly basis for the financing of public broadcaster RTVE. This obligation only applies to State audiovisual services providers; that is, providers whose territorial ambit is beyond that of one Spanish region. Accordingly, Telecable, as a regional operator, would not currently be required to pay the tax, but territorial expansion of its audiovisual services could subject the Group to this contribution in future. The contribution cannot in any event exceed 20 per cent. of the total income anticipated for the relevant year in RTVE.

PART V

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. DIRECTORS

The Directors are responsible for the overall management and control of the Company. The Directors will review the operations of the Company at regular meetings and it is currently intended that the Board will meet at least six times a year.

The Directors will provide the Company with the necessary combination, at this stage of its development, of specialist business sector and corporate and acquisition experience that will be key to the successful execution of the Company's strategy. The Board will continue to comprise Eamonn O'Hare as Chairman and Chief Executive Officer, Robert Samuelson as an Executive Director and Chief Operating Officer, and Mark Brangstrup Watts and Murray John Scott as Non-Executive Directors. Details on each of them are set out below.

A further independent non-executive director will be appointed within three months of Second Admission.

Eamonn O'Hare – Chairman and Chief Executive Officer **Age: 51**

Eamonn was a director of Virgin Media Inc. from December 2010 until June 2013 and was Virgin Media's Chief Financial Officer from November 2009 until June 2013. During his time at Virgin Media, he helped lead the transformation of the business and its sale to Liberty Global for an enterprise value of U.S.$24 billion. Prior to joining Virgin Media, Mr. O'Hare served as the chief financial officer for the UK division of Tesco plc from 2005 to 2009. Before joining Tesco, Mr. O'Hare was the chief financial officer of Energis Communications Limited, a UK telecommunications company, from 2002 to 2005. Prior to this, Mr. O'Hare held a number of senior finance and general management positions at various international divisions within PepsiCo Inc.

Robert Samuelson – Executive Director and Chief Operating Officer **Age: 50**

Robert was the Executive Director Group Strategy of Virgin Media Inc. from January 2011 to January 2014. While at Virgin Media, he was a core member of the senior team which led its strategic sale to Liberty Global for an enterprise value of U.S.$24 billion. Prior to Virgin Media, Robert was a Managing Partner at Virgin Group, heading the Telecoms & Media Sector, with global responsibility for developing Virgin's telecommunications and media businesses, including the international roll-out and growth of Virgin Mobile. Previously, he co-led Arthur D Little's Corporate Finance practice, where he was a strategic advisor to a range of telecommunications businesses across Europe including Orange, Bouygues and Lucent.

Mark Brangstrup Watts – Non-Executive Director **Age: 41**

Mark Brangstrup Watts founded Marwyn, the asset management and corporate finance group, in 2002 with James Corsellis. Mark is joint managing partner of Marwyn Capital LLP, which provides corporate finance advice, and MIM LLP, which provides asset management solutions and investment advisory services (both of which are regulated by the Financial Conduct Authority). Mark is a director of MAML, a regulated fund manager and also a trustee of the Marwyn Trust, a charity focused on initiatives supporting education and entrepreneurship for young people in disadvantaged communities. Marwyn has launched 15 companies in partnership with experienced management teams across a variety of sectors, typically executing buy and build strategies. Mark has held board positions on several Official List and AIM listed companies, including Entertainment One Limited, Advanced Computer Software plc, Inspicio plc and Talarius plc. Mark has also provided strategic consultancy services to some of the world's leading companies including Ford, Toyota, Shell and Barclays.

Murray Scott – Non-Executive Director **Age: 52**

Before joining the Company, Murray acted as chief financial officer of the UK and Global Products sub-division of BT Global Services (a provider of IT services to large multi-nationals). Murray also acted as the finance representative on the Portfolio Board, tasked with optimising the performance of the Global Services division. During his time with BT Global Services, he also acted in two further roles; as head of finance to the Converged Services division and as chief financial officer of the Enterprise division. Murray's prior experience in the data and telecommunications sector includes

acting as finance director EMEA for Equant NV (a data network provider to large multinationals) and as group financial controller for Interoute Telecommunications plc, managing the global finance function.

2. SENIOR MANAGEMENT

The Board is supported in its management of the Group by an experienced team of senior managers:

Howard Kalika – Director of Operations and Chief Financial Officer of Zegona

Howard Kalika was Director, Strategy at Virgin Media Inc. from 2008 to 2013, where he was responsible for the development of Group Strategy including the identification, evaluation and implementation of Group M&A activity. During his time at Virgin Media, he was a member of the core team that implemented the U.S.$24 billion sale to Liberty Global in 2013, and was the finance lead in the sale of VMTV and UKTV. Prior to joining Virgin Media, Howard was Group Vice President, M&A at TransUnion from 2006 to 2008, and previously was chief financial officer of NTL uk (predecessor company to Virgin Media) and held a number of finance and treasury roles in international corporations.

Howard received a Bachelor of Arts degree in Mathematics and Economics from Northwestern University, and an MBA degree from the University of Chicago.

Alejandro Martinez Peón – Chief Executive Officer of Telecable

Alejandro joined Telecable in 2009 as chief executive officer, leading Telecable during a period of severe economic crisis with an increasingly challenging competitive situation. He helped accelerate the growth profile of the Telecable business and was involved in its sale to The Carlyle Group in December 2011. Since that time, Alejandro has led Telecable as it has grown and strengthened. Prior to joining Telecable, Alejandro worked for Telefónica from 2000 to 2009 carrying out several managerial roles both in subsidiary operators and in Telefónica Corporation. During 2000, as the Telefónica Móviles Group Financial Controller, he helped in the creation of this group and was involved in its initial public offering in November 2000. From 2001 to December 2003, he was the Marketing VP of Telefónica México. In 2004 he was appointed to the Telefónica Móviles Corporation as Head of Operations, being involved in the acquisition and take-over of the BellSouth subsidiaries in ten Latin American countries for an enterprise value of U.S.$5 billion. From 2006 to 2009, he held a number of sales and commercial roles in Telefónica España.

Alejandro started his career working for five years in Arthur Andersen in the auditing practice of the Telecom & Energy sector.

Javier Cañete – Chief Financial Officer of Telecable

Javier Cañete began working in the Telecable Group in 1995, participating in the launch of Telecable together with most of the organisational activities undertaken to reinforce Telecable's growth in its early years. In 1997, he was appointed as chief financial officer of Telecable. His responsibilities include human resources, administrative and financial activities, and he implemented Telecable's current strategy for human resources, policies and procedures, and planned and implemented outsourcing arrangements and internal functions to develop Telecable's business. Javier was also responsible for implementing quality systems in Telecable, which was required by SETSI, improving the quality of the service perceived by customers, which assisted in achieving lower churn rates for Telecable and increasing the customer life value.

Javier also developed the capital structure for the first years of Telecable, putting in place different financing lines including vendor finance, syndicated loan and credit facilities to fund the significant growth of Telecable. He has also been responsible for creating Telecable business plans at different stages of Telecable's growth.

Javier received a Bachelor's degree in Economics by University of Oviedo.

Jesús Pérez – Strategy, Products and Services Director of Telecable

Jesús Pérez is the Strategy, Products and Services Director of Telecable, a position he has held since 2010. As such, he is responsible for filling the role of chief technology officer, developing new products and services, and the monitoring, coordination and reporting of the key initiatives and strategic projects to be developed and promoted within the Telecable Group, in order to meet and improve upon the yearly business plan. Prior to assuming his current role, Jesús was Technical

Director at Telecable from 1996 to 2010, and helped to develop and configure Telecable as a global telecommunications operator. He led the selection and implementation of technology and services, engineering, deployment, installation and operations. In the period from 2005 to 2008, Jesús was also Director of IT Systems, and responsible for the creation of the new IT Systems area in Telecable. Prior to joining Telecable, Jesús was a Senior Manager in Arthur Andersen Consulting (later Accenture), from 1989 to 1996, and led and participated in several strategic consultancy projects relating to the design and implementation of systems and processes in banks, insurance companies, utilities and telecommunications operators.

Jesús has a Telecommunications Engineer degree from the Polytechnical University of Madrid and a MBA degree from the School of Industrial Organization in Madrid (EOI).

3. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance commensurate with the size of the Group and the interests of Shareholders. On and following Admission, save as set out below, the Board will comply with the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council for companies below the FTSE 350 so far as practicable. The UK Corporate Governance Code sets out a number of principles in relation to board leadership, effectiveness, accountability, remuneration and relations with Shareholders. The Board has established two committees: an audit and risk committee and a nomination and remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that the roles of the Chairman and the Chief executive should not be occupied by the same person, and the Company does not comply with this requirement.

The UK Corporate Governance Code also recommends that, as a UK listed company, which is below the FTSE 350, the Company should have at least two non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Board considers Murray Scott to be independent for these purposes and intends to appoint a further independent non-executive director within three months of Second Admission.

Audit and Risk committee

The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The audit and risk committee will normally meet not less than three times a year.

The audit and risk committee is chaired by Mark Brangstrup Watts and its other members are Robert Samuelson and Murray Scott. The UK Corporate Governance Code recommends that an audit committees should consist of at least two independent non-executive directors who are independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company does not currently comply with the requirements of the UK Corporate Governance Code in that regard but that it will do so as soon as a second independent non-executive director is appointed and who will also be a member of the audit and risk committee.

Nomination and Remuneration committee

The nomination and remuneration committee assists the Board in determining the composition and make up of the Board and recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Directors and recommends and monitors the remuneration of members of Senior Management. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise and for producing an annual remuneration report to be approved by the members of the Company at the annual general meeting. The nomination and remuneration committee also determines succession plans for the Chairman and Chief Executive. The nomination and remuneration committee will meet when appropriate and not less than twice a year.

The nomination and remuneration committee is chaired by Mark Brangstrup Watts and its other members are Robert Samuelson and Murray Scott. The UK Corporate Governance Code

recommends that a majority of nominations committee be composed of independent non-executive directors independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company does not currently comply with the requirements of the UK Corporate Governance Code in that regard. Once a second independent non-executive director is appointed, that director will become a member of the nomination and remuneration committee and the committee will be comprised of a majority of non-executive directors. Mark Brangstrup Watts, is not deemed to be independent and therefore only half of the committee will be deemed to be independent non-executive directors, although the Board believes the committee will function effectively notwithstanding it does not fully satisfy the requirements of the UK Corporate Governance Code.

Share dealing

The Company has in place systems to ensure compliance by the Board, the Group, and its applicable employees with the provisions of the model code as published in the Listing Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose.

PART VI

OPERATING AND FINANCIAL REVIEW

This Part VI "Operating and Financial Review" should be read in conjunction with Part III "Market Overview", Part IV "Regulatory Overview" and Part VII "Historical Financial Information". The financial information considered in this Part VI "Operating and Financial Review" is extracted from the financial information set out in Part VII "Historical Financial Information". The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS.

1. OVERVIEW

The Company's strategy is to seek to provide Shareholders with an attractive total return, primarily through appreciation in the value of the Company's assets. The Directors believe that opportunities exist to create significant value for Shareholders through a properly executed 'Buy-Fix-Sell' strategy being applied to selected assets within the European network-based communication and entertainment services sector. The first of such opportunities was the acquisition of Telecable which completed on 14 August 2015 for a total consideration of approximately €368 million. Telecable is the Company's principal subsidiary.

Telecable is the leading "quad-play" telecommunications operator in the Spanish region of Asturias with more than 164,000 customers as of 31 December 2014, offering television, broadband internet, mobile telecommunications and fixed-line telecommunications services to residential and business customers. Telecable is the leading cable operator in Asturias and has installed over 2,400 kilometres of fibre optic cable and 2,600 kilometres of coaxial cable, with more than 450,000 homes passed in 44 municipalities in Asturias. Telecable complements its own network with a network provided by the Principado de Asturias that enables it to offer optic fibre services to approximately 43,000 homes in rural areas of the Asturias. As of 31 December 2014, Telecable was the Asturias region's leading "quad-play" residential telecommunications operator, being the largest provider of pay television and broadband services and the second and fourth largest fixed-line and mobile telecommunications provider respectively.

For the year ended 31 December 2014, Telecable generated total revenue of €135.6 million, loss before tax of €20.6 million, Adjusted EBITDA of €62.9 million and Adjusted EBITDA margin of 46.4%.

2. KEY FACTORS AFFECTING OPERATIONS

See the Risk Factors under the heading "*Risks Relating to the Business and Operations of the Group and the Industry in Which it Operates and, the Group discussion*" on page 17 for a summary of economic and market risks affecting the results of operations.

2.1 Telecable's commercial Strategy

See Part II of this Document for the value growth strategy of the Directors for Telecable.

2.2 Operating Key Performance Indicators ("KPIs")

Telecable uses several operating KPIs, including total customers ARPU and % churn for each of the operational segments, to track the operating performance of its business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. All of these measures are derived from Telecable's internal support and financial systems. As defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

See Part II for a summary of the KPI figures for FY 2012, 2013 and 2014 and YTD March, 2015. These KPI results should be read in conjunction with paragraph 4 below.

3. DESCRIPTION OF KEY LINE ITEMS

3.1 Revenue

Revenue consists of income generated from the delivery of services to Telecable's Residential, SOHO, Enterprise and other customers. See Part II of this Document for a description of Telecable's Residential, SOHO and Enterprise segments.

Telecable's revenue is generated from the provision of services in connection with landline phones, television, broadband internet, data and mobile phones for residential and corporate customers, chiefly as combined sales, and also from the phone interconnection services to other operators. Revenue arrangements which include more than one deliverable, divide arrangements into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

Landline and Mobile traffic revenue is recognised in the period which it is earned.

Regular monthly charges for services are recognised on a straight-line basis in the period during which the services were provided. Variable consumption revenue is recognised in the period during which it is earned, and revenue from flat-rate consumption is recognised in the relevant period covered by the rate concerned.

Revenue from interconnections is recognised in the period during which phone traffic is generated.

Income is also earned through own work capitalised and advertising and marketing campaigns run with different television channels. Work performed by the entity which is capitalised comprises personnel expenses for tasks performed by our own staff relating to the roll-out of our network and innovation (such as new products and services as well as improvements in our negotiation procedures) which, if carried out by an external company, would be considered to be capital expenditures.

3.2 Procurements

Procurement costs include the purchase of goods held for resale, the purchase of raw materials and other supplies, changes in inventories and work performed by other companies.

Direct costs classified as procurement costs include:

3.3 TV content costs

TV content costs consists primarily of license payments for programming. Traditionally, satellite television leader Canal+ (now owned by Telefonica) has been the owner of the majority of Pay TV content rights, including rights for key content such as movies and sports events. Telefonica/Canal+ is still the owner of the majority of Pay TV content rights, although in relation to football, the majority of broadcasting rights are held by Mediapro.

3.4 Mobile access network costs

Telecable is an MVNO which results in the key network assets being licensed from a Mobile Network Operator (''MNO''). This results in mobile access network costs payable to Vodafone, MNO, for use of their network.

3.5 Fixed and mobile interconnection costs

Fixed and Mobile interconnection costs are network costs incurred to allow for our customers to communicate with other operators' customers and relate to inbound and outbound traffic to other operators. Mobile and fixed interconnection tariffs are regulated in Spain by the CNMC (Public Entity).

3.6 Staff costs

Personnel costs include wages, salaries and similar expenses as well as employee benefit costs. Telecable has two types of variable remuneration: 1) annual bonuses from 10 per cent. to 30 per cent. of annual salary depending on individual performances and 2) additional bonuses for Management, paid every three years, which can vary from 5 per cent. to 10 per cent. of annual salary (this bonus scheme was discontinued in FY13).

3.7 Other operating expenses

Other operating expenses primarily include network and infrastructure costs, contribution costs, other expenses and marketing and commercial costs:

3.8 Network and infrastructure costs

This item comprises costs relating to the maintenance of Telecable's own network from headends, distribution centres and nodes to customer homes or offices as well as maintenance expenses for the equipment connected to customer homes. These costs correspond to work performed by outsourced third party service providers.

3.9 Contribution costs

This item comprises copyrights paid for multimedia content, bad debt provision, local council taxes, banking and invoicing costs and fees paid to third parties managing uncollected invoices.

3.10 Other expenses

This includes general and administrative (''G&A'') and IT expenses. G&A expenses are comprised of external services such as MVNO, network line expenses relating to the transport of certain TV channel signals from Madrid to headends owned and located in Asturias, cleaning, maintenance, professional fees etc. net of capitalised personnel costs which relate to internal employees who have worked on product or infrastructure development. IT expenses mainly relate to fixed and mobile system expenses for IT invoicing and customer care platforms.

3.11 Marketing & commercial costs

Telecable conducts extensive advertising to support its brand, including using billboards, the regional press, radio and internet. In addition, Telecable supports local radio and outdoor advertising with sponsorship of regional cultural events and sports teams. These costs also include the costs to sell and distribute our products as well as provide customer service assistance.

3.12 Other costs

Other costs included within 'other operating expenses' are impairment charges and gains/ (losses) on disposal of non-current assets, change in fair value of financial instruments, exchange differences and gains/ (losses) on disposal of financial instruments.

3.13 Depreciation and amortisation

Depreciation and amortisation charges are applied on assets based on their actual decline in value due to operation and use. Depreciation and amortisation mainly relate to depreciation of infrastructure and other tangible assets and amortisation of intangibles, such as customer relationships and new customers.

3.14 Net finance costs

Finance costs relate primarily to interest expense on the syndicated loan, CEP III loan, Liberbank loan and settlement of derivatives.

3.15 Income tax

Telecable are subject to corporate taxes as set by the Spanish tax authorities. The ordinary corporate tax rate for the year ended 31 December 2014 was 30 per cent. (30 per cent. – 31 December 2013; 30 per cent. – 31 December 2012). Income tax expense or income tax credits include both the current and deferred tax expenses or income.

Current tax expense is the tax payable by Telecable as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments, and tax loss carryforwards effectively offset in the current year reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are recognized in respect of deductible temporary differences, tax losses during the year that may be offset in subsequent years, and deductions and other tax breaks not used during the year that may apply in future years.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit/(loss) nor taxable profits/(tax loss).

Telecable recognized a tax credit in FY 2012, 2013 and 2014 and YTD 2015 as the Telecable Group recognized a loss in each period.

4. RESULTS OF OPERATIONS

Comparison of results of operations for the three months ended March 31, 2015 and 2014

	Three months ended March 31,	
	2014	**2015**
	(unaudited) (€ thousands)	
Revenue	33,782	34,000
Procurements	(7,802)	(8,069)
Staff costs	(2,745)	(2,846)
Other operating expenses	(7,753)	(7,638)
Depreciation and amortisation	(10,897)	(10,386)
Net Finance costs	(9,157)	(8,032)
LOSS BEFORE TAX	**(4,572)**	**(2,971)**
Income tax	2,785	780
LOSS FOR THE PERIOD	**(1,787)**	**(2,191)**

4.1 Revenue

Revenue for the three months ended 31 March 2015 was €34.0 million compared to €33.8 million for the three months ended 31 March 2014, representing a €0.2 million, or 1 per cent. increase. The increase was driven by the Enterprise segment as a result of new customers and growth in ARPU.

4.2 Procurements

Procurement expense for the three months ended 31 March 2015 was €8.1 million compared to €7.8 million for the three months ended 31 March 2014 representing a €0.3 million, or 3 per cent. increase. This was driven primarily by a €0.1 million (4 per cent.) increase in purchase of goods for resale and €0.1 million (4 per cent.) increase in purchases of raw materials and other consumables. The increase is due to an increasing number of lines connected with higher MoU (data traffic).

4.3 Staff costs

Staff costs for the three months ended 31 March 2015 were €2.8 million as compared to €2.7 million for the three months ended 31 March 2014 representing a €0.1 million, or 4 per cent. increase. This increase was driven by the hiring of three new employees.

4.4 Other operating expenses

Other operating expenses for the three months ended 31 March 2015 were €7.6 million compared to €7.8 million for the three months ended 31 March 2014 representing a €0.2 million, or 1 per cent. decrease. This was driven by a €0.3 million (10 per cent.) decrease in professional services expenses and a €0.1 million (8%) decrease in advertising expenses offset by adverse movement in the fair value of financial instruments. Independent professional services were reduced through the employment of a former Chairman on an advisory basis beginning in FY14 which reduced the need for certain external consultants. Telecable was able to reduce advertising expenses through the use of improved communication channels with customers such as electronic invoicing.

4.5 Depreciation and amortisation

Depreciation and amortisation expense for the three months ended 31 March 2015 was €10.4 million as compared to €10.9 million for the three months ended 31 March 2014 representing a €0.5 million, or 5 per cent. decrease. The decrease was driven by a decreased asset base in FY14.

4.6 Net Finance costs

Net finance costs for the three months ended 31 March 2015 were €8.0 million as compared to €9.2 million for the three months ended 31 March 2014 representing a €1.1 million, or 12 per cent. decrease. This was mainly due to an early partial repayment on the Liberbank loan of €13.1 million on 19 December, 2014.

4.7 Income tax

The income tax credit for the three months ended 31 March 2015 was €0.8 million as compared to €2.8 million for the three months ended 31 March 2014 representing a €2.0 million, or 72 per cent. decrease. The recovery decreased due to a lower consolidated loss during QTD 2015 and also by a decreasing tax rate of 28 per cent. in 2015 as compared to 30 per cent. in 2014.

Comparison of results of operations for the years ended 31 December 2014 and 2013

	Year ended, December 31,	
	2013	**2014**
	(€ thousands)	
Revenue	134,531	135,605
Procurements	(33,225)	(31,782)
Staff costs	(10,101)	(10,971)
Other operating expenses	(36,657)	(32,544)
Depreciation and amortisation .	(46,334)	(44,177)
Net Finance costs	(34,831)	(36,758)
LOSS BEFORE TAX	**(26,617)**	**(20,627)**
Income tax	2,992	13,623
LOSS FOR THE PERIOD	**(23,625)**	**(7,004)**

4.8 Revenue

Revenue for the twelve months ended 31 December 2014 was €135.6 million as compared to €134.5 million for the twelve months ended 31 December 2013, representing a €1.1 million, or 1 per cent. increase. The increase was driven by higher revenues from the SOHO and Enterprise segments offset by a decrease in Residential revenues.

The increase in revenues from the SOHO and Enterprise segments was due to an increase in the number of customers (SOHO – 909; Enterprise – 87). The increase in the SOHO customer base was influenced by the lower market share of Telecable's products in this segment compared to the Residential segment. Telecable focussed its commercial strategy within the SOHO segment by offering higher quality products and better customer services. The change in the commercialisation strategy also resulted in the positive impact on Enterprise customers.

In FY14, Residential revenues slightly reduced driven by the decreasing ARPU (€0.91), partially offset by the higher number of customers attained through promotions launched. A decrease in fixed and mobile tariff consumptions was due to a higher number of customers moving to flat rate tariffs for both fixed and mobile, higher limits of consumptions offered in mobile flat rate tariffs, an increasing use of data in mobiles and fixed to mobile substitution effect. The fixed to mobile substitution effect has driven the increase in the volume of mobile consumption that was previously undertaken within fixed telephony.

4.9 Procurement

Procurement expense for the twelve months ended 31 December 2014 was €31.8 million as compared to €33.2 million for the twelve months ended 31 December 2013, representing a €1.4 million, or 4 per cent. decrease. This was driven by a €1.2 million (8 per cent.) decrease in purchase of goods for resale due to renegotiations with TV content suppliers and lower interconnection expenses (31 December 2014 – €13.1 million; 31 December 2013 – €14.3 million) as a consequence of downward regulatory price pressure.

4.10 Staff costs

Staff costs for the twelve months ended 31 December 2014 were €11.0 million as compared to €10.1 million for the twelve months ended 31 December 2013, representing a €0.9 million, or 9 per cent. increase. This was driven an increase of six employees and a slight increase of internal personnel costs. The personnel cost from the Enterprise department increased in FY14 as a result of the hiring of a new employee responsible for large accounts and the internalisation of external employees, respectively.

4.11 Other operating expenses

Other operating expenses for the twelve months ended 31 December 2014 were €32.5 million as compared to €36.7 million for the twelve months ended 31 December 2013, representing a €4.1 million, or 11 per cent. decrease. This was driven by a €1.5 million (12 per cent.) decrease in independent professional services, in particular external employees were hired on an ad-hoc basis for certain support activities which were decreased in FY14. Lower external head count was due to the discontinuation of certain IT externalised projects while the further cost per external employee remained stable. Moreover, a 14 per cent. decrease in network maintenance and infrastructure third party service providers (€0.9 million) and €1.6 million (41 per cent.) decrease in impairment and/or losses on disposal of non-current assets attributed to the overall decrease in other operating expenses. Third party service provider costs were decreased due to the improved contract renewals carried out by management with these parties.

4.12 Depreciation and amortisation

Depreciation and amortisation expense for the twelve months ended 31 December 2014 was €44.2 million as compared to €46.3 million for the twelve months ended 31 December 2013, representing a €2.1 million, or 5 per cent. decrease. The decrease was due to lower capitalisation in FY14, specifically in result of property, plant and equipment (PP&E).

4.13 Net finance costs

Net finance costs for the twelve months ended 31 December 2014 were €36.8 million as compared to €34.8 million for the twelve months ended 31 December 2013, representing a €2 million, or 6 per cent. increase. This was driven by a €2.7 million (15 per cent.) increase in interest expense on the CEP III loan offset by a €0.7 million (6 per cent.) decrease in interest expense on the syndicated loan and a €0.3 million (15 per cent.) decrease in the cost of settling derivative contracts. The increased interest incurred on the CEPII loan was due to an increase in the loan balance over the year.

4.14 Income tax

The income tax credit for the twelve months ended 31 December 2014 was €13.6 million as compared to €3.0 million for the twelve months ended 31 December 2013, representing a €10.6 million, or 355% increase. This increase was due to a current tax credit of €1.3 million in FY14 as compared to a charge in FY13 of €5.1 and an increase in the deferred tax credit to €12.3 million in FY14 from €8.1 million in FY13.

The current tax credit in FY14 was driven primarily by €1.1 million in income tax adjustments at Telecable de Asturias, S.A and an exemption application of Spanish tax article 30.6 of €1.4 million. During FY13, a €46.8 million consolidated current tax expense and €6.5 million in accounting consolidation adjustments, offset by €46.9 million in double taxation credits applied resulted in the €5.1 million current tax expense.

The deferred tax credit in FY14 of €12.3 million resulted from a €6.6 million credit in deferred taxes in the year, a €2.4 million change in deferred taxes for unused tax credits and a €3.3 million change due to adjustments to new tax rates as from 2015. The deferred tax credit of €8.1 million in FY13 related solely to changes in deferred taxes in the year.

Comparison of results of operations for the years ended 31 December 2013 and 2012

	Year ended, December 31,	
	2012	**2013**
	(€ thousands)	
Revenue	130,116	134,531
Procurements	(30,553)	(33,225)
Staff costs	(10,422)	(10,101)
Other operating expenses	(41,251)	(36,657)
Depreciation and amortisation	(47,142)	(46,334)
Net Finance costs	(32,514)	(34,831)
LOSS BEFORE TAX	**(31,766)**	**(26,617)**
Income tax	9,808	2,992
LOSS FOR THE PERIOD	**(21,958)**	**(23,625)**

4.15 Revenue

Revenue for the twelve months ended 31 December 2013 was €134.5 million as compared to €130.1 million for the twelve months ended 31 December 2012, representing a €4.4 million, or 3 per cent. increase. This increase was attributable to higher revenues from the SoHo and Enterprise segments due to an increase in number of customers (Soho – 844; Enterprise – 4,121) offset by a decrease in Residential customers.

The increase in SoHo customers during 2013 was driven by the change in the commercialisation strategy to focus on innovative customer solution. Certain Enterprise customers were won in late 2012 with revenues being generated in FY13.

Residential customers decreased during the second half of 2012 and in the first quarter of 2013 due to the negative effect of the ''Fusion pack'' promotion launched by Movistar in September 2012. This customer base was stabilized in 2013, which resulted in a slight increase in revenues in 2013 as compared to 2012.

4.16 Procurements

Procurement expense for the twelve months ended 31 December 2013 was €33.2 million as compared to €30.6 million for the twelve months ended 31 December 2012, representing a €2.6 million, or 9 per cent. increase. This was driven by a €1.4 million (100 per cent.) increase in work performed by other companies, €0.5 million (4 per cent.) increase in purchase of goods for resale and a €0.8 million (5 per cent.) increase in purchases of raw materials and other consumables. The overall increase in the procurement costs was due to an increase in the number of users and an increase in enterprise growth.

4.17 Staff costs

Staff costs for the twelve months ended 31 December 2013 were €10.1 million as compared to €10.4 million for the twelve months ended 31 December 2012, representing a €0.3 million, or 3 per cent. decrease. Personnel expenses decreased during the year as a result of operating leverage as well as a decrease in the use of external employees. External employees are hired on an ad-hoc basis for certain support activities which were decreased in FY13 as compared to FY12. In particular, lower external headcount was due to the discontinuation of certain IT externalised projects while the cost per external employee remained stable.

4.18 Other operating expenses

Other operating expenses for the twelve months ended 31 December 2013 were €36.7 million as compared to €41.3 million for the twelve months ended 31 December 2012, representing a €4.6 million, or 11 per cent. decrease. This was driven mainly by a €1.4 million (10 per cent.) decrease in independent professional services, €1.0 million decrease in other operating expenses, (51 per cent.) and adverse movement in the fair value of financial instruments, €4.6 million (120 per cent.) offset by

€2.5 million (154 per cent.) increase in impairment and losses on disposal of non-current assets. Independent professional service costs decreased due to the improved renegotiations of contracts with suppliers and the optimisation of certain processes.

4.19 Depreciation and amortisation

Depreciation and amortisation expense for the twelve months ended 31 December 2013 was €46.3 million as compared to €47.1 million for the twelve months ended 31 December 2012, representing a €0.8 million, or 2 per cent. decrease. This decrease was driven by an increased disposals of not fully depreciated PP&E during FY13.

4.20 Net finance costs

Finance costs for the twelve months ended 31 December 2013 were €34.8 million as compared to €32.5 million for the twelve months ended 31 December 2012, representing a €2.3 million, or 7 per cent increase. This was driven by a €2.3 million increase in interest expense on the CEP III loan, a €1.4 increase in interest expense on the syndicated loan offset by a €1.3 million decrease in the cost of settling derivative contracts. The increased interest incurred on the CEPII loan was due to an increase in the loan balance over the period.

4.21 Income tax

The income tax credit for the twelve months ended 31 December 2013 was €3.0 million as compared to €9.8 million for the twelve months ended 31 December 2012, representing a €6.8 million, or 69 per cent. decrease.

During FY13, a €46.8 million consolidated current tax expense and €6.5 million in accounting consolidation adjustments, offset by €46.9 million in double taxation credits applied resulted in the €5.2 million current tax expense. The current tax credit in FY12 related to a €3.2 million consolidated current tax expense offset by €0.3 million in double taxation tax credits applied.

The deferred tax credit of €8.1 million in FY13 and €12.8 million in FY12 related solely to changes in deferred taxes in each year.

5. ADJUSTED EBITDA DISCUSSION

See Section C of Part VII for a reconciliation of adjusted EBITDA to net loss for the year. In order to better understand how management assesses the performance of Telecable's operations and cost structure, the reconciliation provides a breakdown of Adjusted EBITDA and costs during the period under review included elsewhere in the Prospectus. This breakdown reflects how management views the business' cost structure and the criteria management uses to make business decisions relating to daily operations.

Prospective investors should not consider Adjusted EBITDA in the period in isolation as a substitute for, or superior to, financial information prepared in accordance with IFRS, or as an indication of operating performance.

Comparison of Adjusted EBITDA

	Twelve months ended December 31,			Three months ended March 31,	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
			(€ thousands)		
Revenue	130,116	134,531	135,605	33,782	34,000
Adjusted EBITDA	56,918	59,514	62,924	15,678	15,999
% margin	**43.7%**	**44.2%**	**46.4%**	**46.4%**	**47.1%**

For the year ended 31 December 2014, Telecable generated Adjusted EBITDA of €62.9 million compared to €59.5 million for the year ended 31 December 2013 and €56.9 million for the year ended 31 December 2012.

Despite difficult market conditions, Telecable increased its Adjusted EBITDA to 46.4 per cent. during the year ended 31 December 2014 from 43.7 per cent. during the year ended 31 December 2012. Revenues have increased due to increasing numbers of customers in the SoHo and Enterprise

segments through an enhanced commercialisation strategy implemented in 2013. Operating costs have decreased over time due to the improved renegotiations of contracts with suppliers and the optimisation of certain processes.

During the three months ended 31 March 2015, Telecable generated Adjusted EBITDA of €16.0 million compared to €15.7 million during the three months ended 31 March 2014. This increase in Adjusted EBITDA and increase in margin of 0.7 percentage points can be attributed to increased revenue generated by increasing customer base of SoHo and Enterprise customers along with increased operational efficiencies.

6. LIQUIDITY AND CAPITAL RESOURCES

Telecable maintains cash and cash equivalents to fund the day-to-day requirements of our business. Cash is held primarily in Euro. Telecable relies primarily on operating cash flows and drawings on our syndicated loan and other loans to provide funds required for operations. Following the listing, we expect to continue to rely on these sources of funding to provide the funds required for our operations. For more information on Telecable's debt facilities, see "*Loans and Borrowings*" discussion on page 108.

Cash flow for the three months ended 31 March 2015 and 2014

	Three months ended March 31,	
	2014	**2015**
	(unaudited) (€ thousands)	
Net cash flows from operating activities	9,631	9,070
Net cash flows (used in) investing activities	(6,584)	(5,456)
Net cash flows (used in) financing activities	(152)	(12,010)
Net cash increase/(decrease) in cash and cash equivalents	**2,895**	**(8,396)**
Effect of exchange rate on cash	(3)	(47)
Net increase/(decrease) in cash and cash equivalents	**2,892**	**(8,443)**
Cash and cash equivalents at the beginning of the period	29,430	21,093
Cash and cash equivalents at the beginning of the period	32,322	12,650

6.1 Net cash flow from operating activities

Net cash flow from operating activities for the three months ended 31 March 2015 was €9.1 million, representing a decrease of €0.5 million compared to the €9.6 million for the three months ended 31 March 2014. This decrease was mainly due to Telecable generating less cash from increasingly negative working capital since FY13. This negative impact from working capital variations is mainly due to the increase in prepayments as a result of the increase in handsets sold on instalment plans and renegotiation of the terms in key contracts with suppliers.

6.2 Net cash used in investing activities

The net cash flow used in investing activities for the three months ended 31 March 2015 was €5.5 million, representing a decrease of €1.1 million compared to the €6.6 million for the three months ended 31 March 2014. This decrease was mainly due to lower capital expenditures in large account projects. For more information on capital expenditures during the respective periods, see "*Capital Expenditures*" discussions on page 106.

6.3 Net cash used in financing activities

The net cash flow used in financing activities for the three months ended 31 March 2015 was €12.0 million, representing an increase of €11.9 million compared to the €0.1 million for the three months ended 31 March 2014. This increase was mainly due to dividends paid of €5.0 million offset by decrease in debt repayments of €7.0 million in YTD 2015.

Cash flow for the years ended 31 December 2012, 2013 and 2014

	Twelve months ended Dec-31		
	2012	**2013**	**2014**
		(€ thousands)	
Net cash flows from operating activities	32,146	38,694	43,136
Net cash flows (used in) investing activities	(29,370)	(28,686)	(26,859)
Net cash flows (used in) financing activities	(2,893)	(15,866)	(24,559)
Net cash increase/(decrease) in cash and cash equivalents	**(117)**	**(5,858)**	**(8,282)**
Effect of exchange rate on cash	(31)	(17)	(56)
Net increase/(decrease) in cash and cash equivalents	**(148)**	**(5,875)**	**(8,338)**
Cash and cash equivalents at the beginning of the period	35,452	35,304	29,429
Cash and cash equivalents at the beginning of the period	35,304	29,429	21,091

6.4 Net cash flow from operating activities

Net cash flow from operating activities for the year ended 31 December 2014 was €43.1 million, representing an increase of €4.4 million compared to the €38.7 million for the year ended 31 December 2013. This increase was driven primarily by €5.4 million lower taxes paid during FY14 and €3.0 million increase in profit from operations. However, this increase was offset by lower working capital of €0.8 million due to the rise in prepayments and higher interest paid of €3.1 million due to new debt issuances in FY14.

Net cash flow from operating activities for the year ended 31 December 2013 was €38.7 million, representing an increase of €6.6 million as compared to the €32.1 million for the year ended 31 December 2012. This increase was driven by higher profit from operations as a result of lower costs experienced in 2013 and lower interest paid in 2013.

6.5 Net cash used in investing activities

Net cash flow used in investing activities for the year ended 31 December 2014 was €26.9 million, representing a decrease of €1.8 million compared to the €28.7 million for the year ended 31 December 2013. This decrease was mainly due to lower purchases of PP&E and intangible assets.

Net cash flow used in investing activities for the year ended 31 December 2013 was €28.7 million, representing a decrease of €0.7 million compared to the €29.4 million for the year ended 31 December 2012. This decrease was mainly due to a decrease in other financial asset purchases of €3.7 million offset by a decrease in intangible assets and proceeds received on the sale of investments in FY12. For more information on capital expenditures during the respective periods, see "*Capital Expenditures*" discussion below.

6.6 Net cash flow used in financing activities

Net cash flow used in financing activities for the year ended 31 December 2014 was €24.6 million, representing an increase of €8.7 million compared to the €15.9 million for the year ended 31 December 2013. This increase was mainly due to €nil proceeds received from bank borrowings received in FY14 compared to €22.1 million in FY13 offset by debt repayments in FY14 which totalled €24.5 million compared to €6.7 million in FY13.

Net cash flow used in financing activities for the year ended 31 December 2013 was €15.9 million, representing an increase of €13.0 million compared to the €2.9 million for the year ended 31 December 2012. This increase was mainly due to dividend distribution in FY13 of €31.3 million offset by higher proceeds received from new debt issued net of debt repayments by €13 million.

6.7 Capital expenditures

Telecable classifies its capital expenditures in the below categories.

- Ordinary: Ordinary capex refers to investments incurred in areas where the network is already implemented.
- Customer equipment: Customer equipment capex refers to the equipment and installations necessary to provide service to new customers. In addition, customer equipment capex includes commissions paid to third party distributors.
- Expansion: Expansion capex mainly comprised investments in additional network deployment, expansion projects and new technology.

	Year ended December 31,			Three months ended March 31,
	2012	2013	2014	2015
				(unaudited)
		(€ thousands)		
Intangible Assets – Additions	9,404	9,187	11,783	2,376
Property, Plant & Equipment – Additions	20,324	20,119	15,931	5,715
Capital expenditures	**29,728**	**29,306**	**27,714**	**8,091**
Ordinary Capex	8,306	6,990	7,088	1,546
Customer equipment	14,035	14,279	14,258	4,697
Expansion Capex	7,393	8,037	6,368	1,848

6.8 Ordinary capex

Ordinary capex decreased to €7.1 million during the year ended 31 December 2014 from €8.3 million during the year ended 31 December 2012, representing a decrease of €1.2 million, or 15 per cent. This was mainly due to improved contract renegotiation with suppliers and synergies in technologies and processes, which implies a lower level of maintenance. In addition, the Spanish real estate crisis resulted in less capex as there were fewer connections required to new buildings.

For the three months ended 31 March 2015, ordinary capex amounted to €1.5 million and related to ordinary expenditures on the network. These costs were within budget and comparable to the prior period.

6.9 Customer equipment capex

Customer equipment capex remained relatively stable between FY12 and FY14 despite the increase in the number of customers across revenue segments. This was due to a more efficient recovery of used equipment from disconnected customers.

For the three months ended 31 March 2015, customer equipment capex amounted to €4.7 million and related primarily to the set-top-box migration plan and renewal of TV codifiers and internet modems.

6.10 Expansion capex

Expansionary capex of €7.4 million during the year ended 31 March 2012 related primarily to the Doscis software upgrade to version 3.0 of €1.1 million as well as other projects relating to the growth and enlargement of Telecable's capacity and the development of new products and services of €5.7 million. This capex spend pattern was consistent during the year ended 31 December 2013 with €1.7 million spent on the continued Doscis upgrade and €5.4 million on increasing capacity and product upgrades. During the year ended 31 December 2014, expansionary capex decreased to €6.4 million, driven by the completion of the Doscis upgrade and product upgrades of €2.9 million offset by €1.7 million spent on the IP TV platform and €1.7 million on the Wifi Project.

For the three months ended 31 March 2015, expansionary capex amounted to €1.8 million and related primarily to expansionary projects and product and service development.

6.11 Loans and Borrowings

The table below shows our net financial debt for the period under review, calculated on the basis of the nominal amount of our loans and borrowings and interest accrued, excluding capitalised fees and commissions. See Note 11 to the consolidated income statements and other comprehensive income for the years ended 31 December 2014, 2013 and 2012 and Note 9 of the 2015 Interim Financial Statements (unaudited) included elsewhere in the prospectus for further discussion of the borrowings of Telecable.

	December 31, 2012	December 31, 2013	December 31, 2014	March 31, 2015
				(unaudited)
		(€ thousands)		
Short-term bank debt				
Syndicated loan	—	11,916	5,439	5,000
Other bank borrowings	—	—	—	—
Interest payable and other	1,672	—	334	314
Long-term bank debt				
Syndicated loan	145,271	150,734	143,663	220,458
Other bank borrowings	50,000	50,000	50,000	50,000
Interest payable and other	2,685	8,776	113	958
Financial debt	**199,628**	**221,426**	**199,549**	**276,730**
Cash and cash equivalents	(35,305)	(24,430)	(21,093)	(12,650)
Net financial debt	**164,323**	**196,996**	**178,456**	**264,080**

6.12 Syndicated loan

On 28 December 2011, a loan was entered into with a syndicate of banks for an overall amount of EUR 218,500,000.

In relation to this funding, the Group pledged as securities rights on bank accounts and insurance policies, rights on certain service agreements without transferring the right to receive the cash flows, and a mortgage promise on certain assets such as the distribution network headend.

On 18 December 2014, Telecable's Board of Directors resolved to amend the financing agreement through novation, extending the average life of the loan, lowering annual principal repayments, tightening loan spreads, and establishing lower, more flexible financial covenants. As a result of these amendments, the Group obtained a new tranche of debt. At year-end, the new tranche has not been drawn down, which will be used in 2015 to pay dividends (see Note 18). The average interest rate of the amended financing was approximately Euribor plus 4 per cent. The amended funding did not represent a substantial change with respect to the previous funding.

The clauses of this syndicated loan include certain covenants to be met in relation to the Group's consolidated financial information. The Company's Directors declare that at 31 December 2014 and 2013 these covenants had been met in full.

6.13 Other bank borrowings

As well as the syndicated loan, on the same date (28 December 2011) Liberbank granted a €50,000,000 loan maturing in 2021, at which time the entire principal plus accrued interest, which will be capitalised and added to the principal amount payable, must be repaid. However, there is a mandatory early repayment clause obliging the Company to allocate $66^{2}/_{3}$ per cent. of its annual cash surplus (as defined in the loan agreement) each financial year to repay the loan principal, provided that the latest debt coverage ratio (as defined in the senior financing agreement and calculated on a *pro forma* basis as if the repayment in question on the loan had already taken place) is equal to or less than 2 and that there is no non-compliance with the syndicated loan (to which it is subordinated) that has not been remedied or allowed by the banks comprising the syndicate, and that such non-compliance with the senior financing agreement did not occur as a result of the payment in question. The conditions for having to repay early this loan have not been met.

On 19 December 2014, a partial repayment of €13,095,617 was made on this loan. The annual interest rate applicable to the agreement fell from 7.5 per cent. in 2013 to 6.75 per cent. in 2014. The

amount payable at 31 December 2014, 2013 and 2012 and 1 January 2012 was €50,112,547, €58,775,844, €54,320,631 and €50,035,416, respectively.

7. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

7.1 Credit risk

Credit risk is the risk of financial loss that we face if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly in our accounts receivable.

We consider customer credit risk to be mitigated by the application of different policies and specific practices to this effect, and the high level of dispersion of receivables. Among the different policies and specific practices implemented is the customer acceptance scoring policy, the long-term monitoring of customer credit, which reduces the possibility of default of significant receivables, and debt collection management.

We do not have significant concentrations of credit risk. Cash and cash equivalents are maintained with banks and financial institutions of high credit rating.

7.2 Liquidity risk

Liquidity risk is the risk that we would have difficulty meeting obligations associated with our financial liabilities that are settled by delivering cash or other financial assets. Telecable's approach to managing liquidity risk includes holding sufficient cash and marketable securities and the availability of financing through a sufficient level of available credit lines. This involves monitoring the liquidity reserve forecast based on expected cash flows and continuously assessing whether there is an adequate matching of projected cash inflows with projected cash outflows.

7.3 Market risk

Market risk is the risk that changes in market prices would affect our income of the value of financial instruments held. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return.

Market risk also includes, *inter alia*, interest rate risk which arises mainly from the loans granted by banks and related parties at variable rates which expose us to variability on future cash flows.

Telecable has managed interest rate risk on cash flows through interest rate swaps from floating to fixed rates. In general, Telecable obtains long-term borrowings at floating interest rates and then enters into interest rate swaps to convert them to fixed rates which are lower than those that would have been available had the Group obtained the borrowings directly at fixed interest rates. Under the interest rate swap agreements, the Group undertakes with other parties to swap at specific intervals (generally quarterly) the difference between the fixed interest rates and the floating interest calculated based on the notional principal contracted.

8. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates and management judgments concerning the future. These are evaluated constantly and based on historical experience and other factors, including expectations of future events and, where applicable, the justified opinion of renowned experts.

To the extent the actual outcome of these estimates differ from the amounts initially recognized, or information that would modify these estimates becomes available, the effects of any changes in the initial estimates are accounted for in the year they are known.

The estimates and judgments that present significant risk of a material adjustment to the carrying amounts of assets and liabilities in subsequent reporting period are described in Note 2 to each of the Financial Statements included elsewhere in the Prospectus.

For more information, see Note 2 to each of the Financial Statements included elsewhere in this Prospectus.

9. CURRENT TRADING AND PROSPECTS

Revenues from all segments have increased during the seven months ended July 2015 compared to the prior year, driven primarily by increasing the customer base. This revenue growth rate has been largely consistent with the first three months of 2015. Relevant market growth was experienced in the Mobile and Broadband markets due to the increased market share of Movistar.

Adjusted EBITDA to the six months ended July 2015 has also increased as compared to the prior year due to lower TV content and IP connect and satellite costs and the impact of continuous optimisations and transformation initiatives. This Adjusted EBITDA growth rate has been largely consistent with the first three months of 2015.

10. DIVIDEND POLICY

See Part I, paragraph 7 in relation to the target dividend policy of the Company.

PART VII

HISTORICAL FINANCIAL INFORMATION

References in this Part VII to (i) ''the Company'' or ''the Parent'' and (ii) ''the Group'' are to Telecable Capital Holding S.L.U. and the Telecable Group, respectively.

Section A: Unaudited interim condensed financial information on the Telecable Group for the three months ended 31 March 2015

Translation of special-purpose interim condensed consolidated financial statements originally issued in Spanish Reporting and prepared in accordance with IFRS (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2015 AND 31 DECEMBER 2014 (See Notes 1 and 2)
(Euros)

ASSETS	Notes	Unaudited 31/03/2015	Audited 31/12/2014(*)
NON-CURRENT ASSETS:			
Goodwill	**3**	152,990,147	152,990,147
Intangible assets	**4**	77,900,866	80,761,030
Property, plant and equipment	**5**	124,955,348	124,996,294
Non-current financial assets	**6 and 12**	1,586,773	4,166,108
TOTAL NON-CURRENT ASSETS		**357,433,134**	**362,913,579**
CURRENT ASSETS:			
Inventories		383,729	624,370
Trade and other receivables	**6**	7,421,752	6,484,199
Public authorities	**11**	246,950	477,341
Current investments in Group companies	**6 and 12**	32,194	32,188
Other current financial assets	**6**	56,846	52,223
Current prepayments	**13**	3,704,955	3,075,789
Cash and cash equivalents	**6**	12,649,523	21,092,500
TOTAL CURRENT ASSETS		**24,495,949**	**31,838,610**
TOTAL ASSETS		**381,929,083**	**394,752,189**

EQUITY AND LIABILITIES	Notes	Unaudited 31/03/2015	Audited 31/12/2014(*)
EQUITY:			
Issued capital	**8**	342,000	342,000
Share premium		33,661,000	33,661,000
Reserves		(27,302,045)	(27,302,045)
Prior years' losses		(24,782,554)	(16,831,124)
Loss for the period attributable to the Parent	**8**	(2,334,151)	(7,951,430)
Equity attributable to the Parent		**(20,415,750)**	**(18,081,599)**
Non controlling interests	**8**	(16,597,897)	(6,999,332)
TOTAL EQUITY		**(37,013,647)**	**(25,080,931)**
NON-CURRENT LIABILITIES:			
Non-current payables	**9 and 10**	271,754,500	194,102,610
Payables to Group companies and related parties	**10 and 12**	87,122,250	156,225,320
Deferred tax liabilities	**11**	16,703,177	17,483,634
Deferred income		60,277	63,224
TOTAL NON-CURRENT LIABILITIES		**375,640,204**	**367,874,788**
CURRENT LIABILITIES:			
Current payables	**7, 9 and 10**	21,723,865	27,783,737
Trade and other payables	**10**	18,578,186	21,660,192
Public authorities	**11**	2,357,739	2,254,732
Current accruals	**13**	642,736	259,671
TOTAL CURRENT LIABILITIES		**43,302,526**	**51,958,332**
TOTAL EQUITY AND LIABILITIES		**381,929,083**	**394,752,189**

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 17 described in the accompanying explanatory notes are an integral part of the special-purpose interim condensed consolidated balance sheet at 31 March 2015.

Translation of special-purpose interim condensed consolidated financial statements originally issued in Spanish Reporting and prepared in accordance with IFRS (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED ON 31 MARCH 2015 AND 2014
(See Notes 1 and 2)
(Euros)

		Unaudited	
	Notes	**Period 2015**	**Period 2014(*)**
Revenue	**14.a**	33,536,285	33,454,924
Own work capitalised		257,449	125,152
Other operating income	**14.b**	206,747	202,312
		34,000,481	**33,782,388**
Procurements	**14.c**	(8,069,364)	(7,801,863)
Staff costs	**14.d**	(2,846,378)	(2,745,118)
Other operating expenses	**6 and 14.e**	(7,407,133)	(7,978,192)
Depreciation and amortisation	**4 and 5**	(10,385,866)	(10,897,343)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants		4,093	—
Impairment and gains/(losses) on disposal of non-current assets	**5**	(594,266)	(47,106)
Finance income		71,253	203,993
Finance costs	**14.f**	(8,102,951)	(9,361,030)
Change in the fair value of financial instruments	**7**	406,572	275,484
Exchange differences		(47,346)	(3,003)
LOSS BEFORE TAX		**(2,970,905)**	**(4,571,790)**
Income tax	**11**	779,959	2,785,100
LOSS FOR THE PERIOD (I)		**(2,190,946)**	**(1,786,690)**
OTHER COMPREHENSIVE INCOME-			
Items that will not be reclassified to profit or loss		—	—
Items that will be reclassified to profit or loss		—	—
OTHER COMPREHENSIVE INCOME (II)		—	—
TOTAL RECOGNISED INCOME AND EXPENSE (I+II)		**(2,190,946)**	**(1,786,690)**
Profit/(loss) attributable to:			
– Parent		**(2,334,151)**	**(1,849,887)**
– Non-controlling interests	**8**	**143,205**	**63,197**
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT IN EUROS			
– From continuing operations	**15**	**(205)**	**(162)**

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 17 described in the accompanying explanatory notes constitute an integral part of the special-purpose interim condensed consolidated income statement for the three months ended 31 March 2015.

Translation of special-purpose interim condensed consolidated financial statements originally issued in Spanish Reporting and prepared in accordance with IFRS (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2015 AND 2014 (See Notes 1 and 2)
(Euros)

				Retained earnings				
Unaudited	**Share capital**	**Share premium**	**Legal reserve**	**Retained earnings from previous years**	**Prior years' losses**	**Loss for the year attributable to the Parent Company**	**Non-controlling interests**	**TOTAL**
AS AT 1 JANUARY 2014(*)	**342,000**	**33,661,000**	**—**	**(106,461)**	**(21,268,656)**	**(22,758,052)**	**(2,989,410)**	**(13,119,579)**
Total comprenhensive income	—	—	—	—	—	(1,849,887)	63,197	(1,786,690)
Other changes in equity								
– Distribution of 2013 profit	—	—	—	—	(22,758,052)	22,758,052	—	—
– Other changes	—	—	—	(27,263,985)	27,263,985	—	—	—
AT 31 MARCH 2014(*)	**342,000**	**33,661,000**	**—**	**(27,370,446)**	**(16,762,723)**	**(1,849,887)**	**(2,926,213)**	**(14,906,269)**
AS AT 1 JANUARY 2015	**342,000**	**33,661,000**	**68,400**	**(27,302,045)**	**(16,831,124)**	**(7,951,430)**	**(6,999,332)**	**(25,080,931)**
Total comprenhensive income	—	—	—	—	—	(2,334,151)	143,205	(2,190,946)
Other changes in equity								
– Distribution of 2014 profit	—	—	—	—	(7,951,430)	7,951,430	—	—
– Corporate transactions (Note 8)	—	—	—	—	—	—	(9,741,770)	(9,741,770)
AT 31 MARCH 2015	**342,000**	**33,661,000**	**68,400**	**(27,302,045)**	**(24,782,554)**	**(2,334,151)**	**(16,597,897)**	**(37,013,647)**

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 17 described in the accompanying explanatory notes constitute an integral part of the special-purpose interim condensed consolidated statement of total changes in equity for the three months ended 31 March 2015.

Translation of special-purpose interim condensed consolidated financial statements originally issued in Spanish Reporting and prepared in accordance with IFRS (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2015 AND 2014 (See Notes 1 and 2)

(Euros)

	Notes	Unaudited	
		Period 2015	Period 2014(*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**9,070,161**	**9,630,648**
Loss for the period before tax		**(2,970,905)**	**(4,571,790)**
Adjustments to profit/(loss)		**18,724,876**	**20,061,602**
– Depreciation and amortisation	**4 and 5**	10,385,866	10,897,343
– Change in provisions	**6**	333,814	357,749
– Grants recognised in the income statement		(4,093)	—
– Gains/(losses) on derecognition and disposal of non-current assets	**5**	594,266	47,106
– Finance income		(71,253)	(203,993)
– Finance costs	**9, 10 and 14.f**	8,102,951	9,361,030
– Exchange differences		47,346	3,003
– Change in fair value of derivative financial instruments	**7**	(406,572)	(275,484)
– Own work capitalised		(257,449)	(125,152)
Changes in working capital		**(4,268,290)**	**(3,445,940)**
– Inventories		240,641	205,904
– Trade and other receivables		(1,283,831)	82,170
– Other current assets		(629,165)	(711,312)
– Trade and other payables		(2,979,001)	(2,857,613)
– Other current liabilities		383,066	(165,089)
Other cash flows from/(used in) operating activities		**(2,415,520)**	**(2,413,224)**
– Interest paid		(2,711,136)	(2,785,681)
– Interest received		59,388	156,535
– Income tax received/(paid)	**11**	236,228	215,922
CASH FLOWS USED IN INVESTING ACTIVITIES (II)		**(5,455,859)**	**(6,584,024)**
Payments for investments		**(8,047,058)**	**(6,584,024)**
– Property, plant and equipment	**5**	(5,706,638)	(4,512,843)
– Intangible assets	**4**	(2,340,420)	(2,071,181)
Proceeds from sale of investments		**2,591,199**	**—**
– Other financial assets		2,591,199	—
CASH FLOWS USED IN FINANCING ACTIVITIES (III)		**(12,009,933)**	**(151,862)**
Proceeds from and payments on equity		**(9,741,770)**	—
– Payment from corporate transactions	**8**	(9,741,770)	—
Proceeds from and payments on financial liabilities		**(2,268,163)**	**(151,862)**
– Proceeds from bank borrowings	**9**	75,989,472	—
– Repayment and cancellation of bank borrowings	**10 and 12**	(73,300,000)	—
– Repayment and cancellation of other loans		—	(151,862)
– Dividends paid	**10**	(4,957,635)	—
EFFECT OF EXCHANGE RATE CHANGES (IV)		**(47,346)**	**(3,003)**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(8,442,977)**	**2,891,759**
Cash and cash equivalents at beginning of the period		21,092,500	29,429,975
Cash and cash equivalents at end of the period		12,649,523	32,321,734

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 17 described in the accompanying explanatory notes constitute an integral part of the special-purpose interim condensed consolidated statement of cash flows for the three months ended 31 March 2015

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

Notes to the special-purpose interim condensed consolidated financial statements for the three months ended 31 March 2015 (unaudited)

1. Business of the Parent and Group companies

Brief background to the Parent and description of its business

Telecable Capital Holding, S.L.U. (hereinafter ''TCH'', the ''Company'' or the ''Parent'') was incorporated as Lariño Investments, S.L. as a solely-owned limited liability company for an indefinite period by virtue of a deed drawn up in Madrid by the Notary Public Mr. Fernando Fernández Medina on 15 April 2011, entered in his general notary records as number 724 and listed in the Madrid Companies Register in volume 28775, sheet 15, page M-518066, entry 1. Subsequently, by virtue of a deed drawn up on 28 December 2011, the company's corporate name was changed to the current name.

In the three-month period ended 31 March 2015, there were no significant changes in the Group, except for mentioned below.

Significant corporate transactions

On 3 February 2015, the Board of Directors of TCA, by express delegation of its General Shareholders' Meeting, unanimously agreed to distribute the extraordinary dividend with a charge to voluntary unrestricted reserves approved by the aforementioned General Shareholders' Meeting at its meeting held on 18 December 2014 for a total amount of EUR 28,667,898. The aforementioned dividend is distributed in favour of the current shareholders of TCA in proportion to their respective stake in the share capital.

On the same date, 3 February 2015, the Board of Directors of TCA, by express delegation of its General Shareholders' Meeting, unanimously agreed to reduce the share capital of TCA through the acquisition of treasury shares of TCA for a price of EUR 236.42 per share for their subsequent redemption, approved by the aforementioned General Shareholders' Meeting at its meeting held on 18 December 2014. In doing so, it agreed to reduce the share capital of the Company, by a nominal amount of EUR 14,322,710.25, corresponding to 238,275 shares, each with a par value of EUR 60.11, acquired by the Company from its shareholders through a share buyback offer published on 29 December 2014 in the BORME (Official Gazette of the Companies Register) and on 24 December 2014 in La Nueva España with the share capital being fixed at the figure of EUR 41,056,813.08, divided into 683,028 shares, each with a par value of EUR 60.11. Additionally, and on that same date, the Company's Board of Directors approved the redemption of the 238,275 shares acquired by the Company from its shareholders.

As a result of that agreement, the Parent sold a total of 197,069 shares to TCA (which comprise shares acquired on 28 December 2011 by the Parent from Cajastur Capital S.C.R. de Régimen Simplificado, S.A.). It continued to hold 564,910 shares after the sale.

On the same date, 3 February 2015, the Board of Directors of TCA, by express delegation of its General Shareholders' Meeting held on that same day, unanimously agreed to reduce the share capital of TCA by decreasing the par value of its shares to set aside a restricted reserve approved by the aforementioned General Shareholders' Meeting. In doing so, it agreed to reduce the share capital of the Company (which, once the capital reduction referred to in the previous paragraph was executed, was fixed on that date at EUR 41,056,813.08) by a nominal amount of EUR 7,001,037, by reducing the par value of each and every one of the Company's 683,028 shares from EUR 60.11 at that date to EUR 49.86 each (i.e., a reduction of EUR 10.25 per share), in order to set aside a restricted reserve for the amount of the reduction, which is EUR 7,001,037.

After the corporate actions described above, on 3 February 2015, the company TCA made the payment to its shareholders arising from these, by drawing down Tranche D indicated in Note 9. Additionally, the Board of Directors of TCH agrees to proceed with the partial early repayment of the loan to CEP III Investment 18 Finance S.à r.l., for an amount of EUR 73,300,000 (Note 12).

Special purpose

The Directors of the Group's Parent prepared these special-purpose interim condensed consolidated financial statements for the three-month period ended 31 March 2015 in accordance with IAS 34, Interim Financial Reporting, as indicated in Note 2-a. They are intended for use in the transaction, for inclusion in the document for admission and registration of securities on a United Kingdom market, and for updating the information provided in the special-purpose consolidated financial statements of Telecable Capital Holding, S.L.U. and Subsidiaries (the Group) for the years ended 31 December 2013 and 2014, which were prepared in accordance with International Financial Reporting Standards as adopted by European Union (EU-IFRSs) and authorised for issue by the Directors of Telecable Capital Holding, S.L.U. on 16 July 2015.

Group structure

The Subsidiary, which was fully consolidated for the purpose of preparing the special purpose interim condensed consolidated financial statements for the three months ended 31 March 2015, and individual information concerning it, is as follows:

31 March 2015

		Percentage ownership interest	Thousands of euros Company data(*)			
Company	Business and registered office	Direct and indirect	Share capital	Reserves	Prior years losses	Profit/ (loss) for the period
Telecable de Asturias, S.A.	Telecommunications services (Asturias)	82.71%	34,056	(8,487)	(1,122)	919

(*) (Unaudited)

31 December 2014

		Percentage ownership interest	Thousands of euros Company data(*)			
Company	Business and registered office	Direct and indirect	Share capital	Reserves	Prior years losses	Profit/ (loss) for the year
Telecable de Asturias, S.A.	Telecommunications services (Asturias)	82.71%	55,380	26,541	(6,870)	5,748

(*) (Unaudited)

Reporting period for consolidated companies-

The reporting period of the Subsidiary and also of the Parent is the calendar year. However, the reporting date for preparing the interim condensed consolidated financial statements of both the Parent and the Subsidiary is 31 March 2015.

The data supplied in the table above were obtained from the unaudited separate financial statements of the consolidated companies prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU).

Composition of the scope of consolidation-

At 31 March 2015 the scope of consolidation included the subsidiary Telecable de Asturias S.A., in which TCH holds an 82.71% stake. Pursuant to the consolidation criteria described in Note 2.d, TCH controls this company.

2. Basis of presentation of the special-purpose interim condensed consolidated financial statements

a) Basis of presentation-

The Group prepared its financial statements in accordance with generally accepted accounting principles in Spain (''PGC'') for previous reporting periods and the year ended 31 December 2014. Moreover, on 24 March 2015 the Directors of the Parent drew up the consolidated financial statements of the Telecable Group pursuant to Regulations for the Preparation of Consolidated Financial Statements adopted by Royal Decree 1159/2010.

Subsequently, on 16 July 2015, the Parent's Directors authorised for issue special-purpose consolidated financial statements for the years ended 31 December 2013 and 2014 prepared in accordance with the ''EU-IFRSs'', applying the consolidation, accounting and measurement principles, policies and bases set forth in Notes 2 and 4 to the special-purpose consolidated financial statements.

Therefore, these special-purpose interim condensed consolidated financial statements for the three-month period ended 31 March 2015 are presented in accordance with IAS 34, Interim Financial Reporting. This interim condensed consolidated financial information was prepared on the basis of the accounting records held by the Group.

This interim financial information is intended to provide an update on the content of the special-purpose consolidated financial statements for the years ended 31 December 2013 and 2014 prepared by the Directors of the Parent, focusing on new activities, events and circumstances that took place in the three-month period ended 31 March 2015, without duplicating information. Consequently, these special-purpose interim condensed consolidated financial statements do not include all the information required in a complete set of financial statements prepared in accordance with EU-IFRSs. Therefore, in order to properly understand the information included in these special-purpose interim condensed consolidated financial statements, they should be read in conjunction with the special-purpose consolidated financial statements for the years ended 31 December 2013 and 2014.

b) Entry into force of new accounting standards-

The most significant standards, amendments and interpretations that had been published by the IASB at 31 March 2015 but that had not yet come into force, either because their effective date is subsequent to the date of the special-purpose interim condensed consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
Approved for use in the European Union		
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendments permit contributions to be recognised as a reduction in the service cost in the period in which payment for the related service is made if certain requirements are met	1 February 2015[(1)]
Annual improvements to the IFRS 2010-2012 Cycle (published in December 2013)	Minor amendments to certain standards	1 February 2015[(2)]
Not approved for use in the European Union		
IFRS 9 Financial Instruments	Replaces the requirements for the classification, measurement and derecognition of financial assets and financial liabilities under IAS 39	1 January 2018
IFRS 14 Regulatory Deferral Accounts	Financial reporting requirements for the balances of regulatory deferral accounts arising when a company provides goods or services to customers at a price or tariff subject to rate regulation	1 January 2016
IFRS 15 Revenue from Contracts with Customers	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	1 January 2017
Amendments to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortisation	Clarifies acceptable methods of depreciation of property, plant and equipment and amortisation of intangible assets	1 January 2016
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	Specifies how to account for acquisitions of interests in joint operations whose activity constitutes a business	1 January 2016
Annual improvements to the IFRS 2012-2014 Cycle	Minor amendments to certain standards	1 January 2016
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate/Joint Venture	Clarification concerning the outcome of these operations in the case of businesses or assets	1 January 2016
Amendments to IAS 27 Equity Method in Separate Financial Statements	The equity method will be permitted in an investor's individual financial statements	1 January 2016
Amendments to IAS 16 and IAS 41: Production Plants	Production plants will be measured at cost instead of fair value	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment companies: clarification concerning consolidation exceptions for investment companies	1 January 2016
Amendments to IAS 1	Disclosure initiative: miscellaneous clarifications concerning disclosures (materiality, aggregation, order of notes etc.)	1 January 2016

(1) The European Union endorsed IAS 19, replacing the original effective date established by the IASB (1 July 2014) with that of 1 February 2015.

(2) The European Union endorsed improvements to the IFRS 2010-2012 Cycle, replacing the original effective date established by the IASB (1 July 2014) with that of 1 February 2015.

None of the standards mentioned above was applied early in the first quarter of 2015. The Group is beginning to assess the potential impact of the future application of these standards. In the initial analysis, the Group considers that they should not have a significant impact on these special-purpose interim condensed consolidated financial statements.

All the accounting principles or measurement bases with a material effect on the special-purpose interim condensed consolidated financial statements were applied in their preparation.

c) Critical issues regarding information and estimation of uncertainties-

The information contained in these special-purpose interim condensed consolidated financial statements is the responsibility of the Directors of the Parent.

In the preparation of the special-purpose interim condensed consolidated financial statements, estimates have occasionally been used by the Directors of the Parent to measure certain assets, liabilities, revenues, expenses and commitments recognised therein. These estimates, made on the basis of the best available information, refer to the same aspects detailed in the special-purpose consolidated financial statements for the years ended 31 December 2013 and 2014 prepared in accordance with EU-IFRSs.

Although these estimates were based on the best information available at 31 March 2015, it is possible that future events may require these to be amended (raised or lowered) in the coming years. This would be done as per IAS 8, i.e. prospectively, recognising the effects of the changes in accounting estimates in the consolidated financial statements concerned.

In the three-month period ended 31 March 2015, there were no significant changes in the estimates made at the end of 2014.

d) Consolidation principles and changes in the scope of consolidation-

The consolidation principles used in the preparation of these special-purpose interim condensed consolidated financial statements are consistent with those used in the preparation of the special-purpose consolidated financial statements for the years ended 31 December 2013 and 2014 prepared in accordance with EU-IFRSs.

e) Changes in measurement bases-

In the three-month period ended 31 March 2015, there were no changes in accounting policies and measurement bases with respect to the policies and bases applied in the preparation of the special-purpose consolidated financial statements for the years ended 31 December 2013 and 2014 prepared under EU-IFRSs.

f) Comparative information-

In accordance with IAS 34, Interim Financial Reporting, adopted by the European Union, the Parent's Management presents, for comparison purposes only, together with the interim condensed consolidated balance sheet as at 31 March 2015, that relating to the reporting date for the immediately preceding year (31 December 2014). In addition, together with each item in the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, as well as the consolidated figures relating to the three-month period ended 31 March 2015, those relating to the three-month period ended 31 March 2014 are presented.

g) Seasonality of the Group's transactions-

In view of the business activities carried on by the Group, its transactions are not cyclical or seasonal in nature. Therefore, no specific disclosures are included in these explanatory notes to the interim condensed consolidated financial statements for the three-month period ended 31 March 2015.

h) Materiality-

In determining the disclosures to be made on the various items in the financial statements or other matters, the Group, in accordance with IAS 34, took into account their materiality in relation to the interim condensed consolidated financial statements for the period.

i) Going concern principle-

As reported in the consolidated balance sheet, the current liabilities of the Group are greater than its current assets, which is a common operational characteristic of companies in the same industry due to the time lag between collection and payment dates in commercial transactions. In the opinion of the Directors of the Parent, the Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and no difficulties are envisaged in settling its payables at their due date.

At 31 March 2015 the Group's equity was negative in the amount of EUR 37 million. As disclosed in Note 12 to the consolidated financial statements, TCH has a loan agreement with CEP III Investment 18 Finance S.à r.l. (its "Sole Shareholder"). This loan may, with the previous approval of CEP III Investment's shareholders, become equity if the legal conditions

defined in Article 363 of the Spanish Limited Liability Companies Law (''Ley de Sociedades de Capital'') arise. The Directors of the Parent have no reason to believe that in the foreseeable future the legal conditions of such article will be present to trigger the need of capitalising its Sole Shareholder's loan.

As highlighted in Note 9 to the consolidated financial statements, the Group has available loan facilities to meet its liquidity requirements as necessary. There are no problems envisaged in repaying long-term debt and, in case of refinancing, no matters have been drawn to the Group's attention to suggest that renewal may not be forthcoming on acceptable terms.

After considering the above, the Directors of the Parent have, at the time of approving these special-purpose interim condensed consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these special-purpose consolidated financial statements.

3. Goodwill

During the three months ended 31 March 2015 there were no material changes to this item in the interim condensed consolidated balance sheet. At 31 March 2015, the Group had recognised goodwill of EUR 152,990,147 as a result of the business combination created in 2011, and no valuation adjustments were made to this in 2015.

4. Intangible assets

The changes to this item in the interim condensed consolidated balance sheet during the three months ended 31 March 2015 were as follows:

	Euros		
	31/12/2014	**Additions or allowances**	**31/03/2015**
Cost-			
Development costs	3,592,077	—	3,592,077
Rights to use	2,364,551	—	2,364,551
Patents, licences, trademarks and similar	13,651,924	1,549	13,653,473
Computer software	30,026,431	512,041	30,538,472
Other intangible assets	111,842,286	1,671,803	113,514,089
Cost of contracts with customers	*15,912,944*	*1,671,803*	17,584,747
Customer relations	*92,702,000*	—	*92,702,000*
Other	*3,227,342*	—	*3,227,342*
Advances and film rights over ongoing productions	120,704	190,668	311,372
	161,597,973	**2,376,061**	**163,974,034**
Accumulated amortisation-			
Development costs	(1,111,600)	(138,647)	(1,250,247)
Rights to use	(556,332)	(35,949)	(592,281)
Patents, licences, trademarks and similar	(1,408,433)	(114,196)	(1,522,629)
Computer software	(25,563,959)	(762,093)	(26,326,052)
Other intangible assets	(52,196,619)	(4,185,340)	(56,381,959)
Cost of contracts with customers	*(11,908,980)*	*(1,570,987)*	*(13,479,967)*
Customer relations	*(37,748,333)*	*(2,505,486)*	*(40,253,819)*
Other	*(2,539,306)*	*(108,867)*	*(2,648,173)*
	(80,836,943)	**(5,236,225)**	**(86,073,168)**
Intangible assets, net	**80,761,030**		**77,900,866**

Main investments

The main additions during the three months ended 31 March 2015 were the cost of acquisition of contracts with customers in the amount of EUR 1,671,803 and development of software necessary to Group activity in the amount of EUR 512,041.

Intangible assets outside Spain

The Group does not have any intangible assets located outside Spain.

5. Property, plant and equipment

The changes in ''Property, plant and equipment'' in the interim condensed consolidated balance sheet during the three months ended 31 March 2015 were as follows:

	Euros			
	31/12/2014	**Additions or allowances**	**Disposals or write offs**	**31/03/2015**
Cost-				
Land and buildings	4,919,297	—	—	4,919,297
Headend	55,969,374	423,845	—	56,393,219
Backbone	18,050,973	76,041	—	18,127,014
Distribution centres	12,260,320	16,741	—	12,277,061
Nodes	10,519,011	3,542	—	10,522,553
Distribution network	77,609,012	459,496	—	78,068,508
Installation in homes	70,691,129	1,615,419	(600,000)	71,706,548
Customer-home equipment	49,855,227	1,237,618	(467,349)	50,625,496
Machinery	33,923	—	—	33,923
Tools	29,961	—	—	29,961
Furniture	1,585,193	—	—	1,585,193
Data processing equipment	3,847,856	152,176	—	4,000,032
Other fixtures and other items of property, plant and equipment	12,966,058	35,134	—	13,001,192
Work in progress	733,132	1,695,340	—	2,428,472
	319,070,466	**5,715,352**	**(1,067,349)**	**323,718,469**
Accumulated depreciation-				
Buildings	(1,181,929)	(25,674)	—	(1,207,603)
Headend	(40,092,151)	(947,874)	—	(41,040,025)
Backbone	(8,561,473)	(239,711)	—	(8,801,184)
Distribution centres	(10,661,813)	(100,384)	—	(10,762,197)
Nodes	(9,324,580)	(108,082)	—	(9,432,662)
Distribution network	(39,710,663)	(1,096,512)	—	(40,807,175)
Installation in homes	(41,302,142)	(1,340,330)	—	(42,642,472)
Customer-home equipment	(35,113,121)	(1,052,072)	460,692	(35,704,501)
Machinery	(32,013)	(132)	—	(32,145)
Tools	(27,639)	(229)	—	(27,868)
Furniture	(1,346,304)	(15,929)	—	(1,362,233)
Data processing equipment	(3,263,273)	(105,092)	—	(3,368,365)
Other fixtures and other items of property, plant and equipment	(3,352,116)	(117,620)	—	(3,469,736)
	(193,969,217)	**(5,149,641)**	**460,692**	**(198,658,166)**
Impairment of property, plant and equipment	**(104,955)**	**—**	**—**	**(104,955)**
Property, plant, and equipment, net	**124,996,294**			**124,955,348**

Main investments

The most significant additions during the three months ended 31 March 2015 relate to the acquisition of infrastructure and equipment for developing the cable network, the acquisition and modernisation of equipment installed in customers' homes, and all the items comprising the Group's operational infrastructure.

At 31 March 2015, work in progress related mainly to equipment not yet installed in customers' homes.

Assets written off in the year

The main assets written off during the three months ended 31 March 2015 related to:

- Installations in subscribers' homes with a carrying amount of EUR 600,000;
- Customer-home equipment with a carrying amount of EUR 6,657.

The result associated with the assets written off in the period was recognised under "Impairment losses and gains/(losses) on disposal of non-current assets" in the accompanying interim condensed consolidated statement of comprehensive income.

Capital expenditure commitments

At 31 March 2015 the Group had commitments to acquire items of property, plant and equipment amounting to EUR 1,422,959.

Property, plant and equipment outside Spain

The Group does not have any items of property, plant and equipment located outside Spain.

Policy regarding insurance

It is Group policy to take out insurance policies to cover the potential risks which might affect the items of its property and equipment. At 31 March 2015, the Parent's Directors consider that the coverage taken out is sufficient to cover the risks relating to the Group's activity.

Finance leases

At 31 March 2015, the Group did not hold any assets under finance leases.

Operating leases

Information related to operating leases is provided in Note 14.e.

6. Financial assets

"Financial assets" at 31 March 2015 and 31 December 2014 are as follows:

	Euros	
	31/03/2015	**31/12/2014**
Equity instruments	1,715	1,715
Other financial assets (Note 12)	1,585,058	4,164,393
Non-current financial assets	**1,586,773**	**4,166,108**
Trade and other receivables	7,421,752	6,484,199
Investments in Group companies (Note 12)	32,194	32,188
Other financial assets	56,846	52,223
Cash and cash equivalents	12,649,523	21,092,500
Current financial assets	**20,160,315**	**27,661,110**

Non-current financial assets-

"Non-current financial assets – Other financial assets" in the foregoing table mainly consists of the balance receivable on the loan granted on 22 February 2013 to certain members of the management team for a total amount of EUR 3,760,048. This loan matures in 2030 and earns interest at an

annual rate of 5%. The balance receivable at 31 December 2014 amounted to EUR 4,121,857. In the first three months of 2015, the Group collected EUR 2,591,199 on this loan. Furthermore, the interest earned in the three-month period ended 31 March 2015, which was receivable at that date, amounted to EUR 11,864 and was recognised under ''Finance income'' in the accompanying interim condensed consolidated statement of comprehensive income for the period.

Trade and other receivables-

''Trade and other receivables'' in the accompanying interim condensed consolidated balance sheet at 31 March 2015 and 31 December 2014 is as follows:

	Euros	
	31/03/2015	**31/12/2014**
Trade receivables for sales and services	9,335,417	8,064,700
Impairment on trade receivables	(1,915,165)	(1,581,351)
Prepayments – employees	1,500	850
Total	**7,421,752**	**6,484,199**

The changes in impairment losses on trade receivables in the three months ended 31 March 2015 were as follows:

	Euros		
	31/12/2014	**Charge for the period (Note 14.e)**	**31/03/2015**
Impairment on trade receivables	1,581,351	333,814	1,915,165

In the three months ended 31 March 2015 the Group recognised impairment losses on trade receivables deemed difficult to recover in the amount of EUR 333,814. This amount was recognised under ''Other operating expenses'' in the accompanying interim condensed income statement (Note 14-e).

At 31 March 2015, the amount of the past-due balances not considered to be impaired, whether or not in past-due, was not material.

At 31 March 2015 the difference between the fair value and the carrying amount of the trade receivables is not significant.

Cash and cash equivalents-

''Cash and cash equivalents'' in the accompanying interim condensed consolidated balance sheet at 31 March 2015 and 31 December 2014 is as follows:

	Euros	
	31/03/2015	**31/12/2014**
Cash	4,148,823	4,316,958
Cash equivalents	8,500,700	16,775,542
Total	**12,649,523**	**21,092,500**

At 31 March 2015 the Group had classified EUR 8,500,700 as ''Cash equivalents'', relating to term deposits that form part of the Group's usual treasury management with an original maturity of less than three months. The carrying amount of these assets approximates their fair value. There are no restrictions as to their use.

These financial balances earn interest at prevailing market rates.

At 31 March 2015 the Group did not hold any cash or cash equivalents outside Spain.

7. Financial instruments

Capital management-

The Group's objective with regard to capital management is to safeguard its ability to continue as a going concern, obtain shareholder return and maintain an optimum capital structure. The Group monitors capital with respect to its level of debt and other financial ratios in line with practices for the industry. The average gearing ratio (Debt / EBITDA) is 3.31 for the Group.

The Group's optimum level of debt is not set on the basis of an overall ratio of debt to equity, but rather in relation to the objective to maintain a level of debt that enables the Group to continue to manage its activity normally, to maintain levels of debt that are in line with the forecast future cash flows, and to meet the quantitative restrictions imposed on it under its financing agreements.

None of the Group's financing agreements establishes specific restrictions with regard to debt, except for that mentioned in Note 9 in relation to compliance with certain covenants.

Information on the nature and level of risk of financial instruments-

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of financial markets and attempts to minimise the potential adverse effects on its profitability. The Finance Department controls and monitors financial risk management in accordance with the internal policy and the strategic plan defined by the Board of Directors. The main financial risks to which the Group is exposed are as follows:

Cash flow interest rate and fair value interest rate risk

The Group's interest rate risk arises mainly from non-current borrowings. Borrowings raised at floating rates expose the Group to interest rate risk on cash flows. However, fixed-rate borrowings expose the Group to fair value interest rate risk. During the three months ended 31 March 2015 the Group's floating-rate borrowings were denominated in euros and, therefore, there was no exposure to foreign currency risk.

The Group manages cash flow interest rate risk arising from floating-rate bank borrowings through interest rate swaps from floating to fixed rates. These interest rate swaps serve to convert borrowings from floating to fixed rates. In general, the Group obtains long-term borrowings at floating interest rates and then enters into interest rate swaps to convert them to fixed rates which are lower than those that would have been available had the Group obtained the borrowings directly at fixed interest rates. Under the interest rate swap agreements, the Group undertakes with other parties to swap at specified intervals (generally quarterly) the difference between the fixed interest rates and the floating interest calculated based on the notional principal contracted.

Information on the funding received and managed by the Group at 31 March 2015 is disclosed in Note 9. Of this funding, the loan entered into with a bank syndicate bears a market-indexed floating interest rate. The Group enters into interest rate swaps on this debt in order to obtain a fixed interest rate (see the "Derivative financial instruments" section in this Note below). Therefore the overall net changes in interest rates would not have a significant impact on the Group's interim condensed consolidated financial statements.

Changes in the fair value of interest rate derivatives entered into by the Group are dictated by changes in the long-term Euribor and swaps curves. The table below shows the sensitivity (changes in fair value) of the fair values of derivatives to changes in the euro interest rate curve. The Group regards a reasonable change to be between +0.5% and -0.1%.

Sensitivity (in euros, before tax)	**31/03/2015**	**31/12/2014**
+0.5% (rise in the interest rate curve)	257,977	397,925
-0.1% (fall in the interest rate curve)	(51,789)	(80,108)

The sensitivity analysis shows that the negative fair value of interest rate derivatives decreases when interest rates rise, and, therefore, the Group would offset rises in interest rates on its funding. When interest rates fall, the negative fair value of these derivatives would increase.

Credit risk

Credit risk arises from cash and cash equivalents, deposits at banks and financial institutions and trade receivables. The Group uses the ratings awarded by independent agencies with regard to banks and financial institutions. If customers have been rated independently, these ratings are used.

Otherwise, if there is no independent rating, the Group assesses the customer's credit rating taking into account its financial situation, past experience and other factors. Individual credit limits are set on the basis of the external and internal credit ratings, and the use of these limits is monitored regularly.

The amount of the write-downs on trade receivables recognised by the Group at 31 March 2015 and 31 December 2014 was EUR 1,915,165 and EUR 1,581,351, respectively (Note 6). These referred to the trade receivables past due by more than 180 days at year-end since the Group had doubts as to their collectability.

Management believes that the unimpaired accounts receivables are collectible based on the historical payment behaviour and extensive analysis of customer credit risk. Besides, the Group does not have significant concentrations of credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Management Committee, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies holding sufficient cash and marketable securities and the availability of financing through a sufficient level of available credit lines. Management monitors the company's liquidity reserve forecasts based on expected cash flows and continuously assesses whether there is an adequate matching of projected cash flows inflows with projected cash outflows.

The funding held by the Group at 31 March 2015 is disclosed in Note 9 together with the details of additional undrawn loan facilities that the Group has at its disposal to further reduce liquidity risk. The Group uses its syndicated loan or funding from related parties to cover any mismatch in the timing of cash flows and any liquidity needs as part of its operating and investing activities.

At 31 March 2015, the Group also had cash and cash equivalents amounting to EUR 12,6 million (31 December 2014: EUR 21 million) approximately.

Notes 9 and 10 provide a classification, by maturity, of the financial liabilities.

Financial instrument categories-

The classification by category of the financial instruments held by the Group at 31 March 2015 and 31 December 2014 is as follows:

	Euros			
	31/03/2015		31/12/2014	
	Current	Non-current	Current	Non-current
Loans and receivables	7,421,752	1,542,522	6,484,199	4,121,857
Equity instruments	—	1,715	—	1,715
Other financial assets	89,040	42,536	84,411	42,536
Cash and cash equivalents	12,649,523	—	21,092,500	—
Financial assets (Note 6)	**20,160,315**	**1,586,773**	**27,661,110**	**4,166,108**

	Euros			
	31/03/2015		31/12/2014	
	Current	Non-current	Current	Non-current
Bank borrowings (Note 9)	5,314,498	271,415,389	5,772,032	193,775,152
Trade and other payables (Note 10)	18,578,186	—	21,660,192	—
Derivative financial instruments	1,337,613	—	1,744,185	—
Other financial liabilities (Notes 10 and 12)	15,071,754	87,461,361	20,267,520	156,552,778
Financial liabilities	**40,302,051**	**358,876,750**	**49,443,929**	**350,327,930**

Fair value of financial instruments-

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An analysis is provided below of financial instruments measured at fair value at 31 March 2015, subsequent to their initial recognition, classified in levels 1 to 3, depending on the fair value measurement method:

- Level 1: their fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.
- Level 2: their fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

The financial instruments recognised at fair value held by the Group at 31 March 2015 and 31 December 2014 are derivatives that are classified for fair value measurement purposes in category 2.

For the measurement of derivative financial instruments, the Group uses their fair value based on market conditions at the end of the period. The fair value of interest rate swaps is calculated by discounting at a market interest rate the difference between swap rates.

IFRS 13, Fair Value Measurement, which was approved in 2013, establishes a new definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Since this definition is based on the concept of the transfer of a liability to a market participant, own credit risk should be taken into consideration in the fair value of liabilities and counterparty credit risk should be taken into consideration in the fair value of assets.

Therefore, the fair value of derivative financial instruments was calculated including credit risk (own credit risk in the case of liability derivatives and counterparty risk in the case of asset derivatives).

In order to determine the adjustment for credit risk, a technique was applied based on the calculation, using simulations, of the total expected exposure (which includes both current and potential exposure) adjusted for the probability of default over time and for loss given default (or potential loss) assigned to the Group and to each counterparty. The total expected exposure of the derivatives is obtained by using observable market inputs, such as interest rate, exchange rate and volatility curves based on the market conditions at the measurement date.

The inputs applied in order to obtain own and counterparty credit risk (calculation of probability of default) are based mainly on the application of the Group's own credit spreads and those of comparable companies currently traded on the market (CDS curves, IRR of debt issues).

The application of this methodology did not have a significant impact on the measurement of derivative financial instruments.

During the three months ended 31 March 2015 changes were made to the classification of financial instruments among the established categories.

The Group's Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the interim condensed consolidated financial statements are similar to their fair values.

Derivative financial instruments-

At 31 March 2015 and 31 December 2014 details of the interest rate derivatives entered into by the Group are as follows:

			Euros			
			Fair value			
			31/03/2015		31/12/2014	
Entity	Year of maturity	Derivative financial instrument	Assets	Liabilities	Assets	Liabilities
BNP	2015	Swap	—	668,807	—	872,093
Unicredit	2015	Swap	—	668,806	—	872,092
			—	**1,337,613**	**—**	**1,744,185**

The fair value of the derivatives entered into at 31 March 2015 amounted to EUR 1,338 thousand. This amount was recognised under ''Current payables – Derivatives'' under current liabilities in the accompanying interim condensed consolidated balance sheet at 31 March 2015. The same amount was recognised in income under ''Change in the fair value of financial instruments'' in the income statement, since these items do not qualify for hedge accounting.

At 31 March 2015 the nominal value of the derivatives stood at EUR 110 million.

The Group did not consider the impact of the credit risk adjustment to be material.

8. Equity and Shareholders' equity

a) Share capital-

In the three-month period ended 31 March 2015, no changes occurred in the share capital structure of the Group's Parent, which stood at EUR 342,000 and was represented by 11,400 fully subscribed and paid shares of EUR 30 par value each, numbered consecutively from 1 to 11,400, both inclusive, of which 11,300 shares had a fully paid share premium of EUR 2,978.85 each.

There are no privileges or restrictions relating to these shares or restrictions affecting the receipt of dividends or the reimbursement of capital.

The Parent's capital structure at 31 March 2015 is as follows:

	Ownership interest
CEP III Investment 18 S.à r.l.	**100%**

In turn, the ultimate shareholder of CEP III Investment 18 S.à r.l. is a European venture capital company controlled by the Carlyle Group.

b) Profit/(loss) for the period attributable to the Parent-

The contribution of each company included in the scope of consolidation to the three months periods ended 31 March 2015 and 2014 consolidated results is as follows (in euros):

From 1 January to 31 March 2015

Company	Accounting profit/(loss)	Consolidation adjustments	Profit/(loss) attributable to non-controlling interests	Profit/(loss) attributable to the Parent
Telecable Capital Holding, S.L.U.	(2,597,059)	(421,978)	—	(3,019,037)
Telecable de Asturias, S.A.	919,146	(91,055)	(143,205)	684,886
	(1,677,913)	**(513,033)**	**(143,205)**	**(2,334,151)**

From 1 January to 31 March 2014

Company	Accounting profit/(loss)	Consolidation adjustments	Profit/(loss) attributable to non-controlling interests	Profit/(loss) attributable to the Parent
Telecable Capital Holding, S.L.U.	(3,565,810)	—	—	(3,565,810)
Telecable de Asturias, S.A.	430,671	(65,159)	(63,197)	302,315
	(3,135,139)	**(65,159)**	**(63,197)**	**(3,263,495)**

c) Non-controlling interests-

The balance of "Non-controlling interests" in the interim condensed consolidated balance sheet reflects the value of non-controlling interests in fully consolidated Group companies. Furthermore, the balance of "Profit/(loss) attributable to non-controlling interests" in the interim condensed consolidated statement of comprehensive income represents their share of the result for the period.

The changes in "Non-controlling interests" in the interim condensed consolidated balance sheet during the three months ended at 31 March 2015 and 2014 were as follows:

From 1 January to 31 March 2015

	Euros			
	Opening balance	Additions	Corporate transactions	Closing balance
Telecable de Asturias, S.A.	(6,999,332)	143,205	(9,741,770)	(16,597,897)

The effect of the corporate transactions in the 2015 period described in Note 1 on the Group's equity amounted to EUR 9,741,770, which was recognised with a charge to "Non-controlling interests" in the accompanying interim condensed consolidated balance sheet at 31 March 2015, and is equal to the ownership interest held in the treasury shares of the subsidiary TCA.

From 1 January to 31 March 2014

	Euros			
	Opening balance	Additions	Disposals	Closing balance
Telecable de Asturias, S.A.	(2,989,410)	63,197	—	(2,926,213)

9. Bank borrowings

The breakdown of "Bank borrowings" at 31 March 2015 and 31 December 2014 is as follows:

	Euros				
		Amortised cost			
	Amount granted / limit	31/03/2015		31/12/2014	
		Non-current	Current	Non-current	Current
Syndicated loan	252,611,224	220,457,668	5,000,000	143,662,605	5,438,528
Other bank borrowings	50,000,000	50,000,000	—	50,000,000	—
Interest payable and other	—	957,721	314,498	112,547	333,504
Total		**271,415,389**	**5,314,498**	**193,775,152**	**5,772,032**

Syndicated loan-

On 28 December 2011, a loan was entered into with a syndicate of banks for an overall amount of EUR 218,500,000.

In relation to this funding, the Group pledged as securities rights on bank accounts and insurance policies, rights on certain service agreements without transferring the right to receive the cash flows, and a mortgage promise on certain assets such as the distribution network headend.

On 18 December 2014, TCA's Board of Directors resolved to amend the financing agreement through novation, extending the average life of the loan, lowering annual principal repayments, tightening loan spreads, and establishing lower, more flexible financial covenants. As a result of these amendments, the Group obtained a new tranche of debt. At year-end, it had not drawn down on this new tranche, which has been used in 2015 to pay the dividend. The average rate of the new financing drawn down at 31 March 2015 was approximately Euribor plus 4.25%.

Following the events described above, at 31 March 2015 the financing agreement was divided into the following tranches, by purpose, applicable interest rate and maturity:

Tranche	Maximum amount (Euros)	Amount drawn down at 31 March 2015 (Euros)	Amount available at 31 March 2015 (Euros)	Repayment
A	25,000,000	25,000,000	—	According to the schedule until 2018
C	130,411,224	130,411,224	—	Single, on maturity in 2019
D	77,200,000	77,200,000	—	Single, on maturity in 2020
RCF	10,000,000	—	10,000,000	31 December 2018
CAPEX	10,000,000	—	10,000,000	31 December 2018
Total	**252,611,224**	**232,611,224**	**20,000,000**	

The clauses of this syndicated loan include certain ratios to be met in relation to the Group's consolidated financial information. The Company's Directors declare that at 31 March 2015 these ratios had been met in full.

Other bank borrowings-

As well as the syndicated loan, on the same date (28 December 2011) Liberbank granted a EUR 50,000,000 loan maturing in 2021, at which time the entire principal plus accrued interest, which will be capitalised and added to the principal amount payable, must be repaid. However, there is a mandatory early repayment clause obliging the Company to allocate $66^{2}/_{3}$ % of its annual cash surplus (as defined in the loan agreement) each financial year to repay the loan principal, provided that the latest debt coverage ratio (as defined in the senior financing agreement and calculated on a *pro forma* basis as if the repayment in question on the loan had already taken place) is equal to or less than 2 and that there is no non-compliance with the syndicated loan (to which it is subordinated) that has not been remedied or allowed by the banks comprising the syndicate, and that such non-compliance with the senior financing agreement did not occur as a result of the payment in question. The conditions for having to repay early this loan have not been met.

The annual interest rate applicable to the agreement fell from 7.5% in 2013 to 6.75% in 2014 and 2015.

The amount payable at 31 March 2015 was EUR 50,957,721.

Balance of the debt and repayment schedule-

The repayment schedule established for this debt at 31 March 2015 is as follows:

Maturing in	Euros
2015	5,314,498
2016	6,250,000
2017	6,250,000
2018	7,500,000
2019 and subsequent years	251,415,389
	276,729,887

The Company recognises the costs associated with obtaining these loans by decreasing the amount drawndown and subsequently recognising them in income using the effective interest method. At 31 March 2015, the amount not yet allocated stood at EUR 7,153,553, and EUR 367,063 had been allocated in the three-month period ended 31 March 2015.

During the three months ended 31 March 2015 the interest expense accrued by the Group on the syndicated loan, by applying an interest rate of one-month Euribor plus a market spread, amounted to EUR 2,237,029. Also, the Liberbank loan generated interest amounting to EUR 845,174. These two amounts were recognised under ''Finance costs'' in the accompanying interim condensed statement of comprehensive income for the three months ended 31 March 2015 (Note 14-f).

10. Other non-current and current financial liabilities

Other non-current financial liabilities-

The breakdown of ''Non-current payables – Other financial liabilities'' at 31 March 2015 and 31 December 2014 is as follows:

	Euros	
	31/03/2015	**31/12/2014**
Advances refundable to the Ministry of Industry	313,008	311,356
Long-term guarantees	26,103	16,102
Payables to Group companies and related parties (Note 12)	87,122,250	156,225,320
Total	**87,461,361**	**156,552,778**

Advances refundable to the Ministry of Industry

On 19 September 2005, the Ministry of Industry, Tourism and Trade granted the Group an interest-free loan amounting to EUR 351,946, repayable over 13 years, with a three-year capital repayment grace period. The portion of this loan maturing in over a year, EUR 100,165, was recognised under ''Non-current payables'' and the portion maturing in next twelve months, EUR 35,195, was

recognised under ''Current payables'' in the interim condensed consolidated balance sheet at 31 March 2015 (31 December 2014: EUR 99,569 and EUR 35,195, respectively).

In addition, on 2 December 2008, the Ministry of Industry, Tourism and Trade granted the Group an interest-free loan amounting to EUR 535,020, repayable over 15 years, with a three-year capital repayment grace period. The portion of this loan maturing in over a year, EUR 212,843, was recognised under ''Non-current payables'' and the portion maturing in next twelve months, EUR 29,151, was recognised under ''Current payables'' in the interim condensed consolidated balance sheet at 31 March 2015 (31 December 2014: EUR 211,787 and EUR 29,151, respectively).

Trade and other payables-

The breakdown of ''Trade and other payables'' at 31 March 2015 and 31 December 2014 is as follows:

	Euros	
	31/03/2015	**31/12/2014**
Payable to suppliers	8,457,541	8,943,367
Sundry accounts payable	9,295,338	11,133,947
Payable to employees	780,704	1,530,959
Customer advances	44,603	51,919
Total	**18,578,186**	**21,660,192**

The carrying amount of these liabilities approximates their fair value.

Other current financial liabilities-

The breakdown of ''Current payables – Other financial liabilities'' at 31 March 2015 and 31 December 2014 is as follows:

	Euros	
	31/03/2015	**31/12/2014**
Advances refundable to the Ministry of Industry	64,346	64,346
Current payables to suppliers of fixed assets (Notes 4 and 5)	15,007,619	15,242,429
Dividends payable	—	4,957,636
Other	(211)	3,109
Total	**15,071,754**	**20,267,520**

The balances relating to refundable advances, amounting to EUR 64,346 at 31 March 2015 and 31 December 2014, relate to amounts payable in the short term arising from the subsidised loans referred to in ''Other non-current financial liabilities'' above in this Note.

At 31 March 2015, the amount recognised under ''Current payables to suppliers of fixed assets'', EUR 15,007,619, relates mainly to investments made in fixed assets in 2014 (31 December 2014: EUR 15,242,429).

The amount recognised under ''Dividends payable'' at 31 December 2014, EUR 4,957,636, relates to the amount payable to non-controlling interests as a result of the dividend distribution agreement entered into in December 2014, which was paid in 2015 (see Note 1).

11. Tax matters

Reconciliation of accounting loss to income tax expense-

The reconciliation of accounting loss to the income tax expense is as follows:

	Euros	
	Period 2015	**Period 2014**
Consolidated loss for the year before tax	(2,970,905)	(4,571,790)
Tax calculated at the standard tax rate of 30% (2014) and 28% (2015)	**(831,853)**	**(1,371,537)**
Tax effect on non-taxable revenues	(118,153)	—
Consolidation adjustments	(167,888)	(57,050)
Exemption application of Article 30.6	—	(1,356,513)
Others	2,159	—
Total income tax expense/(rebate) recognised in the income statement	**(779,959)**	**(2,785,100)**
Average effective rate calculated on the result before tax	**26%**	**61%**

(*) On 31 March 2015, an adjustment of EUR 62,225 was made in relation to tax assets and liabilities that were not recoverable by the Group.

12. Balances and transactions with related parties

The transactions and balances between the Parent and its subsidiary, which are related parties of the Company, were eliminated on consolidation and are not included in this Note. Transactions between the Group and other related parties are broken down below.

Transactions with related parties-

The most significant transactions with related parties during the three months ended 31 March 2015 and 2014 are as follows:

	Euros	
	2014	**2013**
Expenses-		
Finance leases	—	(5,337)
Leasing of premises	(9,588)	(9,569)
Financial services	(46,342)	(51,728)
Interest on loans	(845,174)	(1,101,359)
Interest on loans – CEP	(4,196,930)	(5,078,743)
Income-		
Income from telecommunications services	1,086,868	1,027,950
Finance income	24,998	16,972

(*) With the exception of the interest on the loan with CEP III Investment 18 S.à.r-l (''CEP'' – TCH Parent), all transactions contained in the above table are associated with Liberbank (TCA Shareholder).

Balances with related parties-

The breakdown of the balance sheet balances with related parties at 31 March 2015 and 31 December 2014 is as follows:

	Euros	
Heading/Company	**31/03/2015**	**31/12/2014**
Cash and cash equivalents-		
Liberbank, S.A.	9,571,742	19,842,545
Non-current financial assets-		
Other financial assets (Note 6)	1,542,522	4,121,857
Current investments in Group companies		
Current investments in Group companies (Note 6)	32,194	32,188
Non-current bank borrowings-		
Liberbank, S.A. (Note 9)	(50,957,721)	(50,112,547)
Loans-		
CEP III Investment 18 Finance S.à r.l. (Note 10)	(87,122,250)	(156,225,320)

On 28 December 2011, the Group signed a subordinated loan agreement for the sum of EUR 102,000,000 with CEP III Investment 18 Finance S.à r.l. This loan accrues interest at an annual rate of 15% and has an established term of 20 years, at the end of which the total of the principal plus the sum of the accrued and unpaid interest must be returned. Notwithstanding the foregoing, the aforementioned agreement envisages that this loan may, in accordance with Royal Decree Law 7/1996, of 7 June, become equity at the decision of the lender if the legal conditions defined in Article 363 of the Spanish Limited Liability Companies Law (''Ley de Sociedades de Capital'') arise. In the first three months of 2015, a partial early repayment amounting to EUR 73,300,000 was made on this loan (see Note 1). As a result, the amount payable on the loan, as well as EUR 58,422,250 (EUR 54,225,320 at 31 December 2013) accrued by way of interest, were recognised under ''Non-current liabilities – Payables to Group companies and related parties'' in the interim condensed consolidated balance sheet at 31 March 2015. The finance costs accrued on the loan in the three-month period ended 31 March 2015 amounted to EUR 4,196,930 and were recognised under ''Finance costs'' in the accompanying interim condensed consolidated income statement (see Note 14-f).

Remuneration of directors and senior executives-

During the three months ended 31 March 2015 there has not been any significant change related to the members of the Board of Directors and Senior Executives, and their remunerations.

13. Current prepayments and accruals

The breakdown of the balances registered at 31 March 2015 and 31 December 2014 in the heading ''Current prepayments'' on the assets side of the interim condensed consolidated balance sheet is as follows:

	Euros	
	31/03/2015	**31/12/2014**
Prepaid expenses for handsets	3,174,632	3,024,611
Other	530,323	51,178
Current prepayments	**3,704,955**	**3,075,789**

Moreover, the amount recorded in the heading ''Current accruals'' on the liabilities side of the attached interim condensed consolidated balance sheet corresponds to the deferred income for billings to customers for non-accrued services at the date of the balance sheet in accordance with the

measurement standard described in Note 4.1 to the consolidated financial statements for the years ended 31 December 2013 and 2014 in accordance with IFRS-EU.

14. Revenue and expenses

a) Revenue-

The breakdown of revenue by customer type for the three months ended 31 March 2015 and 2014 is as follows:

	Euros	
	Period 2015	**Period 2014**
Residential	24,806,918	25,209,597
Corporate	8,729,367	8,245,327
Total	**33,536,285**	**33,454,924**

The Group's revenue all arises in Spain.

The Group does not have any customer which represents more than 10% by revenue individually.

b) Other operating income-

The heading "Other operating income" for the three months ended 31 March 2015 amounts to EUR 206,747 (EUR 202,312 in the three months ended 31 March 2014) and contains, mainly, the income obtained by the Group arising from the provision of services referring to advertising and marketing campaigns run with different television channels for an amount of EUR 169,923 (EUR 189,084 in 2014).

c) Procurement-

The breakdown of the balance of this heading in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2015 and 2014 is as follows:

	Euros	
	Period 2015	**Period 2014**
Purchases of goods for resale	3,521,932	3,396,128
Purchases of raw materials and other consumables	3,783,279	3,643,949
Work performed by other companies	764,153	761,786
Total	**8,069,364**	**7,801,863**

The breakdown by origin of the purchases made by the Group in the three months ended 31 March 2015 and 2014 is as follows:

	Euros	
	Period 2015	**Period 2014**
Spain	7,536,786	7,296,605
Intra European Community	532,578	505,258
Total	**8,069,364**	**7,801,863**

d) Staff costs-

Details of the balance of this heading in the interim condensed consolidated income statement for the three months ended 31 March 2015 and 2014 are as follows:

	Euros	
	Period 2015	**Period 2014**
Wages, salaries and similar expenses	2,341,270	2,240,895
Social security costs	505,108	504,223
Total	**2,846,378**	**2,745,118**

e) Other operating costs-

The breakdown of this item in the interim condensed consolidated statement of comprehensive income for the three months ended 31 March 2015 and 2014 are as follows:

	Euros	
	Period 2015	**Period 2014**
Rent and royalties	757,215	757,816
Upkeep and repairs	1,386,658	1,434,555
Independent professional services	2,832,502	3,162,071
Transport expenses	1,516	250
Insurance premiums	25,396	18,928
Banking and similar services	96,529	93,662
Advertising	1,234,313	1,340,777
Utilities	232,994	173,194
Other operating expenses	199,912	218,021
Taxes other than income tax	305,954	421,019
Impairment of trade receivables (Note 6)	333,814	357,749
Other administrative expenses	330	150
Total	**7,407,133**	**7,978,192**

The expenses recorded in the "Rents and royalties" item from the above table mainly corresponds to:

- The expenses for the right to use the ducting owned by HC Energía, as well as the Principality of Asturias and various local councils, necessary for fibre optic cabling, with the expenses for the three months ended 31 March 2015 and 2014 having ascended to EUR 305,614 and EUR 306,646, respectively; and
- The copyright expenses which the Group incurs in order to be able to broadcast films, with the expenses incurred for the three months ended 31 March 2015 and 2014 having amounted to EUR 274,226 and EUR 289,559, respectively.

Additionally, this item contains, among others, the expenses for operating leases for the different offices and premises where the Group runs its business. At 31 March 2015 and 31 December 2014, the minimum lease payments that the Group has contracted with the lessors, in accordance with the current agreements in force, are not significant.

f) Finance costs-

The composition of this heading in the interim condensed consolidated statement of income for the three months ended 31 March 2015 and 2014 is as follows:

	Euros	
	Period 2015	**Period 2014**
Syndicated loan interest (Note 9)	2,604,092	2,682,240
Finance lease interest	—	5,337
CEP III loan interest (Note 12)	4,196,930	5,078,743
Liberbank loan interest (Note 9)	845,174	1,101,359
Restatement of refundable advances	1,653	1,904
Settlement of derivatives	447,370	459,160
Other finance costs	7,732	32,287
Total	**8,102,951**	**9,361,030**

15. Other disclosures

Collaterals and guarantees

With regards to the syndicated loan granted by different financial entities to the Group company "Telecable de Asturias, S.A.", the company Telecable Capital Holding, S.L.U. is the personal joint and several guarantor in addition to the assets pledged as securities described in Note 11.

Additionally, the Group has pledged collateral and given guarantees to third parties securing its compliance with commercial agreements for the provision of telecommunication services, which at 31 March 2015 and 31 December 2014 amounted to EUR 2,565 thousand and EUR 2,344 thousand, respectively.

Earnings per share

Basic earnings per share are calculated by dividing the result attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Details of the calculation of basic earnings per share are as follows:

	Euros	
	Period 2015	**Period 2014**
Result attributable to the Parent	(2,334,151)	(3,263,495)
Weighted average number of ordinary shares outstanding	11,400	11,400
Basic and diluted earnings per share	**(205)**	**(286)**

There are not dilutive effects and consequently there is no difference between basic and diluted earnings per share.

16. Events after the reporting period

No significant events have taken place from 31 March 2015 to the date of authorisation for issue of these special-purpose interim condensed consolidated financial statements.

17. Explanation added for translation to English

These special-purpose interim condensed consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) (see Note 2-a). Certain accounting practices applied by the Group that conform with EU-IFRSs may not conform with other generally accepted accounting principles and rules.

AUTHORISATION FOR ISSUE OF THE SPECIAL-PURPOSE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Directors of Telecable Capital Holding, S.L.U. gathered, on 16 July 2015, hereby authorise for issue the special-purpose interim condensed consolidated financial statements (consisting of the interim condensed consolidated balance sheet, the interim condensed consolidated income statement, the interim condensed consolidated statement of changes to equity and the interim condensed consolidated statement of cash flows, and the explanatory notes) for the three months ended 31 March 2015.

Mr. Alex Wagenberg Bondarovschi
(representing CEP III Investment
18 Finance S.à r.l.)
Chairman

Mr. Mario Pardo Rojo
Director

Mr. Christopher Finn
Director

Mr. Carlos Robles García
(representing CEP III Investment
18 S.à r.l.)
Director

CERTIFICATION: Certificate issued to attest that the special-purpose interim condensed consolidated financial statements for the three months ended 31 March 2015, authorised for issue by the Board of Directors of Telecable Capital Holding, S.L.U. at its meeting held on 16 July 2015 are those that are attached, signed by the Secretary of that Board. The authenticity of the signatures of all the Directors of Telecable Capital Holding, S.L.U. contained in this document is also certified.

D. Alejandro Ortiz Vaamonde
Non-director Secretary

Section B: Special-purpose consolidated financial statements relating to the Telecable Group for the years ended 31 December 2014 and 2013

Translation of special-purpose consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2014, 2013 AND 2012, AND 1 JANUARY 2012 (See Notes 1, 2 and 4)

(Euros)

ASSETS	Notes	31/12/2014	31/12/2013	31/12/2012(*)	01/01/2012(*)
NON-CURRENT ASSETS:					
Goodwill	**5**	152,990,147	152,990,147	152,990,147	152,990,147
Intangible assets	**6**	80,761,030	91,393,446	103,957,917	116,487,362
Property, plant and equipment	**7**	124,996,294	133,255,625	141,860,900	148,422,564
Non-current financial assets	**8 and 14**	4,166,108	3,967,757	92,941	109,341
TOTAL NON-CURRENT ASSETS		**362,913,579**	**381,606,975**	**398,901,905**	**418,009,414**
CURRENT ASSETS:					
Inventories		624,370	572,418	515,342	604,119
Trade and other receivables	**8**	6,484,199	6,979,946	6,153,288	6,707,154
Public authorities	**13**	477,341	256,012	277,554	118,801
Current investments in Group companies	**8**	32,188	28,351	176	429
Other current financial assets	**8**	52,223	41,218	40,515	29,332
Current prepayments	**15**	3,075,789	1,822,772	154,984	744,842
Cash and cash equivalents	**8**	21,092,500	29,429,975	35,304,536	35,451,986
TOTAL CURRENT ASSETS		**31,838,610**	**39,130,692**	**42,446,395**	**43,656,663**
TOTAL ASSETS		**394,752,189**	**420,737,667**	**441,348,300**	**461,666,077**

EQUITY AND LIABILITIES	Notes	31/12/2014	31/12/2013	31/12/2012(*)	01/01/2012(*)
EQUITY:					
Issued capital	**10**	342,000	342,000	342,000	342,000
Share premium		33,661,000	33,661,000	33,661,000	33,661,000
Reserves		(27,302,045)	(106,461)	—	—
Prior years' losses		(16,831,124)	(21,268,656)	(1,098,507)	—
Loss for the year attributable to the Parent	**10**	(7,951,430)	(22,758,052)	(21,689,683)	(1,098,507)
Equity attributable to the Parent		**(18,081,599)**	**(10,130,169)**	**11,214,810**	**32,904,493**
Non controlling interests	**10**	(6,999,332)	(2,989,410)	26,657,227	26,925,170
TOTAL EQUITY		**(25,080,931)**	**(13,119,579)**	**37,872,037**	**59,829,663**
NON-CURRENT LIABILITIES:					
Non-current payables	**11 and 12**	194,102,610	212,971,257	202,462,221	195,134,861
Payables to Group companies and related parties	**12 and 14**	156,225,320	135,602,448	117,701,944	102,127,500
Deferred tax liabilities	**13**	17,483,634	29,860,378	38,020,714	50,822,773
Dividends		63,224	—	—	—
TOTAL NON-CURRENT LIABILITIES		**367,874,788**	**378,434,083**	**358,184,879**	**348,085,134**
CURRENT LIABILITIES:					
Current payables	**9, 11 and 12**	27,783,737	25,290,082	17,004,741	27,552,907
Trade and other payables	**12**	21,660,192	26,401,114	26,183,845	24,905,913
Public authorities	**13**	2,254,732	3,286,075	1,787,392	869,774
Current accruals	**15**	259,671	445,892	315,406	422,686
TOTAL CURRENT LIABILITIES		**51,958,332**	**55,423,163**	**45,291,384**	**53,751,280**
TOTAL EQUITY AND LIABILITIES		**394,752,189**	**420,737,667**	**441,348,300**	**461,666,077**

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 19 described in the accompanying explanatory notes are an integral part of the special-purpose consolidated balance sheets for the years ended 31 December 2013 and 2014

Translation of special-purpose consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE CONSOLIDATED INCOME STATEMENTS AND OTHER COMPREHENSIVE INCOME FOR YEARS ENDED ON 31 DECEMBER 2014, 2013 AND 2012
(See Notes 1, 2 and 4)
(Euros)

	Notes	2014	2013	2012(*)
Revenue	**16.a**	133,948,167	133,376,649	128,567,948
Own work capitalised	**16.b**	825,203	408,232	352,669
Other operating income	**16.c**	831,783	746,339	1,195,774
		135,605,153	**134,531,220**	**130,116,391**
Procurements	**16.d**	(31,782,419)	(33,225,200)	(30,553,126)
Staff costs	**16.e**	(10,970,547)	(10,100,816)	(10,422,489)
Other operating expenses	**8 and 16.f**	(31,384,839)	(33,284,547)	(35,811,283)
Depreciation and amortisation	**6 and 7**	(44,176,693)	(46,334,397)	(47,141,609)
Impairment and gains/(losses) on disposal of non-current assets	**6 and 7**	(2,399,004)	(4,073,362)	(1,604,796)
Finance income		567,193	694,239	451,231
Finance costs	**16.g**	(37,324,870)	(35,524,777)	(32,965,206)
Change in the fair value of financial instruments	**9**	1,295,877	764,594	(3,804,656)
Exchange differences		(56,276)	(17,101)	(30,545)
Impairment losses and gains/(losses) on disposal of financial instruments		—	(46,172)	—
LOSS BEFORE TAX		**(20,626,425)**	**(26,616,319)**	**(31,766,088)**
Income tax	**13**	13,622,709	2,992,369	9,808,462
LOSS FOR THE YEAR		**(7,003,716)**	**(23,623,950)**	**(21,957,626)**
OTHER COMPREHENSIVE INCOME-				
Items that will not be reclassified to profit or loss		—	—	—
Items that will be reclassified to profit or loss		—	—	—
OTHER COMPREHENSIVE INCOME		—	—	—
TOTAL COMPREHENSIVE INCOME AND EXPENSE		**(7,003,716)**	**(23,623,950)**	**(21,957,626)**
Result attributable to:				
– Parent		**(7,951,430)**	**(22,758,052)**	**(21,689,683)**
– Non-controlling interests	**10**	**947,714**	**(865,898)**	**(267,943)**
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT IN EUROS				
– From continuing operations	**17**	**(697)**	**(1,996)**	**(1,903)**

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 19 described in the accompanying explanatory notes constitute an integral part of the special-purpose consolidated income statements for the years ended 31 December 2013 and 2014

Translation of special-purpose consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012 (See Notes 1, 2 and 4)

(Euros)

			Retained earnings				
	Share capital	Share	Retained earnings from previous years	Prior years' losses	Loss for the year attributable to the Parent Company	Non-controlling interests	TOTAL
OPENING BALANCE, 2012(*)	**342,000**	**33,661,000**	**—**	**—**	**(1,098,507)**	**26,925,170**	**59,829,663**
Total recognised income and expense in 2012	—	—	—	—	(21,689,683)	(267,943)	(21,957,626)
Other changes in equity							
– Distribution of 2011 profit	—	—	—	(1,098,507)	1,098,507	—	—
CLOSING BALANCE, 2012(*)	**342,000**	**33,661,000**		**(1,098,507)**	**(21,689,683)**	**26,657,227**	**37,872,037**
OPENING BALANCE, 2013	**342,000**	**33,661,000**	**—**	**(1,098,507)**	**(21,689,683)**	**26,657,227**	**37,872,037**
Total recognised income and expense in 2013	—	—	—	—	(22,758,052)	(865,898)	(23,623,950)
Other changes in equity							
– Distribution of 2012 profit	—	—	(1,519,534)	(20,170,149)	21,689,683	—	—
– Distribution of dividends	—	—	—	—	—	(31,339,690)	(31,339,690)
– Other changes	—	—	1,413,073	—	—	2,558,951	3,972,024
CLOSING BALANCE, 2013	**342,000**	**33,661,000**	**(106,461)**	**(21,268,656)**	**(22,758,052)**	**(2,989,410)**	**(13,119,579)**
OPENING BALANCE, 2014	**342,000**	**33,661,000**	**(106,461)**	**(21,268,656)**	**(22,758,052)**	**(2,989,410)**	**(13,119,579)**
Total recognised income and expense in 2014	**—**	**—**	**—**	**—**	(7,951,430)	947,714	(7,003,716)
Other changes in equity							
– Distribution of 2013 profit	—	—	68,400	—	(22,826,452)	22,758,052	—
– Distribution of dividends (Notes 12 and 18)	—	—	—	—	—	(4,957,636)	(4,957,636)
– Other changes	—	—	(27,263,984)	27,263,984	—	—	—
CLOSING BALANCE, 2014	**342,000**	**33,661,000**	**(27,302,045)**	**(16,831,124)**	**(7,951,430)**	**(6,999,332)**	**(25,080,931)**

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 19 described in the accompanying explanatory notes constitute an integral part of the special-purpose consolidated statement of total changes in equity for the years ended 31 December 2013 and 2014

Translation of special-purpose consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

SPECIAL-PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2014, 2013 AND 2012 (See Notes 1, 2 and 4)

(Euros)

	Notes	2014	2013	2012(*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**43,136,351**	**38,694,246**	**32,145,931**
Loss for the year before tax		**(20,626,425)**	**(26,616,319)**	**(31,766,088)**
Adjustments to profit/(loss)		**82,807,958**	**85,749,441**	**85,921,518**
– Depreciation and amortisation	**6 and 7**	44,176,693	46,334,397	47,141,609
– Change in provisions	**8**	1,539,388	1,620,697	1,178,606
– Gains/(losses) on derecognition and disposal of non-current assets	**6 and 7**	2,399,004	4,073,362	1,604,796
– Proceeds from retirements and disposals of financial instruments		—	46,172	—
– Finance income		(831,967)	(694,239)	(451,231)
– Finance costs	**11, 12 and 16.g**	37,589,644	35,524,777	32,965,206
– Exchange differences		56,276	17,101	30,545
– Change in fair value of derivative financial instruments	**9**	(1,295,877)	(764,594)	3,804,656
– Own work capitalised	**16.b**	(825,203)	(408,232)	(352,669)
Changes in working capital		**(4,867,493)**	**(4,125,049)**	**1,329,498**
– Inventories		(51,952)	(57,076)	88,777
– Trade and other receivables		(1,111,966)	(2,190,668)	(783,493)
– Other current assets		(1,253,017)	(1,696,665)	589,858
– Trade and other payables		(2,264,335)	(180,640)	1,541,636
– Other current liabilities		(186,223)	—	(107,280)
Other cash flows from/(used in) operating activities		**(14,177,689)**	**(16,313,827)**	**(23,338,997)**
– Interest paid		(14,715,550)	(11,634,661)	(21,511,259)
– Interest received		368,842	530,781	451,231
– Income tax received/(paid)	**13**	169,019	(5,209,947)	(2,339,701)
– Other amounts received/(paid)		—	—	60,732
CASH FLOWS USED IN INVESTING ACTIVITIES (II)		**(26,858,747)**	**(28,685,869)**	**(29,369,741)**
Payments for investments		**(26,858,747)**	**(32,657,894)**	**(29,386,141)**
- Property, plant and equipment	**7**	(15,076,099)	(19,812,803)	(19,971,645)
– Intangible assets	**6**	(11,782,648)	(9,085,043)	(9,403,566)
– Other financial assets		—	(3,760,048)	(10,930)
Proceeds from sale of investments		**—**	**3,972,025**	**16,400**
– Other financial assets		—	3,972,025	16,400
CASH FLOWS USED IN FINANCING ACTIVITIES (III)		**(24,558,803)**	**(15,865,837)**	**(2,893,095)**
Proceeds from and payments on financial liabilities		**(24,558,803)**	**(15,865,837)**	**(2,893,095)**
– Proceeds from bank borrowings		**—**	22,138,275	592,145
– Repayment and cancellation of bank borrowings	**11 and 12**	(24,494,457)	(6,600,076)	(3,150,805)
– Repayment and cancellation of other loans		(64,346)	(64,346)	(334,435)
– Dividends paid		—	(31,339,690)	—
EFFECT OF EXCHANGE RATE CHANGES (IV)		**(56,276)**	**(17,101)**	**(30,545)**
NET DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(8,337,475)**	**(5,874,561)**	**(147,450)**
Cash and cash equivalents at beginning of year		29,429,975	35,304,536	35,451,986
Cash and cash equivalents at end of year		21,092,500	29,429,975	35,304,536

(*) Presented exclusively for comparative purposes (Note 2.f).

Notes 1 to 19 described in the accompanying explanatory notes constitute an integral part of the special-purpose consolidated statement of cash flows for the years ended 31 December 2013 and 2014

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

Special-purpose notes to the consolidated financial statements for the years ended 31 December 2014 and 2013

1. Business of the Parent and Group companies

Brief background to the Parent and description of its business

Telecable Capital Holding, S.L.U. (hereinafter ''TCH'', the ''Company'' or the ''Parent'') was incorporated as Lariño Investments, S.L. as a solely-owned limited liability company for an indefinite period by virtue of a deed drawn up in Madrid by the Notary Public Mr. Fernando Fernández Medina on 15 April 2011, entered in his general notary records as number 724 and listed in the Madrid Companies Register in volume 28775, sheet 15, page M-518066, entry 1. Subsequently, by virtue of a deed drawn up on 28 December 2011, the company's corporate name was changed to the current name.

Among other activities, its corporate purpose consists of purchasing and selling, on its own behalf, shares, stakes and, in general, financial assets and securities, business assets or any other categories of assets, with the assistance of any mediators that are required by law or regulations to intervene.

Its registered office is in calle Marqués de Pidal, 11 bajo, Oviedo and its employer identification number is B86200557.

At the end of 2011 the Parent took up 85.01% of the equity of Sociedad Promotora de las Telecomunicaciones en Asturias, S.A (now Telecable de Asturias, S.A.) which, in turn, held 100% of the shares of Telecable de Asturias, S.A. (Sole-Shareholder Company), and the three companies formed the group known as ''Telecable'', of which TCH was, therefore, the Parent.

Subsequently, on 18 April 2012 a merger was arranged between Sociedad Promotora de las Telecomunicaciones en Asturias, S.A. (as the acquisition company – ''SPTA'') and Telecable de Asturias S.A.U. (as the target company) by virtue of a public deed drawn up on said date by the Notary Public of Oviedo Mr. Luis Ignacio Fernández Posada, entered in his general notary records as number 1694 and listed in the Asturias Companies Register on 25 April 2012. The corporate name was also changed to Telecable de Asturias, S.A. (hereinafter ''TCA'' or the ''Subsidiary''). Following this operation, TCH held 85.01% of the equity of the new company TCA, and the two companies formed the group known as ''Telecable'' (hereinafter the ''Group''), of which TCH continues to be the Parent. Due to it is an operation between companies under a common control, is out of the scope of IFRS 3 – Business combination, and it have been considered the carrying amounts in the consolidated financial statements.

As a result of the aforementioned merger, the absorbed company was automatically dissolved without liquidation, and all its assets and liabilities were transferred in bloc to the absorbing company by universal succession pursuant to Law 3/2009. Accordingly, all transactions of the absorbed company will be considered to have been performed by the absorbing company for accounting purposes from 1 January 2012 inclusive.

On 22 February 2013, TCH has proceeded to sell 21,174 TCA shares to certain members of the management team of the investee company (representing 2.30% of the total shares of TCA).

The Groups core activity is the provision of telecommunications services, particularly cable, in Asturias, which are provided exclusively by the subsidiary Telecable de Asturias.

As stipulated in Note 10, the Group's Parent is wholly owned by CEP III Investment 18 S.à r.l., the majority shareholder of which in turn is a European venture capital company controlled by the Carlyle Group.

Special purpose

The Directors of the Group's Parent drew up these special-purpose consolidated financial statements in accordance with financial reporting regulations established in the International Financial Reporting Standards adopted by the European Union (IFRS-EU), as detailed in Note 2.a. They are intended for use in the transaction, for inclusion in the document for admission and registration of securities on a United Kingdom market.

Environmental impact

In view of the activity in which the Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results of its operations. Therefore, no specific disclosures relating to environmental issues are included in these notes to the special-purpose consolidated financial statements.

Specific legislation

Public television funding

Law 8/2009 on the Funding of Spanish Radio and Television (hereinafter the CRTVE Funding Law) was approved on 28 August 2009. The Law aimed to introduce a new funding system for the Spanish Radio and Television Corporation (hereinafter CRTVE) waiving earnings from advertising and based on public income from Spain's General State Budgets, and entailing mandatory contributions by electronic communications operators and television operators at state level or a level wider than that of Spain's Autonomous Communities. A percentage of income from the radio spectrum reservation charge is also allocated to funding the Corporation. Finally, the funding system also includes resources obtained from services provided by the CRTVE.

The aforementioned Law was implemented by Royal Decree 1004/2010 of 5 August 2010. Article 4 of this Royal Decree establishes a ''iuris tantum'' assumption concerning the geographic area of operations of electronic communications operators by virtue of which, for the purposes of payment of the contribution, it is assumed that the geographic area of operations of all electronic communications operators listed in the Operators' Register is state level or a level wider than that of the Autonomous Communities. In order to guarantee the transparency and legal certainty of electronic communications operators, in a Ruling on 14 October 2010 the Telecommunications Market Commission (hereinafter ''CMT'') established the criteria to determine the geographic area of operations of electronic communications operators in relation to the aforementioned Law and Royal Decree, stating that *''for the sole purposes of the stipulations of Article 4 of the Royal Decree for the Funding of CRTVE, when 75% or more of the gross operating income of an electronic communications operator is earned from customers resident in a single Community, it shall be understood that its area of operations is not wider than that of an Autonomous Community''*.

With respect to TCA, on 11 January 2011 the CMT certified that Telecable is a telecommunications operator providing services within the Autonomous Community of the Principality of Asturias, pursuant to the aforementioned Article 4, and is therefore exempt from payment of the charge stipulated therein.

European cinema levy

Spain's Audiovisual Communication Law 7/2010 was published on 31 March 2011. Article 5.3 of the Law establishes that providers of an audiovisual television communication service at state or autonomous community level must make an annual contribution to prefunding of European productions of cinema films, films and series for television and documentaries, films and animation series, with 5% of operating income accruing during the previous year from channels broadcasting these audiovisual products aged less than seven years since their production date.

In this regard, and on the basis of income accruing in 2013, an investment obligation was generated in 2013 of EUR 436,030. In 2014 the Company honoured this obligation via the agreements reached to participate in the co-production of two cinema films, investing EUR 436,000.

Group structure

The Subsidiary, which was fully consolidated for the purpose of preparing these special purpose consolidated financial statements, and individual information concerning it, are as follows:

2014

		Percentage ownership interest	Thousands of euros Company data			
Company	**Business and registered office**	**Direct and indirect**	**Share capital**	**Reserves**	**Prior years losses**	**Profit/ (loss) for the year**
Telecable de Asturias, S.A.	Telecommunications services (Asturias)	82.71%	55,380	26,541	(6,870)	5,748

2013

		Percentage ownership interest	Thousands of euros Company data			
Company	**Business and registered office**	**Direct and indirect**	**Share capital**	**Reserves**	**Prior years losses**	**Profit/ (loss) for the year**
Telecable de Asturias, S.A.	Telecommunications services (Asturias)	82.71%	55,380	55,209	(1,131)	(5,740)

2012

		Percentage ownership interest	Thousands of euros Company data		
Company	**Business and registered office**	**Direct and indirect**	**Share capital**	**Reserves**	**Profit/ (loss) for the year**
Telecable de Asturias, S.A.	Telecommunications services (Asturias)	85.01%	55,380	264,209	(1,131)

Reporting period for consolidated companies-

The reporting period of the Subsidiary and also of the Parent is the calendar year. The reporting date of the individual financial statements used for consolidation is therefore 31 December 2014 and 2013.

The unaudited data supplied in the tables above were obtained from the separate financial statements of the consolidated companies presented in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and adapted for their disclosure in these special-purpose consolidated financial statements.

Composition of the scope of consolidation-

At 31 December 2014 y 2013 the scope of consolidation included the subsidiary Telecable de Asturias S.A., in which TCH holds an 82.71% stake. Pursuant to the consolidation criteria described in Note 2.g, TCH controls this company.

Subsidiaries not wholly owned with significant non-controlling interests-

The table below shows a breakdown of the subsidiary not wholly owned by the Group that has significant non-controlling interests:

Company	Percentage stake and voting rights of non-controlling interests			Euros					
				Profit/(loss) allocated to non-controlling interests			Cumulative non-controlling interests		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Telecable de Asturias, S.A.	17.29%	17.29%	14.99%	947,714	(865,898)	(267,943)	(6,999,332)	(2,989,410)	26,657,227

Non-controlling interests in the subsidiary Telecable de Asturias, S.A. are as follows:

	Ownership interest			
	31.12.14	**31.12.13**	**31.12.12**	**01.01.12**
Liberbank, S.A.	14.63%	14.63%	14.99%	14.99%
Other	2.66%	2.66%	—	—
Total	**17.29%**	**17.29%**	**14.99%**	**14.99%**

A summary of financial information concerning this Group subsidiary with significant non-controlling interests is provided hereon. This summary shows figures prior to intra-group eliminations (unaudited data prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU)):

	Euros			
	31.12.14	**31.12.13**	**31.12.12**	**01.01.12**
Non-current assets	357,127,886	374,153,485	388,996,996	53,884,633
Current assets	28,028,314	35,393,940	51,087,733	37,270,283
Non-current liabilities	220,079,815	249,007,483	71,082,383	195
Current liabilities	82,857,687	55,339,703	48,745,600	613,984

	Euros		
	31.12.14	**31.12.13**	**31.12.12**
Revenues	133,948,167	133,376,649	128,567,948
Own work capitalised	825,203	408,232	352,669
Other operating income	831,783	746,339	1,195,774
	135,605,153	**134,531,220**	**130,116,391**
Procurements	(31,782,419)	(33,225,200)	(30,553,126)
Staff costs	(10,970,547)	(10,100,816)	(10,422,489)
Other operating expenses	(77,200,795)	(84,159,568)	(83,269,328)
Finance result	(15,197,815)	(15,976,510)	(7,884,996)
Result before tax	**453,577**	**(8,930,874)**	**(2,013,548)**
Income tax	5,294,343	3,191,363	882,700
Profit/(loss) for the year	**5,747,920**	**(5,739,511)**	**(1,130,848)**
Other recognised income and expense	(61,565)	(316,996)	(339,437)
Total recognised income and expense	**5,686,355**	**(6,056,507)**	**(1,470,285)**
Dividends paid to non-controlling interests	—	(31,339,690)	—
Cash inflows/(outflows) from operating activities	43,053,233	30,122,285	52,163,019
Cash inflows/(outflows) from investment activities	(26,876,731)	(23,925,307)	(39,772,639)
Cash inflows/(outflows) from financing activities	(24,558,803)	(15,438,090)	(999,537)

In addition to the requisites that must be met by the Group in relation to financial debt, described in Note 11, there are no other major restrictions on its ability to access or use Group assets or settle Group liabilities in connection with the subsidiary, nor has the Group granted any financial support to the company.

2. Basis of presentation of the special-purpose consolidated financial statements

a) Basis of presentation-

The accompanying special-purpose consolidated financial statements for the years 2014 and 2013 were drawn up by the Directors of Telecable Capital Holding, S.L.U. on the basis of the individual accounting records of the various companies of which the Telecable Group is composed. Moreover, on 25 March 2014 and 24 March 2015 the Directors of the Parent drew up the consolidated financial statements of the Telecable Group for the years ended 31 December 2014 and 2013, respectively, pursuant to Regulations for the Preparation of Consolidated Financial Statements adopted by Royal Decree 1159/2010.

The 2014 and 2013 special-purpose consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council, in force at 31 December 2014, and pursuant to the measurement criteria described in Note 4, to give a true and fair view of the consolidated equity and consolidated financial position of the Telecable Group at 31 December 2014 and 2013 and of the consolidated results from operations, changes in consolidated equity and consolidated cash flows within the Telecable Group over the years-ended on those dates.

The Group drew up its financial statements in accordance with generally accepted accounting principles in Spain (''PGC'') for previous reporting periods and also the years-ended 31 December 2014 and 2013. These special-purpose consolidated financial statements for the years-ended 31 December 2014 and 2013 are the first financial statements drawn up by the Group pursuant to IFRS-EU. See Note 2.b for further information on how the Group adopted IFRS-EU.

The special-purpose consolidated financial statements for the year-ended 31 December 2014 are the first financial statements drawn up pursuant to the historical cost criterion, with the exception of certain assets and financial instruments, which are measured at a revalued amount or at fair value at the end of each financial year, as explained in the section addressing measurement standards below.

In general, historical cost is based on the fair value of the consideration furnished in exchange for goods and services.

None of the companies making up the Telecable Group have issued government debt, nor do they hold any securities listed on a secondary market.

b) First-time application of International Accounting Standards-

The special-purpose consolidated financial statements and the notes thereto at 31 December 2013 and 2014 are the first statements presented by the Group led by the Parent pursuant to IFRS-EU, and therefore IFRS 1 was applied for the purposes of preparation, considering 1 January 2012 as the date of first application. This note explains the main adjustments carried out by the Group to draw up its consolidated financial statements, previously expressed in accordance with generally accepted accounting principles in Spain.

The Group drew up these special-purpose consolidated financial statements pursuant to IFRS-EU regulations applicable to periods ended after 31 December 2014 and 2013, along with data from the comparative reporting period ended 31 December 2012, as described in the summary of the main accounting practices operated by the Group. The Group's initial statement of financial position was drawn up at 1 January 2012, the date of the Group's transition to IFRS. This note explains the main adjustments carried out by the Group to draw up its consolidated financial statements, previously expressed in accordance with generally accepted accounting principles in Spain, including the statement of financial position at 1 January 2012.

Exemptions applied

IFRS 1 requires companies adopting IFRS for the first time to retroactively apply all the IFRS-EU standards in force at the reporting date (31 December 2014 and 2013 in the case of the Group). Some optional exemptions from certain IFRS-EU requirements are, however, permitted in certain areas, and there are certain exceptions for mandatory retroactive application of IFRS-EU standards.

The Group applied the following exemptions:

- It was decided not to reconstruct business combinations prior to 1 January 2012 detailed in Note 1 applying IFRS principles.
- The Group applied the derecognition criteria of IAS 39 prospectively to operations carried out at or after the transition date. Therefore, non-derivative financial assets or non-derivative financial liabilities derecognised pursuant to generally accepted accounting principles in Spain as the result of an operation occurring prior to the transition date are not booked in accordance with IFRS standards.

Estimates

Estimates at 1 January 2012 and 31 December 2012, 2013 and 2014 are consistent with those carried out at the same dates pursuant to generally accepted accounting principles in Spain.

Reconciliation of the consolidated financial statements

The table below shows reconciliation of the consolidated financial statements of the Telecable Group at the date of first application of International Accounting Standards (1 January 2012).

Consolidated balance sheet at 1 January 2012

	Euros		
	Consolidated financial statements of the Telecable Group	**Differences**	**Special-purpose financial statements under IFRS**
Goodwill	152,990,147	—	152,990,147
Intangible assets	116,487,362	—	116,487,362
Property, plant and equipment	148,422,564	—	148,422,564
Non-current financial assets	109,341	—	109,341
Deferred tax assets	3,606,643	(3,606,643)	—
Non-current assets	**421,616,057**	**(3,606,643)**	**418,009,414**
Inventories	604,119	—	604,119
Trade and other receivables	6,707,154	—	6,707,154
Public authorities	118,801	—	118,801
Current investments in Group companies	429	—	429
Current financial assets	29,332	—	29,332
Current prepayments	744,842	—	744,842
Cash and cash equivalents	35,451,986	—	35,451,986
Current assets	**43,656,663**	**—**	**43,656,663**
Total assets	**465,272,720**	**(3,606,643)**	**461,666,077**
Share capital	342,000	—	342,000
Share premium	33,661,000	—	33,661,000
Loss for the year attributable to the Parent	(1,098,507)	—	(1,098,507)
Non-controlling interests	26,925,170	—	26,925,170
Equity	**59,829,663**	**—**	**59,829,663**
Non-current payables	195,134,861	—	195,134,861
Payables to Group companies, associates and related parties	102,127,500	—	102,127,500
Deferred tax liabilities	54,429,416	(3,606,643)	50,822,773
Non-current liabilities	**351,691,777**	**(3,606,643)**	**348,085,134**
Current payables	27,552,907	—	27,552,907
Trade and other payables	24,905,913	—	24,905,913
Public authorities	869,774	—	869,774
Current accruals	422,686	—	422,686
Current liabilities	**53,751,280**	**—**	**53,751,280**
Total equity and liabilities	**465,272,720**	**(3,606,643)**	**461,666,077**

The tables below show reconciliation of the consolidated financial statements of the Telecable Group at 31 December 2014.

Consolidated balance sheet at 31 December 2014

	Euros		
	Consolidated financial statements of the Telecable Group	**Differences**	**Special-purpose financial statements under IFRS**
Goodwill	152,990,147	—	152,990,147
Intangible assets	80,761,030	—	80,761,030
Property, plant and equipment	124,996,294	—	124,996,294
Non-current financial assets	4,166,108	—	4,166,108
Deferred tax assets	12,739,538	(12,739,538)	—
Non-current assets	**375,653,117**	**(12,739,538)**	**362,913,579**
Inventories	624,370	—	624,370
Trade and other receivables	6,484,199	—	6,484,199
Public authorities	477,341	—	477,341
Current investments in Group companies	32,188	—	32,188
Current financial assets	52,223	—	52,223
Current prepayments	3,075,789	—	3,075,789
Cash and cash equivalents	21,092,500	—	21,092,500
Current assets	**31,838,610**	**—**	**31,838,610**
Total assets	**407,491,727**	**(12,739,538)**	**394,752,189**
Share capital	342,000	—	342,000
Share premium	33,661,000	—	33,661,000
Reserves	(27,302,045)	—	(27,302,045)
Losses from previous years	(16,831,124)	—	(16,831,124)
Profit for the year attributable to the Parent	(7,951,430)	—	(7,951,430)
Non-controlling interests	(6,999,332)	—	(6,999,332)
Grants, donations and bequests received	63,224	(63,224)	—
Equity	**(25,017,707)**	**(63,224)**	**(25,080,931)**
Non-current payables	194,102,610	—	194,102,610
Payables to Group companies, associates and related parties	156,225,320	—	156,225,320
Deferred revenue	—	63,224	63,224
Deferred tax liabilities	30,223,172	(12,739,538)	17,483,634
Non-current liabilities	**380,551,102**	**(12,676,314)**	**367,874,788**
Current payables	27,783,737	—	27,783,737
Trade and other payables	21,660,192	—	21,660,192
Public authorities	2,254,732	—	2,254,732
Current accruals	259,671	—	259,671
Current liabilities	**51,958,332**	**—**	**51,958,332**
Total equity and liabilities	**407,491,727**	**(12,739,538)**	**394,752,189**

Consolidated income statement and other comprehensive income for the year-ended 31 December 2014

	Euros		
	Consolidated financial statements of the Telecable Group	**Differences**	**Special-purpose financial statements under IFRS**
Revenue	133,948,167	—	133,948,167
Own work capitalised	825,203	—	825,203
Cost of sales	(31,782,419)	—	(31,782,419)
Other operating income	831,783	—	831,783
Staff costs	(10,970,547)	—	(10,970,547)
Other operating expenses	(31,384,839)	—	(31,384,839)
Depreciation and amortisation	(44,176,693)	—	(44,176,693)
Impairment losses and gains/(losses) on disposal of assets	(2,399,004)	—	(2,399,004)
Finance income	567,193	—	567,193
Finance costs	(37,324,870)	—	(37,324,870)
Change in the fair value of financial instruments	1,295,877	—	1,295,877
Exchange differences	(56,276)	—	(56,276)
Loss before tax	**(20,626,425)**	**—**	**(20,626,425)**
Income tax	13,622,709	—	13,622,709
Loss for the year from continuing operations	**(7,003,716)**	**—**	**(7,003,716)**
Other comprehensive income	**—**	**—**	**—**
Total recognised income and expense	**(7,003,716)**	**—**	**(7,003,716)**
Loss attributable to the Parent	(7,951,430)	—	(7,951,430)
Profit attributable to non-controlling interests	947,714	—	947,714

The main differences between the consolidated financial statements of the Telecable Group drawn up pursuant to Regulations for the Preparation of Consolidated Financial Statements according with the Spanish Regulation and these special-purpose consolidated financial statements, as shown in the disclosures above, are as follows:

- Pursuant to IAS 20, the Group reclassified the balance of grants, donations and bequests, previously booked in equity as per generally accepted accounting principles in Spain, as deferred income under non-current liabilities.
- Pursuant to IAS 12, the Group offset their deferred tax assets and deferred tax liabilities, so the Group has reclassified the balance of deferred tax assets as deferred tax liabilities in the consolidated balance sheet.

No material changes were made to the rest of the financial statements as a result of application of IFRS-EU.

In the context of first-time application of IFRS-EU, certain items have been aggregated into classes according to their nature or function.

c) International Financial Reporting Standards (IFRS-EU) and interpretations issued but not yet adopted-

At the date of preparation of these special-purpose consolidated financial statements, the following standards and interpretations had been issued by the IASB but had not yet come into force, either because their effective date is after the date of the special-purpose consolidated financial statements or because they had yet to be adopted by the European Union:

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
Approved for use in the European Union		
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendments permit contributions to be recognised as a reduction in the service cost in the period in which payment for the related service is made if certain requirements are met	1 February 2015[(1)]
Improvements to the IFRS 2010-2012 Cycle (published in December 2013)	Minor amendments to certain standards	1 February 2015 for the 2010-2012 Cycle[(2)]

(1) The European Union endorsed IAS 19, replacing the original effective date established by the IASB (1 July 2014) with that of 1 February 2015.

(2) The European Union endorsed Improvements to the IFRS 2010-2012 Cycle, replacing the original effective date established by the IASB (1 July 2014) with that of 1 February 2015 for the 2010-2012 Cycle.

IFRIC 21, Levies, and Improvements to the IFRS 2011-2013 Cycle, as endorsed by the EU, have been early adopted by the Group from 1 January 2012. Their adoption did not have significant effects.

New standards, amendments and interpretations		Mandatory application for annual periods beginning on or after:
Not approved for use in the European Union (date of first application according to IASB)		
IFRS 9 Financial Instruments (last phase published in July 2014)	Replaces the requirements for the classification, measurement and derecognition of financial assets and financial liabilities under IAS 39	1 January 2018
IFRS 14 Regulatory Deferral Accounts	Financial reporting requirements for the balances of regulatory deferral accounts arising when a company provides goods or services to customers at a price or tariff subject to rate regulation	1 January 2016
IFRS 15 Revenue from Contracts with Customers (published in May 2014)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	1 January 2017
Amendments to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortisation (published in May 2014)	Clarifies acceptable methods of depreciation of property, plant and equipment and amortisation of intangible assets	1 January 2016
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (published in May 2014)	Specifies how to account for acquisitions of interests in joint operations whose activity constitutes a business	1 January 2016
Improvements to the IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to certain standards	1 January 2016
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate/Joint Venture (published in September 2014)	Clarification concerning the outcome of these operations in the case of businesses or assets	1 January 2016
Amendments to IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	The equity method will be permitted in an investor's individual financial statements	1 January 2016
Amendments to IAS 16 and IAS 41: Production Plants (published in June 2014)	Production plants will be measured at cost instead of fair value	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (published in December 2014)	Investment companies: clarification concerning consolidation exceptions for investment companies	1 January 2016
Amendments to IAS 1 (published in December 2014)	Disclosure initiative: miscellaneous clarifications concerning disclosures (materiality, aggregation, order of notes etc.)	1 January 2016

The Telecable Group is analysing the potential impact of these new standards and amendments on the special-purpose consolidated financial statements. Additionally, certain standards and amendments will not have effect on the Group due to their scope (for example, IFRS 14).

d) Functional currency and presentation currency-

The functional currency of the main operational entity of the Telecable Group (Telecable de Asturias – subsidiary entity) is euro, due to its operating and financial activities are carried out using this currency.

These special-purpose consolidated financial statements are presented in euros. Operations carried out in a currency different from the functional currency are considered realised in foreign currency.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates prevailing at the date of the special-purpose consolidated balance sheet. The non-monetary amounts recognised at fair value and denominated in foreign currency are translated to euros at the rates prevailing at the date on the fair value was established. The non-monetary recognised at historical cost criterion in a foreign currency are not reconverted. Any resulting gains or losses are recognised directly in the special-purpose consolidated income statement in the year in which they arise.

*e) **Critical issues regarding information and estimation of uncertainties-***

The information contained in these special-purpose consolidated financial statements is the responsibility of the Directors of the Parent.

In the preparation of the special-purpose consolidated financial statements for 2014 and 2013, estimates have been used by the Directors of the Parent to measure certain assets, liabilities, revenues, expenses and commitments recognised therein.

Although these estimates were based on the best information available at years-ended 2014 and 2013, it is possible that future events may require these to be amended (raised or lowered) in the coming years. This would be done as per IAS 8, i.e. prospectively, recognising the effects of the changes in accounting estimates in the special-purpose consolidated financial statements concerned.

The main criteria and estimates used by the Directors in applying the accounting policies of the Group that had the greatest impact on the amounts booked in the special-purpose consolidated financial statements are set out below:

- Useful life of property, plant and equipment and intangible assets (Notes 4.b, 4.c, 6 and 7).
- Assessment of the impairment of non-financial assets (Notes 4.d, 5, 6 and 7).
- Valuation of certain financial instruments (Notes 4.f and 8).
- Accounting for provisions and contingencies (Note 4.j).
- Accounting for deferred tax assets (Notes 4.k and 13).

Useful life of property, plant and equipment and intangible assets

As indicated in Notes 4.b and 4.c, the Group reviews the estimated useful life of property, plant and equipment and intangible assets at the end of each reporting period. In the years under review, the Directors ascertained that the useful life had been properly calculated, and did not make any changes.

Assessment of the impairment of non-financial assets

Impairment arises when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount (the latter will be the greater of fair value less costs to sell and value in use). The calculation of fair value less costs to sell is based on the data available for sale operations carried out at current market prices for similar assets or at observable market prices less the incremental cost of disposal of the asset. The calculation of value in use is based on a discounted cash flow model. Cash flows are obtained from the budget for the next five years, and do not include any restructuring processes to which the Group has not yet committed itself, or significant future investment to increase the profitability of the assets of the cash-generating unit analysed. The recoverable amount is extremely sensitive to the discount rate used in the discounted cash flow model, and to expected future inflows and the growth rate employed for the purposes of extrapolation.

Valuation of certain financial instruments

When the fair value of financial assets and liabilities recognised in the consolidated balance sheet cannot be obtained from an active market, it will be determined using measurement techniques, including the discounted cash flow model. Wherever possible, the data for this model will be obtained from observable markets; if this is not feasible, a certain level of judgment will be required to determine fair value. This criterion includes the weighting of data such as liquidity risk, credit risk and volatility. Changes to assumptions in connection with these factors may affect the fair value recognised for financial instruments.

Accounting for provisions and contingencies

These items may be defined as liabilities the amount and accrual of which are uncertain. The Directors therefore avail themselves of their professional judgment to determine possible movements in these liabilities.

The Directors of the Parent consider the Group had no material contingent liabilities at 31 December 2014 and 2013.

Accounting for deferred tax assets

Deferred tax assets are booked in respect of unused tax loss carryforwards if it is probable or more likely than not that future taxable profits will be generated to offset these. Considerable judgment is required by Management to determine the amount of deferred tax assets that may be booked, depending on the time when the future taxable profits are generated and future tax planning strategies.

f) Comparative information-

As required by IAS 1, the information relating to 2014 and 2013 in these special-purpose consolidated financial statements is presented for comparison purposes with similar information relating to 2012.

These are the first years that the Parent has voluntarily prepared special-purpose consolidated financial statements. The 2012 special-purpose consolidated financial statements are included for comparative purposes only, and were also prepared in accordance with the IFRS adopted by the European Union on a basis consistent with those applied in 2014 and 2013. The statements, however, were not drawn up by the Directors, and were not audited.

There were no changes to accounting criteria affecting the financial years 2014 and 2013. No errors were corrected from previous years, and there were no changes to the accounting estimates that affect those years or that could affect future years.

g) Consolidated Group and consolidation principles-

Scope of consolidation

The special-purpose consolidated financial statements consist of the Parent and the companies controlled by it. Control exists when the Parent:

– has power over the investee,

– is exposed or is entitled to variable earnings on its stake in the investee, and

– has the ability to use its power over the investee to influence the sum of returns for the investor.

The Parent appraises whether it controls an investee when events and circumstances indicate any changes in one or more of the three aforementioned factors.

When the Parent holds less than the majority of an investee's voting rights, it is considered it has power over the investee when the voting rights are sufficient to give it the ability to direct major activities of the investee in a unilateral fashion. The Parent considers all events and circumstances to ascertain whether the Company's voting rights at an investee are sufficient to give it power, including:

– the voting rights held by the Company in relation to the number and dispersion of other vote-holders,

– the potential voting rights held by the Company, other vote-holders or other parties,

– rights arising from other agreements, and

– any additional events and circumstances indicating that the Company has, or does not have, the present ability to direct major activities at the time such decisions must be made, including trends in voting behaviour at previous shareholders' meetings.

Consolidation of a subsidiary commences when the Company gains control of the subsidiary, and the subsidiary is deconsolidated when it loses this control.

Subsidiaries are fully consolidated, and therefore all intragroup balances, transactions, income and expenses are eliminated.

Moreover, all the financial statements used by the Parent and subsidiaries refer to the same date, and were drawn up using uniform accounting policies.

Non-controlling interests in the net assets of subsidiaries are identified in equity separately from the equity of the Parent.

The result for the period and each component of other comprehensive income will be attributed to the owners of the controlling party and to non-controlling interests. The Company will also attribute the total other comprehensive income to the owners of the controlling party and to non-controlling interests even if the results of the non-controlling interests produce a negative balance.

Changes to ownership interests in a subsidiary that do not give rise to a loss of control will be accounted for as equity transactions, i.e. any differences will be recognised directly in equity.

The companies forming part of the scope of consolidation of these special-purpose consolidated financial statements and their main characteristics are set out in Note 1.

These special-purpose consolidated financial statements for the years-ended 31 December 2014 and 2013 were drawn up on the basis of the individual accounting records at that date of Telecable Capital Holding, S.L.U. (Parent) and of the subsidiary, as stated in Note 1.

There were no changes to the Group's scope of consolidation in 2014 and 2013.

Subsidiaries

The Group fully consolidates subsidiaries.

The basic consolidation criteria are as follows:

- The carrying amounts of investments in the capital of subsidiaries are offset, at the acquisition date, by the proportional part represented by these values in relation to the fair value of the assets acquired and the liabilities undertaken.
- The assets and liabilities of subsidiaries are recognised in the consolidated balance sheet, with the same valuations booked on their respective balance sheets, with the exception of assets acquired and liabilities undertaken at the acquisition date, which are recognised in the consolidated balance sheet on the basis of their fair value at the acquisition date, after consideration of depreciation/amortisation and write-downs arising as of that date.

Any positive differences between acquisition cost and the fair values of the identifiable net assets acquired are recognised as ''Goodwill'', while negative differences are taken to results at the acquisition date.

- The income and expenses of subsidiaries are recognised in the consolidated financial statements, applying the Group's homogeneous measurement criteria.
- Debits and credits among Group companies are eliminated, as are income and expenses in connection with transactions among the companies, and any results generated as a result of these transactions that did not arise from third parties.
- Investments and reductions of stakes in companies within the scope of consolidation, or consolidation additions or deconsolidations, may bring about changes in consolidation criteria, and consequently in the method or procedure applicable for the purposes of consolidation.
- Third-party stakes in the capital, reserves and results of fully consolidated companies are booked under equity as ''Non-controlling interests'' in the consolidated balance sheet, and as ''Profit attributable to non-controlling'' in the consolidated income statement.

Joint ventures and joint operations

A ''joint venture'' is an agreement whereby parties exercising joint control of the company have rights to its net assets on the basis of the agreement. Joint control is shared control decided contractually and drawn up in an agreement, which only exists when decisions in relation to major activities require the unanimous consent of the parties sharing control. Pursuant to IFRS 1, joint ventures are consolidated using the equity method. At 31 December 2014 and 2013 the Group was not involved in any joint ventures.

A ''joint operation'' is a joint agreement whereby parties exercising joint control of the agreement have rights to the assets and obligations with respect to the liabilities, in connection with the agreement. Joint control is shared control decided contractually, which only exists when decisions in relation to major activities require the unanimous consent of the parties sharing control. Pursuant to IFRS 1, a joint operator will book assets, liabilities, income from ordinary

activities and expenses in relation to its involvement in a joint operation. The Group is involved in the following Joint Operations, which are considered joint operations by the Directors of the Parent:

- At 31 December 2014, 2013 and 2012 the Group held a 60% stake in the Joint Operation "UTE Telecable – Auna-BT", which provides telecommunications services to the Principality of Asturias.
- At 31 December 2014, 2013 and 2012 the Group also held an 82% stake in the Joint Operation "UTE Telecable – Vodafone", which provides landline and mobile telecommunications services to a corporate customer.

The balance sheets and income statements of these Joint Operations are not significant.

h) Aggregation of items-

Certain items in the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows were aggregated to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the explanatory notes to the financial statements.

i) Going concern principle-

As reported in the consolidated balance sheet, the current liabilities of the Group are greater than its current assets, which is a common operational characteristic of companies in the same industry due to the time lag between collection and payment dates in commercial transactions. In the opinion of the Directors of the Parent, the Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and no difficulties are envisaged in settling its payables at their due date.

At 31 December 2014 the Group's equity was negative in the amount of EUR 25 million. As disclosed in Note 14 to the consolidated financial statements, TCH has a loan agreement with CEP III Investment 18 Finance S.à.r.l. (its "Sole Shareholder"). This loan may, with the previous approval of CEP III Investment's shareholders, become equity if the legal conditions defined in Article 363 of the Spanish Limited Liability Companies Law ("Ley de Sociedades de Capital") arise. The Directors of the Parent have no reason to believe that in the foreseeable future the legal conditions of such article will be present to trigger the need of capitalising its Sole Shareholder's loan.

As highlighted in Note 11 to the consolidated financial statements, the Group has available loan facilities to meet its liquidity requirements as necessary. There are no problems envisaged in repaying long-term debt and, in case of refinancing, no matters have been drawn to the Group's attention to suggest that renewal may not be forthcoming on acceptable terms.

After considering the above, the Directors of the Parent have, at the time of approving these special-purpose consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these special-purpose consolidated financial statements

3. Allocation of the profit of the Group's Parent

The allocation of profit for the 2014 year proposed by the Directors of the Parent, which will be submitted for approval by the Sole Shareholder, is as follows (in euros):

Basis of allocation	**Euros**
Profit for the year	**46,047,340**

Allocation	**Euros**
Prior years' losses	16,831,123
Reserves	29,216,217

The allocation of profit for the 2013 year proposed by the Directors of the Parent, and approved by the Sole Shareholder was as follows (in euros):

Basis of allocation	Euros
Profit for the year	**4,505,933**

Allocation	Euros
Legal reserve	68,400
Prior year's losses	4,437,533

4. Measurement bases

The main measurement bases used to prepare the Group's special-purpose consolidated financial statements for 2014 and 2013 in accordance with the IFRS-EU were as follows:

a) Goodwill and business combination-

Business combinations are accounted for using the acquisition method, requiring determination of the acquisition date and calculation of the cost of the combination, recognising the identifiable assets acquired and the liabilities assumed at their fair value at the acquisition date.

Goodwill or negative goodwill arising on the combination is calculated as the difference between the aggregate of the acquisition-date fair value of the recognised assets acquired and liabilities undertaken and the cost of the business combination.

The cost of the business combination is the sum of:

- The acquisition-date fair values of any assets transferred, liabilities incurred or undertaken and equity instruments issued; and
- The fair value of any contingent consideration that depends on future events or compliance with certain pre-established conditions.

The cost of the business combination does not include expenses relating to the issue of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Lawyers' fees and fees for other professional services related to the combination, in addition to expenses generated internally in this connection, are also excluded from the cost of the combination. These amounts are taken directly to the income statement.

In a business combination achieved in stages, goodwill or negative goodwill on any previously held equity interest prior to the acquisition date (the date on which it gains control) is the difference between:

- The cost of the business combination plus the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- The value of the identifiable assets acquired less the liabilities undertaken, determined in the manner described above.

Any gain or loss arising from measurement at fair value at the date control of the interest is obtained is recognised in the income statement. If the equity interest had been measured previously at fair value, any changes in fair value not recognised in profit or loss for the year will be transferred to the income statement. The cost of the business combination is presumed to be the best estimate of acquisition-date fair value of any previously held equity interest.

Goodwill arising upon the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the company acquired, and is translated to euros at the exchange rate prevailing on the balance sheet date.

Goodwill is not amortised. It is subsequently measured at cost less any impairment losses. Impairment losses on goodwill are not reversed in subsequent periods. Following analyses, the Group considers there were no impairment losses on its goodwill at 31 December 2012, 2013 and 2014.

If the difference arising on the combination is negative, it is recognised as income in the income statement.

If the measurement procedures of a business combination necessary to apply the acquisition method explained above are incomplete by the end of the reporting period, the acquirer will report the provisional amounts. The acquirer may adjust the provisional amounts recognised during the period necessary to obtain the required information. The measurement period will not exceed one year.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case, subsequent changes in its fair value are not recognised.

b) Intangible assets-

As a general rule, intangible assets are measured initially at acquisition or production cost. After initial recognition, intangible assets are carried at cost, less accumulated amortisation and any accumulated impairment.

1. Development: An intangible asset generated internally as a result of development activities (or of the development phase of an internal project) will be recognised if, and only if, all the following aspects have been demonstrated:
   - The technical feasibility of completing development of the intangible asset so that it will be available for use or sale.
   - The intention to complete development of the intangible asset concerned, to use or sell it.
   - Its ability to use or sell the intangible asset.
   - The way in which the intangible asset will generate probable future economic benefits.
   - The availability of technical, financial and other resources required to complete development and to use or sell the intangible asset.
   - The ability to reliably measure the expenditure attributable to the intangible asset during its development.

   The amount initially recognised as intangible assets generated internally is the sum of the expenses incurred since the date on which the intangible assets first met the aforementioned recognition criteria. When an intangible asset generated internally does not meet the criteria for recognition, the development costs are recorded as period expenses.

   Following initial recognition, intangible assets generated internally are recognised at cost less accumulated amortisation and impairment losses, on the same criteria as intangible assets that are acquired separately. The maximum period of amortisation is five years.
2. Rights to use: This item represents rights to use Oviedo City Council's ducting systems, and concessions for private use of the public radio spectrum, amortised over a period of between 25 and 20 years respectively, in accordance with their durations.
3. Industrial property and trademarks: Here the Group recognises the value associated with the ''Telecable'' trademark under which it sells its products and which was recognised in the context of the business combination arranged in 2011 (Note 1).

   Considering that telecommunications innovations are beginning to focus on multimedia services, and thus many companies are deciding to change their image and also their brand name, the Directors of the Parent have estimated that the remaining useful life of the ''Telecable'' trademark is 30 years.
4. Computer software: The Group recognises costs incurred to acquire or develop software programmes under this heading. Maintenance costs of computer applications are recognised with a charge to the income statement for the year in which they are incurred. Computer software is amortised on a straight-line basis over four years. This item includes Customer Management System usage rights, amortised in accordance with the duration of the contract, which is normally three years.
5. Other intangible assets:

   Here the Group books the following items:

   a. Optic fibre usage rights, amortised on a straight-line basis over ten years.
   b. Vodafone Network usage rights, amortised on a straight-line basis over three and a half years.

c. Film operating rights for six cinema productions, amortised over a period of two years on a lineal basis and three years on a decreasing basis (sum-of-years' digits method), depending on periods during which TCA will obtain earnings from these rights.

d. Cost of contracts with customers: the Group recognises a number of commissions paid to distributors in connection with the capture of new landline and mobile customers when there is a direct and unequivocal link and it is certain the costs can be recovered. This is amortised on a straight-line basis over a period of 12 months for commissions associated with landline services and a period of 18 months for commissions associated with mobile services, as this is the legal minimum contract period.

e. Customer relations: arising from the 2011 business combination (Note 1). These intangible assets are amortised over an approximate period of between nine and ten years for landline customers, and an approximate period of between two and three years for mobile customers.

Derecognition of intangible assets

An intangible asset is derecognised when it is disposed of, or no future economic benefits are expected when it is used or sold. The gain or loss on the derecognition of an intangible asset is calculated as the difference between the net profit on the sale and the carrying amount of the asset, and is recognised in the consolidated income statement when the asset is derecognised.

c) Property, plant and equipment-

Property, plant and equipment are measured initially at acquisition or production cost and subsequently carried net of any accumulated depreciation and any impairment losses, as per the criterion stipulated in this section below.

The costs of upkeep and maintenance of property, plant and equipment are charged to the consolidated income statement in the year in which they are incurred. Conversely, the costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised as an increase in the cost of corresponding assets. Replacements or renewals are recorded as an addition to property, plant and equipment and the units replaced or renewed are derecognised.

Work carried out by the Group for its own assets is booked at the accumulated cost produced by adding the acquisition price of raw materials and other consumables, with other costs directly attributable to these items.

The Group applies the criterion of transferring property, plant and equipment undergoing construction to property, plant and equipment in operation, depending on the time at which each facility is ready to provide a service.

Property, plant and equipment in operation is depreciated systematically on the basis of the estimated useful life of the items, and the cost of the assets is distributed on a straight-line basis over the estimated useful lives as follows:

	Years of estimated useful life
Civil engineering work	20
Headend	5 to 10
Backbone	20
Distribution centres	8.3
Nodes	10
Distribution network	15
Installation in homes	10.5
Customer-home equipment	6.67
Furnishings, tools	10
Computer hardware	4
Buildings and other structures	40

In 2013 certain assets classified as ´Headend‘ in the table above were purchased for EUR 4,275,892 – it transpired from an economic survey by an independent expert that they are based on state-of-the-art technology subject to accelerated technical obsolescence in the initial years of their useful life. It was therefore considered more appropriate to use the sum-of-the-years' digits method to depreciate these assets. The depreciation booked in the consolidated income statement in respect of the assets for 2014 and 2013 was EUR 919,516 and EUR 750,656, respectively.

Derecognition of property, plant and equipment

Items of property, plant and equipment are derecognised when they are sold or when no future economic profit is expected to be obtained from their continuing use. The gain or loss arising on the disposal or derecognition of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset, and is recognised in the consolidated income statement.

d) Impairment of non-financial assets-

At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment, the Group tests its intangible assets and items of property, plant and equipment for impairment to determine whether their recoverable amount has fallen below their carrying amount. The recoverable amount is the greater of fair value less costs to sell and value in use. An impairment loss is recognised when the carrying amount exceeds the recoverable amount.

Value in use is the present value of expected future cash flows, calculated using a risk-free market rate of interest, adjusted for the risks specific to the asset. The recoverable amount of assets that do not generate cash flows, primarily independent of cash flows from other assets or groups of assets, is calculated for the cash-generating units to which the assets belong.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the impairment loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets in the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the greatest of the following values: fair value less costs to sell, value in use and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount; however, the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. This reversal of an impairment loss is recognised as income. The analysis conducted did not reveal any need to recognise impairments during the year.

The Group makes appropriate provision when the recoverable value is less than the carrying amount, provided the latter cannot be recovered by generating sufficient income to cover all the costs and expenses incurred by usage of the asset.

The business combination carried out in 2011 produced goodwill of approximately EUR 152,990 thousand. As stipulated in accounting regulations, the Group accordingly carried out the impairment test to appraise the recoverability of the goodwill along with the rest of its operational assets. The test was carried out on the basis of generating future cash flows as per the projections carried out by the Group over a period of five years in 2012, 2013 and 2014 (the projections employed assumptions concerning income, costs and investment on the basis of the experience of Management and future expectations in accordance with the budget and the Strategic Plan in force). The main variables employed in the calculations, which were reviewed by Management and the Board of Directors, were as follows:

- A pre-tax discount rate of 10.6% to calculate the present value of cash flows, thereby reflecting current market assessments of the time value of money and the specific risks of the asset.
- Interannual increases in results (before interest, tax, depreciation and amortisation) of between 1.5% and 5%, in all cases lower than the increases that have usually been obtained by the Parent.

- The Group considered a perpetual income growth rate of 1.8% in 2014 and 2013 (1% in 2012).
- Volume of investment between EUR 25 million and EUR 35 million, depending on the financial year.
- The Group considered the applicable tax requirements and the new tax requirements applicable in next years.

In this scenario contemplated by management at the Parent and the Group of which it forms part, there are no indications of any impairment of goodwill.

Sensitivity analysis

The key assumptions identified are the discount rate used in the model and the long-term growth rate. The maximum variations calculated individually in the key assumptions for each year over the timeframe projected for the 2014 and 2013 impairment tests of Telecable de Asturias, S.A. (which accounts for most of the assets consolidated), assuming all other variables in the model remain constant, which therefore make their recoverable value equal to the carrying amount of operational assets, are as follows:

	TCA	
	2014	**2013**
Excess recoverable value over the carrying amount of operating assets (millions of euros)	116	42
Increase in the discount rate (%)	2.4%	0.84%
Decrease in the long-term growth rate (%)	(4.35%)	(0.98%)

e) Leases-

Leases are classified as ''finance leases'' whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as ''operating leases''.

Finance leases

In finance leases in which the Group acts as lessee, the cost of the leased assets (depending on the nature of the leased assets) is presented in the consolidated balance sheet and, simultaneously, a liability is recognised in the same amount. This amount will be the lesser of the fair value of the leased assets and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The calculation does not include contingent rent, the service cost or the taxes that can be passed on by the lessor. The total finance charge on the lease is recognised in the consolidated income statement for the year in which it is incurred, using the ''effective interest rate method''. Contingent rent is recognised as an expense for the period in which it is incurred.

The assets recognised for these types of transactions are depreciated on the basis of their nature using similar criteria to those applied to other items of property, plant and equipment.

There has not been any new leasing operation in 2014 and 2013.

Operating leases

Costs arising from operating leases are recognised in the income statement for the year when they are incurred.

Any collections or payments that might be made when arranging an operating lease will be treated as prepaid lease collections or payments, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

f) Financial instruments-

A ''*financial instrument*'' is a contract that gives rise to a financial asset at one entity and a financial liability or equity instrument at another entity simultaneously.

An ''*equity instrument*'' is a legal agreement that evidences a residual interest in the assets of the issuing entity after all liabilities have been deducted.

A "*financial derivative*" is a financial instrument the value of which changes in response to the change in a variable (*such as an interest rate, exchange rate, financial instrument price or market index*), whose initial investment is very small compared to other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

Financial assets-

The financial assets held by the Group are classified as follows:

1. Loans and receivables: financial assets arising from the sale of goods or the provision of services in the ordinary course of the Group's business, or other financial assets which are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

   These financial assets are initially recognised at the fair value of the consideration given, plus directly attributable transaction costs. They are subsequently measured at amortised cost, calculated using the "effective interest rate method", which is the discount rate that exactly matches the initial net carrying amount of a financial instrument to all its estimated cash flows over its remaining lifespan. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date, adjusted, where applicable, for the fees and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating-rate financial instruments, the effective interest rate is determined in a similar manner to the rate for fixed-rate transactions and is recalculated on each contractual interest rate reset date, taking into account any changes to the future cash flows.

   The Group conducts an "impairment test" on its financial assets, at each reporting date at least. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

   For certain types of financial assets, such as trade receivables, the impairment of assets is measured jointly even if it has been determined that no individual impairment exists. Examples of objective evidence of impairment in a receivables portfolio could include: the Group's past experience in collecting receivables, an increase in the number of delayed payments in the portfolio when the average credit period has elapsed, and observable changes in local or national economic conditions affecting non-payment of debts.

   The carrying amount of all financial assets is reduced directly by impairment losses, with the exception of trade receivables, where the carrying amount is reduced via a provisioning account. When it is considered that a trade receivable cannot be collected, it is cancelled against the provision for trade receivables. If any items previously cancelled are subsequently collected, they will be credited against the provisioning account. Changes to the carrying amount of a provision are recognised in the income statement.

   In the case of financial assets booked at amortised cost, if, at a future date, the impairment loss is reduced and the reduction can be objectively related to an event occurring after impairment has been recognised, the loss recognised is reversed through profit or loss provided the carrying amount of the investment at the reversal date does not exceed the amount at amortised cost that would have been booked if the impairment had not been recognised.

2. Other financial assets:
   - Financial investment in the capital of unlisted companies the market value of which cannot be reliably measured is carried at acquisition cost.
   - Deposits extended are recognised in the consolidated balance sheet as their nominal amount, because the effect of not discounting future cash flows is not material.

3. Cash and cash equivalents: the Group books cash and cash equivalents on its consolidated balance sheet in the manner described in Note 4.h.

The Group derecognises a financial asset when the contractual rights to cash flows from the asset expire or have been transferred, and all the risks and rewards of ownership of the financial asset have been substantially transferred.

Financial liabilities-

Financial liabilities include accounts payable by the Group that have arisen from the purchase of goods or services in the normal course of its business and other payables.

In accordance with Note 9 addressing the classification of financial liabilities, bank borrowings, trade payables and other payables and the other financial liabilities are considered to be financial liabilities as accounts payable. The other financial liabilities are accounted for by derivative financial instruments, which are recognised in accordance with the rules described in the following section.

Accounts payable by the Group are initially recognised at the fair value of the consideration received, adjusted in the amount of the transaction costs directly attributable. These liabilities are subsequently measured at amortised cost. The costs of formalising these liabilities will initially reduce the fair value, and will subsequently be considered for the purposes of calculating the effective interest rate to be taken into account to recognise the amortised cost of financing.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

If debt instruments are exchanged between a lender and a borrower, provided their terms are substantially different, the original financial liability will be derecognised, and the new financial liability will be recognised. A substantial modification to an existing financial liability will be recognised in the same manner. The difference between the carrying amount of the derecognised financial liability, or a portion of it, and the consideration paid, including attributable transaction costs and any non-cash assets transferred or liabilities undertaken, is recognised in profit and loss in the year in which derecognition occurs.

In the event of an exchange of debt instruments the terms of which are not substantially different, the original financial liability will not be derecognised in the balance sheet, and the amount of the commissions paid will be recognised as an adjustment to the carrying amount. The amortised cost of the financial liability will be determined by applying the effective interest rate, which will be that equal to the carrying amount of the financial liability at the date of modification, with the cash flows to be paid, in accordance with the new conditions.

Here the terms of the contracts will be considered substantially different when the present value of the cash flows of the new financial liability, including net commissions received or paid, differs by at least 10% with respect to the present value of the remaining cash flows of the original financial liability, with both discounted at the latter's effective interest rate.

Derivative financial instruments-

The Group's activities chiefly expose it to interest rate risks due to fluctuations in the variable Euribor rate to which its long-term financing is tied. To address these exposures, the Group avails itself of derivative financial instruments in order to hedge against interest rate risk (Note 9).

At 31 December 2014, 2013 and 2012 the Group held two derivatives in the nominal amount of EUR 110, 130 and 150 million, respectively, recognised as non-hedging derivatives, and therefore they are recognised as assets or liabilities in the balance sheet at their fair value, and any changes to the fair value must be applied to the income statement for the period.

For the derivative to be given hedging status, it will be documented in a hedging relationship and it must be proven that there is a high level of offsetting in variations of the swap's future cash flows and of finance costs. In this regard the Group will also verify the effectiveness of the hedge initially, and subsequently on a periodic basis over the term of the hedge (at least at the end of each reporting period). A hedge is effective if it is expected, prospectively, that the changes in fair value or in the cash flows from the hedged item (attributable to the hedged risk) are offset by significant changes in interest rates and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80-125% of gains or losses on the hedged item.

If the cash flow hedge requisites are met, the portion of the gain or loss determined as effective will be recognised transitorily in equity, and taken to the income statement in the period during which interest accrued on the loan.

Equity instruments-

An equity instrument represents a residual share in the equity of the Group after deduction of all its liabilities.

Equity instruments issued by the Group are recognised in equity as the proceeds received, net of issue costs.

g) Inventories-

Inventories are chiefly composed of mobile handsets, and are measured at their acquisition price on a FIFO basis or at their net realisable value, whichever is lower. Trade discounts, rebates, other similar items and interest included in the nominal amount of the payables are deducted in determining the acquisition cost.

Net realisable value represents the estimated selling price less all estimated costs of completion and the costs to be incurred in the marketing, sale and distribution of the product.

The Group makes the appropriate valuation adjustments, and recognises them as an expense in the income statement when the net realisable value of the inventories is lower than their acquisition cost.

h) Cash and cash equivalents-

Under this heading in the special-purpose consolidated balance sheet, the Group recognises financial investments convertible to cash maturing at no more than three months from the date of acquisition that entail no significant risk of any changes to their value and form part of the Group's normal cash management policy.

i) Grants, donations and bequests-

Capital grants are recognised at fair value when there is reasonable certainty that they will be received and the Group meets all the conditions established. Non-repayable grants are recognised in the consolidated balance sheet as deferred income, provided the conditions established to award them have been met.

Grants are systematically recognised in the income statement in periods during which the Group expenses the costs it intends to offset with the grants. Specifically, grants the main condition of which is that the Group purchase, construct or otherwise acquire non-current assets, are recognised in the consolidated balance sheet as deferred income, and are taken to the consolidated income statement in a systematic and rational manner throughout the useful life of the assets concerned.

Any benefit obtained from a government loan at an interest rate lower than the market rate is treated as a grant, and is measured as the difference between the amount received and the fair value of the loan based on current interest rates on the market. When the grant has been determined, loans are measured in accordance with the stipulations of IAS 39.

Operating grants are credited as income on the date they are definitively awarded.

The Directors of the Parent consider that the Group has met and will in the future meet the conditions established to make the grants received definitively effective.

j) Provisions and contingencies-

When drawing up the special-purpose consolidated financial statements, the Directors of the Parent make a distinction between the following:

1. *Provisions:* credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to probable outflow of resources, but which are uncertain as to their amount and/or timing.
2. *Contingent liabilities:* possible obligations that arise from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the Group's control.

The special-purpose consolidated financial statements include all the material provisions with respect to which it is considered it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the special-purpose consolidated financial statements, but rather disclosure is provided in the notes to the statements unless the possibility of an outflow in settlement is considered remote.

Provisions are recognised at the present value of the best possible estimate of the consideration required to settle or transfer the obligation, taking into account the information available concerning the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as a finance cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will be received, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of provision that should be recognised, if any.

There were no contingent liabilities or assets at 31 December 2014, 2013 and 2012.

k) Income tax-

Relating to the income tax, the Group has paid Income Taxunder the special tax consolidation regime stipulated in Article 64 et seq. of Revised Royal Legislative Decree 4/2004 of 5 March, with Telecable Capital Holding, S.L.U. as the parent of the tax consolidation group and Telecable de Asturias, S.A. as a subsidiary, during fiscal years 2012 and 2014, and in the individual tax regimen in 2013.

Income tax expenses or income tax rebates include both the current and deferred tax expense or income.

Current tax expense is the tax payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments, and tax loss carryforwards effectively offset in the current year reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset the tax rate at which the asset is expected to be realised or the liability is expected to be settled.

Deferred tax assets are recognised in respect of deductible temporary differences, tax losses during the year that may be offset in subsequent years, and deductions and other tax breaks not used during the year that may apply in future years.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit/(loss) nor taxable profit/(tax loss).

Deferred tax assets are recognised to the extent it is considered likely that the Group will have taxable profits in the future against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates expected to be in force when the liabilities are settled or the assets are realised, in accordance with the rates (and tax laws) approved or practically approved at year-end.

Current taxes and deferred taxes are recognised in the consolidated income statement unless they relate to items recognised as other comprehensive income or items recognised directly in equity, in which case the current and deferred taxes are also recognised as other comprehensive income or directly in equity. When current or deferred taxes are generated upon the initial recognition of a business combination, the tax effect is included in the business combination's accounts.

Deferred tax assets recognised are reassessed at the end of each reporting period, and appropriate adjustments are made if there are doubts as to their future recoverability. Unrecognised deferred tax assets are also reassessed at the end of each reporting period, and are recognised where it has become likely that they will be recovered through future taxable profits.

l) Revenue and expense-

Revenue and expense are recognised on an accrual basis, i.e. when the actual flow of the goods and services they represent occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less any discounts and taxes.

Revenue

Revenue from sales is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and continuing managerial involvement nor effective control is maintained over the goods sold, its amount can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Group revenue is generated from the provision of services in connection with landline phones, television, broadband Internet, data and mobile phones for residential and corporate customers, chiefly as combined sales, and also from phone interconnection services to other operators. In revenue arrangements including more than one deliverable, the arrangements are divided into separate units of accounting. Deliverables are considered separate units of accounting if the following two conditions are met: (1) the deliverable has value to the customer on a stand-alone basis and (2) there is evidence of the fair value of the item. The arrangement consideration is allocated to each separate unit of accounting based on its relative fair value.

The Group assesses its revenue agreements in line with specific criteria to determine whether it acts as principal or agent. The Group concluded that it acts as principal in all its revenue agreements.

Traffic revenue, both landline and mobile, is recognised in the period during which it is earned.

Regular monthly charges for services are taken to results on a straight-line basis in the period during which the service was provided. Variable consumption revenue is recognised in the period during which it is earned, and revenue from flat-rate consumption is recognised in the period covered by the rate concerned.

Revenue from interconnections is recognised in the period during which phone traffic is generated.

Provision of mobile devices – considered an ancillary service to the main mobile phone service – generates revenue from sales taken to results at the time the devices are delivered.

Own work capitalised

The Group recognised in this item the capitalised costs related to its assets.

Other operating income

The other operating income are related, mainly, to revenues associated with the provision of services, recognised as it has been indicated previously in this Note.

With respect to the operating grants, these are recognised according to Note 4.i.

Finance income

Interest income from financial assets is recognised using the effective interest method, and dividend income is recognised when the shareholder's right to receive payment has been established. In any event, interest and dividend revenue on financial assets accrued after the date of acquisition are recognised as income in the income statement.

m) Severance payments-

Under current employment legislation, Group companies are required to make severance payments to employees whose contracts have been terminated under certain conditions. Severance payments that may be reasonably quantified are recognised as expense in the year during which the Directors decide to make them and valid expectations are created with third parties concerning layoffs. The Group recognised EUR 300,045, EUR 13,745 and EUR 371,719 in 2014, 2013 and 2012 respectively in this regard, which were booked under "Staff costs" in the accompanying consolidated income statement (Note 16.e).

n) Classification of assets and liabilities as current-

Assets and liabilities are classified as current in the consolidated balance sheet if they are expected to be recovered, used or settled within 12 months or less of the date of the balance sheet. If, before year-end, a liability carries no unconditional right for the Group to defer settlement for at least 12 months from the date of the consolidated balance sheet, it is classified as current.

o) Related-party transactions-

The Group carries out all its related-party transactions (financial, commercial or otherwise) by setting transfer prices stipulated by the OECD to regulate transactions with Group companies and associates. Transfer prices are properly supported, and therefore the Directors of the Group consider there are no material risks in this regard that might give rise to significant liabilities in the future (Note 14).

p) Segment information-

The Group operates in one segment and therefore segment information is not presented.

q) Statement of cash flows-

The Group's consolidated statement of cash flows, drawn up using the indirect method, uses the following terms defined below:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being understood to mean highly liquid short-term investments subject to insignificant risk of changes in value.
- Operating activities: ordinary Group operating activities and any other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group that are not operating activities.

5. Goodwill

In 2014, 2013 and 2012 there were no material changes to this item in the consolidated balance sheet. At 31 December 2014, 2013 and 2012 and at 1 January 2012, the Group had recognised goodwill of EUR 152,990,147 as a result of the business combination in 2011, and no valuation adjustments were made to this (Notes 1 and 4.d).

6. Intangible assets

The changes to this item in the consolidated balance sheet in 2014, 2013 and 2012 were as follows:

2014

	Euros			
	Opening balance	**Additions or allowances**	**Disposals or write offs**	**Closing balance**
Cost-				
Development costs	1,000,023	2,592,054	—	3,592,077
Rights to use	2,259,218	105,333	—	2,364,551
Patents, licences, trademarks and similar	13,646,941	4,983	—	13,651,924
Computer software	27,480,002	2,618,684	(72,255)	30,026,431
Other intangible assets	110,267,382	6,844,455	(5,269,551)	111,842,286
Cost of contracts with customers	*14,774,040*	*6,408,455*	(5,269,551)	*15,912,944*
Customer relationships	*92,702,000*	*–*	—	*92,702,000*
Others	*2,791,342*	*436,000*	—	*3,227,342*
Advances and film rights over ongoing productions	503,565	(382,861)	—	120,704
	155,157,131	**11,782,648**	**(5,341,806)**	**161,597,973**
Accumulated amortisation-				
Development costs	(826,467)	(285,133)	—	(1,111,600)
Rights to use	(413,298)	(143,034)	—	(556,332)
Patents, licences, trademarks and similar	(951,821)	(456,612)	—	(1,408,433)
Computer software	(22,785,844)	(2,850,370)	72,255	(25,563,959)
Other intangible assets	(38,786,255)	(18,679,915)	5,269,551	(52,196,619)
Cost of contracts with customers	*(11,161,900)*	*(6,016,631)*	*5,269,551*	*(11,908,980)*
Customer relationships	*(25,434,889)*	*(12,313,444)*	—	*(37,748,333)*
Others	*(2,189,466)*	*(349,840)*	—	*(2,539,306)*
	(63,763,685)	**(22,415,064)**	**5,341,806**	**(80,836,943)**
Intangible assets, net	**91,393,446**			**80,761,030**

2013

	Euros			
	Opening balance	**Additions or allowances**	**Disposals or write offs**	**Closing balance**
Cost-				
Development costs	819,133	180,890	—	1,000,023
Rights to use	2,153,885	105,333	—	2,259,218
Patents, licences, trademarks and similar	13,644,484	2,457	—	13,646,941
Computer software	24,971,869	2,514,139	(6,006)	27,480,002
Other intangible assets	109,271,158	6,275,355	(5,279,131)	110,267,382
Cost of contracts with customers	*14,138,375*	*5,914,796*	*(5,279,131)*	*14,774,040*
Customer relationships	*92,702,000*	*—*	*—*	*92,702,000*
Others	*2,430,783*	*360,559*	*—*	*2,791,342*
Advances and film rights over ongoing productions	394,315	109,250	—	503,565
	151,254,844	**9,187,424**	**(5,285,137)**	**155,157,131**
Accumulated amortisation-				
Development expenses	(819,133)	(7,334)	—	(826,467)
Rights to use	(274,127)	(139,171)	—	(413,298)
Patents, licences, trademarks and similar	(494,446)	(457,375)	—	(951,821)
Computer software	(19,637,408)	(3,154,442)	6,006	(22,785,844)
Other intangible assets	(26,071,813)	(17,993,573)	5,279,131	(38,786,255)
Cost of contracts with customers	*(11,262,172)*	*(5,178,859)*	*5,279,131*	*(11,161,900)*
Customer relationships	*(13,007,845)*	*(12,427,044)*	*—*	*(25,434,889)*
Others	*(1,801,796)*	*(387,670)*	*—*	*(2,189,466)*
	(47,296,927)	**(21,751,895)**	**5,285,137**	**(63,763,685)**
Intangible assets, net	**103,957,917**			**91,393,446**

2012

	Euros				
	Opening balance	**Additions or allowances**	**Disposals or write offs**	**Transfers**	**Closing balance**
Cost-					
Development costs	819,133	—	—	—	819,133
Rights to use	2,031,007	122,878	—	—	2,153,885
Patents, licences, trademarks and similar	13,643,789	695	—	—	13,644,484
Computer software	22,027,673	—	—	2,944,196	24,971,869
Other intangible assets	105,794,779	5,958,131	(2,481,752)	—	109,271,158
Cost of contracts with customers	*8,589,245*	*5,549,131*	—	—	*14,138,376*
Customer relationships	*92,702,000*	—	—	—	*92,702,000*
Others	*4,503,534*	*409,000*	*(2,481,752)*	—	*2,430,782*
Advances and film rights over ongoing productions	16,649	3,321,862	—	(2,944,196)	394,315
	144,333,030	**9,403,566**	**(2,481,752)**	**—**	**151,254,844**
Accumulated amortisation-					
Development expenses	(819,133)	—	—	—	(819,133)
Rights to use	(139,584)	(134,543)	—	—	(274,127)
Patents, licences, trademarks and similar	(35,523)	(458,923)	—	—	(494,446)
Computer software	(16,898,324)	(2,739,084)	—	—	(19,637,408)
Other intangible assets	(9,953,104)	(18,544,460)	2,425,751	—	(26,071,813)
Cost of contracts with customers	—	*(11,262,172)*	—	—	*(11,262,172)*
Customer relationships	*(6,377,614)*	*(6,630,231)*	—	—	*(13,007,845)*
Others	*(3,575,490)*	*(652,057)*	*2,425,751*	—	*(1,801,796)*
	(27,845,668)	**(21,877,010)**	**2,425,751**	**—**	**(47,296,927)**
Intangible assets, net	**116,487,362**				**103,957,917**

Main investments

The main additions in 2014 and 2013 were the cost of acquisition of contracts with customers in the amounts of EUR 6,844,455 and EUR 6,275,355, respectively, (EUR 5,958,131 in 2012), development of software necessary to Group activity in the amounts of EUR 2,618,684 and EUR 2,514,139, respectively, (being zero in 2012) and development costs on the Wifisfera, TV Everywhere and Infoternera projects in the amounts of EUR 2,592,054 and EUR 180,890, respectively, (being zero in 2012).

Assets written off in the year

Write offs in 2014 and 2013 were chiefly accounted for by customer contracts terminating during the year, the cost of which was EUR 5,269,551 and EUR 5,279,131, respectively, (EUR 12,481,752 in 2012), and also software in the amounts of EUR 72,255 and EUR 6,006, respectively, (being zero in 2012).

Intangible assets outside Spain

The Group does not have any intangible assets located outside Spain.

7. Property, plant and equipment

The changes in "Property, plant and equipment" in the consolidated balance sheet at 31 December 2014, 2013 and 2012 were as follows:

2014

	Euros			
	Opening balance	**Additions or allowances**	**Disposals or write offs**	**Closing balance**
Cost-				
Land and buildings	4,919,297	—	—	4,919,297
Headend	53,677,196	2,613,974	(321,796)	55,969,374
Backbone	17,642,564	408,409	—	18,050,973
Distribution centres	11,933,081	421,318	(94,079)	12,260,320
Nodes	10,478,057	50,118	(9,164)	10,519,011
Distribution network	75,359,487	2,249,525	—	77,609,012
Installation in homes	69,173,671	5,877,699	(4,360,241)	70,691,129
Customer-home equipment	48,506,170	3,743,811	(2,394,754)	49,855,227
Machinery	33,923	—	—	33,923
Tools	29,961	—	—	29,961
Furniture	1,576,286	8,907	—	1,585,193
Data processing equipment	3,639,008	208,848	—	3,847,856
Other fixtures and other items of property, plant and equipment	12,646,944	340,474	(21,361)	12,966,058
Work in progress	748,912	8,203	(23,982)	733,132
	310,364,557	**15,931,286**	**(7,225,377)**	**319,070,466**
Accumulated depreciation-				
Buildings	(1,079,232)	(102,697)	—	(1,181,929)
Headend	(36,328,855)	(3,953,692)	190,396	(40,092,151)
Backbone	(7,616,962)	(944,511)	—	(8,561,473)
Distribution centres	(10,342,747)	(413,145)	94,079	(10,661,813)
Nodes	(8,867,842)	(465,902)	9,164	(9,324,580)
Distribution network	(35,155,741)	(4,554,922)	—	(39,710,663)
Installation in homes	(37,383,990)	(5,995,934)	2,077,782	(41,302,142)
Customer-home equipment	(32,917,891)	(4,438,870)	2,243,640	(35,113,121)
Machinery	(31,487)	(526)	—	(32,013)
Tools	(26,648)	(991)	—	(27,639)
Furniture	(1,280,650)	(65,654)	—	(1,346,304)
Data processing equipment	(2,879,245)	(384,028)	—	(3,263,273)
Other fixtures and other items of property, plant and equipment	(2,932,730)	(440,757)	21,371	(3,352,116)
	(176,844,020)	**(21,761,629)**	**4,636,432**	**(193,969,217)**
Impairment of property, plant and equipment	**(264,912)**	**—**	**159,957**	**(104,955)**
Property, plant, and equipment, net	**133,255,625**			**124,996,294**

2013

	Euros			
	Opening balance	**Additions or allowances**	**Disposals or write offs**	**Closing balance**
Cost-				
Land and buildings	4,919,297	—	—	4,919,297
Headend	57,206,503	3,557,351	(7,086,658)	53,677,196
Backbone	17,393,354	249,210	—	17,642,564
Distribution centres	17,751,805	631,682	(6,450,406)	11,933,081
Nodes	10,563,159	30,674	(115,776)	10,478,057
Distribution network	72,949,632	2,409,855	—	75,359,487
Installation in homes	67,016,630	6,570,122	(4,413,081)	69,173,671
Customer-home equipment	46,875,726	6,424,377	(4,793,933)	48,506,170
Machinery	33,923	—	—	33,923
Tools	29,961	—	—	29,961
Furniture	1,574,486	1,800	—	1,576,286
Data processing equipment	3,320,570	318,438	—	3,639,008
Other fixtures and other items of property, plant and equipment	12,340,851	306,093	—	12,646,944
Work in progress	1,193,896	(381,012)	(63,972)	748,912
	313,169,793	**20,118,590**	**(22,923,826)**	**310,364,557**
Accumulated depreciation-				
Buildings	(976,536)	(102,696)	—	(1,079,232)
Headend	(37,329,109)	(4,659,658)	5,659,912	(36,328,855)
Backbone	(6,579,739)	(1,037,223)	—	(7,616,962)
Distribution centres	(15,440,342)	(1,113,156)	6,210,751	(10,342,747)
Nodes	(8,461,719)	(509,812)	103,689	(8,867,842)
Distribution network	(30,136,876)	(5,018,865)	—	(35,155,741)
Installation in homes	(32,787,680)	(6,815,046)	2,218,736	(37,383,990)
Customer-home equipment	(32,105,152)	(5,042,848)	4,230,109	(32,917,891)
Machinery	(30,961)	(526)	—	(31,487)
Tools	(25,559)	(1,089)	—	(26,648)
Furniture	(1,209,535)	(71,115)	—	(1,280,650)
Data processing equipment	(2,490,219)	(389,026)	—	(2,879,245)
Other fixtures and other items of property, plant and equipment	(3,111,276)	178,558	(12)	(2,932,730)
	(170,684,703)	**(24,582,502)**	**18,423,185**	**(176,844,020)**
Impairment of property, plant and equipment	**(624,190)**	**(264,912)**	**624,190**	**(264,912)**
Property, plant, and equipment, net	**141,860,900**			**133,255,625**

2012

	Euros				
	Opening balance	**Additions or allowances**	**Disposals or write offs**	**Transfers**	**Closing balance**
Cost-					
Land and buildings	4,919,297	—	—	—	4,919,297
Headend	54,296,862	—	—	2,909,641	57,206,503
Backbone	16,408,662	—	—	984,692	17,393,354
Distribution centres	17,484,371	—	—	267,434	17,751,805
Nodes	10,491,640	—	—	71,519	10,563,159
Distribution network	69,932,880	—	—	3,016,752	72,949,632
Installation in homes	60,472,967	—	—	6,543,663	67,016,630
Customer-home equipment	45,432,835	—	(3,947,942)	5,390,833	46,875,726
Machinery	33,923	—	—	—	33,923
Tools	29,961	—	—	—	29,961
Furniture	1,549,545	—	—	24,941	1,574,486
Data processing equipment	3,025,955	—	—	294,615	3,320,570
Other fixtures and other items of property, plant and equipment	12,103,982	—	(948,213)	1,185,082	12,340,851
Work in progress	1,558,753	20,324,315	—	(20,689,172)	1,193,896
	297,741,633	**20,324,315**	**(4,896,155)**	**—**	**313,169,793**
Accumulated depreciation-					
Buildings	(873,839)	(102,697)	—	—	(976,536)
Headend	(33,018,471)	(4,310,638)	—	—	(37,329,109)
Backbone	(5,809,251)	(770,488)	—	—	(6,579,739)
Distribution centres	(14,120,429)	(1,319,913)	—	—	(15,440,342)
Nodes	(7,859,722)	(601,997)	—	—	(8,461,719)
Distribution network	(26,137,013)	(3,999,863)	—	—	(30,136,876)
Installation in homes	(25,649,057)	(7,138,623)	—	—	(32,787,680)
Customer-home equipment	(29,982,986)	(3,965,239)	3,277,370	(1,434,297)	(32,105,152)
Machinery	(29,509)	(1,452)	—	—	(30,961)
Tools	(24,394)	(1,165)	—	—	(25,559)
Furniture	(1,117,531)	(92,004)	—	—	(1,209,535)
Data processing equipment	(2,131,868)	(358,351)	—	—	(2,490,219)
Other fixtures and other items of property, plant and equipment	(2,564,999)	(2,602,169)	621,595	1,434,297	(3,111,276)
	(149,319,069)	**(25,264,599)**	**3,898,965**	**—**	**(170,684,703)**
Impairment of property, plant and equipment	—	**(624,190)**	**—**	**—**	**(624,190)**
Property, plant, and equipment, net	**148,422,564**			**—**	**141,860,900**

Main investments

The most significant additions in 2014, 2013 and 2012 relate to the acquisition of infrastructure and equipment for developing the cable network, the acquisition and modernisation of equipment installed in customers' homes, and all the items comprising the Group's operational infrastructure.

At 2014, 2013 and 2012 year-end, work in progress related mainly to equipment not yet installed in customers' homes.

Assets written off in the year

The main assets written off in 2014 and 2013 related to:

- Installations in subscribers' homes that were derecognised with a carrying amount of EUR 2,282,459 and EUR 2,194,345, respectively;
- Plant relating to the headend associated with the CriticalPath e-mail platform, with a carrying amount at the date of write off of EUR 131,400, for which an impairment loss of EUR 264,912 was recognised in 2013; and
- Customer-home equipment with a carrying amount of EUR 151,114 and EUR 563,824, respectively, (2012: EUR 670,572).

The result associated with the assets derecognised in each year was recognised under ''Impairment losses and gains/(losses) on disposal of non-current assets'' in the accompanying consolidated statement of comprehensive income.

Impairment of property, plant and equipment

In 2014 the impairment losses on property, plant and equipment amounted to EUR 159,957, the details of which are as follows:

- EUR 136,763 relating to the CriticalPath webmail platform; and
- EUR 23,194 in relation to the TV headend relating to Euskaltel.

The application of these impairment losses was recognised under ''Impairment Losses and Gains/(Losses) on Disposal of Assets'' in the accompanying consolidated statement of comprehensive income for 2014.

With regard to 2013, impairment losses of EUR 624,190 were recognised on property, plant and equipment with regard to the plant relating to the headend and DCs associated with the Eurodocsis technology. Furthermore, an impairment loss of EUR 264,912 was recognised in relation mainly to the plant relating to the headend associated with television and the CriticalPath e-mail platform.

Capital expenditure commitments

At 31 December 2014, 2013 and 2012, and 1 January 2012, the Group had commitments to acquire items of property, plant and equipment amounting to EUR 1,460,906, EUR 1,689,263, EUR 2,429,575 and EUR 3,246,146, respectively.

Property, plant and equipment outside Spain

The Group does not have any items of property, plant and equipment located outside Spain.

Policy regarding insurance

It is Group policy to take out insurance policies to cover the potential risks which might affect the items of its property and equipment. At 31 December 2014, the Parent's Directors consider that the coverage taken out is sufficient to cover the risks relating to the Group's activity.

Finance leases

In 2014 the Company exercised the purchase option on the following assets, recognised under ''Plant and other items of property, plant and equipment'', which at 31 December 2013 were held under a finance lease (leasing) agreement.

2014

	Euros						
Description of the asset	**Contract term in months**	**Months elapsed up to 31/12/2014**	**Original cost of the asset**	**Lease payments paid in prior years**	**Lease payments paid in 2014**	**Lease payments outstanding, including purchase option**	**Purchase option amount**
Large account customer equip.	24	24	409,085	225,563	183,522	—	16,923
Large account customer equip.	24	24	66,719	36,787	29,932	—	2,760
Large account customer equip.	24	24	116,341	59,475	56,866	—	4,814
Large account customer equip.	24	24	638,281	311,027	327,254	—	100
			1,230,426	**632,852**	**597,574**	—	**24,597**

At 31 December 2013 and 2012 and 1 January 2012, the Group held the following assets under a finance lease (leasing) agreement:

At 31 December 2013

	Euros						
Description of the asset	**Contract term in months**	**Months elapsed up to 31/12/2013**	**Original cost of the asset**	**Lease payments paid in prior years**	**Lease payments paid in 2013**	**Lease payments outstanding, including purchase option**	**Purchase option amount**
Large account customer equip.	24	14	409,085	31,677	193,886	183,522	16,923
Large account customer equip.	24	14	66,719	5,166	31,621	29,932	2,760
Large account customer equip.	24	13	116,341	4,497	54,978	56,866	4,814
Large account customer equip.	24	12	638,281	—	311,027	327,254	100
			1,230,426	**41,340**	**591,512**	**597,574**	**24,597**

At 31 December 2012

	Euros						
Description of the Asset	**Contract term in months**	**Months elapsed up to 31/12/2012**	**Original cost of the asset**	**Lease payments paid in prior years**	**Lease payments paid in 2012**	**Lease payments outstanding, including purchase option**	**Purchase option amount**
Decoders and accessories	48	46	368,901	282,508	94,217	16,100	8,134
Decoders and accessories	48	39	17,749	10,273	4,456	3,420	383
Decoders and accessories	48	42	310,351	196,161	78,252	46,690	6,743
Decoders and accessories	48	48	43,051	37,935	9,209	—	986
Decoders and accessories	48	48	74,720	69,989	12,862	—	1,710
Decoders and accessories	48	48	158,108	148,095	27,217	—	3,618
Decoders and accessories	48	48	216,441	215,555	28,124	—	4,929
Decoders and accessories	48	48	306,327	313,643	33,280	—	6,956
Decoders and accessories	60	60	226,510	207,993	47,331	4,243	4,243
Decoders and accessories	48	48	212,344	222,493	18,491	—	4,790
Decoders and accessories	60	60	271,146	261,867	52,522	—	5,081
Decoders and accessories	60	60	232,250	224,295	44,995	—	4,352
Decoders and accessories	60	60	156,477	151,011	30,300	—	2,932
Decoders and accessories	48	48	376,140	404,145	24,690	—	8,482
Decoders and accessories	48	48	688,453	760,967	30,512	—	15,627
Decoders and accessories	48	37	1,147,874	574,291	286,172	293,926	24,728
Cisco equip. Liberbank Project	24	2	409,085	—	31,677	377,408	16,923
Computer Cisco Liberbank Project	24	2	66,719	—	5,166	61,553	2,760
Cisco equip. Liberbank Project	24	1	116,341	—	4,496	111,845	4,814
			5,398,987	**4,081,221**	**863,969**	**915,185**	**128,191**

At 1 January 2012

	Euros						
Description of the Asset	**Contract term in months**	**Months elapsed up to 01/01/2012**	**Original cost of the asset**	**Lease payments paid in prior years**	**Lease payments paid in 2011**	**Lease payments outstanding, including purchase option**	**Purchase option amount**
Decoders and accessories	48	46	368,901	191,429	91,079	110,317	8,134
Decoders and accessories	48	39	17,749	5,976	4,297	7,876	383
Decoders and accessories	48	42	310,351	120,604	75,557	124,942	6,743
Decoders and accessories	48	48	43,051	27,165	10,770	9,209	986
Decoders and accessories	48	48	74,720	51,196	18,793	12,862	1,710
Decoders and accessories	48	48	158,108	108,331	39,764	27,217	3,618
Decoders and accessories	48	48	216,441	160,655	54,900	28,124	4,929
Decoders and accessories	48	48	306,327	235,719	77,924	33,280	6,956
Decoders and accessories	60	60	226,510	161,697	46,296	51,574	4,243
Decoders and accessories	48	48	212,344	168,408	54,085	18,491	4,790
Decoders and accessories	60	60	271,146	206,058	55,809	52,522	5,081
Decoders and accessories	60	60	232,250	176,483	47,812	44,995	4,352
Decoders and accessories	60	60	156,477	118,816	32,195	30,300	2,932
Decoders and accessories	48	48	376,140	308,119	96,026	24,690	8,482
Decoders and accessories	48	48	688,453	584,431	176,545	30,512	15,627
Decoders and accessories	48	37	1,147,874	298,456	275,835	580,098	24,728
			4,806,842	**2,923,543**	**1,157,687**	**1,187,009**	**103,694**

Finance lease liabilities

The amount of the lease payments and purchase options outstanding at 31 December 2014, 2013 and 2012, and 1 January 2012 under the finance lease agreements entered into and in force at those dates, by maturity, are as follows:

	Euros			
Maturing in (Notes 11, 12 and 14)	**31/12/2014**	**31/12/2013**	**31/12/2012**	**01/01/2012**
2012	—	—	—	821,489
2013	—	—	644,821	365,520
2014	—	597,574	270,364	—
	—	**597,574**	**915,185**	**1,187,009**

The amounts outstanding at 31 December 2013 and 2012 and 1 January 2012 include balances of EUR 270,320, EUR 915,185 and EUR 1,187,009, respectively, relating to payables to related companies (see Notes 12 and 14).

Operating leases

Information related to operating leases is provided in Note 16.f.

8. Financial assets

"Financial assets" at 31 December 2014, 2013 and 2012, and 1 January 2012 are as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Equity instruments	1,715	1,715	47,887	47,887
Other financial assets (Note 14)	4,164,393	3,966,042	45,054	61,454
Non-current financial assets	**4,166,108**	**3,967,757**	**92,941**	**109,341**
Trade and other receivables	6,484,199	6,979,946	6,153,288	6,707,154
Investments Group companies (Note 14)	32,188	28,351	176	429
Other financial assets	52,223	41,218	40,515	29,332
Cash and cash equivalents	21,092,500	29,429,975	35,304,536	35,451,986
Current financial assets	**27,661,110**	**36,479,490**	**41,498,515**	**42,188,901**

Non-current financial assets-

The amounts recognised under "Non-current financial assets – Equity instruments" in the table above, i.e. EUR 1,715 at 31 December 2014 and 2013, and EUR 47,887 at 31 December 2012 and 1 January 2012, relate to investments in the capital of certain companies, which are measured at cost. All the companies are unlisted.

At 31 December 2014, "Non-current financial assets – Other financial assets" in the table above includes, firstly, EUR 4,121,857 (31 December 2013: EUR 3,923,506; 31 December 2012 and 1 January 2012: zero) relating to a loan granted on 22 February 2013 and maturing in 2030 to certain members of the management team, amounting to EUR 3,760,048 plus 5% annual interest accrued until 31 December 2014, amounting to EUR 361,809, and EUR 163,458 until 31 December 2013, and, secondly, certain deposits measured at the delivered amount, which does not differ significantly from their fair value.

Trade and other receivables-

"Trade and other receivables" in the accompanying consolidated balance sheet at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Trade receivables for sales and services	8,064,700	8,604,952	7,335,012	7,644,017
Impairment on trade receivables	(1,581,351)	(1,658,425)	(1,191,999)	(942,173)
Sundry receivables	—	32,219	3,674	838
Prepayments – employees	850	1,200	6,601	4,472
Total	**6,484,199**	**6,979,946**	**6,153,288**	**6,707,154**

The changes in impairment losses on trade receivables in 2014, 2013 and 2012 were as follows:

2014

	Euros			
	Balance at 31/12/2013	**Charge for the year**	**Amounts used**	**Balance at 31/12/2014**
Impairment on trade receivables	1,658,425	1,539,388	(1,616,462)	1,581,351

2013

	Euros			
	Balance at 31/12/2012	**Charge for the year**	**Amounts used**	**Balance at 31/12/2013**
Impairment on trade receivables	1,191,999	1,620,697	(1,154,271)	1,658,425

2012

	Euros			
	Balance at 31/12/2012	**Charge for the year**	**Amounts used**	**Balance at 01/01/2012**
Impairment on trade receivables	942,173	1,178,606	(928,780)	1,191,999

In 2014 and 2013 the Group recognised impairment losses on trade receivables deemed difficult to recover in the amount of EUR 1,539,388 and EUR 1,620,697, respectively, (2012: EUR 1,178,606). This amount was recognised under "Other operating expenses" in the accompanying statement of comprehensive income (see Note 16-f).

The ageing of receivables recognised as "Trade receivables for sales and services" is presented below:

	Euros			
Ageing of receivables	**31/12/2014**	**31/12/2013**	**31/12/2012**	**01/01/2012**
Not past due	**5,602,159**	**5,527,071**	**4,422,334**	**4,553,769**
Past due but not impaired:	**881,190**	**1,419,456**	**1,720,679**	**2,148,075**
Past due less than 90 days	245,793	455,015	315,521	1,205,007
Past due by 90 to 180 days	537,201	791,273	951,946	725,572
Past due more than 180 days	98,196	173,168	453,212	217,496
Impaired (past due more than 180 days)	**1,581,351**	**1,658,425**	**1,191,999**	**942,173**
Total	**8,064,700**	**8,604,952**	**7,335,012**	**7,644,017**

At 31 December 2014, 2013 and 2012, and 1 January 2012, the difference between the fair value and the carrying amount of the receivables is not significant.

Other current financial assets-

At 31 December 2014, 2013 and 2012, and 1 January 2012, the Group had recognised EUR 52,223, EUR 41,218, EUR 40,515 and EUR 29,332 respectively, under "Other current financial assets" in the accompanying consolidated balance sheet in relation to deposits that are measured at the delivered amount, although this does not differ significantly from the carrying amount.

Cash and cash equivalents-

"Cash and cash equivalents" in the accompanying consolidated balance sheet at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Cash	4,316,958	6,978,008	11,214,279	17,801,336
Cash equivalents	16,775,542	22,451,967	24,090,257	17,650,650
Total	**21,092,500**	**29,429,975**	**35,304,536**	**35,451,986**

At 31 December 2014, 2013 and 2012, and 1 January 2012, the Group had classified EUR 16,775,542, EUR 22,451,967, EUR 24,090,257 and EUR 17,650,650, respectively, as "Cash equivalents", relating to term deposits that form part of the Group's usual treasury management with an original maturity date of less than three months. The carrying amount of these assets approximates their fair value. There are no restrictions as to their use.

These financial balances earn interest at prevailing market rates.

At 31 December 2014, 2013 and 2012, and 1 January 2012, the Group did not hold any cash or cash equivalents outside Spain.

9. Financial instruments

Capital management-

The Group's objective with regard to capital management is to safeguard its ability to continue as a going concern, obtain shareholder return and maintain an optimum capital structure. The Group monitors capital with respect to its level of debt and other financial ratios in line with practices for the industry. The average gearing ratio (Debt / Equity) is 2.07 for the Group.

The Group's optimum level of debt is not set on the basis of an overall ratio of debt to equity, but rather in relation to the objective to maintain a level of debt that enables the Group to continue to manage its activity normally, to maintain levels of debt that are in line with the forecast future cash flows, and to meet the quantitative restrictions imposed on it under its financing agreements.

None of the Group's financing agreements establishes specific restrictions with regard to debt, except for that mentioned in Note 11 in relation to compliance with certain covenants.

Information on the nature and level of risk of financial instruments-

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of financial markets and attempts to minimise the potential adverse effects on its profitability. The Finance Department controls and monitors financial risk management in accordance with the internal policy and the strategic plan defined by the Board of Directors. The main financial risks to which the Group is exposed are as follows:

Cash flow interest rate and fair value interest rate risk

The Group's interest rate risk arises mainly from non-current borrowings. Borrowings raised at floating rates expose the Group to interest rate risk on cash flows. However, fixed-rate borrowings expose the Group to fair value interest rate risk. In 2014 and 2013 the Group's floating-rate borrowings were denominated in euros and, therefore, there was no exposure to foreign currency risk.

The Group manages cash flow interest rate risk arising from floating-rate bank borrowings through interest rate swaps from floating to fixed rates. These interest rate swaps serve to convert borrowings from floating to fixed rates. In general, the Group obtains long-term borrowings at floating interest rates and then enters into interest rate swaps to convert them to fixed rates which are lower than those that would have been available had the Group obtained the borrowings directly at fixed interest rates. Under the interest rate swap agreements, the Group undertakes with other parties to swap at specified intervals (generally quarterly) the difference between the fixed interest rates and the floating interest calculated based on the notional principal contracted.

Information on the funding received and managed by the Group is disclosed in Note 11. Of this funding, the loan entered into with a bank syndicate bears a market-indexed floating interest rate. The Group entered into interest rate swaps on this debt in order to obtain a fixed interest rate (see the ''Derivative financial instruments'' section in this Note below). Therefore the overall net changes in interest rates would not have a significant impact on the Group's consolidated financial statements.

Changes in the fair value of interest rate derivatives entered into by the Group are dictated by changes in the long-term Euribor and swaps curves. The table below shows the sensitivity (changes in fair value) of the fair values of derivatives to changes in the euro interest rate curve. The Group regards a reasonable change to be between +0.5% and -0.1%.

Sensitivity (in euros, before tax)	**31/12/2014**	**31/12/2013**	**31/12/2012**
+0.5% (rise in the interest rate curve)	397,925	1,007,504	1,834,259
-0.1% (fall in the interest rate curve)	(80,108)	(203,067)	(371,491)

The sensitivity analysis shows that the negative fair value of interest rate derivatives decreases when interest rates rise, and, therefore, the Group would offset rises in interest rates on its funding. When interest rates fall, the negative fair value of these derivatives would increase.

Credit risk

Credit risk arises from cash and cash equivalents, deposits at banks and financial institutions and trade receivables. The Group uses the ratings awarded by independent agencies with regard to banks and financial institutions. If customers have been rated independently, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the customer's credit rating taking into account its financial situation, past experience and other factors. Individual credit limits are set on the basis of the external and internal credit ratings, and the use of these limits is monitored regularly.

The amount of the write-downs on trade receivables recognised by the Group at 31 December 2014, 2013 and 2012 and 1 January 2012 was EUR 1,581,351, EUR 1,658,425, EUR 1,191,999 and EUR 942,173, respectively. These referred mainly to the trade receivables past due by more than 180 days at year-end since the Group had doubts as to their collectability.

The relative weight that they represent as a percentage of the Group's sales in each year is as follows:

	31/12/2014	**31/12/2013**	**31/12/2012**
% impaired receivables / sales	1.18%	1.24%	0.93%

Additionally, the ageing of receivables is presented in Note 8.

Management believes that the unimpaired accounts receivables are collectible based on the historical payment behaviour and extensive analysis of customer credit risk. Besides, the Group does not have significant concentrations of credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Management Committee, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies holding sufficient cash and marketable securities and the availability of financing through a sufficient level of available credit lines. Management monitors the company's liquidity reserve forecasts based on expected cash flows and continuously assesses whether there is an adequate matching of projected cash flows inflows with projected cash outflows.

The funding held by the Group is disclosed in Note 11 together with the details of additional undrawn loan facilities that the Group has at its disposal to further reduce liquidity risk. The Group uses its syndicated loan or funding from related parties to cover any mismatch in the timing of cash flows and any liquidity needs as part of its operating and investing activities.

At 31 December 2014 and 2013, the Group also had cash and cash equivalents amounting to EUR 21 and EUR 29 million, respectively and approximately, (31 December 2012 and 1 January 2012: EUR 35 million).

Notes 11 and 12 provide a classification, by maturity, of the financial liabilities.

Financial instrument categories-

The classification by category of the financial instruments held by the Group at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Loans and receivables	10,606,056	10,903,452	6,153,288	6,707,154
Equity instruments	1,715	1,715	47,887	47,887
Other financial assets	126,947	112,105	85,745	91,215
Cash and cash equivalents	21,092,500	29,429,975	35,304,536	35,451,986
Financial assets (Note 8)	**31,827,218**	**40,447,247**	**41,591,456**	**42,298,242**

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Bank borrowings (Note 11)	199,547,184	221,792,489	199,628,417	207,120,092
Trade and other payables (Note 12)	21,660,192	26,401,114	26,183,845	24,905,913
Derivative financial instruments	1,744,185	3,040,062	3,804,656	—
Other financial liabilities (Notes 12 and 14)	176,820,298	149,031,236	133,735,833	117,695,176
Financial liabilities	**399,771,859**	**400,264,901**	**363,352,751**	**349,721,181**

Fair value of financial instruments-

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An analysis is provided below of financial instruments measured at fair value at 31 December 2014, 2013 and 2012, and 1 January 2012, subsequent to their initial recognition, classified in levels 1 to 3, depending on the fair value measurement method:

- Level 1: their fair value is obtained from directly observable quoted prices in active markets for identical assets and liabilities.

- Level 2: their fair value is determined using observable market inputs other than the quoted prices included in category 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: their fair value is determined using measurement techniques that include inputs for the assets and liabilities that are not directly observable market data.

The financial instruments recognised at fair value held by the Group at 31 December 2014, 2013 and 2012 (being zero at 1 January 2012) are derivatives that are classified for fair value measurement purposes in category 2.

For the measurement of derivative financial instruments, the Group uses their fair value based on market conditions at year-end. The fair value of interest rate swaps is calculated by discounting at a market interest rate the difference between swap rates.

IFRS 13, Fair Value Measurement, which was approved in 2013, establishes a new definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Since this definition is based on the concept of the transfer of a liability to a market participant, own credit risk should be taken into consideration in the fair value of liabilities and counterparty credit risk should be taken into consideration in the fair value of assets.

Therefore, the fair value of derivative financial instruments was calculated including credit risk (own credit risk in the case of liability derivatives and counterparty risk in the case of asset derivatives).

In order to determine the adjustment for credit risk, a technique was applied based on the calculation, using simulations, of the total expected exposure (which includes both current and potential exposure) adjusted for the probability of default over time and for loss given default (or potential loss) assigned to the Group and to each counterparty. The total expected exposure of the derivatives is obtained by using observable market inputs, such as interest rate, exchange rate and volatility curves based on the market conditions at the measurement date.

The inputs applied in order to obtain own and counterparty credit risk (calculation of probability of default) are based mainly on the application of the Group's own credit spreads and those of comparable companies currently traded on the market (CDS curves, IRR of debt issues).

The application of this methodology did not have a significant impact on the measurement of derivative financial instruments.

In 2014, 2013 and 2012 no changes were made to the classification of financial instruments among the established categories.

The Group's Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the consolidated financial statements are similar to their fair values.

Derivative financial instruments-

At 31 December 2014, 2013 and 2012, details of the interest rate derivatives entered into by the Group are as follows:

			Euros					
			Fair Value					
			31/12/2014		31/12/2013		31/12/2012	
Entity	Years of maturity	Derivative financial instrument	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
BNP	2015	Swap	—	872,093	—	1,520,031	—	1,902,328
Unicredit	2015	Swap	—	872,092	—	1,520,031	—	1,902,328
			—	**1,744,185**	**—**	**3,040,062**	**—**	**3,804,656**

The fair value of the derivatives entered into at 2014 and 2013 year-end amounted to EUR 1,744 thousand and EUR 3,040 thousand (31 December 2012: EUR 3,805 thousand). This amount was recognised under ''Current payables – Derivatives'' under current liabilities in the accompanying consolidated balance sheet at 31 December 2014. The same amount was recognised in income under ''Change in the fair value of financial instruments'' in the income statement at 31 December 2014,

since these items do not qualify for hedge accounting. At 31 December 2013 and 2012, the derivatives were classified as non-current in view of their maturity dates.

At 31 December 2014, 2013 and 2012, the nominal value of the derivatives stood at EUR 110 million, EUR 130 million and EUR 150 million, respectively.

The Group did not consider the impact of the credit risk adjustment to be material.

10. Equity and Shareholders' equity

a) Share capital-

The Parent was incorporated by virtue of a deed drawn up on 15 April 2011, with share capital of EUR 3,000 represented by 100 shares of EUR 30 par value each. Subsequently, on 28 December 2011, the Parent carried out a capital increase consisting of the creation of 11,300 new shares each with a par value of EUR 30 and a share premium of EUR 2,978.85 per share. As a result, at 31 December 2011, the Parent's share capital stood at EUR 342,000, represented by 11,400 fully subscribed and paid shares of EUR 30 par value each, numbered consecutively from 1 to 11,400, both inclusive, of which, 11,300 shares have a fully paid share premium of EUR 2,978.85 each, and there has not been any subsequent change until 31 December 2014.

There are not any preferences nor restrictions related to those shares, nor restrictions on the distributions of dividends and the repayment of capital.

The Parent's capital structure at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Ownership interest
CEP III Investment 18 S.à r.l.	**100%**

In turn, the ultimate shareholder of CEP III Investment 18 S.à r.l. is a European venture capital company controlled by the Carlyle Group.

Retained earnings from previous years -

The contribution of each of the consolidated companies at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Consolidation reserves-				
Telecable Capital Holding, S.L.U.	(22,255,897)	—	—	—
Reserves in fully consolidated companies-				
Telecable de Asturias S.A.	(5,114,548)	(106,461)	—	—
Legal reserve-	68,400	—	—	—
	(27,302,045)	**(106,461)**	**—**	**—**

c) Profit/(loss) for the year attributable to the Parent-

The contribution of each company included in the scope of consolidation to the consolidated results for 2014, 2013 and 2012 is as follows (in euros):

2014

Company	Accounting profit/(loss)	Consolidation adjustments	Profit/(loss) attributable to non-controlling interests	Consolidated profit/(loss) attributable to the Parent
Telecable Capital Holding, S.L.U.	46,047,340	(59,129,418)	—	(13,082,078)
Telecable de Asturias, S.A.	5,747,920	330,442	(947,714)	5,130,648
	51,795,260	**(58,798,976)**	**(947,714)**	**(7,951,430)**

2013

Company	Accounting profit/(loss)	Consolidation adjustments	Profit/(loss) attributable to non-controlling interests	Consolidated profit/(loss) attributable to the Parent
Telecable Capital Holding, S.L.U.	4,505,933	(23,121,796)	—	(18,615,863)
Telecable de Asturias, S.A.	(5,739,511)	731,424	865,898	(4,142,189)
	(1,233,578)	**(22,390,372)**	**865,898**	**(22,758,052)**

2012

Company	Accounting profit/(loss)	Consolidation adjustments	Profit/(loss) attributable to non-controlling interests	Consolidated profit/(loss) attributable to the Parent
Telecable Capital Holding, S.L.U.	(20,170,149)	—	—	(20,170,149)
Telecable de Asturias, S.A.	(1,130,848)	(656,629)	267.943	(1,519,534)
	(21,300,997)	**(656,629)**	**267,943**	**(21,689,683)**

d) Non-controlling interests-

The balance of "Non-controlling interests" in the consolidated balance sheet reflects the value of non-controlling interests in fully consolidated Group companies. Furthermore, the balance of "Profit/(loss) attributable to non-controlling interests" in the consolidated income statement represents their share of the result for the year.

The changes in "Non-controlling interests" in the consolidated balance sheet at 31 December 2014, 2013 and 2012 were as follows:

2014

	Euros			
	Opening balance	**Additions**	**Disposals**	**Closing balance**
Telecable de Asturias, S.A.	(2,989,410)	947,714	(4,957,636)	(6,999,332)

2013

	Euros			
	Opening balance	**Additions**	**Disposals**	**Closing balance**
Telecable de Asturias, S.A.	26,657,227	1,693,053	(31,339,690)	(2,989,410)

2012

	Euros			
	Opening balance	**Additions**	**Disposals**	**Closing balance**
Telecable de Asturias, S.A.	26,925,170	(267,943)	—	26,657,227

The breakdown of the balance of "Non-controlling interests" at 31 December 2014, 2013 and 2012, and 1 January 2012, by item, is as follows (in thousands of euros):

At 31 December 2014

	Share capital	**Reserves and Prior years' losses – Net**	**Profit/(loss) for the year 2014**	**Total**
Telecable de Asturias, S.A.	9,575,120	(17,522,166)	947,714	**(6,999,332)**

At 31 December 2013

	Share capital	**Reserves and Prior years' losses – Net**	**Profit/(loss) for the year 2013**	**Total**
Telecable de Asturias, S.A.	9,575,120	(11,698,632)	(865,898)	**(2,989,410)**

At 1 January 2013

	Share capital	**Reserves and Prior years' losses – Net**	**Profit/(loss) for the year 2012**	**Total**
Telecable de Asturias, S.A.	26,925,170	—	(267,943)	**26,657,227**

At 1 January 2012

	Share capital	Reserves and Prior years' losses – Net	Profit/(loss) for the year 2011	Total
Telecable de Asturias, S.A.	26,925,170	—	—	**26,925,170**

11. Bank borrowings

The breakdown of "Bank borrowings" at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

At 31 December 2014

	Euros		
	Amount granted / limit	Amortised cost	
		Non-current	Current
Syndicated loan	252,611,224	143,662,605	5,438,528
Other bank borrowings	50,000,000	50,000,000	—
Interest payable and other	—	112,547	333,504
Total		**193,775,152**	**5,772,032**

At 31 December 2013

	Euros		
	Amount granted / limit	Amortised cost	
		Non-current	Current
Finance lease payables (Note 7)	1,230,426	—	327,254
Syndicated loan	218,500,000	150,773,890	11,915,501
Other bank borrowings	50,000,000	50,000,000	—
Interest payable and other	—	8,775,844	—
Total		**209,549,734**	**12,242,755**

At 31 December 2012

	Euros		
	Amount granted / limit	Amortised cost	
		Non-current	Current
Syndicated loan	218,500,000	145,271,370	—
Other bank borrowings	50,000,000	50,000,000	—
Interest payable and other	—	2,684,944	1,672,103
Total		**197,956,314**	**1,672,103**

At 1 January 2012

	Euros		
	Amount granted / limit	Amortised cost	
		Non-current	Current
Syndicated loan	218,500,000	144,241,791	10,471,375
Other bank borrowings	50,000,000	50,000,000	—
Interest payable and other	—	35,417	2,371,509
Total		**194,277,208**	**12,842,884**

Syndicated loan-

On 28 December 2011, a loan was entered into with a syndicate of banks for an overall amount of EUR 218,500,000.

In relation to this funding, the Group pledged as securities rights on bank accounts and insurance policies, rights on certain service agreements without transferring the right to receive the cash flows, and a mortgage promise on certain assets such as the distribution network headend.

On 18 December 2014, TCA's Board of Directors resolved to amend the financing agreement through novation, extending the average life of the loan, lowering annual principal repayments, tightening loan spreads, and establishing lower, more flexible financial covenants. As a result of these amendments, the Group obtained a new tranche of debt. At year-end, the new tranche has not been drawndown, which will be used in 2015 to pay dividends (see Note 18). The average interest rate of the amended financing was approximately Euribor plus 4%. The amended funding did not represent a substantial change with respect to the previous funding.

Following the events described above, at 31 December 2014, the financing agreement was divided into the following tranches, by purpose, applicable interest rate and maturity:

Tranche	Maximum amount (Euros)	Amount drawn down at 31 December 2014 (Euros)	Amount available at 31 December 2014 (Euros)	Repayment
A	25,000,000	25,000,000	—	According to the schedule until 2018
C	130,411,224	130,411,224	—	Single, on maturity in 2019
D	77,200,000	—	77,200,000	Single, on maturity in 2020
RCF	10,000,000	—	10,000,000	31 December 2018
CAPEX	10,000,000	—	10,000,000	31 December 2018
Total	**252,611,224**	**155,411,224**	**97,200,000**	

The clauses of this syndicated loan include certain covenants to be met in relation to the Group's consolidated financial information. The Company's Directors declare that at 31 December 2014 and 2013 these covenants had been met in full.

Other bank borrowings-

As well as the syndicated loan, on the same date (28 December 2011) Liberbank granted a EUR 50,000,000 loan maturing in 2021, at which time the entire principal plus accrued interest, which will be capitalised and added to the principal amount payable, must be repaid. However, there is a mandatory early repayment clause obliging the Company to allocate $66^{2/3}$% of its annual cash surplus (as defined in the loan agreement) each financial year to repay the loan principal, provided that the latest debt coverage ratio (as defined in the senior financing agreement and calculated on a *pro forma* basis as if the repayment in question on the loan had already taken place) is equal to or less than 2 and that there is no non-compliance with the syndicated loan (to which it is subordinated) that has not been remedied or allowed by the banks comprising the syndicate, and that such non-compliance

with the senior financing agreement did not occur as a result of the payment in question. The conditions for having to repay early this loan have not been met.

On 19 December 2014, a partial repayment of EUR 13,095,617 was made on this loan. The annual interest rate applicable to the agreement fell from 7.5% in 2013 to 6.75% in 2014. The amount payable at 31 December 2014, 2013 and 2012 and 1 January 2012 was EUR 50,112,547, EUR 58,775,844, EUR 54,320,631 and EUR 50,035,416, respectively.

Balance of the debt and repayment schedule-

The repayment schedule established for this debt at 31 December 2014, 2013 and 2012 and 1 January 2012 is as follows:

	Euros			
Maturing in	**31/12/2014**	**31/12/2013**	**31/12/2012**	**01/01/2012**
2012	—	—	—	12,842,884
2013	—	—	1,672,103	5,145,378
2014	—	12,242,755	10,862,465	10,862,465
2015	5,772,032	13,169,764	12,005,882	12,005,882
2016	6,250,000	16,305,422	14,864,426	14,864,426
2017	6,250,000	15,678,291	12,005,882	12,005,882
2018	7,500,000	—	93,860,612	89,357,758
Subsequent years	173,775,152	164,396,257	54,357,047	50,035,417
	199,547,184	**221,792,489**	**199,628,417**	**207,120,092**

The Company recognises the costs associated with obtaining these loans by decreasing the amount drawndown and subsequently recognising them in income using the effective interest method. At 31 December 2014, 2013 and 2012, the amount not yet amortised stood at EUR 6,310,092, EUR 7,879,584 and EUR 9,441,796, respectively, being zero at 1 January 2012. The amount recognised in 2014, 2013 and 2012 was EUR 1,569,492, EUR 1,562,212 and EUR 1,504,016, respectively.

In 2014 and 2013 the interest expense accrued by the Group on the syndicated loan, by applying an interest rate consisting of one-month Euribor plus a market spread, amounted to EUR 8,716,712 and EUR 9,383,541, respectively. Also, the Liberbank loan generated interest amounting to EUR 4,432,321, EUR 4,418,796 and EUR 4,321,631 in 2014, 2013 and 2012, respectively. These amounts were recognised under ''Finance costs'' in the accompanying statement of comprehensive income for 2014, 2013 and 2012 (see Note 16-g).

12. Other non-current and current financial liabilities

Other non-current financial liabilities-

The breakdown of ''Non-current payables – Other financial liabilities'' at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Advances refundable to the Ministry of Industry	311,356	368,086	417,495	479,663
Long-term guarantees	16,102	13,375	13,392	12,470
Finance lease payables (Notes 7 and 14)	—	—	270,364	365,520
Payables to Group companies and related parties (Note 14)	156,225,320	135,602,448	117,701,944	102,127,500
Total	**156,552,778**	**135,983,909**	**118,403,195**	**102,985,153**

Advances refundable to the Ministry of Industry

On 19 September 2005, the Ministry of Industry, Tourism and Trade granted the Group an interest-free loan amounting to EUR 351,946, repayable over 13 years, with a three-year capital repayment grace period. The portion of this loan maturing in over a year is recognised under ''Bank borrowings and other non-current payables'' and the portion maturing in the short term is recognised under ''Current payables'' in the consolidated balance sheet, as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Non-current	99,569	131,808	161,243	195,224
Current	35,195	35,195	37,436	119,467
Total	**134,764**	**167,003**	**198,679**	**314,691**

In addition, on 2 December 2008, the Ministry of Industry, Tourism and Trade granted the Group an interest-free loan amounting to EUR 535,020, repayable over 15 years, with a three-year capital repayment grace period. The portion of this loan maturing in over a year is recognised under ''Non-current payables'' and the portion maturing in the short term is recognised under ''Current payables'' in the consolidated balance sheet, as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Non-current	211,787	236,278	256,252	284,439
Current	29,151	29,151	33,243	213,890
Total	**240,938**	**265,429**	**289,495**	**498,329**

Trade and other payables-

The breakdown of ''Trade and other payables'' at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Payable to suppliers	8,943,367	11,323,274	8,109,482	6,432,451
Sundry accounts payable	11,133,947	13,494,502	16,074,066	16,489,878
Payable to employees	1,530,959	1,468,276	1,768,729	1,726,900
Customer advances	51,919	115,062	231,568	256,684
Total	**21,660,192**	**26,401,114**	**26,183,845**	**24,905,913**

The carrying amount of these liabilities approximates their fair value.

Other current financial liabilities-

The breakdown of "Current payables – Other financial liabilities" at 31 December 2014, 2013 and 2012, and 1 January 2012 is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Advances refundable to the Ministry of Industry	64,346	64,346	70,679	333,357
Current payables to suppliers of fixed assets (Notes 6 and 7)	15,242,429	12,712,661	14,617,138	13,431,649
Other payables to related parties (Notes 7 and 14)	—	270,320	644,821	821,489
Dividends payable	4,957,636	—	—	—
Other	3,109	—	—	123,528
Total	**20,267,520**	**13,047,327**	**15,332,638**	**14,710,023**

The balances relating to refundable advances relate to amounts payable in the short term arising from the subsidised loans referred to in "Other non-current financial liabilities" above in this Note.

At 31 December 2014 and 2013, the amount recognised under "Current payables to suppliers of fixed assets", EUR 15,242,429 and EUR 12,712,661, respectively, relates mainly to investments made in fixed assets in those years (31 December 2012: EUR 14,617,138; 1 January 2012: EUR 13,431,649).

The amount recognised under "Dividends payable" at 31 December 2014, EUR 4,957,636, relates to the amount payable to non-controlling interests as a result of the dividend distribution agreement entered into in December 2014 (see Note 18).

13. Tax matters

Tax reform and main implications for the Company-

On 28 November 2014, the following laws were published in the Official State Gazette:

- Law 26/2014, of 27 November, amending Personal Income Tax Law 35/2006, of 28 November, the Consolidated Non-Resident Income Tax Law, approved by Royal Legislative Decree 5/2004, of 5 March, and other tax legislation;
- Corporation Tax Law 27/2014, of 27 November (hereinafter "LIS");
- Law 28/2014, amending VAT Law 37/1992, of 28 December, Law 20/1991, of 7 June, amending the tax aspects of the Canary Islands economic and tax regime, Excise and Special Taxes Law 16/2013, of 29 October, establishing certain measures concerning environmental taxation and adopting other tax and financial measures.

These laws will enter into force as from 1 January 2015 and will apply to tax periods beginning on or after this date, except for certain provisions that will enter into force prior to this date.

Among the various amendments introduced, the most significant impacts for the Group are as follows:

- A gradual reduction in the tax rate from 30% currently, to 28% in 2015 and 25% in 2016 and subsequent years. As a result of this reduction, from an accounting standpoint, the deferred tax assets and liabilities should be restated in the year in which the related amendment is substantively enacted at the tax rate at which they are expected to be realised or settled. In this regard, the Group made the appropriate adjustments at 2014 year-end, the impact of which was as follows:

	Euros
	2014
Effect on the deferred tax assets	
With an effect on the income statement	1,134,233
Effect on the unused tax credits and tax relief	
With an effect on the income statement	294,819
Total	**1,429,052**
Effect on the deferred tax liabilities	
With an effect on the income statement	4,707,371
With an effect on equity	90,485
Total	**4,797,856**
Total effect on the income statement	**3,278,319**
Total effect on equity	**90,485**

Other measures within the enacted legislation that may affect the amount of tax expense recorded in future periods include the following:

- Replacement of the domestic double taxation tax credit for dividends and gains arising from the transfer of investments for an exemption scheme, maintaining a transitional double taxation tax credit scheme for investments acquired prior to 1 January 2015, provided certain circumstances exist. Unused double taxation deductions that have been generated before the new legislation maintain previous tax credit scheme so they can only be applied in case of positive tax due.

- With regard to impairment on assets, together with the non-deductibility introduced in 2013 in relation to the impairment on securities representing the capital or own funds of entities, a new amendment was the non-deductibility of any type of impairment relating to other types of assets, except for inventories, loans and receivables. Regarding previous impairments on securities that have been considered as tax deductible will have to be reversed for tax purposes at the same time and proportion as the recovery of the equity of the subsidiary.

- A new incentive (''capitalisation reserve'') is introduced, which involves the right to apply a reduction on the tax base of 10 per cent of the amount of the increase in own funds.

- The deduction for investments in cinema and audiovisual productions was increased to 20% for the first EUR 1 million. Together with the reduced tax rate, this provides a substantial boost to the tax credits relating to cinema and audiovisual productions. An 18% deduction will be applied to the amount of the production exceeding this amount. Also, in accordance with the European Commission Communication on state aid for films and other audiovisual works, a new territorialisation requirement is introduced, which ensures the application of the incentive in productions carried out substantially in Spain. However, the 5% deduction, with the limit of 5% of the income in the period arising from these investments provided for in the Consolidated Spanish Corporation Tax Law, was eliminated.

- The concept of research and development was modified and extended for the purpose of applying the deduction for research, development and innovation activities in relation to advanced software, including the activities of advanced software creation, combination and

configuration, using new theorems and algorithms or operating systems, languages and applications for the purpose of developing new or substantially improved products, processes or services.

- The seven-year time limit for applying domestic and international dividend double taxation tax credits was eliminated.
- The 18-year time limit for applying net finance costs that have not been deducted, pursuant to Article 16 of Income Tax Law 27/2014 was eliminated. Nevertheless, net interest expenses may only be deducted up to 30% of earnings before interest, taxes, depreciation and amortization (EBITDA). However, net borrowing costs up to EUR 1 million per tax period are deductible in any case. Furthermore, interest related to debts generated within a corporate group in order to acquire participations in the capital or equity of any kind of entities from other group entities, or to make capital or equity contributions to other group entities is not deductible any more. This restriction does not apply if the taxpayer can provide evidence of the existence of valid economic reasons for the underlying transactions. In case of tax consolidation, the same limits will be applicable to the tax consolidation group.
- The 18-year time limit for offsetting tax loss carryforwards was eliminated, and this right ceased to have a time limit.
- Elimination of the 18-year time limit for offsetting tax loss carryforwards and inclusion of a quantitative limit whereby the tax loss carryforwards may be offset by the positive income from subsequent tax periods up to a limit of 70% of the tax base prior to the capitalisation reserve and their offset. In any event, tax loss carryforwards up to EUR 1 million may be offset in the tax period.

There will be a transitional regime whereby the limit described above will not be applicable in 2015 and the current restrictions based on revenue will remain in force for that year. Also, this limit will be reduced to 60% for 2016.

Certain exceptions will apply including the limit described above, which will not apply to income relating to the reversal of impairment losses on securities representing the capital or own funds of entities that were deductible, prior to 1 January 2013, from the tax base for income tax purposes through application of the now repealed Article 12, section 3 of the Spanish Corporation Tax Law. In these cases, the impairment losses deducted in the tax period in which the tax losses arose that are intended for offset must represent at least 90% of the deductible expenses for said period. If the entity had tax loss carryforwards that had been generated in various periods beginning before 1 January 2013, this requirement may be met by aggregating all the deductible expenses of these tax periods.

Current tax receivables and payables-

Details of the current tax receivables and payables for corporate income tax, and receivables and payable to public authorities outside of corporate income tax at 31 December 2014, 2013 and 2012, and 1 January 2012 are as follows:

	Euros			
Item	**31/12/2014**	**31/12/2013**	**31/12/2012**	**01/01/2012**
Current tax assets	**311,607**	—	—	—
Other receivables from public authorities	**165,734**	**256,012**	**277,554**	**118.801**
Income tax	1,947	237,092	277,554	—
VAT and Canary Islands general indirect tax (IGIC)	23,674	18,920	—	118.801
Deferred input VAT	21,675	—	—	—
Grants awarded	118,438	—	—	—
Other payables to public authorities	**2,254,732**	**2,313,750**	**1,008,216**	**744.512**
VAT	644,208	750,887	296,972	199.952
Employee income tax	107,901	130,503	120,812	132.351
Payable to social security bodies	192,805	179,676	153,660	132.487
Other payables to local authorities	1,309,818	1,252,684	436,772	279.722
Current tax liabilities	—	**972,325**	**779,176**	**125.262**

Major components of tax expense-

	Euros		
	2014	**2013**	**2012**
Consolidated current tax expense	—	46,765,548	3,192,728
Double taxation tax credits applied	—	(46,921,140)	(286,852)
Income tax adjustments at Telecable de Asturias, S.A.(*)	(1,075,392)	(520,980)	—
Accounted consolidation adjustments	(690,602)	6,526,856	—
Exemption application of Article 30.6	(1,356,513)	—	—
Others	(404,479)	(682,317)	87,721
Current tax expense (income)	**(1,336,824)**	**5,167,967**	**2,993,597**
Change in deferred taxes in the year	(6,608,838)	(8,160,336)	(12,802,059)
Change in deferred taxes for unused tax credits	(2,398,728)	—	—
Change in deferred taxes due to adjustments to new tax rates as from 2015	(3,278,319)	—	—
Deferred tax expense (income)	**(12,285,885)**	**(8,160,336)**	**(12,802,059)**
Total income tax expense/(rebate) recognised in the income statement	**(13,622,709)**	**(2,992,369)**	**(9,808,462)**

Reconciliation of net income with income tax-

The reconciliation of accounting loss to the income tax expense is as follows:

	Euros		
	2014	**2013**	**2012**
Consolidated loss for the year before tax	(20,626,425)	(26,616,319)	(31,776,088)
Tax calculated at the standard tax rate of 30%	**(6,187,928)**	**(7,984,896)**	**(9,532,826)**
Penalties, surcharges and donations	11,657	—	8,217
Non-deductible impairment	—	45,907,791	—
Double taxation tax credits applied	—	(46,921,140)	(286,852)
Exemption application of Article 30.6	(1,356,513)	—	—
Consolidation adjustments	690,602	6,526,855	—
Effect arising from the change in tax rate (30% to 25%)	(3,278,319)	—	—
Change in deferred taxes for unused tax credits	(2,398,728)	—	—
Adjustment of the corporate tax Telecable de Asturias, S.A. (*)	(1,075,392)	(520,980)	—
Others	(28,088)	—	2,999
Total income tax expense/(rebate) recognised in the income statement	**(13,622,709)**	**(2,992,369)**	**(9,808,462)**
Average effective rate calculated on the result before tax	**66%**	**11%**	**31%**

(*) On 25 July 2014, in order to adjust the accounting of income tax at 31 December 2013 of Group subsidiary Telecable de Asturias, S.A., to the separate income tax return filed by the company, certain adjustments were made, caused mainly by the final confirmation of the following tax credits:

Tax credits on contributions (Law 49/2002)	22,281
R&D / IT tax credits	1,069,234
Cinema investment tax credits	2,975

On 25 July 2013, in order to adjust the accounting of income tax at 31 December 2012 to the one presented in the income tax declaration some adjustments were made, mainly R&D deductions:

Tax credits on contributions (Law 49/2002)	1,974
R&D / IT tax credits	515,966
Cinema investment tax credits	2,760

The 2014 permanent differences relate to non-deductible penalties and surcharges, and to pure donations made in accordance with Law 49/2002, of 23 December, on the tax regime for not-for-profit entities and tax incentives for patronage, pursuant to Article 14 of the Consolidated Spanish Corporation Tax Law.

TCH's permanent differences relate to the negative adjustments arising, firstly, from the difference between the carrying amount and tax value of the ownership interest that the company holds in TCA (as the impairment accounted in 2013 was adjusted for tax purposes like a positive permanent adjustment, the elimination of the reverse of the impairment in order to determine the consolidated loss for 2014 has full tax purposes), as a result of the application of the provisions in the new Article 14.1-j) of the Consolidated Spanish Corporation Tax Law, introduced by Law 16/2013, of 29 October, establishing certain measures on environmental taxation and adopting other tax and financial measures (as the tax value of the financial investment is higher than the book value, the potential deferred tax asset has not been registered as the Company cannot justify the recuperation of the positive off balance sheet adjustment); and, secondly, from the non-inclusion in the tax base of the amount of the dividend distributed and recognised in the year (tax on the dividend was levied on the former owners of the equity investment), in the terms set forth in paragraph 1 of Article 30.4-e) of the Consolidated Spanish Corporation Tax Law, as a result of the application of Article 30.6 of said law. Specifically, the dividend recognised as income in the year amounted to EUR 11,492,780. This amount not included in the tax base, pursuant to the aforementioned Article 30.6, was EUR 4,521,711.

The consolidation adjustment in 2013 at TCH relate to the portion of the income from the dividend distributed by TCA on which the provisions of Article 30.6 of the Consolidated Spanish Corporation Income Tax Law were not applied, amounting to EUR 6,971,069 mainly.

The 2013 permanent differences corresponding to TCA are related to non-deductible fines, as it is stated in article 14 of the Income Tax Law.

Non-deductibles impairment in 2013, correspond to positive adjustments made to the accounting loss as a result of the different accounting and tax value of the investment the Company has in TCA according to what it is established in art 14.1.j) of Spanish Income Tax Law, introduced by Law 16/2013, 29 October which establishes several environmental tax measures as well as other tax and financial matters, which is in force since 1 January 2013.

In 2013, TCH registered a gain from the dividend distributed by its subsidiary (TCA) for EUR 177,660,310, which has generated a deduction for double imposition of dividends up to the tax charge at 30%, EUR 53,298,093, according to what it is established in article 30.1 of the Income Tax Law. From the deduction that has been generated, the company has used EUR 46,921,140 as double taxation tax credits applied in 2013 income tax liquidation. The remaining double tax credits of EUR 6,376,953 are pending to be compensated and have not been recognised as a deferred tax asset because it is not possible they will be utilised.

Deferred tax assets recognised-

2014

	Euro				
Item	**Opening balance**	**(P&L) Increases**	**(P&L) (Decreases)**	**Effect of change in tax rates**	**Closing balance**
Other deductible temporary differences	181,030	—	(53,297)	(12,289)	109,444
From business combinations (Note 1)	1,461,003	—	(277,255)	(189,366)	994,382
Differences in depreciation and amortisation criteria	3,519,653	2,513,360	(615,431)	(132,966)	5,284,616
Tax loss carryforwards	72,558	—	—	(12,093)	60,465
Differences in finance cost deductions	6,095,935	—	(1,127,694)	(781,519)	4,186,722
Unused tax credits and tax relief	—	2,398,728	—	(294,819)	2,103,909
Total	**11,330,179**	**4,912,088**	**(2,073,677)**	**(1,429,052)**	**12,739,538**

In accordance with that established in the new Law 28/2014, deferred tax assets have been adjusted to the 28% rate to the extent that their recovery will take place in 2015 and to the 25% rate to the extent that their recovery will take place in 2016 or successive years.

2013

	Euro			
Item	**Opening balance**	**(P&L) Increases**	**(P&L) (Decreases)**	**Closing balance**
Other deductible temporary differences	223,481	—	(42,451)	181,030
From business combinations (Note 1)	1,738,258	—	(277,255)	1,461,003
Differences in depreciation and amortisation criteria	1,201,666	2,370,439	(52,452)	3,519,653
Tax losses	543,347	—	(470,789)	72,558
Differences in finance costs deductions[(*)]	6,542,696	—	(446,761)	6,095,935
Total	**10,249,448**	**2,370,439**	**(1,289,708)**	**11,330,179**

(*) The EUR 446,671 reduction included under this line item relates to the adjustment to corporation tax for 2012, the return for which was filed in 2013.

2012

Item	Euro			
	Opening balance	(P&L) Increases	(P&L) (Decreases)	Closing balance
Other deductible temporary differences	224,105	151,520	(152,144)	223,481
From business combinations (Note 1)	2,015,514	—	(277,256)	1,738,258
Differences in depreciation and amortisation criteria(*)	745,248	569,976	(113,558)	1,201,666
Tax losses	543,347	—	—	543,347
Differences in finance costs deductions	—	6,542,696	—	6,542,696
Tax credits	78,429	136,737	(215,166)	—
Total	**3,606,643**	**7,400,929**	**(758,124)**	**10,249,448**

The deferred tax assets indicated above were recognised in the consolidated balance sheet since the Group's Directors consider that, based on all available evidence it is probable the deferred tax assets recognised will be realised. This conclusion is based on the presence of deferred tax liabilities that will reverse to increase taxable income in future periods in the same jurisdiction as the deferred tax assets, and the best estimates of the tax group's future results, including certain tax planning measures.

Unrecognised deferred tax assets-

At 31 December 2014 the Company has unused tax credits amounting to EUR 5,314,128 from 2013 (individual taxation) which have not been recorded as deferred tax assets due to their recovery in future years not being considered probable.

Un-utilised headroom for tax allowable financial expenses-

The Group's subsidiary company, Telecable de Asturias, at 2014 year-end has unused tax relief from 2013; a year in which it filed an individual tax return of EUR 1,004,814 corresponding to the difference between the limit of 30 percent of the operating profit from 2013 and the net finance cost of that tax period, which may be recovered, in accordance with the foregoing, in the financial years that represent the five immediate and successive years, in such a way that its recovery period ends in 2018.

Additionally, at 31 December 2013 the Group's Parent had operating profit pending application in the next five financial years amounting to EUR 36,905,371 (i.e. a shortfall in finance costs relative to the 30% of the operating profit of that financial year), of which an amount of EUR 21,002,022 was applied by the Group in 2014, therefore it has a base of EUR 15,905,349 for the deduction of finance costs in the next four financial years.

Deferred tax liabilities-

The movement (all increase and decrease) have been recognised against comprehensive income, except for Capital grants and refundable advances which have been recognised against equity.

2014

	Euro				
Item	**Opening balance**	**Increases**	**(Decreases)**	**Effect of change in tax rates**	**Closing balances**
Business combinations (Note 1)	27,590,137	—	(4,685,248)	(2,998,881)	19,906,008
Finance leases	362,927	—	(104,736)	—	258,191
Tax amortisation of goodwill	5,346	5,235	—	(6,480)	4,101
Accelerated amortisation	12,465,045	—	(2,096,437)	(1,594,982)	8,773,626
Capital grants and refundable advances	635,218	21,730	(1,775)	(90,485)	564,688
Accelerated amortisation of R&D assets	56,067	722,101	(30,025)	(107,379)	640,764
Others	75,443	—	—	351	75,794
Total deferred tax liabilities	**41,190,183**	**749,066**	**(6,918,221)**	**(4,797,856)**	**30,223,172**

In accordance with that established in the new Law 28/2014, deferred tax liabilities have been adjusted to the 28% rate to the extent that their recovery will take place in 2015 and to the 25% rate to the extent that their recovery will take place in 2016 or successive years.

2013

	Euro			
Item	**Opening balance**	**Increases**	**(Decreases)**	**Closing balance**
Business combinations (Note 1)	31,798,449	—	(4,208,312)	27,590,137
Finance leases(*)	610,611	—	(247,684)	362,927
Tax amortisation of goodwill	4,860	486	—	5,346
Accelerated amortisation	15,009,727	—	(2,544,682)	12,465,045
Capital grants and refundable advances	771,072	—	(135,854)	635,218
Accelerated amortisation of R&D assets	—	56,067	—	56,067
Other tax payables	75,443	—	—	75,443
Total deferred tax liabilities	**48,270,162**	**56,553**	**(7,136,532)**	**41,190,183**

(*) The heading ''Finance leases'' includes the accelerated amortisation incentive outlined in the 11th Additional Provision of the Spanish Corporation Tax Law, applied to the assets held under financial leases with agreements that began in 2009.

2012

Item	Euro			
	Opening balance	Increases	(Decreases)	Closing balance
Business combinations (Note 1)	36,006,759	—	(4,208,310)	31,798,449
Finance leases(*)	834,844	—	(224,233)	610,611
Tax amortisation of goodwill	—	4,860	—	4,860
Accelerated amortisation	15,806,732	1,059,624	(1,856,629)	15,009,727
Capital grants and refundable advances	916,349	—	(145,277)	771,072
Other tax payables	864,732	—	(789,289)	75,443
Total deferred tax liabilities	**54,429,416**	**1,064,484**	**(7,223,738)**	**48,270,162**

Years open for review and tax audits-

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired.

With this in mind, at 31 December 2014 the Parent has all taxes open for inspection that are applicable since its incorporation (Note 1). The Group's other companies have the years from 2011 onwards open for inspection for all taxes as well as the year 2010 for Corporation Tax.

The Directors of the Parent consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying special purpose consolidated financial statements.

14. Balances and transactions with related parties

The transactions and balances between the Parent and its subsidiary, which are related parties of the Company, were eliminated on consolidation and are not included in this Note. Transactions between the Group and other related parties are broken down below.

Transactions with related parties-

The most significant transactions with related parties during 2014, 2013 and 2012 are as follows:

	Euros		
	2014	2013	2012
Expenses-	**(25,322,873)**	**(22,579,769)**	**(15,874,171)**
Finance leases	(11,582)	(40,610)	(25,470)
Leasing of premises	(38,314)	(37,951)	(53,975)
Finance costs	—	(265)	—
Financial services	(217,784)	(181,643)	(220,282)
Interest on loans	(4,432,321)	(4,418,796)	—
Interest on loans – CEP	(20,622,872)	(17,900,504)	(15,574,444)
Income-	**4,908,853**	**4,334,199**	**2,252,975**
Income from telecommunications services	4,651,305	3,955,653	1,441,050
Finance income	257,548	378,546	187,610
Income from personnel in commission services	—	—	621,115
Advertisement income	—	—	3,200

(*) With the exception of the interest on the loan with CEP III Investment 18 S.à.r.l ("CEP" – TCH Parent), all transactions contained in the above table are associated with Liberbank (TCA Shareholder).

Balances with related parties-

The breakdown of the balance sheet balances with related parties at 31 December 2014, 2013 and 2012 and at 1 January 2012 is as follows:

	Euros			
Heading/ Company	**31/12/2014**	**31/12/2013**	**31/12/2012**	**01/01/2012**
Cash and cash equivalents-				
Liberbank, S.A. (TCA Shareholder)	19,842,545	26,573,162	20,107,363	17,650,650
Non-current financial assets-				
Other financial assets (Note 8)	4,121,857	3,923,506	—	—
Current investments in Group companies				
Current investments in Group companies (Note 8)	32,188	28,351	176	429
Non-current bank borrowings-				
Liberbank, S.A. (TCA Shareholder) (Note 11)	(50,112,547)	(58,775,844)	(54,357,047)	(50,035,417)
Non-current finance lease payables-				
Liberbank, S.A. (TCA Shareholder) (Notes 7 and 12)	—	—	(270,364)	(365,520)
Loans-				
CEP III Investment 18 Finance S.à r.l. (TCH Parent) (Note 12)	(156,225,320)	(135,602,448)	(117,701,944)	(102,127,500)
Current finance lease payables-				
Liberbank, S.A. (TCA Shareholder) (Notes 7 and 12)	—	(270,320)	(644,821)	(821,489)

On 28 December 2011, the Group signed a subordinated loan agreement for the sum of EUR 102,000,000 with ''CEP III Investment 18 Finance S.à r.l.''. This loan accrues an annual interest rate of 15% and has an established duration of 20 years, at the end of which the total of the principal plus the sum of the accrued and unpaid interest must be returned. Notwithstanding the foregoing, the aforementioned agreement envisages that this loan may, in accordance with Royal Legislative Decree 7/1996, of 7 June, become equity at the decision of the lender if the legal conditions defined in Article 363 of the Spanish Limited Liability Companies Law (''Ley de Sociedades de Capital'') arise. The total of the amount of that loan, as well as EUR 54,225,320 and EUR 33,602,448 (EUR 15,701,944 at 31 December 2012 and EUR 127,500 at 1 January 2012) accrued by way of interest, are recorded in the non-current ''Payables to Group companies and related parties'' item of the consolidated balance sheet.

Remuneration of directors and senior executives-

The Board of Directors of the Parent is formed by four members, two natural persons (men) and two legal entities, represented in turn for the exercising of their office by two natural persons (also men). The Group's main decisions are made by the Board of Directors and senior executives of the Subsidiary (Telecable de Asturias, S.A.), whose Board of Directors is formed by nine members, seven men (natural persons and legal entities represented in turn for the exercising of their office by natural persons) and two women, being two of them also executives.

During 2014 and 2013, the Parent and the Subsidiary did not assume any pension and life insurance obligations with regards to its Directors. Moreover, the Group has not granted loans, or credits, and there are no other commitments vis-à-vis pension funds, life insurance and other similar items with regards to the current members of the Boards of Directors, except for the loan granted to certain members of the management team detailed in Note 8. During 2014 and 2013, there has been no severance pay or equity-based payments to members of the Boards of Directors.

Notwithstanding the remunerations according with service provided contracts signed by TCA with the executive directors, during 2014 and 2013, the members of the Boards of Directors did not accrue any amount borne by the Group by way of expenses or remuneration in the exercising of their functions.

During 2014 and 2013, the members of the Board of Directors of both companies, both old and new members, have not carried out any activity with the Group that falls outside normal activity or in conditions other than those prevailed in the market. The remuneration received by the senior executives of the subsidiary company TCA during the 2014 and 2013 have amounted to EUR 1,503,800 and EUR 1,223,275 euros, respectively (1,307,216 in 2012).

15. Current prepayments and accruals

The breakdown of the balances registered at 31 December 2014 and 2013 and at 1 January 2013 in the heading "Current prepayments" on the assets side of the consolidated balance sheet is as follows:

	Euros			
	31/12/2014	**31/12/2013**	**31/12/2012**	**01/01/2012**
Prepaid expenses for handsets (Note 4.l)	3,024,611	1,763,569	—	—
Other	51,178	59,203	154,984	744,842
Current prepayments	**3,075,789**	**1,822,772**	**154,984**	**744,842**

Moreover, the amount recorded in the heading "Current accruals" on the liabilities side of the attached consolidated balance sheet corresponds to the deferred income for billings to customers for non-accrued services at the date of the balance sheet in accordance with the measurement standard described in Note 4.l.

16. Revenue and expenses

a) Revenue-

The breakdown of revenue by customer type for the 2014, 2013 and 2012 financial years is as follows:

	Euros		
	2014	**2013**	**2012**
Residential	100,309,358	101,934,229	102,145,503
Corporate	33,638,809	31,442,420	26,422,445
Total	**133,948,167**	**133,376,649**	**128,567,948**

The Group's revenue all arises in Spain.

The Group does not have any customer which represents more than 10% of revenue individually.

b) Own work capitalised-

The figure for own work capitalised accruing in 2014, 2013 and 2012 is as follows:

	Euros		
	2014	**2013**	**2012**
Work carried out for:			
Distribution Network	53,627	59,510	55,165
Eurodocsis Project	—	80,910	97,601
Systems and Special Projects	67,558	156,504	199,903
Infoternera Project	—	111,308	—
Wifisfera Project	389,828	—	—
TV Everywhere Project	314,190	—	—
Total own work capitalised	**825,203**	**408,232**	**352,669**

c) Other operating income-

Details of this heading in the income statement for 2014, 2013 and 2012 are as follows:

	Euros		
	2014	**2013**	**2012**
Non-core and other current operating income	775,908	740,587	1,082,709
Operating grants	55,875	5,752	113,065
Total	**831,783**	**746,339**	**1,195,774**

The item "Other operating income – Non-core and other current operating income" contains, mainly, the income obtained by the Group arising from the provision of services referring to advertising and marketing campaigns run with different television channels for an amount of EUR 624,984, EUR 624,142 and EUR 392,260 in 2014, 2013 and 2012, respectively.

d) Procurement-

The breakdown of the balance of this heading in the consolidated statement of comprehensive income for 2014, 2013 and 2012 is as follows:

	Euros		
	2014	**2013**	**2012**
Purchases of goods for resale	13,173,135	14,341,542	13,833,612
Purchases of raw materials and other consumables	15,547,321	15,830,307	15,028,353
Changes in inventories	18,855	230,792	275,636
Work performed by other companies	3,043,108	2,822,559	1,415,525
Total	**31,782,419**	**33,225,200**	**30,553,126**

The breakdown by origin of the purchases made by the Group in 2014, 2013 and 2012 is as follows:

	Euros		
	2014	**2013**	**2012**
Spain	29,784,884	30,855,628	26,603,093
Intra European Community	1,997,535	2,369,572	3,950,033
Total	**31,782,419**	**33,225,200**	**30,553,126**

e) Staff costs-

Details of the balance of this heading in the consolidated income statement for 2014, 2013 and 2012 are as follows:

	Euros		
	2014	**2013**	**2012**
Wages, salaries and similar expenses	8,604,963	8,100,069	8,193,167
Social security costs	2,039,467	1,927,410	1,834,857
Severance payments (Note 4.m)	300,045	13,745	371,719
Other	26,072	59,592	22,746
Total	**10,970,547**	**10,100,816**	**10,422,489**

f) Other operating costs-

The breakdown of this item in the consolidated income statement for 2014, 2013 and 2012 is as follows:

	Euros		
	2014	**2013**	**2012**
Rent and royalties	3,080,043	3,026,023	3,093,731
Upkeep and repairs	5,470,207	6,356,100	6,898,116
Independent professional services	11,440,687	12,992,004	14,427,996
Transport expenses	1,750	1,590	7,461
Insurance premiums	101,622	137,955	128,193
Banking and similar services	382,999	370,180	332,642
Advertising	5,643,582	4,955,796	4,675,899
Utilities	904,192	1,111,442	1,221,396
Other operating expenses	856,718	917,821	1,864,924
Taxes other than income tax	1,527,296	1,464,534	1,690,218
Impairment of trade receivables (Note 8)	1,539,388	1,620,697	1,178,606
Other administrative expenses	436,355	330,405	292,101
Total	**31,384,839**	**33,284,547**	**35,811,283**

The expenses recorded in the "Rents and royalties" item from the above table mainly corresponds to:

- The expenses for the right to use the ducting owned by HC Energía, as well as the Principality of Asturias and various local councils, necessary for fibre optic cabling, with the expenses for 2014, 2013 and 2012 having amounted to EUR 1,262,358, EUR 1,147,685 and EUR 1,066,270, respectively; and
- The copyright expenses which the Group incurs in order to be able to broadcast films, with the expenses incurred for 2014, 2013 and 2012 having amounted to EUR 1,127,527, EUR 1,215,822 and EUR 1,349,704, respectively.

Additionally, this item contains, among others, the expenses for operating leases for the different offices and premises where the Group runs its business. At year-end 2014, 2013 and 2012, the minimum lease payments that the Group has contracted with the lessors, in accordance with the current agreements in force, are not significant.

g) Finance costs-

The composition of this heading in the consolidated statement of comprehensive income for 2014, 2013 and 2012 is as follows:

	Euros		
	2014	**2013**	**2012**
Syndicated loan interest (Note 11)	10,286,205	10,945,753	9,584,363
Finance lease interest	11,582	40,610	21,429
CEP III loan interest (Note 14)	20,622,872	17,900,504	15,574,444
Liberbank loan interest (Note 11)	4,432,321	4,418,796	4,321,631
Restatement of refundable advances	7,616	8,603	9,588
Settlement of derivatives	1,873,834	2,196,918	3,453,050
Other finance costs	90,440	13,593	701
Total	**37,324,870**	**35,524,777**	**32,965,206**

17. Other disclosures

Collaterals and guarantees

With regards to the syndicated loan granted by different financial entities to the Group company "Telecable de Asturias, S.A.", the company Telecable Capital Holding, S.L.U. is the personal joint and several guarantor in addition to the assets pledged as securities described in Note 11.

Additionally, the Group has pledged collateral and given guarantees to third parties securing its compliance with commercial agreements for the provision of telecommunication services, which at 31 December 2014, 2013 and 2012 amounted to EUR 2,344 thousand, EUR 3,585 thousand and EUR 3,535 thousand, respectively.

Earnings per share

Basic earnings per share are calculated by dividing the result attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Details of the calculation of basic earnings per share are as follows:

	Euros		
	2014	**2013**	**2012**
Result attributable to the Parent	(7,951,430)	(22,758,052)	(21,689,683)
Weighted average number of ordinary shares outstanding	11,400	11,400	11,400
Basic and diluted earnings per share	**(697)**	**(1,996)**	**(1,903)**

There are not dilutive effects and consequently there is no difference between basic and diluted earnings per share.

18. Events after the reporting period

On 3 February 2015, the Board of Directors of TCA, by express delegation of its General Shareholders' Meeting, unanimously agreed to distribute the extraordinary dividend with a charge to voluntary unrestricted reserves approved by the aforementioned General Shareholders' Meeting at its meeting held on 18 December 2014 for a total amount of EUR 28,667,898. The aforementioned dividend is distributed in favour of the current shareholders of TCA in proportion to their respective stake in the share capital.

On the same date, 3 February 2015, the Board of Directors of TCA, by express delegation of its General Shareholders' Meeting, unanimously agreed to reduce the share capital of TCA through the acquisition of treasury shares of TCA for a price of EUR 236.42 per share for their subsequent redemption, approved by the aforementioned General Shareholders' Meeting at its meeting held on 18 December 2014. In doing so, it agreed to reduce the share capital of the Company, by a nominal

amount of EUR 14,322,710.25, corresponding to 238,275 shares, each with a par value of EUR 60.11, acquired by the Company from its shareholders through a share buyback offer published on 29 December 2014 in the BORME (Official Gazette of the Companies Register) and on 24 December 2014 in La Nueva España with the share capital being fixed at the figure of EUR 41,056,813.08, divided into 683,028 shares, each with a par value of EUR 60.11. Additionally, and on that same date, the Company's Board of Directors approved the redemption of the 238,275 shares acquired by the Company from its shareholders.

As a result of that agreement, the Parent sold a total of 197,069 shares to TCA (which comprise shares acquired on 28 December 2011 by the Parent from Cajastur Capital S.C.R. de Régimen Simplificado, S.A.). It continued to hold 564,910 shares after the sale.

On the same date, 3 February 2015, the Board of Directors of TCA, by express delegation of its General Shareholders' Meeting held on that same day, unanimously agreed to reduce the share capital of TCA by decreasing the par value of its shares to set aside a restricted reserve approved by the aforementioned General Shareholders' Meeting. In doing so, it agreed to reduce the share capital of the Company (which, once the capital reduction referred to in the previous paragraph was executed, was fixed on that date at EUR 41,056,813.08) by a nominal amount of EUR 7,001,037, by reducing the par value of each and every one of the Company's 683,028 shares from EUR 60.11 at that date to EUR 49.86 each (i.e., a reduction of EUR 10.25 per share), in order to set aside a restricted reserve for the amount of the reduction, which is EUR 7,001,037.

After the corporate actions described above, on 3 February 2015, the company TCA made the payment to its shareholders arising from these, by drawing down Tranche D indicated in Note 11. Additionally, the Board of Directors of TCH agrees to proceed with the partial early repayment of the loan to CEP III Investment 18 Finance S.à r.l., for an amount of EUR 73,300,000.

19. Explanation added for translation to English

These special-purpose consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) (see Note 2-a). Certain accounting practices applied by the Group that conform with EU-IFRSs may not conform with other generally accepted accounting principles and rules.

AUTHORISATION FOR ISSUE OF THE SPECIAL-PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of Telecable Capital Holding, S.L.U. gathered, on 16 July 2015, hereby authorise for issue the special-purpose consolidated financial statements (consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes to equity and the consolidated statement of cash flows, and the explanatory notes) for the year-ended at 31 December 2014.

Mr. Alex Wagenberg Bondarovschi
(representing CEP III Investment 18 Finance S.à r.l.)
Chairman

Mr. Mario Pardo Rojo
Director

Mr. Christopher Finn
Director

Mr. Carlos Robles García
(representing CEP III Investment 18 S.à r.l.)
Director

CERTIFICATION: Certificate issued to attest that the special-purpose consolidated financial statements for 2014, authorised for issue by the Board of Directors of Telecable Capital Holding, S.L.U. at its meeting held on 16 July 2015 are those that are attached, signed by the Secretary of that Board. The authenticity of the signatures of all the Directors of Telecable Capital Holding, S.L.U. contained in this document is also certified.

Mr. Alejandro Ortiz Vaamonde
Non-director Secretary

Section C: Reconciliation of IFRS historical financial information relating to the Telecable Group to Telecable management numbers per Part III

		€k		
Revenue reconciliation		**FY12**	**FY13**	**FY14**
Revenue per management numbers (unaudited)		124,767	129,762	130,860
Interconnection revenues	1	4,035	3,947	3,425
Other		(234)	(332)	(337)
Revenue under IFRS-HFI		**128,568**	**133,377**	**133,948**

Source: Management information and special purpose consolidated financial statements

1. Interconnection revenues are reported within total revenues under IFRS and are netted against interconnection costs in the management accounts

		€k		
Adjusted EBITDA reconciliation to loss for the year		**FY12**	**FY13**	**FY14**
Adjusted EBITDA per management numbers (unaudited)		56,198	59,514	62,924
Leveraged Buy-out process expenses	**1**	(1,622)	(72)	(721)
Euskaltel penalties	2	—	—	(425)
Severance payments	3	—	—	(300)
Management fee	4	(1,200)	(1,200)	—
Sogecable	5	—	(300)	—
Extraordinary income and expenses	6	(46)	(21)	(11)
Depreciation and amortisation	7	(48,746)	(50,408)	(46,576)
Net finance costs	8	(36,349)	(34,129)	(35,518)
Loss before tax		**(31,766)**	**(26,616)**	**(20,627)**
Income tax		9,808	2,992	(13,623)
Loss for the year		(21,958)	(23,624)	(7,004)

Source: Management information and special purpose consolidated financial statements.

1. Advisers fees related to the previous selling process of the Telecable Group.
2. One-off penalties paid to Euskaltel under an invoicing services agreement.
3. Severance paid to two senior employees.
4. Annual management fee paid to The Carlyle group under their ownership.
5. Final cost of settlement of litigation with Sogecable.
6. Other non recurring items.
7. It includes depreciation and amortisation and impairment and gains/(losses) on disposal of non-current assets.
8. It includes finance income, finance costs, change in the fair value of financial instruments, exchange differences and impairment losses and gains/(losses) on disposal of financial instruments.

Section D: Audited financial information relating to the Group (excluding the Telecable Group) for the three months ended 31 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ZEGONA COMMUNICATIONS PLC

We have audited the non-statutory consolidated financial statements of Zegona Communications plc (''the Company'') and its subsidiaries (together ''the Group'') for the period from the date of incorporation of the Company on 19 January 2015 to 31 March 2015 which comprises the statement of total comprehensive income, balance sheet, statement of changes in equity, cash flow statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as adopted by the European Union and the provisions of the Companies Act 2006 that would have applied were these statutory financial statements.

This report is made solely to the Company's directors in accordance with our engagement letter dated 21 July 2015 and is prepared for the purposes of re-admission to the AIM, the market of that name operated by the London Stock Exchange. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an independent auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its loss for the period then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the provisions of the Companies Act 2006 which would have applied if the financial statements were statutory financial statements.

Deloitte LLP
Chartered Accountants
London, UK

27 July 2015

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

		For the period from 19 January 2015 to 31 March 2015
		£'000
Administrative expenses	6	(136)
Loss before income tax		**(136)**
Income tax expense	7	—
Loss for the period and total comprehensive loss for the period		**(136)**
Attributable to:		
Owners of the parent		(136)
Loss per ordinary share		
Basic (£)	14	(0.032)
Diluted (£)	14	(0.032)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2015
		£'000
Assets		
Non-current assets		
Property, plant and equipment		1
Current assets		
Trade and other receivables	9	93
Prepayments		305
Cash and cash equivalents	10	28,975
		29,373
Total assets		29,374
Capital and reserves attributable to the equity shareholders of the parent		
Share capital	12	250
Share premium	13	28,471
Share based payment reserve	13	2
Accumulated losses	13	(136)
Total equity		28,587
Current liabilities		
Trade and other payables	11	787
Core investor shares	16	—
Total liabilities		787
Total equity and liabilities		29,374

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Share based payment reserve	Accumulated losses	Total equity
		£'000	£'000	£'000	£'000	£'000
Balance at 19 January 2015		—	—	—	—	—
Loss for the period		—	—	—	(136)	(136)
Total comprehensive loss		**—**	**—**	**—**	(136)	(136)
Issue of share capital	13	250	28,471	—	—	28,721
Share-based payments		—	—	2	—	2
Balance at 31 March 2015		250	28,471	2	(136)	28,587

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the period from 19 January 2015 to 31 March 2015
		£'000
Cash flows from operating activities		
Loss before income tax		(136)
Adjustments to reconcile loss before income tax to net cash flows:		
Increase in trade and other receivables		(93)
Increase in prepayments		(305)
Increase in trade and other payables		336
Share based payment expense		2
Net cash used in operating activities		**255**
Cash flows from investing activities		
Purchase of property, plant and equipment		(1)
Net cash used in investing activities		**(1)**
Cash flows from financing activities		
Net proceeds from issue of share capital	13	29,172
Net cash generated from financing activities		**29,172**
Net increase in cash and cash equivalents		28,975
Cash and cash equivalents at beginning of the period		—
Cash and cash equivalents at the end of the period		**28,975**

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zegona Communications plc (the "Company") is an Investing Company incorporated in England and Wales and domiciled in the United Kingdom. It is a public limited company and the address of the registered office is 20 Buckingham Street, London, WC2N 6EF. The Company is the holding company of Zegona Jersey Limited (collectively, the "Group"), a wholly owned subsidiary incorporated on the formation of the Group.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The Company was incorporated on 19 January 2015.

The Historical Financial Information presents the financial track record of the Group for the period from 19 January 2015 until 31 March 2015 and is prepared for the purposes of re-admission to AIM, the market of that name operated by the London Stock Exchange. This special purpose financial information has been prepared in accordance with the requirements of Schedule Two to the AIM Rules, in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

The Historical Financial Information is prepared in accordance with IFRS under historical cost convention and is presented in British pounds sterling, which is the presentational and functional currency of the Company.

The principal accounting policies adopted in the preparation of the consolidated historical financial information are set out below. The policies have been consistently applied throughout the period presented, unless otherwise stated.

(b) Going concern

This historical financial information relating to the Group has been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

(c) New standards and amendments to International Financial Reporting Standards

Standards, amendments and interpretation effective and adopted by the Group:

The accounting policies adopted in the presentation of the historical financial information reflect the adoption of the following new standards for annual periods beginning on or after 1 January 2014:

Amendments to IFRS 10, 11, 12 and IAS 27 re: investment entity consolidation and IAS 39 re: novation of derivatives are not applicable to the Group. The Group does not offset any assets and liabilities and therefore the amendment to IAS 32 is also not applicable. The amendment to IAS 36 has been adopted by the Group but has had no effect on the Group's results.

Standards issued but not yet effective:

The following standards are issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective. It is not expected that any of these standards will have a material impact on the Group.

Standard	Effective Date
Amendments to IAS 19 – Defined Benefit Plans	1 February 2015
Annual Improvements 2010-2012 Cycle	1 February 2015
Annual Improvements 2011-2013 Cycle	1 January 2015
IFRIC Interpretation 21 – Levies	17 June 2014

(d) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is fully consolidated in the historical financial information from the date that control commences until the date that control ceases.

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the historical financial information.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(f) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(g) Corporation tax

Corporation tax for the period presented comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to taxes payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Loss per ordinary share

The Group presents basic earnings per ordinary share (''EPS'') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

(i) Share based transactions

Equity-settled share based payments to Directors and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is expensed through administrative expenses, with a corresponding increase in equity through the share based payment reserve, on a straight line basis over the period that the employees become unconditionally entitled to the awards.

(j) Pension benefits

The Group pays contributions to privately administered pension insurance plans on behalf of employees as contractually agreed, or the equivalent contribution is paid in cash to the employee. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense on the accruals basis.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's historical financial information under IFRS requires the Directors to consider estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are

continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

For the period and at the period end, the Directors do not consider that they have made any significant estimates, judgement or assumptions that would affect the balances reported in these financial statements.

4. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. As the Group has not yet made an acquisition, the Group is organised and operates as one segment.

5. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Group during the period:

	For the period from 19 Jan 2015 to 31 Mar 2015
	£'000
Wages and salaries	49
Post employment benefits	3
Share based payment expense	2
Employer national insurance	6
Total employment cost expense	**60**

(b) Directors' emoluments

The Board considers the Directors of the Company to be the key management personnel of the Group.

The highest paid Director, Eamonn O'Hare, received emoluments of £22,994 during the period, of which £3,462 related to pension benefits. Eamonn will receive a fixed annual salary of £500,000, effective from the date of the Company's admission to AIM on 19 March 2015, payable monthly in arrears, plus a pension contribution of 20 per cent. of fixed annual salary and a contribution of £12,500 per annum in relation to car allowance and private medical insurance.

(c) Key management compensation

The following table details the aggregate compensation paid in respect of the members of the Board of Directors including the Executive Directors.

	For the period from 19 Jan 2015 to 31 Mar 2015
	£'000
Salaries and short term employee benefits	42
Post employment benefits	3
	45

(d) Employed persons

The average monthly number of persons employed by the Group (including Directors) during the period was as follows:

	Number of employees
Directors	3
Other	1
	4

(e) Pension benefits

The amount recognised as an expense for the payments made into employees private pension arrangements was £3,115. The amount paid in lieu of payment into a private pension arrangement was £3,462.

6. EXPENSES BY NATURE

	Note	For the period from 19 Jan 2015 to 31 Mar 2015
		£'000
Wages and salaries		58
Office costs		15
Legal and professional fees		53
Share based payment expense	15	2
Other expenses		8
Total administrative expenses		136

7. INCOME TAX EXPENSE

Analysis of credit in period	For the period from 19 Jan 2015 to 31 Mar 2015
	£'000
Current tax on loss for the period	—
Total current tax	—

Reconciliation of effective rate and tax charge:

	For the period from 19 Jan 2015 to 31 Mar 2015
	£'000
Loss on ordinary activities before tax	(136)
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 21%	(29)
Effects of:	
Losses carried forward for which no deferred tax asset is recognised	29
Total taxation credit	—

8. INVESTMENTS

Principal subsidiary undertakings of the Group

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings.

Principal subsidiary undertakings of the Group as at 31 March 2015 are presented below:

Subsidiary	Nature of business	Country of incorporation	Proportion of ordinary shares held by parent	Proportion of ordinary shares held by the Group
Zegona Jersey Limited	Incentive vehicle	Jersey	100%	100%

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiary.

9. TRADE AND OTHER RECEIVABLES

	As at 31 March 2015
	£'000
Amounts falling due within one year:	
VAT recoverable	92
Other receivables	1
	93

All receivables are current.

There is no material difference between the book value and the fair value of the trade and other receivables.

10. CASH AND CASH EQUIVALENTS

	As at 31 March 2015
	£'000
Cash and cash equivalents	
Cash at bank	28,975
	28,975

Credit risk is managed on a Group basis, Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum short-term credit rating of P-1, as issued by Moody's are used by the Group.

11. TRADE AND OTHER PAYABLES

	As at 31 March 2015
	£'000
Trade payables	730
Wages and salaries	30
Other tax and national insurance payable	27
	787
Trade and other payables due within 1 year	787
Trade and other payables due after 1 year	—
	787

There is no material difference between the book value and the fair value of the trade and other payables.

12. CALLED UP SHARE CAPITAL

	As at 31 March 2015
	£'000
Allotted, called up and fully paid	
25 million ordinary shares of £0.01 each	250
	250

On incorporation 10 ordinary shares of £0.01 were issued at £1.20 per share resulting in share premium of £11.90. On 21 January 2015 a further 21,665 ordinary shares of £0.01 were issued at £1.20 resulting in total share premium of £25,793.35. On 19 March 2015, upon the Company's admission to AIM, a further 24,978,325 ordinary shares were issued at £1.20 per share resulting in total share premium of £29,750,000.

On 25 February 2015 on conversion of the Company to a plc, the Company issued 50,000 redeemable preference shares of £1 each. On admission to AIM on 19 March 2015, they were redeemed in full. No cash was received or paid in this regard.

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

13. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

Share premium

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

Retained earnings

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Share based payment reserve

The share based payment reserve is the cumulative amount recognised in relation to the equity settled share based payment scheme as further described in Note 15.

14. LOSS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Management shares (refer note 15) and Core Investor shares (refer note 16) have not been included in the calculation of diluted earnings per share because they are antidilutive for the period presented.

Group	For the period from 19 Jan 2015 to 31 Mar 2015
Loss attributable to the owners of the parent (£'000)	(136)
Weighted average number of ordinary shares in issue	4,242,753
Weighted average number of ordinary shares for diluted earnings per share	4,242,753

15. SHARE BASED PAYMENTS

Arrangements were put in place shortly after the Company's formation to create incentives for those who are expected to make key contributions to the success of the Group. The Group's success depends upon the sourcing of attractive investment opportunities, the improvement of the target businesses, and their subsequent sale to realise attractive returns for shareholders. Accordingly, an incentive scheme was created to reward key contributors to the creation of value.

Management Shares

Eamonn O'Hare, Robert Samuelson and Howard Kalika have been issued Management Shares (A Ordinary Shares) in Zegona Jersey Limited pursuant to their employee arrangements with the Group.

Exercise

The holders of Management Shares may exercise their rights at certain dates. On exercise, Management Shares are entitled to a return of 15 per cent. of the growth in equity value of the Company subject to shareholders achieving a 5 per cent. preferred return per annum on a compounded basis on their net invested capital.

There are five measurement periods during which the exercise may occur; the first being from three to five years post the first acquisition by the Company (or any subsidiary thereof).

The second and subsequent measurement periods, which are subject to shareholder approval, are three to five years from the earlier of the date of the exercise of the shares' right to value and the end of the previous period if no such exercise has taken place.

The Management Shares' value is expected to be delivered by the Company issuing new Ordinary Shares of equivalent value, although the Company has the right at all times to settle such value in cash.

The rights of the Management Shares may be exercised at other specific times including winding up or takeover, or change of control of the Company.

On a winding up or takeover

Management shares are entitled to a return of 15 per cent. of the growth in equity value of the Company subject to shareholders achieving a 5 per cent. preferred return per annum on a compounded basis on their net invested capital. The growth in equity value takes into account new shares issued, dividends and capital returned to shareholders.

Board change of control

In a situation where the majority of the Company's board of directors comprises individuals to whom 50 per cent. of the holders of the A shares have not consented (including at least two shareholders holding at least 5 per cent. of the Management Shares), the Management Shares are entitled to a return of 15 per cent. per annum of the growth in equity value of the Company regardless of whether the preferred return has been achieved.

Holding of Management Shares

5,000,000 Management Shares have been allotted and issued, as shown in the table below.

	Participation in growth in equity value	Issue Price	Number of Management shares	Nominal value of Participation shares
Eamonn O'Hare	9.15%	£16,165	3,050,000,000	£305
Robert Samuelson	4.59%	£8,083	1,525,000,000	£153
Howard Kalika	1.28%	£253	425,000,000	£42
			5,000,000,000	£500

16. CORE INVESTOR SHARES

Marwyn Long Term Incentive LP (''MLTI'') has been issued Core Investor Shares (B Ordinary Shares) in Zegona Jersey Limited. The B shares carry no voting rights.

The rights attached to the Core Investor Shares may be exercised by MLTI in the period from three to five years after the first acquisition or upon an earlier Takeover, Board Change of Control (where the employment contracts with both Founder Directors have also terminated) or Winding Up of the Company. Core Investor Shares are entitled to a return of 5 per cent. per annum of the growth in equity value of the Company subject to shareholders achieving a 5 per cent. preferred return per annum on a compounded basis on their net invested capital.

The value is expected to be delivered by the Company issuing new Ordinary Shares of equivalent value although the Company has the right at all times to settle such value in cash.

If on the date that MLTI exercises its Core Investor Shares, the Core Investor holds an Equity Interest in which it has invested in aggregate an amount less than five times the investment cost of the Equity Interest it held at 19 March 2015, MLTI will only be entitled to exercise its Core Investor Shares for an aggregate value equivalent to up to a maximum of 3 per cent. of the growth in equity value.

17. RELATED PARTY TRANSACTIONS

In the opinion of the Directors, there is no single controlling party.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, or the parties are under common control or influence, in making financial or operational decisions.

Mark Brangstrup Watts is a managing partner of Marwyn Capital LLP which provides corporate finance advice and various office and finance support services to the Company. During the period Marwyn Capital LLP charged £27,979 (excluding VAT) in respect of services supplied and was owed an amount of £265,775 at the balance sheet date.

Mark Brangstrup Watts is an ultimate beneficial owner of Axio Capital Solutions Limited which provides company secretarial services to the Company and company secretarial, registered agent and accounting services to the Group. During the period Axio Capital Solutions Limited charged £30,918 in respect of services supplied and was owed an amount of £30,918 at the balance sheet date.

18. AUDITOR'S REMUNERATION

In the period to 31 March 2015, the Company's auditor has charged non-audit fees totalling £59,000 in relation to the Company's admission to AIM. To date, no audit fees have been recorded.

19. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding at 31 March 2015 that require disclosure or adjustment in these financial statements.

20. POST BALANCE SHEET EVENTS

As of 6 July 2015, the subsidiary of the Company changed its name from Zegona Jersey Limited to Zegona Limited.

Section E: Report on the examination of the special-purpose consolidated financial statements

Translation of a report originally issued in Spanish and of special purpose consolidated financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON EXAMINATION OF SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Telecable Capital Holding, S.L.U.,

In accordance with our engagement-letter dated 2 July 2015, we have examined the accompanying special purpose consolidated financial statements of Telecable Capital Holding, S.L.U. and Subsidiaries, which comprise the special purpose consolidated balance sheets as at 31 December 2014 and 2013 and the special purpose consolidated statements of comprehensive income, special purpose consolidated statements of changes in equity, special purpose consolidated statements of cash flows and the explanatory notes thereto for the years then ended. The special purpose consolidated financial statements were prepared by the directors of Telecable Capital Holding, S.L.U. in accordance with the specific purpose pursued, as indicated in explanatory Note 1 to the accompanying special purpose consolidated financial statements.

Directors' Responsibility for the Special Purpose Consolidated Financial Statements

The directors of Telecable Capital Holding, S.L.U. are responsible for preparing special purpose consolidated financial statements that give a fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and for such internal control as the directors determine is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying special purpose consolidated financial statements based on our examination, which under no circumstances may be considered to be an audit performed in accordance with the Consolidated Spanish Audit Law approved by Legislative Royal Decree 1/2011, of 1 July, and its implementing legislation. We conducted our examination in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the examination to obtain reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatement.

An examination involves performing procedures to obtain evidence that supports the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose consolidated financial statements that give a fair presentation, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the companies that form Telecable Capital Holding, S.L.U. and Subsidiaries. An examination also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the special purpose consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying special purpose consolidated financial statements present fairly, in all material respects, the consolidated financial position of Telecable Capital Holding, S.L.U. and Subsidiaries as at 31 December 2014 and 2013, and their consolidated results and their consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

Basis of Accounting and Purpose of the Special Purpose Consolidated Financial Statements

We draw attention to Note 2-a to the accompanying special purpose consolidated financial statements, which indicates that the Parent's directors prepared consolidated financial statements for the years ended 31 December 2014 and 2013 in accordance with the regulatory financial reporting framework applicable to the entity, which includes the Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1815/1991, of 20 December. On 15 April 2015 and 13 June 2014, we issued our auditor's reports on the aforementioned consolidated financial statements, in which we expressed unmodified opinions.

However, we draw attention to Note 1 to the accompanying special purpose consolidated financial statements, which indicates that the Parent's directors decided to prepare a supplementary set of special purpose consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) for the years ended 31 December 2014 and 2013 in order to be used in the transaction, for inclusion in the document for admission and registration of securities on a United Kingdom market. In this connection, the special purpose consolidated financial statements do not include the disclosures required under the corporate legislation in force and do not constitute the statutory consolidated financial statements of Telecable Capital Holding, S.L.U. and Subsidiaries and, consequently, may not be appropriate for any other use. Our opinion is not modified in respect of these matters.

DELOITTE, S.L.

Jorge Izquierdo Mazón

23 July 2015

PART VIII

PRO FORMA FINANCIAL INFORMATION

SECTION A: REPORT ON PRO FORMA FINANCIAL INFORMATION

Draft Report on Pro forma financial information

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf Zegona Communications plc
20 Buckingham Street
London
WC2N 6EF

25 September 2015

Dear Sirs,

Zegona Communications plc (the "Company")

We report on the *pro forma* financial information (the "Pro forma financial information") set out in Section B of Part VIII of the prospectus dated 25 September 2015 (the "Prospectus"), which has been prepared on the basis described therein, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ended 31 December 2015. This report is required by the Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

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SECTION B: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited consolidated pro forma financial information has been prepared for illustrative purposes only and on the basis of the notes set out below.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Telecable Acquisition, the refinancing of the Telecable Group debt and the associated equity fundraising on the net assets of the Company as if they had occurred on 31 March 2015.

The unaudited consolidated pro forma income statement of the Group for the period ended 31 March 2015 has been prepared on the basis set out in the notes below and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II of the Prospectus Rules to illustrate the impact of (i) the Telecable Acquisition (ii) the refinancing of the Telecable Group and (iii) the associated equity fundraising as if they had taken place on 1 January 2015, notwithstanding the fact that the Company was incorporated on 19 January 2015.

The unaudited pro forma financial information has been prepared using accounting policies consistent with these set out in Part VII: ''Historical Financial Information''. Deloitte LLP's report on the unaudited *pro forma* financial information is set out in section A of this Part VIII: ''Pro Forma Financial Information.

Due to its nature, the unaudited consolidated pro forma financial informaton addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results following the Telecable Acquisition, the refinancing of the Telecable Group debt and the associated equity fundraising.

The unaudited *pro forma* financial information has not been prepared, or shall not be construed as having been prepared, in accordance with the Regulation S-X under the U.S. Securities Act.

Telecable Acquisition

Zegona Communications plc acquired the entire issued share capital and subordinated shareholder loan of the Telecable Group for consideration of €368 million (equivalent to an enterprise value of €640 million) on 14 August 2015. The acquisition will be accounted for in accordance with IFRS 3 (2008 revised): ''Business Combinations''. The purchase consideration will be allocated to the identified assets and liabilities of Telecable Capital Holding S.L.U measured at their fair values as at the acquisition date. Any excess of fair value over the identified assets and liabilities has been recognised as goodwill in the consolidated financial statements of Zegona Communications plc. Accordingly, we are unable to provide a meaningful estimate of the goodwill that will be recognised, but provide a preliminary estimate based on the carrying amount of assets and liabilities of Telecable Capital Holdings S.L.U as at 31 March 2015.

The actual goodwill recognised in respect of Telecable Capital Holdings S.L.U may differ significantly from the preliminary estimate due to differences that are likely to exist in the carrying values of the assets and liabilities of Telecable Capital Holdings S.L.U at 31 March 2015 and their fair values as at the effective acquisition date. Such changes may arise due to: recognition of intangible assets which have been internally developed, the remeasurement of intangible assets previously recognised by Telecable Capital Holdings S.L.U, the remeasurement of property, plant and equipment and the recognition of contingent liabilities.

Pro forma income statement

		Adjustments		
€'000	Zegona[1] For the period from 19-Jan 2015 to 31 March 2015	Telecable[2] 3 months ended 31 March 2015	Other adjustments	Pro forma
Revenue		33,536		33,536
Own work capitalised		258		258
Other operating income		206		206
		34,000		**34,000**

€'000	Zegona[1] For the period from 19-Jan 2015 to 31 March 2015	Adjustments: Telecable[2] 3 months ended 31 March 2015	Adjustments: Other adjustments	Pro forma
Procurements		(8,069)		(8,069)
Staff costs		(2,846)		(2,846)
Other operating expenses	(183)	(7,407)		(7,590)
Depreciation and amortisation		(10,385)		(10,385)
Allocation to profit or loss of grants related to nonfinancial non-current assets and other grants		4		4
Impairment and gains/(losses) on disposal of non-current assets		(594)		(594)
Finance income		71		71
Finance costs		(8,103)	4,116[3]	(3,987)
Change in the fair value of financial instruments		407		407
Exchange differences		(47)		(47)
LOSS BEFORE TAX	**(183)**	**(2,970)**	**4,116**	**963**
Income tax	—	780	(780)[4]	—
LOSS FOR THE PERIOD	**(183)**	**(2,191)**	**3,336**	**963**

Notes

1) The figures for Zegona Communications plc from the period of incorporation on 19 January 2015 to 31 March 2015 are extracted without material adjustment from the audited financial statements, as set out in Section D of Part IX of this document, and are prepared under IFRS. The financial statements have been translated into Euro at an exchange rate of 1.3455, the average exchange rate during the three months ended 31 March 2015.

2) The figures for Telecable Capital Holding S.L.U for the three month period ended 31 March 2015 are extracted without material adjustment from the unaudited interim financial statements, as set out in Section A of Part VII of this document, and are prepared under IFRS.

3) Finance costs have been adjusted for the net effect of refinancing the Telecable debt, with historical interest charges of €8.1 million, replaced with imputed interest charges under the new loan agreement of €3.0 million and the unwinding of debt arrangement fees of €1.0 million.

4) The impact of the utilisation of brought forward tax losses.

Pro forma net assets statement

EUR'000	Zegona[1]	Telecable[2]	Pro Forma Adjustments	Pro Forma Net assets
Non current assets				
Goodwill	—	152,990	317,940[3]	470,930
Intangible assets	—	77,901	—	77,901
Tangible assets	1	124,955	—	124,956
Non current financial investments	—	1,587	—	1,587
	1	**357,433**	**317,940**	**675,374**
Current assets				
Inventories	—	384	—	384
Trade and other receivables	129	7,422	—	7,551
Public authorities	—	247	—	247
Current investments in Group companies	—	32	—	32
Other current financial assets	—	57	—	57
Current prepayments	422	3,705	—	4,127
Cash and cash equivalents	40,049	12,650	(49,038)[4]	**3,661**
	40,600	**24,496**	**(49,038)**	**16,058**
Total assets	**40,601**	**381,929**	**268,902**	691,432
Non current liabilities				
Non-current payables	—	271,755	(10,790)[5]	260,965
Payables to Group companies and related parties	—	87,122	(87,122)[6]	—
Deferred tax liabilities	—	16,703	—	16,703
Deferred income	—	60	—	60
	—	**375,640**	**(97,912)**	**277,728**
Current liabilities				
Current payables	—	21,724	4,580[7]	26,304
Trade and other payables	1,088	18,578	—	19,666
Public authorities	—	2,358	—	2,358
Current accruals	0	643	—	643
	1,088	**43,303**	**4,580**	**48,971**
Total liabilities	**1,088**	**418,943**	**(93,332)**	**326,699**
Net assets/(liabilities)	**39,513**	**(37,014)**	**362,234**	**364,733**

1. The figures for Zegona Communications plc at 31 March 2015 are extracted without material adjustment from the audited financial statements, as set out in Section D of Part VII of this document, and are prepared under IFRS. The financial statements have been translated into Euro at an exchange rate of 1.3822, the prevailing exchange rate as at the balance sheet date.
2. The figures for Telecable Capital Holding S.L.U at 31 March 2015 are extracted without material adjustment from the unaudited interim financial statements, as set out in Section A of Part VII of this document, and are prepared under IFRS.
3. Represents (1) the total consideration paid for Telecable of €368.0 million (€640.0 million as adjusted for net debt of €264.1 million and the acquisition of non-controlling interest of €7.9 million), less (2) repayment of the subordinated shareholder loan of €87.1 million and (3) the preliminary estimate of fair value of the net liabilities acquired of €190.0 million (representing the net liabilities of €37.0 million after excluding historical goodwill of €153.0 million) and the historical goodwill of €153.0 million.
4. Represents the net cash proceeds raised of €611.6 million (comprised of €341.6 million of equity and approximately €270.0 million of debt) less the cash consideration paid for Telecable of €368.0 million, the repayment of acquired liabilities of €276.7 million and transaction costs paid out of transaction proceeds of €15.9 million including debt issuance costs of €9.4 million. The proceeds have been translated into Euro at an exchange rate of 1.3822, the prevailing exchange rate as at the balance sheet date.
5. Represents the net impact of repayment of the non-current portion of the existing bank borrowings in Telecable of €271.4 million, the draw down of approximately €270.0 million of new facilities and debt arrangement fees of €9.4 million.
6. Represents payment of the subordinated shareholder loan of €87.1 million.
7. Represents the net impact of repayment of the current portion of the existing bank borrowings in Telecable of €5.3 million and the payable recognised for transaction costs paid following completion of €9.9 million.

PART IX

ADDITIONAL INFORMATION

1. Responsibility

1.1 The Directors, whose names and functions appear on page 39 of this Document, and the Company accept responsibility both individually and collectively for the information contained in this Document. To the best of the knowledge and belief of the Directors, and the Company, each of whom have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and contains no omission likely to affect the import of such information. Under no circumstances should the information contained in this Document be relied upon as being accurate at any time after Admission.

2. The Company

2.1 The Company was incorporated in England and Wales as a limited company with company number 09395163 on 19 January 2015 under the Act under the name of Zegona Communications Limited.

2.2 The Company is domiciled in England and Wales.

2.3 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members is limited.

2.4 The Company's registered office is at 20 Buckingham Street, London, WC2N 6EF, and its telephone number is +44 (0)20 7389 6873.

2.5 On 26 February 2015, the Company was re-registered as a public company limited by shares under the name of Zegona Communications plc.

2.6 The accounting reference date of the Company is 31 December.

2.7 The principal activity of the Group is operating a network-based telecommunications business.

2.8 The ISIN of the Ordinary Shares is GB00BVGBY890.

2.9 The following is a summary of the changes in the issued share capital of the Company from incorporation to 24 September 2015, being the latest practicable date prior to publication of this Document.

Date of issue	Number of Ordinary Shares issued	Price (pounds)	Nature of issue
19 March 2015	24,978,325	£1.20	Placing
14 August 2015	167,326,724	£1.50	Placing
14 August 2015	3,718,236	£1.50	Telecable Consideration Shares

2.10 Immediately following Admission the Company's share capital will not change.

3. Subsidiaries

3.1 The Company has the following significant subsidiaries, subsidiary undertakings and other undertakings in which it has an interest held on a long-term basis and which the Company considers are likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profit and losses:

Name	Country of incorporation/ residence	Proportion of ownership interest
Zegona Limited	Jersey	100
Parselaya Limited	Spain	100
Telecable Capital Holding, S.L.U.	Spain	100
Telecable de Asturia, S.A.	Spain	100
Zegona Ireland Limited	Ireland	100
Zegona (Lux) S.A.R.L	Luxembourg	100

4. Share capital

4.1 The Company was incorporated on 19 January 2015 with a share capital of £0.10 divided into 10 ordinary shares of £0.01 each.

4.2 On 21 January 2015, the Company issued a further 21,665 Ordinary Shares.

4.3 On 25 February 2015, a general meeting of the Company was held at which it was resolved to authorise the Directors to allot the Redeemable Shares.

4.4 On that same date, the Company issued 50,000 Redeemable Shares, all issued to MVI LP.

4.5 24,978,325 Ordinary Shares were issued in the placing on 19 March 2015 at a price of £1.20 per Ordinary Share and the Redeemable Shares were redeemed and automatically cancelled.

4.6 On 13 August 2015, a general meeting of the Company was held at which it was resolved to:

4.6.1 authorise the Directors generally and unconditionally in accordance with section 551 of the Act to allot Ordinary Shares up to an aggregate nominal amount of £1,709,685.22 in connection with the Telecable Acquisition and the equity fundraising;

4.6.2 empower the Directors, pursuant to section 571 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority described in paragraph 4.6.1 above as if section 561(1) of the Act did not apply to the allotment of 167,326,724 Ordinary Shares issued on Second Admission; the authority expires on 30 June 2016 or, if earlier, the conclusion of the next annual general meeting of the Company, but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired;

4.6.3 in addition to the authority described in paragraph 4.6.1 above, authorise the Directors generally and unconditionally in accordance with section 551 of the Act to issue and allot:

(i) shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £97,984.26; and (in addition); and

(ii) equity securities of the Company (within the meaning of section 560 of the Act) in connection with an offer of such securities by way of a rights issue up to an aggregate nominal amount of £97,984.26.

The authority expires on 30 June 2016 or, if earlier, at the conclusion of the next annual general meeting of the Company but, in each case, the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if the authority had not expired.

4.6.4 in addition to the authority described in paragraph 4.6.2 above, empower the Directors pursuant to section 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority described in paragraph 4.6.3 above as if section 561(1) did not apply to such allotment:

4.6.4.1 in connection with an offer of such securities by way of a rights issue; and

4.6.4.2 (otherwise than pursuant to paragraph 4.11.4(i)), up to an aggregate nominal amount of £97,984.26.

The authority expires on 30 June 2016 or, if earlier, the conclusion of the next annual general meeting of the Company, but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

4.7 On 14 August 2015, 167,326,724 Ordinary Shares were issued pursuant to the equity fundraising at the time of Second Admission at a price of £1.50 per Ordinary Share. Shortly thereafter 3,718,236 Ordinary Shares were issued as part of the Telecable Acquisition.

4.8 The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities, exchangeable securities or securities with warrants issued or proposed to be issued by the Company other than the Management Shares and the Core Investor Shares.

4.9 The provisions of section 561 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be, paid up in cash other than by way of allotment to employees' share scheme as defined in section 1166 of the Act) apply to unissued shares in the capital of the Company to the extent not disapplied pursuant to the resolution described in paragraphs 4.6.2 and 4.6.4 above.

4.10 Save as set out in this paragraph 4, there have been no movements in the Company's ordinary share capital since incorporation on 19 January 2015 to the date of this Document.

4.11 The Ordinary Shares in issue at Admission will be in registered form and may be held in certified form or in uncertified form. In the case of Ordinary Shares held in uncertified form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear and the Company's Registrar, Capita Registrars Limited (details of whom are set out on page 39 of this Document).

4.12 There are no shares in the Company which are held by, or on behalf of, the Company.

4.13 The Ordinary Shares are not redeemable.

4.14 The Ordinary Shares are denominated in pounds sterling.

4.15 No share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

4.16 Subject to the Act, any equity shares issued by the Company for cash must first be offered to existing shareholders in proportion to their holdings of Ordinary Shares. Both the Act and the Listing Rules allow for disapplication of pre-emption rights which may be waived by a special resolution of the shareholders, either generally or specifically, for a maximum period not exceeding five years.

4.17 Admission will not result in any dilution of Shareholders existing proportion of the Company's share capital as no new Ordinary Shares are being issued.

5. Significant Shareholders

5.1 Save as disclosed at paragraph 7.3 of this Part IX, the Company is only aware of the following persons who, as at 24 September 2015, being the latest practicable date prior to publication of this Document and immediately following Admission, will represent an interest (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally in 3 per cent. or more of the Company's share capital or could exercise control over the Company:

Shareholder	Number of Ordinary Shares	Interests in share capital
Marwyn Value Investors LP	46,666,666	23.8%
FIL Limited	19,596,852	10.0%
Wellington Management Company LLP	17,439,062	8.9%
Standard Life Investments	7,666,666	3.9%
Tekne Capital Management LLC	6,722,445	3.4%
Invesco Asset Management Limited	17,333,333	8.8%
Capital Research and Management Company	15,386,666	7.8%
AXA Framlington	13,333,333	6.8%
Taconic Capital Advisors	9,666,666	4.9%
Magnetar Capital	6,666,666	3.4%

5.2 None of the holders of Ordinary Shares listed above has voting rights different from the other holders of Ordinary Shares.

5.3 Save as disclosed in this paragraph 5, neither the Company nor the Directors are aware of any person or persons who either alone or, if connected, jointly following Admission will (directly or indirectly) exercise or could exercise control of the Company.

5.4 Insofar as known to the Company, no arrangements are in place, the operation of which may at a later date result in a change of control in the Company.

6. Articles of association

6.1 The articles of association contain (amongst others) provisions to the following effect.

Variation of rights

6.1.1 Where the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Act, and any other act relating to companies be varied or abrogated in such a manner as those rights may provide for or, where no such provision is made:

6.1.1.1 with the consent of the holders of not less than three fourths in the nominal value of the issued shares of that class; or (excluding any shares of that class held as treasury shares); and

6.1.1.2 with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

6.1.2 Unless otherwise expressly provided by the rights attached to any class of shares, the rights attached to any shares or class of shares shall not be deemed to be varied by the creation or issue of further shares ranking in some or all respects *pari passu* with them, or by the purchase or redemption by the Company of any of its own shares.

Transfers of shares

6.1.3 The instrument of transfer of a certificated share may be in any usual or common form or in any other form approved by the Directors and shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee.

6.1.4 The Directors may refuse to register the transfer of a certificated share if:

6.1.4.1 the transferee is or may be a Prohibited Person, or is or may be holding such Ordinary Shares on behalf of a beneficial owner who is or may be a Prohibited Person;

6.1.4.2 the share is not fully paid;

6.1.4.3 the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;

6.1.4.4 the transfer is not accompanied by the certificate for the shares to which it relates, or such other evidence as the Directors may reasonably require;

6.1.4.5 the transfer is in respect of more than one class of shares; or

6.1.4.6 the transfer is in favour of more than four transferees.

6.1.5 The Directors shall have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in Ordinary Shares in the Company in uncertificated form (including in the form of depositary interests or similar interests, instruments or securities).

Alteration of share capital

6.1.6 The Company may by ordinary resolution:

6.1.6.1 consolidate or consolidate then divide all or any of its share capital into shares of larger amounts than its existing shares;

6.1.6.2 cancel any shares which at the date of the passing of the resolution to cancel them, have not been taken, or agreed to be taken, by any person and diminish the amounts of its share capital by the amount of shares so cancelled; and

6.1.6.3 sub-divide its shares or any of them into shares of smaller amount than is fixed by the Articles (subject, nevertheless, to the provision of the Act and every other act, statute, statutory instrument, regulation or order being in force from time to time, concerning companies affecting the Company (the "**Statutes**")) and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued new shares.

6.1.7 Subject to the Statutes and any rights attaching to any class of shares, the Company may purchase its own shares (including any redeemable shares).

6.1.8 Subject to the Statutes and any rights attaching to any class of shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, share premium account or other distributable reserve in any manner.

General meetings

6.1.9 All general meetings other than the annual general meeting shall be called general meetings.

6.1.10 All general meetings (other than annual general meetings) shall be called by at least 14 clear days' notice and an annual general meeting shall be called by at least 21 clear days' notice, unless a longer period of notice is required in accordance with the law.

6.1.11 Notwithstanding the notice period specified in paragraph 6.1.11 above, a general meeting (including an annual general meeting) can be held on short notice, if so agreed by a majority of members who hold at least 95 per cent. in the nominal value of the issued shares.

6.1.12 The notice shall specify the place, the date and the time of the meeting, a statement that the member is entitled to appoint one or more proxies to attend, vote and speak at the meeting, the general nature of the business to be transacted at the meeting, and if any resolution is to be proposed as a special resolution the text of such resolution.

6.1.13 The accidental failure to give notice to any person entitled to receive notice of a general meeting, or the non-receipt by such person of such notice shall not invalidate the proceedings at that meeting.

6.1.14 No business other than the appointment of the chairman of the meeting shall be transacted unless a quorum of two persons entitled to vote upon the business transacted on a poll is present.

Directors' interests in contracts with the Company

6.1.15 A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at the board meeting at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists or, in any other case, at the first board meeting after he knows that he is or has become so interested.

6.1.16 A director shall not vote (or be counted in the quorum at a meeting) in respect of an actual or proposed transaction or arrangement with the Company in which he is interested.

6.1.17 Subject to the Statutes, the Company may by ordinary resolution suspend or relax the restrictions set out in paragraph 6.1.16 above.

6.1.18 The restrictions set out in paragraph 6.1.16 above shall not apply and a director may (in the absence of some other material interest) vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

6.1.18.1 the giving of any guarantee, security or indemnity in respect of:

6.1.18.1.1 money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

6.1.18.1.2 a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

6.1.18.2 the giving of any indemnity where all other Directors are offered indemnities on substantially the same terms;

6.1.18.3 any arrangement relating to the Company funding expenditure incurred by him defending proceedings of the Company or the Company doing something to enable him to avoid incurring such expenditure where all other Directors are offered substantially the same arrangements;

6.1.18.4 any contract concerning an offer of shares or debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in respect of which he is or may be entitled to participate in his capacity as a holder of any securities or as an underwriter or sub-writer;

6.1.18.5 any contract in which he has an interest because of his interest in shares or debentures or other securities of the Company or because of any other interest in or through the Company;

6.1.18.6 any contract concerning another company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he does not hold an interest in shares representing one per cent. or more of any class of the equity share capital of such company;

6.1.18.7 any contract for the benefit of employees of the Company or of any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the contract or arrangement relates; or

6.1.18.8 any contract concerning the purchase or maintenance of insurance either or for the benefit of any Director or for persons who include Directors.

Directors – general

6.1.19 Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum and not be less than two. Each Director shall be entitled to one vote and decisions shall be passed by simple majority, with the Chairman having a casting vote in the event of deadlock.

6.1.20 The Directors shall not be required to hold any share of the Company by way of qualification.

6.1.21 The aggregate fees of the Directors shall not exceed £3 million per annum.

6.1.22 Any Director who holds any executive office or who performs services which in the opinion of the Directors are beyond the ordinary duties of a Director may be paid such extra remuneration (by way of salary, percentage of profits or otherwise) as the Board may determine.

6.1.23 Each Director will be paid all proper and reasonable expenses incurred in connection with the attendance at board meetings or general meetings or otherwise in connection with the business of the Company or in the performance of his duties as a Director.

6.1.24 The Directors may give or award pensions, annuities and superannuation or other allowance or benefits to any persons who are or have at any time been employed by or in the service of the Company and to the wives, husbands, civil partners, widows, widowers, children and other relatives and dependants of any such persons.

6.1.25 At every annual general meeting of the Company each director shall retire from office save that the board of directors in office at the date of adoption of the Articles shall retire from office at the second annual general meeting held by the Company.

6.1.26 Any person who is willing to act as a Director, and is permitted by law, may be appointed to be a Director by ordinary resolution of the Company or by a decision of the Board. No Founder Director may be removed without a vote in favour by the majority of the Board or special resolution of the Company.

Directors' borrowing powers

6.1.27 The Directors may exercise all the powers of the Company to borrow money, to indemnify and guarantee and/or to mortgage or charge all or part of its undertaking, property, assets (present and future) and uncalled capital and, subject to the Act, to issue debentures, loan stock or any other securities whether outright or as collateral security for any guarantee, debt, liability or obligation of the Company or any third party.

Disclosure of interests in shares

6.1.28 If the holder of, or any other person appearing to be interested in, any share has been given notice under section 793 of the Act and has failed in relation to that share (a "**Default Share**") to give the Company notice within the prescribed notice, the prescribed

period being no less than 14 days from the date of service of the notice, the restrictions referred to in paragraph 6.1.29 shall apply (save that the Directors may waive those restrictions in whole or in part at any time).

6.1.29 The restrictions referred to in paragraph 6.1.28 are as follows:

6.1.29.1 the holder of the Default Shares shall not be entitled in respect of those shares to attend or vote, either personally or by proxy at any general meeting of the Company;

6.1.29.2 in addition, where the Default Shares in which one person is interested or appears to the Company to be interested, represent 0.25 per cent. or more of the relevant class (excluding any shares of that class held as treasury shares) the member holding the Default Shares shall not be entitled, in respect of those shares to receive any dividends or other distributions or transfer or agree to transfer any of those shares or any rights in them.

Share rights

(A) **Dividends**

6.1.30 The Company may by ordinary resolution in a general meeting declare dividends but no dividend shall be payable in excess of the amount recommended by the Directors.

6.1.31 Insofar as it appears to the Board that they are justified by the financial position of the Company, the Directors may pay interim dividends.

6.1.32 All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

6.1.33 The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or other obligations in respect of which the lien exists.

6.1.34 The Directors may resolve that any dividend unclaimed after a period of six years from the date such dividend became due for payment shall be forfeited.

6.1.35 The Company may by ordinary resolution in a general meeting, upon recommendation of the Directors, direct that payments of a dividend may be satisfied wholly or in part by the distribution of non-cash assets of equivalent value.

6.1.36 The Company may by ordinary resolution in a general meeting, offer the holders of shares the right to elect to receive new shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(B) **Voting rights**

6.1.37 Members shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Subject to the Articles and any restrictions as to voting attached to any class of shares, on a show of hands, each holder of shares present in person or by proxy shall have one vote and upon a poll each such holder who is present in person or by proxy shall have one vote in respect of every share held by him.

6.1.38 A Member shall not be entitled to vote at a general meeting personally or by proxy, if any call or other sum payable by such member to the Company in respect of the share held by such member, remains unpaid.

(C) **Capitalisation of profits and reserves**

6.1.39 The Directors may, with the authority of an ordinary resolution of the Company:

6.1.39.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and

6.1.39.2 appropriate any sums which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of a dividend and in the same proportions.

(D) **Winding up**

6.1.40 If the Company is being wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution and any other sanction required by law:

6.1.40.1 divide amongst the members in specie the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how such division shall be carried out as between the members or different classes of members; and/or

6.1.40.2 vest the whole or any part of the assets in trustees, upon such trusts for the benefit of members as the liquidator, shall think fit, but so that no member shall be compelled to accept any assets in respect of which there is any liability.

Summary

The above is a summary of certain provisions of the Articles, the full provisions of which are available on the Company's website at www.Zegona.com.

7. Directors' interests in the Company

7.1 The following persons are Directors of the Company:

— Eamonn Francis O'Hare (Chairman and Chief Executive Officer)

— Robert Walter Samuelson (Executive Director and Chief Operating Officer)

— Mark Irvine John Brangstrup Watts (Non-Executive Director)

— Murray John Scott (Non-Executive Director)

7.2 The business address of all of the Directors is 20 Buckingham Street, London, WC2N 6EF.

7.3 The interests (all of which are beneficial unless otherwise stated) of the Directors in the issued Ordinary Share capital of the Company are as follows:

Shareholder	Number of Ordinary Shares	Interests in share capital
Eamonn O'Hare	1,524,999	0.78%
Robert Samuelson	762,502	0.39%

7.4 In respect of the Directors, save as set out below there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have:

7.4.1 Mark Brangstrup Watts is a managing partner of Marwyn Capital LLP which is providing corporate finance and business services to the Company as described further in paragraph 12.7 of this Part IX.

7.4.2 As at 24 September 2015, being the latest practicable date prior to publication of this Document MVI LP, holds 23.8 per cent. of the share capital of the Company. It is a Cayman-domiciled master fund established by Marwyn in 2005 with the investment objective to maximise total returns on its capital primarily through the capital appreciation of its investments. MVI LP is managed by MAML, of which Mark Brangstrup Watts, amongst others, is a director and in which Mark also has an indirect interest through certain incentive arrangements. MAML has appointed MIM LLP to provide investment advice in relation to the strategy being pursued by MVI LP. Mark is a joint Managing Partner of MIM LLP, which works closely with MAML in executing the investment strategy of MVI LP. The investment strategy being pursued in relation to MVI LP is to identify and work alongside exceptional operational managers to take advantage of investment opportunities for both organic and non-organic growth.

7.4.3 Mark Brangstup Watts also has an indirect ownership interest in Axio Capital Solutions Limited, which is acting as Company Secretary to the Company. He also has an indirect interest, through his interests in Marwyn Long Term Incentive LP, in the Core Investor Shares, further details of which are set out in paragraph 10 below.

7.4.4 Management have been issued Management Shares pursuant to their employee arrangements with the Group, further details of which are set out in paragraph 9 below.

7.5 There are no outstanding loans granted by any member of the Company to the Directors or any guarantees provided by any member of the Company for the benefit of the Directors.

7.6 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant in respect of the business of the Company and which was effected by any member of the Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

7.7 There are no arrangements or understandings between the Directors and any major shareholder, customer or supplier of the Company pursuant to which any Director was selected or will be selected as a member of the administrative, management or supervisory bodies or member of senior management of the Company.

7.8 Save as set out in paragraph 12 of this Part IX, there are no restrictions on any Director on the disposal within a period of time of their holding of Ordinary Shares.

7.9 Members of Telecable's management hold approximately 3,718,236 Ordinary Shares representing 1.9 per cent. of the share capital of the Company.

8. Directors' service contracts and remuneration

8.1 Executive service agreements

Eamonn O'Hare

8.1.1 Eamonn O'Hare entered into a service agreement with IncentiveCo on 23 January 2015. Eamonn was appointed as a Director and Chairman and Chief Executive Officer of the Company on 19 January 2015.

8.1.2 Pursuant to Eamonn's service agreement with the Company, Eamonn's current salary is £500,000 per annum payable monthly in arrears. He also receives life assurance of four times his salary, a £3,000 per annum contribution towards private medical insurance for himself and his family, a car allowance of £10,000 per annum, a pension contribution equal to 20 per cent. of his salary, 25 days' holiday, and directors' and officers' insurance. Amounts stated are net of any required statutory payments.

8.1.3 The service agreement may be terminated by either party on not less than 12 months' written notice, or by payment of salary, bonus and benefits in lieu of notice. A compensation payment of 12 months' salary, benefits and bonus will be payable if the Company terminates the agreement in breach of its terms.

8.1.4 The agreement contains non-solicitation covenants for 12 months after the termination of employment, covering non-solicitation of customers and employees.

8.1.5 The service agreement is governed by the laws of England and Wales.

Robert Samuelson

8.1.6 Robert Samuelson entered into a service agreement with IncentiveCo on 23 January 2015. Robert was appointed as a Director and Chief Operating Officer of the Company on 19 January 2015.

8.1.7 Pursuant to Robert's service agreement with the Company, Robert's current salary is £350,000 per annum payable monthly in arrears. He also receives life assurance of four times his salary, a £3,000 per annum contribution towards private medical insurance for himself and his family, a car allowance of £10,000 per annum, a pension contribution equal to 20 per cent. of his salary, 25 days' holiday, and directors' and officers' insurance. Amounts stated are net of any required statutory payments.

8.1.8 The service agreement may be terminated by either party on not less than 12 months' written notice, or by payment of salary, bonus and benefits in lieu of notice. A compensation payment of 12 months' salary, benefits and bonus will be payable if the Company terminates the agreement in breach of its terms.

8.1.9 The agreement contains non-solicitation covenants for 12 months after the termination of employment, covering non-solicitation of customers and employees.

8.1.10 The service agreement is governed by the laws of England and Wales.

8.2 Non-Executive Directors' letters of appointment

Mark Brangstrup

8.2.1 Mark Brangstrup Watts entered into a letter of appointment on 19 March 2015 and he became a Non-Executive Director on 19 March 2015.

8.2.2 The appointment is for an initial term of one year commencing on 19 March 2015, and can be terminated by either party on six months' written notice. Mark is currently paid an annual fee of £40,000.

Murray Scott

8.2.3 Murray Scott entered into a letter of appointment with the Company on 1 August 2015 and he became a Non-Executive Director with effect from 31 July 2015.

8.2.4 The appointment is for an initial term of one year and can be terminated by either party on six months' written notice. Murray receives a fixed annual fee of £40,000, payable monthly in arrears.

8.3 Salary and bonus payments

The tables below set out the gross annual salary or fees payable to the Directors. No salary or bonus was paid in the previous year as the Company was incorporated on 19 January 2015.

8.3.1 Executive Directors

Name	Title	Annual Salary
Eamonn O'Hare	Director	£500,000
Robert Samuelson	Director	£350,000

8.3.2 Non-Executive Directors

Name	Title	Annual Fee
Mark Brangstrup Watts	Director	£40,000
Murray Scott	Director	£40,000

8.4 Save as set out in paragraphs 8.1, 8.2 and 8.3 above, there are no existing or proposed service contracts or consultancy agreements between any of the Directors or any member of the Group. None of the arrangements referred to in paragraph 8.1, 8.2 or 8.3 above contain a right to benefits upon termination (other than those during the notice period under the relevant contract).

8.5 The Directors have not received and are not entitled to receive any Ordinary Shares or options over the Ordinary Shares in lieu of remuneration, except as contained within the Management incentive arrangements described in paragraph 9 of this Part IX.

8.6 No sums have been set aside or accrued by any member of the Group to provide pension, retirement or similar benefits for the Directors.

8.7 There is no arrangement under which any Director has waived or agreed to waive future salary or contractual benefits.

9. Senior management incentive arrangements

Zegona management incentive

General

9.1 Management have been issued Management Shares in IncentiveCo pursuant to their employee arrangements with the Group. These shares give Management the right, subject to certain provisions, to receive upon Exercise up to a maximum of 15 per cent. of the Growth in Value of the Company, subject to Shareholders achieving a Preferred Return of five per cent. per annum on a compounded basis on their Net Invested Capital.

9.2 The Preferred Return takes into account the date and price at which shares in the Company have been issued, the date and price of any subsequent share issues and the date and amount of any relevant Shareholder Returns made by the Company to its Shareholders during the relevant period. The aggregate value of all of the Management Shares will only be reduced to less than

15 per cent. of the Growth in Value if required to ensure Shareholders achieve the Preferred Return once the Exercise of the Management Shares and, if applicable, the Core Investor Shares, is taken into account.

9.3 The rights attached to the Management Shares may be exercised by Management at any time in the period from 14 August 2018 to 14 August 2020. Management are required to Exercise all their rights at a single time during this period. The rights may be Exercised prior to that period under certain specific conditions, including a Takeover or Board Change of Control, as set out in the paragraph headed Exercise dates below.

Renewal of incentive arrangements

9.4 After an Exercise of Management Shares, the Management incentive mechanism will be renewed, up to a maximum of four times, as set out below, on a similar basis such that Management will continue to have rights to 15 per cent. of the future Growth in Value of the Company, subject to Shareholders achieving their Preferred Return of 5 per cent. per annum. On renewal, Shareholders' Preferred Return will be calculated from a starting baseline of the Market Capitalisation of the Company on the last date the Management Shares were Exercised (provided this is not below the Net Shareholder Invested Capital).

9.5 Renewal of the management incentive mechanism is subject to Shareholder approval. At the annual general meeting immediately following a Calculation Date, the Company will propose a resolution to continue the incentive arrangements in IncentiveCo on the above terms. If Shareholders holding 75 per cent. or more of the Ordinary Shares voted on the resolution vote against it, the remaining Management Shares will immediately cease to have any rights and shall be redeemed for one penny in aggregate in cash. This will not affect previous Exercise(s) of Management Shares in any way.

Operation of the Management Shares

9.6 The Management Shares' value is expected to be delivered by the Company issuing new Ordinary Shares to Management, although the Company has the right at all times to settle such value in cash. Following Exercise by the holders of Management Shares in accordance with the IncentiveCo Articles, the Company will have a right to exchange the Management Shares into Ordinary Shares of the same Value and the holders of Management Shares will have a similar right to exchange their Management Shares for Ordinary Shares, failing which such Management Shares will be redeemed for their value in cash.

Exercise dates

9.7 Management will have the right to serve an exercise notice on IncentiveCo at any of the following times:

1. during any Measurement Period;
2. on a Takeover;
3. on the occurrence of a Board Change of Control; and
4. on a Winding Up.

9.8 After each such Exercise those Management Shares which have not been Exercised will continue to have rights to the future Growth in Value of the Company after the Preferred Return has been achieved and will be exercisable in the next Measurement Period, save if there is a prior Takeover, Board Change of Control, or Winding Up, or the Shareholders have voted not to renew the incentive arrangements as described in paragraph 9.5 above. The Management Shares are subject to typical drag along and tag along provisions on a Takeover.

9.9 In the event of a Board Change of Control, the Management Shares will be entitled to 15 per cent. of all Growth in Value of the Company over the period ending on the Board Change of Control irrespective of whether delivering that value to the holders of the Management Shares would prevent the Preferred Return from being achieved.

9.10 If the relevant Management Shares are not Exercised by the end of a relevant Measurement Period, their right to value for that Measurement Period will lapse.

Forfeiture

9.11 Each member of Management has agreed that if he ceases to be involved with the Company in certain circumstances, all or a proportion of his Management Shares may be forfeited. Value for any forfeited shares will accrue to other holders of Management Shares and the entitlement to Growth in Value to holders of the Management Shares as a whole will not change.

Award of Management Shares

9.12 Following the initial allocation of Management Shares, further allocations may be made on an entirely discretionary basis to employees of the Group by the board of directors of IncentiveCo with the consent of holders of the Management Shares representing more than 50 per cent. of the Management Shares then outstanding (including at least two members of Management each holding at least five per cent. of the Management Shares then outstanding). Any future allocation of Management Shares will dilute the existing holders of Management Shares, but will not alter the proportion of the Growth in Value that the holders of Management Shares as a whole are entitled to, which will always be a maximum of 15 per cent.

Telecable management incentive plan

9.13 Certain senior members of Telecable's management team are entitled to participate in a management incentive plan under which, after a period of three years (or earlier, if they are a good leaver), they will receive a cash payment to be divided among the participants, provided that the Telecable business meets or exceeds set target financial performance indicators. If such targets are met, the minimum aggregate cash payment will be €7.1 million (together with any accrued tax credit the Company obtains as a result of such cash payment), rising to a maximum of €9.1 million (together with any accrued tax credit) if the Company merges with or acquires a further telecommunications company in Spain.

10. Core investor incentive arrangements

10.1 MLTI has been issued Core Investor Shares in IncentiveCo. The Core Investor Shares give MLTI the right, subject to certain provisions, to receive upon exercise up to a maximum of five per cent. of the Growth in Value of the Company. The Core Investor incentive arrangements are subject to Shareholders achieving a Preferred Return (calculated as for the Management Shares) of five per cent. per annum on a compounded basis on their Net Invested Capital.

10.2 The rights attached to the Core Investor Shares may be exercised by MLTI in the period from 14 August 2018 to 14 August 2020 or upon an earlier Takeover, Board Change of Control (where the employment contracts with both Founder Directors have also terminated) or Winding Up of the Company.

10.3 If on the date that MLTI exercises its Core Investor Shares, the Core Investor holds an Equity Interest in which it has invested in aggregate an amount less than five times the investment cost of the Equity Interest it held at 19 March 2015, MLTI will only be entitled to exercise its Core Investor Shares for an aggregate value equivalent to up to a maximum of three per cent. of the Growth in Value.

10.4 The Core Investor Shares' value is expected to be delivered by the Company issuing new Ordinary Shares to the Core Investor, although the Company has the right at all times to settle such value in cash. Following exercise by the holders of Core Investor Shares in accordance with the IncentiveCo Articles, the Company will have a right to exchange the Core Investor Shares into Ordinary Shares of the same Value within ten business days of receipt by IncentiveCo of such exercise notice, failing which the holders of Core Investor Shares will have a similar right to exchange their Core Investor Shares for Ordinary Shares within the next five business days, failing which such Core Investor Shares will be redeemed for their value in cash.

10.5 The Core Investor Shares are subject to typical drag along and tag along provisions upon a Takeover.

11. Additional information on the Directors

11.1 Other than Directorships of members of the Group, the Directors have been Directors or partners in the following companies or partnerships within the five years prior to the date of this Document:

Name	Current	Past
Eamonn O'Hare	Dialog Semiconductor plc Tele2 AB	Chairman of UKTV (through directorships of UK Channel Management Limited, UK Gold Holdings Limited and UKTV New Ventures Limited) Flextech Satellite Investments Limited UK Gold Broadcasting Limited UK Gold Services Limited UK Gold Television Limited UK Programme Distribution Limited UKTV Interactive Limited Virgin Media Inc. Bearsden Nominees, Inc CableTel Programming, Inc CableTel Ventures Inc Merger Sub Inc NTL Brighton LLC NTL Digital (US), Inc NTL International Services, Inc NTL Rochester Inc Telewest Global Finance LLC Virgin Media Dover LLC Virgin Media Group LLC Virgin Media Holdings Inc Virgin Media Investment Holdings Limited Virgin Media Investments Limited Link Outdoors Ltd
Robert Samuelson	Samuelson Consultancy Ltd Kew Property Ltd	Omer Telecom Limited Trivon AG Virgin Destinations Limited Virgin Mobile (Asia) Pte Ltd Virgin Mobile (Hong Kong) Limited Virgin Mobile Holdings Pte Ltd Virgin Mobile India Private Limited Virgin Mobile South Africa (Pty) Limited Virgin Radio International (Holdings) Limited Virgin Radio International Limited Virgin Trading (Shanghai) Co Limited Voyager Investments (BVI) Limited Backbuild Holdings Limited Fees on Exchange Limited Westington Ltd
Mark Brangstrup Watts	BCA Marketplace plc Gloo Networks Jersey Limited Gloo Networks plc	Advanced Computer Software Group Limited Business Systems Group

Name	Current	Past
	H.I.J. Limited Le Chameau Holdings Limited Le Chameau Holdings SAS Marwyn 11 Buckingham Street LLP Marwyn Asset Management Limited Marwyn Capital Growth GP Limited Marwyn Capital Growth LP Marwyn Capital LLP Marwyn Investment Management LLP Marwyn Long Term Incentive LP Marwyn Management Partners LP Marwyn Management Partners PLC Marwyn Management Partners Subsidiary Limited Marwyn Operating Partners LLP Orpheus Capital Limited Silvercloud Investments Limited Silvercloud Management Holdings PLC The Marwyn Trust	Holdings Limited Diana Award (Trustee) Entertainment One Limited Fulcrum Connections Limited Fulcrum Gas Services Limited Fulcrum Group Holdings Limited Fulcrum Pipelines Limited Fulcrum Utility Investments Limited Fulcrum Utility Services Limited Fulcrum Infrastructure Services Limited Luxup UK Business Limited Luxup UK LLP Luxup UK Member Limited Marwyn 10 Buckingham Street LLP Marwyn (Catalina) LLP Marwyn General Partner LLP Marwyn Investment Partners LLP MET Deutschland GmbH Metropolitan European Transport Limited Paragon Entertainment Limited Paragon Entertainment Investments Limited Praesepe Limited Praesepe (Jersey) Limited Romana Capital LLP Silverdell plc
Murray Scott	Chalfont Park Sports Association Limited Muzman Limited	—

11.2 Save as disclosed below in paragraph 11.3, none of the Directors has, in the previous five years:

11.2.1 any convictions in relation to fraudulent offences;

11.2.2 been subject to any bankruptcies, receiverships or liquidations, whilst he was acting in the capacity of a director of that company;

11.2.4 been publicly criticised by any statutory or regulatory authorities (including designated professional bodies); or

11.2.5 been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issue (as defined in section 102A of FSMA) or from acting in the management or conduct of the affairs of such company.

11.3 11.3.1 Mark Brangstrup Watts was appointed as a director of Luxup UK Member Limited, a member of Luxup UK LLP, on 13 June 2012. On 18 March 2013, the company was put into voluntary creditors liquidation and subsequently dissolved on 14 January 2014.

11.3.2 Mark Brangstrup Watts resigned as a member of Luxup UK LLP on 13 June 2012. On 18 March 2013, Luxup UK LLP was put into voluntary creditors liquidation and subsequently dissolved on 4 June 2014. Luxup UK LLP was an e-commerce start-up company in the luxury goods sector.

11.3.3 Mark Brangstrup Watts was appointed a director of Silverdell plc on 24 March 2006 and resigned on 10 December 2013. Silverdell plc entered administration on 28 January 2014.

12. Material contracts

The following contracts (a) have been entered into by the Company since incorporation, not being contracts entered into in the ordinary course of business; or (b) are, or may be, contracts entered into by the Company which are material or contain, or may contain, provisions under which the Company has an obligation or entitlement which is material to the Company at the date of this Document:

12.1 an option agreement dated 28 July 2015 between the Company and J.P. Morgan Chase Bank, N.A., to acquire €372 million in the period up to 24 August 2015 from the date of the agreement in order to cover the Company's Euro exposure under the Share Purchase Agreement. The premium on such option was £3.33 million;

12.2 a conditional share purchase agreement dated 25 July 2015 between the Company and the Telecable Vendors for the acquisition of the entire issued share capital of Telecable Capital Holding S.L.U. and the minority interests in Telecable de Asturias, S.A. The Share Purchase Agreement was conditional on Shareholder approval, the placing agreement, as described in paragraph 12.3 below, becoming unconditional (save as to Second Admission) and not having been terminated and Second Admission.

The total consideration payable under the Share Purchase Agreement was approximately €368 million, and was satisfied by approximately €360 million in cash, and approximately €8 million in Ordinary Shares. The shares in Telecable de Asturias, S.A. acquired in return for the issue of 3,718,236 Telecable Consideration Shares from those Telecable Vendors who were part of Telecable's management were acquired shortly following Second Admission under put and call option arrangements.

Those Telecable Vendors who received Telecable Consideration Shares entered into a Lock-in Deed in respect of such Ordinary Shares with the Company under which those Telecable Vendors agreed they would not, save as for in very limited circumstances set out below, dispose of any interest in (i) 40 per cent. of their respective Ordinary Shares for a period of 6 months following Second Admission; and (ii) the remaining 60 per cent. of their respective Ordinary Shares for a period of 12 months following Second Admission. The circumstances in which the lock-in arrangements will not apply are, *inter alia*, as follows:

(a) in acceptance of a general offer made to Shareholders (made in accordance with the City Code) to acquire the entire issued share capital of the Company;

(b) for a disposal by the personal representative of those Shareholders if any of them should die during the period of such restrictions;

(c) in the event of an intervening court order; and

(d) in the case of a disposal pursuant to any compromise or arrangement or any takeover effected under part 26 of the Act.

If the Company sells more than 50 per cent. of the shares in Telecable de Asturias, S.A. or if there is a change of control of the Company prior to 14 August 2016 the Company has agreed to pay to the Telecable Vendors 50 per cent. (or 25 per cent. in very limited circumstances) of any consideration received on such sale in excess of the consideration paid by the Company to the Telecable Vendors.

The Share Purchase Agreement includes warranties from all of the Telecable Vendors as to title and capacity. The agreement includes a locked box mechanism running from 31 March 2015;

12.3 a placing agreement dated 25 July 2015 between Cenkos, J.P. Morgan Cazenove, Oakley and the Company in connection with the equity fundraising pursuant to which Cenkos, J.P. Morgan Cazenove and Oakley agreed to act as agents for the Company to use their reasonable endeavours to assist with the placing of 167,326,724 Ordinary Shares at £1.50 per share and J.P. Morgan Cazenove agreed to underwrite the settlement of 167,326,724 Ordinary Shares:

(a) Cenkos, J.P. Morgan Cazenove and Oakley agreed (conditionally, *inter alia*, on the Share Purchase Agreement becoming unconditional (save for Second Admission) and Second Admission taking place not later than 28 August 2015)

to act as agents for the Company to use their reasonable endeavours to assist with the procurement of subscribers for 167,326,724 Ordinary Shares at £1.50 per share;

(b) the Company agreed to pay Cenkos a commission of £1.8 million and J.P. Morgan Cazenove and Oakley a commission of £1.7 million each (together in each case with any applicable VAT) and each of Cenkos and Oakley agreed to subscribe for an equivalent value of 167,326,724 Ordinary Shares in the equity fundraising at £1.50 per share;

(c) the Company agreed to pay certain other reasonable costs, charges and expenses (including any applicable VAT) of and incidental to, the equity fundraising, including all fees and expenses payable in connection with Second Admission, fees of the Registrar, printing expenses, postage and all other legal, accounting and other professional fees and expenses; and

(d) the agreement contained representations, warranties and indemnities given by the Company to Cenkos, J.P. Morgan Cazenove and Oakley as to the accuracy of the information contained in the admission document dated 27 July 2015 and other matters relating to the Group and the Telecable Group.

12.4 a Nominated Adviser and Joint Broker Agreement dated 21 January 2015 between Cenkos and the Company pursuant to which Cenkos continues to provide the Company with certain services from 19 March 2015 including acting as the Company's nominated adviser in accordance with the AIM Rules for Companies and AIM Rules for Nominated Advisers, co-ordinating communications and acting as primary contact with the AIM team, providing advice and guidance in relation to the AIM Rules for Companies and, on request, advising on the content and release of announcements through an approved Regulatory Information Service and proving preliminary advice to the Company on anticipated market reaction to new corporate initiatives. Cenkos will also provide general broker services. There is a non-refundable retainer arrangement of £60,000 per annum (exclusive of VAT and reasonable disbursements), which will be payable in two instalments, 6 monthly in advance. A separate fee is to be paid if Cenkos act for the Company in connection with a transaction that is not covered by the annual retainer. Cenkos has agreed that the agreement will terminate on Admission. The Company provides an indemnity in favour of Cenkos in relation to any loss suffered arising from the provision of services set out above save in respect of loss arising from the gross negligence, wilful default or fraudulent behaviour of Cenkos;

12.5 the Axio Agreement dated 20 January 2015 between Axio and the Company pursuant to which Axio provides certain company secretarial and accounting services to the Group. A minimum fee of £650 per month is payable monthly in arrears and is due in respect of the company secretarial and administration services provided to each member of the Group. If the time spent by Axio exceeds the minimum fees, fees will be charged at their prevailing charge out rate. Time spent in relation to accounting services is charged at their prevailing charge out rates. In addition, Axio charges an annual responsibility fee of £1,900 payable annually in advance in respect of each Group Company which has been waived for the first year;

12.6 the service contracts referred to in paragraph 8.1 of this Part IX;

12.7 the Marwyn Corporate Finance Advisory and Office Agreement dated 20 January 2015 between Marwyn Capital LLP and the Company pursuant to which Marwyn Capital LLP has agreed to provide structuring and corporate finance advice and various office and finance support services to the Company. An upfront fee of £250,000 was paid to Marwyn Capital LLP on 19 March 2015, which was apportioned between rent for the entire term of the agreement (being 12 months from 19 March 2015) and the services provided by Marwyn Capital LLP pursuant to the agreement. The Company has agreed to reimburse all reasonable out of pocket expenses of Marwyn Capital LLP, which includes any costs of Marwyn Capital LLP's legal or other professional advisers. Each party may terminate the appointment immediately if the other party commits a material breach of the terms of the agreement. The Company may terminate the appointment upon the giving of three months' written notice. Under the agreement, the Company has

agreed to indemnify Marwyn Capital LLP and its associates in respect of the appointment save in respect of the negligence, wilful default or fraudulent behaviour of Marwyn Capital LLP;

12.8 a placing agreement dated 16 March 2015 between Cenkos, J.P. Morgan Cazenove, Oakley, the Company and the Directors, pursuant to which the Directors undertook to each of the other parties that if he or any of his associates (as such term is defined in the definition of related party in the AIM Rules for Companies) (an "**Associate**") holds any Ordinary Shares within the first year following 19 March 2015, he will not and will procure that his Associates do not (i) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any interest in Ordinary Shares (as determined pursuant to sections 820 to 825 of the Act); (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Ordinary Shares, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of the Ordinary Shares or such other securities, in cash or otherwise; or (iii) otherwise effect any reduction in his or their interest in Ordinary Shares in which he or they are interested during such period. These restrictions do not apply in certain circumstances including any disposal pursuant to acceptance of a general offer made to acquire the whole of the issued share capital of the Company;

12.9 a lock-in agreement dated 21 January 2015 between MVI LP, MAML, Howard Kalika, Cenkos, J.P. Morgan Cazenove, Oakley and the Company pursuant to Rule 7 of the AIM Rules for Companies under which MVI LP and Howard Kalika agreed they would not, save for in very limited circumstances set out below, dispose of any interest in Ordinary Shares for a period of 12 months from 19 March 2015. These restrictions do not apply in certain circumstances including any disposal pursuant to acceptance of a general offer made to acquire the whole of the issued share capital of the Company;

12.10 an agreement dated 22 July 2015 between the Company and W.H. Ireland Limited under which the Company agreed to pay W.H. Ireland Limited a commission of £327,000 in connection with certain equity fundraising carried out by it in connection with the equity fundraising at the time of Second Admission which W.H. Ireland agreed to use to subscribe for Ordinary Shares through that equity fundraise;

12.11 a senior secured loan agreement (the "**Loan Agreement**") dated 25 July 2015 between Parselaya and among others, Goldman Sachs International as the mandated lead arranger, the bookrunner and the original term loan lender and BNP Paribas as the agent, security agent and the revolving facility lender, pursuant to which a term loan (the "**Term Loan**") will be made available to a member of the banking group (being Parselaya and its subsidiaries). An amount of €274 million has been drawn down under the Term Loan. The Loan Agreement also includes a revolving credit facility in the initial amount of €20 million (the "**Revolving Facility**").

The Loan Agreement permits payments of dividends up to an aggregate annual amount equal to 4 per cent. of (i) £288,490,086; and (ii) the number of shares issued by the Company in each and any share issuance following Second Admission, to the extent that the amount of such equity issuance is contributed into the group, multiplied by the price per share for that share issuance, so long as, in each case, the ratio of consolidated total net debt to consolidated EBITDA ("**Consolidated Leverage**") is equal to or below 4.50x *pro forma* for the making of any such dividend and no Event of Default is continuing or would result therefrom. There are no restrictions on payments of dividends or share redemptions if Consolidated Leverage, *pro forma* for the dividend payment or share redemption, as applicable, would be less than or equal to the lower of Consolidated Leverage at 14 August 2015 (or such higher Consolidated Leverage at the closing of any future acquisition) and 4.25x and no Event of Default is continuing or would result therefrom.

The applicable interest is payable on amounts drawn under the Term Loan at a percentage rate per annum, which is the aggregate of (a) the euro interbank offered rate administered by the European Money Markets Institute ("**Euribor**"), being not less than

0.75 per cent., and (b) margin which may fluctuate depending on the ratio of consolidated net senior secured debt to consolidated EBITDA ("**Consolidated Senior Secured Leverage**"). The margin is 4.0 per cent. if Consolidated Senior Secured Leverage is greater than 4.5x, 3.75 per cent. if Consolidated Senior Secured Leverage is less than or equal to 4.5x but greater than 4.0x, 3.5 per cent. if Consolidated Senior Secured Leverage is less than or equal to 4.0x but greater than 3.5x, and 3.25 per cent. if Consolidated Senior Secured Leverage is equal to or less than 3.5x.

The applicable interest payable on loans drawn under the Revolving Facility at a percentage per annum, which is the aggregate of (a) Euribor, being not less than zero per cent., and (b) the margin which may fluctuate depending on the Consolidated Senior Secured Leverage. The margin is 3.5 per cent. if the Consolidated Senior Secured Leverage is greater than 4.5x, 3.25 per cent. if the Consolidated Senior Secured Leverage is less than or equal to 4.5x but greater than 4.0x, 3.0 per cent. if the Consolidated Senior Secured Leverage is less than or equal to 4.0x but greater than 3.5x and 2.75 per cent. if the Consolidated Senior Secured Leverage is less than or equal to 3.5x.

The proceeds of the Term Loan have been used primarily:

(a) to refinance certain outstanding indebtedness of the Telecable Group; and

(b) to pay certain costs and expenses in connection with the refinancing.

The maturity of the Term Loan is seven years from 14 August 2015. The maturity of the Revolving Facility is six years from the closing date under the Loan Agreement. Except as described below, the Loan Agreement contains no financial covenants, but it does contain other customary undertakings. The Loan Agreement contains customary mandatory prepayment provisions, including illegality, change of control or sale of business, disposals, insurance proceeds, vendor recoveries and excess cash flow sweep. There are also customary voluntary prepayment and cancellation provisions whereby the borrower has the right to make voluntary prepayments of loans.

The Loan Agreement contains customary restrictive covenants which, subject to exceptions, restrict the activities of the members of the banking group and include restrictions on such persons' ability to incur liens, make acquisitions, dispose of assets, enter into transactions with affiliated entities and incur indebtedness.

The Loan Agreement contains one Consolidated Leverage financial covenant for the benefit of the lenders of the Revolving Facility only. This only applies when the aggregate outstanding amount of all Revolving Facility utilisations exceeds 40 per cent. of the total commitments in respect of the Revolving Facility. A vote of 66 2/3 per cent. majority of the lenders of the Revolving Facility is required in order for a breach of that financial covenant to constitute an event of default.

The Loan Agreement also contains customary events of defaults including in relation to non-payment, breaches of representation, covenants and other obligations, insolvency and cross-default in relation to other financial indebtedness, in each case, subject to customary grace periods and thresholds.

Customary representations and warranties (subject to certain exceptions and qualifications) are also included. The Loan Agreement contains customary affirmative covenants relating to authorisations and consents, maintenance of status, *pari passu* ranking of obligations, payments of taxes, pensions, intellectual property, environmental compliance, insurance coverage and compliance with laws. The Loan Agreement also contains certain ongoing financial information provisions.

Under the Loan Agreement, guarantees have been given in favour of the lenders by material subsidiaries representing at least 80 per cent. of the consolidated EBITDA of the companies in the banking group and the gross assets of the companies in the banking group. The Company will not guarantee any of the obligations under the Loan Agreement.

In addition, the Loan Agreement is secured by pledges and charges over various assets of the companies in the banking group, including the shares of each company in the banking group including in some cases, over shares in Telecable Capital Holdings, S.L.U., material receivables and credit rights, bank accounts and promissory security over material intellectual property rights and real estate. Additionally, and as a condition

subsequent under the Loan Agreement, the parties agreed to enter into a pledge agreement by IncentiveCo over all of the Shares issued by the Company in favour of, among others the security agent and the lenders no later than 60 days after 14 August 2015;

12.12 the Subscription Agreement dated 22 July 2015 between the Company and Wellington Management Company Limited ("**Wellington**") pursuant to which clients of Wellington agreed to subscribe for 16,070,000 new Ordinary Shares upon Second Admission, conditional on Second Admission taking place not later than 28 August 2015. The agreement contains certain warranties which equate to those in the placing agreement described in paragraph 12.3 above, and a limited indemnity, both of which are subject to the same limitations and conditions; and

12.13 indemnity agreements dated 21 September 2015 between the Company and each of the Directors, pursuant to which the Company has undertaken to indemnify the Directors, out of the assets of the Company, against any and all liabilities suffered or incurred by the Directors in respect of or in connection with the Directors alleged or actual acts or omissions in the execution of the duties of their office and otherwise in relation thereto (including, without prejudice to the generality of the foregoing, in connection with any alleged negligence, default, breach of duty or breach of trust in relation to the Company or an associated company). Such indemnity continues to apply following the termination of each Directors' appointment as a director or officer of the Company, but only in respect of potential or actual liabilities which relate to the period of the relevant Director's appointment of the Company.

The agreements also contains certain undertakings to the Company from the Directors in relation to the conduct of any claims which may result in the Company being required to indemnify a Director.

13. Employees

The Company has one employee, Kim Baker. IncentiveCo employs Eamonn O'Hare, Robert Samuelson and Howard Kalika.

As at 24 September 2015, being the latest practicable date prior to publication of this Document, Telecable has 180 full-time equivalent employees. The table below sets forth Telecable's average number of total full-time equivalent employees, all of whom were based in Spain, for each of the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
Average total employees	167	171	177	180

Telecable also utilises external contractors for technical, commercial and administrative support tasks, with 100, 85 and 69 full-time equivalent external contractors utilised for the years ended 31 December 2012, 2013 and 2014, respectively.

14. Related party transactions

Other than as set out in paragraph 7 of this Part IX or below, the Company is not party to any related party transactions.

On 22 February 2013, the Telecable Group granted loan to certain members of senior management for a total amount of €3.76 million. The loans mature on the earlier of (i) a change of control of the Company; (ii) certain specified termination events; and (iii) 2030, and earn interest at an annual rate equivalent to the statutory interest established by the Spanish government through the Spanish National Budget Law. As at 31 March 2015, the amount outstanding under the loans was approximately €1.53 million plus approximately €12,000 of accrued interest.

15. Working capital

The Company is of the opinion that, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this Document.

16. Litigation

There are no governmental, legal or arbitration proceedings (including any which are pending or threatened of which the Company is aware) which may have or have had in the 12 months preceding the date of this Document a significant effect on the Group's financial position or profitability.

17. Property

The Group owns the following existing material tangible fixed assets, including leased properties. Save for the security granted pursuant to the Loan Agreement, there are no major encumbrances on any of these properties. There are no planned material tangible fixed assets of the Group.

Type	Address
Distribution centre	Emilio Tuya St., 26, 33202 Gijón
Distribution centre	Azcárraga St., 26, 33010 Oviedo
Distribution centre	González Abarca St., 14, 33401 Avilés
Distribution centre	Francisco Pizarro St., 5, 33403 Avilés
Office building	Profesor Potter St., 190 – Parque Tecnologico, 33203 Gijon
Office premises	Ezcurdia St., 47, 33202 Gijon
Office premises	Canga Arguelles St., 16, 33202 Gijon

(b) Properties leased by the Group

Type	Address	Lessor	Date of lease	Expiry
Node	Les Comadres St., 3 Y 5., 33401 Avilés	Ccpp Les Comadres	01/03/2008	Subject to provision of telecom services
Distribution centre	Primero De Mayo St., 2, 33430 Candás	Council of Carreño	02/08/2006	02/08/2036
Distribution centre	Desfiladero De La Hermida St., 12, 33212 Gijón	Maria Mercedes Laures	15/12/2003	01/01/2024
Distribution centre	Puerto Somiedo St., 5, 33207 Gijón	Ccpp Santo Domingo	31/03/2005	31/03/2025
Distribution centre	Barrio Alto Pumarín, S/N (Substation Of Hc Of Roces), 33211Gijón	EDP	01/10/2006	18/12/2046
Land	Barrio Alto Pumarín, S/N (Substation Of Hc Of Roces), 33211 Gijón	EDP	01/02/2007	18/12/2046
Store	Road Gijon-Oviedo As-18 Km 4,3, 33211Gijón	Naves Gijon S.A.	01/02/2007	31/01/2017
Administrative building	Parque Tecnologico 8-9, 33203 Gijón	Principado De Asturias	01/02/2007	31/01/2017
Land	La Mayadera, 33820 Grado	Council of Grado	30/04/2007	Subject to provision of telecom services
Distribution centre	Conde De Guadalhorce Avenue, 33403 La Maruca	EDP	01/10/2006	18/12/2046
Distribution centre	Hornos Altos St., 2, 33930 Langreo	EDP	01/10/2006	18/12/2046
Distribution centre	Aller St., 12, 33600 Mieres	Manuela Dolres Gonzalez	03/03/2003	03/03/2028
Distribution centre	General Yagüe St., 2, 33004 Oviedo	Ccpp General Yague	23/12/2002	01/01/2028
Land	Corredoria St., S/N (Substation Of Hc In La Corredoria), 33011 Oviedo	EDP	01/10/2006	18/12/2046
Distribution centre	Holanda Avenue, 9 (Espíritu Santo Site), 33010 Oviedo	Liberbank	10/06/2011	10/06/2019
Commercial office	Marques De Pidal 11, 33129 Oviedo	Amable del Pozo Antolin	01/12/2014	31/12/2019
Distribution centre	Ramon Suarez Pazos St., S/N, 33129 Pravia	EDP	01/10/2006	18/12/2046
Distribution centre	El Castro, 25, 33420 Siero	EDP	01/10/2006	18/12/2046
Distribution centre	Ramón Y Cajal St., S/N, 33510 Siero	Council of Siero	31/07/2007	31/07/2032
Land	Ardines (Substation De Hc), 33560 Ribadesella	EDP		

18. Significant change

Save for the Telecable Acquisition and the liabilities assumed by the Company under the material contracts as set out in paragraph 12 of this Part IX (principally the repayment of the Telecable Group's debt of €264.1 million to its previous institutional lender and the payment for equity and debt held by the Telecable Vendors of €368 million), and the expenses of the Company referred to in paragraph 21.5 of this Part IX, (all of which have caused a significant change in the financial position of the Group due to the Company and its subsidiaries (other than the Telecable Group) being newly established companies which have only recently commenced trading), there has been no significant change in the financial or trading position of the Group since 31 March 2015.

19. United Kingdom taxation

The following summary is intended as a general and non-exhaustive guide only and does not constitute tax advice. The summary sets out the Directors' understanding of certain aspects of current UK tax legislation in force at the date of this Document and the published practice of HMRC in the UK (which, in each case, are subject to change, possibly with retrospective effect) regarding the ownership and disposal of Ordinary Shares. The summary addresses certain limited aspects of the UK tax position of Shareholders resident and (in the case of individuals) domiciled for tax purposes in the UK, who are absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment (otherwise than under an individual savings account). This summary does not address the position of certain classes of Shareholders who (together with associates) have a 10 per cent. or greater interest in the

Company, or Shareholders who are subject to special rules such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds or insurance companies.

The position of Shareholders who are officers or employees of the Company is not considered in this section. Such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances.

Any Shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK should consult his professional advisers immediately as to the tax consequences of their purchase, ownership and disposal of Ordinary Shares.

19.1 ***Taxation of dividends***

The Company will not be required to withhold any UK tax on dividend payments in respect of the Ordinary Shares.

19.1.1 *UK resident individuals*

Subject to the comments below regarding the availability of a tax credit, an individual Shareholder who is resident for tax purposes in the UK (a ''UK resident individual Shareholder'') will be liable to UK income tax at the appropriate rate on any cash dividend received. For the tax year 2015-2016, the appropriate rate for such a Shareholder:

- who is liable to UK income tax at the basic rate (currently 20 per cent.), will be 10 per cent.;
- who is liable to UK income tax at the higher rate (currently 40 per cent.), will be 32.5 per cent.; and
- who is liable to UK income tax at the additional rate (currently 45 per cent.), will be 37.5 per cent.

A UK resident individual Shareholder who receives a dividend from the Company will be entitled to a notional tax credit of an amount equal to 1/9th of the net cash dividend paid, which amounts to 10 per cent. of the aggregate amount of the net cash dividend and the associated tax credit (the ''**Gross Dividend**''). The liability of the individual to UK income tax is initially calculated on the Gross Dividend, against which the associated tax credit is then set. For example, on a net cash dividend of £90 an individual would be treated as having received a Gross Dividend of £100 and as having paid income tax of £10 (being the amount of the associated tax credit).

The effect of the above calculation is that UK resident individual Shareholders liable to UK income tax at the basic rate will have no UK income tax to pay in respect of the dividend (the 10 per cent. rate of tax on the Gross Dividend being effectively cancelled by the associated 10 per cent. tax credit).

UK resident individual Shareholders liable to UK income tax at the higher rate will be subject to UK income tax at the higher dividend rate of 32.5 per cent, which, after allowing for the 10 per cent. tax credit, amounts to an effective tax rate on the net cash dividend of 25 per cent.

UK resident individual Shareholders liable to UK income tax at the additional rate of UK income tax will be subject to UK income tax at the additional dividend rate of 37.5 per cent, which, after allowing for the 10 per cent. tax credit, amounts to an effective tax rate on the net cash dividend of 30.56 per cent.

UK resident individual shareholders who do not pay UK income tax or whose liability to UK income tax on the Gross Dividend is less than the associated tax credit are not entitled to claim repayment of any part of the tax credit from HMRC.

19.1.2 *Changes to taxation of dividends for UK resident individuals*

As part of its Summer Budget 2015, the UK government has announced its intention to abolish the dividend tax credit for individuals and replace it with a new tax-free £5,000 dividend allowance, with effect from April 2016. Dividend income in excess of the tax-free allowance would be taxed at the following rates:

- 7.5 per cent (basic rate taxpayers).
- 32.5 per cent (higher rate taxpayers).

- 38.1 per cent (additional rate taxpayers).

The UK government has also announced that there will be a consultation in Autumn 2015 on the taxation of company distributions generally.

19.1.3 *UK discretionary trusts*

Trustees of discretionary trusts are liable to account for income tax on the dividend income of the trust at the current dividend trust rate of 37.5 per cent. of the Gross Dividend, which, after allowing for the 10 per cent. tax credit, amounts to an effective tax rate on the net cash dividend of 30.56 per cent. As announced in the Summer Budget 2015, from 1 April 2016, the dividend income of the trust will be taxed at 38.1 per cent. It is not yet clear if the new tax-free £5,000 dividend allowance is available to discretionary trusts.

19.1.4 *UK resident companies*

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on dividends unless the dividends fall within an applicable exemption. Whether an exemption applies will depend upon the circumstances (including the size) of the particular shareholder, although it is expected that dividends paid by the Company would normally be exempt.

19.1.5 *UK resident exempt funds*

Exempt funds, such as UK charities, are generally exempt from tax on dividends they receive. No claim to recover any part of the associated tax credit will be possible.

19.2 ***Taxation of chargeable gains***

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares will be regarded as an acquisition of a new holding in the share capital of the Company. The amount paid for the Ordinary Shares will usually constitute the base cost of the Shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to UK tax on chargeable gains may, depending on the Shareholder's circumstances, arise (subject to the availability of any exemptions, reliefs and/or allowable losses).

UK resident individual Shareholders are generally subject to capital gains tax at a current flat rate of 28 per cent. (reduced to 18 per cent. where a gain falls within an individual's unused basic rate income tax band), to the extent their gains in a given tax year exceed the annual exempt amount (£11,100 for 2015/16). Shareholders within the charge to UK corporation tax are subject to corporation tax on chargeable gains at 20 per cent. (expected to drop to 19 per cent. (from 1 April 2017) and then to 18 per cent. (from 1 April 2020)) but there is an entitlement to indexation allowance which may reduce the chargeable gain (but which cannot create or increase a loss). Shareholders who are trustees liable to UK capital gains tax pay at a rate of 28 per cent.

A Shareholder who is not resident in the UK for tax purposes will not normally be liable to UK tax on capital gains arising on any disposal of Ordinary Shares unless such Shareholder carries on (in the case of an individual) a trade, profession or vocation in the UK through a branch or agency or (in the case of a company) a trade through a permanent establishment in the UK and the Ordinary Shares are, or have been, used, held or acquired for the purposes of such trade, profession or vocation.

19.3 ***UK stamp duty and Stamp Duty Reserve Tax ("SDRT")***

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate.

(i) Any conveyance or transfer on sale of Ordinary Shares will usually be subject to stamp duty on the instrument of transfer at a rate of 0.5 per cent. of the amount or value of the consideration (rounded up, if necessary, to the nearest £5). A charge to SDRT at the rate of 0.5 per cent. will arise in relation to an unconditional agreement to transfer such shares. However, where within six years of the date of the agreement (or, if the agreement was conditional, the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

(ii) A transfer of shares effected on a paperless basis through CREST (where there is a change in the beneficial ownership of the shares) will generally be subject to SDRT at the rate of 0.5 per cent. of the value of the consideration given.

20. U.S. Foreign Account Tax Compliance Act and other tax reporting obligations

The U.S. tax provisions commonly known as the Foreign Account Tax Compliance Act ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax on payments of U.S. source interest and dividends and, on or after 1 January 2017, on gross proceeds from the sale of certain U.S. assets made to: (i) a foreign financial institution (as defined by FATCA) that, unless exempt or deemed compliant, does not either, enter into and comply with an agreement with the U.S. Internal Revenue Service or, if applicable, comply with the terms of an intergovernmental agreement ("**IGA**"), to provide certain information on its account holders and investors; and (ii) any investor (unless otherwise exempt from FATCA) that fails to properly comply with requests for certifications and identifying information or, if applicable, a waiver of non-U.S. law prohibiting the release of such information to a taxing authority.

The Company has been advised that it is a foreign financial institution within the FATCA definition. Generally, a foreign financial institution based in the UK must comply with the requirements of the IGA entered into between the U.S. and the UK in respect of FATCA (the "**UK IGA**") and the International Tax Compliance (United States of America) Regulations 2014 which are enacted to implement the UK IGA. The Company will comply with the requirements of UK IGA applicable to it and, as a result, it may be required to comply with certain client identification and reporting requirements and to obtain information from its account holders (in effect, although not necessarily limited to, its Shareholders) regarding their potential status as U.S. account holders. The Company may also have to comply with certain due diligence, verification and reporting procedures. The UK IGA provides that equity interests which meet the conditions for interests regularly traded on an established securities market, are not reportable interests for the purpose of the UK IGA, provided the restrictions described in relevant HMRC guidance do not apply.

Shareholders will be notified in due course of any filing or notification commitments required of them as part of the Company's compliance obligations under the UK IGA.

In addition to implementing FATCA through the UK IGA and related legislation, the UK has also entered into international tax compliance agreements ("**ITCAs**") with its Crown Dependencies and Overseas Territories which serve a similar purpose to FATCA in requiring financial institutions to identify, monitor and report in respect of its account holders.

On 24 March 2015, the UK International Tax Compliance Regulations 2015 (SI 2015/878) were made, implementing the UK's various agreements and arrangements on the exchange of tax information. The regulations require UK financial institutions to perform the due diligence obligations set out in the UK IGA, the EU Council Directive on mandatory exchange of information in the field of taxation ("**DAC**") and the OECD's so-called "common reporting standard" ("**CRS**"), to maintain a record of such due diligence and to report to HMRC those accounts identified as reportable to a jurisdiction where an exchange requirement exists. The regulations have effect for UK IGA purposes, from 15 April 2015, and for DAC and CRS purposes, from 1 January 2016. For 2016 onwards, it is expected that the Crown Dependencies and Overseas Territories will report under the CRS and not under the ITCAs.

The foregoing is only a general summary of FATCA, the ITCAs, the DAC and the CRS. Shareholders are urged to consult with their own advisers regarding the application of any of these measures to their investment in the Company.

21. General

21.1 Deloitte LLP of Athene Place, 66 Shoe Lane, London EC4A 3BQ and who is regulated by the ICAEW, has given and not withdrawn its consent to the inclusion of its report set out in Section A of Part VIII of this Document in the form and context in which it appears and that, having taken all reasonable care to ensure that such is the case, these reports are, to the best of its knowledge, in accordance with the facts and contain no omissions likely to affect their import.

21.2 There have been no interruptions in the business of the Group, which may have or have had a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.

21.3 No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than the main market of the London Stock Exchange.

21.4 Save as described in this Document, there are no investments in progress which are significant to the Group and there are no principal future investments on which any member of the Group has at the date hereof made firm commitments. Save as described in this Document, there are no existing or planned material tangible fixed assets of the Group.

21.5 It is estimated that the total expenses payable by the Company in connection with Admission will amount to approximately £0.1 million (excluding VAT).

21.6 Save as described in this Document, neither the Company nor any member of the Group has any undertakings in which it holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

21.7 Save as described in this Document, the Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

21.8 Save as described in this Document, the Group is not dependent on patents or licences or industrial, commercial or financial contracts or new manufacturing processes which are material to its business or profitability.

21.9 Save as described in this Document, the Directors are not aware of any significant recent trends in production, sales and inventory, and costs and selling prices of the Telecable Group since the end of its previous financial year and is similarly not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects in its current financial year.

21.10 Certain information, statements and statistics presented in this Document are based on data and reports compiled by industry professionals or organisations and market research firms. The Company confirms that where third party information has been used in this Document, the source of such information has been identified and that the information has been accurately reproduced and so far as the Company is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

21.11 There are no arrangements in existence under which future dividends of the Company are to be waived or agreed to be waived.

21.12 Pursuant to Chapter 5 of the Disclosure and Transparency Rules a person must notify the Company of the percentage of its voting rights he holds as a shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure and Transparency Rules. Certain voting rights held by investment managers, unit trusts, OEICS and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

22. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. CREST is a voluntary system and holders of Ordinary Shares who wish to have them held outside of CREST will have their details recorded on the Company's register maintained by Capita Registrars Limited. The Company's Articles permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. Accordingly, settlement of transactions in the Ordinary Shares following Admission may continue to take place within the CREST system if Shareholders so wish.

23. The City Code

The Company is not aware of the existence of any takeover bid pursuant to the rules of the City Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares.

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of an acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstance, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares in the Company by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with is concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights. Once a person, together with persons acting in concert with him, is interested in Ordinary Shares which in aggregate carry more than 50 per cent. of the voting rights of the Company, any further acquisition of shares would not require such a general offer.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal and whether or not in writing) actively co-operate, through the acquisition by them of an interest in shares in a company, to obtain or consolidate control of the company ("**Concert Party**"). Control means holding, or having aggregate holdings, of an interest in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

On Admission, the Directors in aggregate will be interested in 2,287,501 Ordinary Shares, representing approximately 1.2 per cent. of the Share Capital. In the event of an offer, the Directors and MVI LP may be deemed to be acting in concert for the purposes of the City Code. However, following Admission and in the ordinary course of business the Directors are not assumed to be acting in concert as a result of their common directorships of the Company.

Under the Act, if an offeror were to make a takeover offer for the Ordinary Shares and were to acquire or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates, and 90 per cent. of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

The Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

24. Auditors and accounting policies

The auditors of the Company are Deloitte LLP whose registered address is at Athene Place, 66 Shoe Lane, London EC4A 3BQ.

The audited accounts of the Company will be prepared in accordance with IFRS.

The Company was incorporated on 19 January 2015. The Company's annual report and consolidated accounts will be prepared up to 31 December in each year and copies of the report and accounts will be sent to Shareholders within the following four months. Shareholders will also receive an unaudited interim report covering the six month period to 30 June in each year, which will be dispatched to Shareholders within the following two months. Where Shareholders have consented, the Registrar is authorised by the Company to deliver the aforementioned reports and accounts to Shareholders in electronic form. Shareholders will be sent updates on the Group's activities as and when appropriate and in accordance with the Disclosure and Transparency Rules.

25. Documents available for inspection

25.1 Copies of the following documents are displayed on the Company's website at www.zegona.com and may be inspected at the registered office of the Company during usual business hours on any weekday (save for Saturdays, Sundays and public holidays) from the date of this Document until one month following Admission:

25.1.1 the memorandum and articles of association of the Company; and

25.1.2 this Document.

25.2 All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request, any part of which is included or referred to in this Document, may be inspected at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until one month following Admission.

Dated: 25 September 2015

PART X

DEFINITIONS, ABBREVIATIONS AND GLOSSARY

Part A – DEFINITIONS AND ABBREVIATIONS

The following definitions apply throughout this Document, unless the context requires otherwise:

"**Act**"	means the Companies Act 2006 as amended, modified or supplemented from time to time;
"**Adjusted EBITDA margin**"	means adjusted EBITDA (as defined in Important Information Non-IFRS financial measures), divided by total revenue;
"**Admission**"	means the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities;
"**AIM**"	means the market of that name operated by the London Stock Exchange;
"**Articles**"	means the articles of association of the Company;
"**Axio**"	means Axio Capital Solutions Limited;
"**Benefit Plan Investor**"	means any entity (i) that is an "employee benefit plan" subject to Part 4 of Subtitle B of Title I of ERISA, (ii) that is a plan, individual retirement account or other arrangement that is subject to section 4975 of the U.S. Tax Code, or (iii) whose underlying assets are considered to include "plan assets" of any plan, account or arrangement described in the preceding (i) or (ii);
"**Board Change of Control**"	means the date upon which the board of directors of the Company or the board of directors of IncentiveCo includes a majority of individuals to whose appointment holders of more than 50 per cent. of the Management Shares in issue at the date of appointment (including at least two members of Management each holding at least five per cent. of the Management Shares) have not consented;
"**Calculation Date**"	means the last date on which the Management Shares were Exercised or the right to Exercise Management Shares lapsed in relation to the relevant Measurement Period;
"**CAGR**"	means compound annual growth rate;
"**Cenkos**"	means Cenkos Securities plc;
"**certificated**" or in "**certificated form**"	means a share or security which is not in uncertificated form;
"**Chairman**"	means Eamonn O'Hare, or the Chairman of the Board from time to time, as the context requires;
"**Change of Control**"	means the acquisition of Control of the Company by any person or party (or by any group of persons or parties who are acting in concert);
"**City Code**"	means The City Code on Takeovers and Mergers issued and administered by the UK Panel on Takeovers and Mergers, as amended, modified or supplemented from time to time;
"**Company**" or "**Zegona**"	means Zegona Communications plc, a public limited company incorporated in England and Wales with registration number 09395163;
"**Completion**"	means completion of the Share Purchase Agreement in accordance with its terms;

"**Control**"	means: (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to: (a) cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the Company; (b) appoint or remove all, or the majority, of the Directors or other equivalent officers of the Company; or (c) give directions with respect to the operating and financial policies of the Company with which the Directors or other equivalent officers of the Company are obliged to comply; and/or (ii) the beneficial holding of more than 50 per cent. of the issued shares of the Company (excluding any issued shares that carry no right to participate beyond a specified amount in a distribution of either profits or capital), but excluding in the case of each of (i) and (ii) above any such power or holding that arises as a result of the issue of Ordinary Shares by the Company in connection with an acquisition;
"**Core Investor**"	means any entity controlled, managed or advised now or in the future by Marwyn Investment Management LLP, Marwyn Capital LLP or Marwyn Asset Management Limited;
"**Core Investor Shares**"	means B ordinary shares of 0.00001p each in the capital of IncentiveCo;
"**CREST**"	means the relevant system (as defined in CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear;
"**CREST Regulations**"	means the UK Uncertificated Securities Regulations 2001 (as amended) including any modification or re-enactment thereof for the time being in force and such other regulations as are applicable to Euroclear and/or CREST;
"**CRS**"	has the meaning set out in paragraph 20 of Part IX of this Document;
"**DAC**"	has the meaning set out in paragraph 20 of Part IX of this Document;
"**Directors**" or "**Board**"	means the board of directors of the Company as at the date of this Document, whose names are set out on page 39 of this Document;
"**Disclosure and Transparency Rules**" or "**DTR**"	means the Disclosure and Transparency Rules published by the FCA from time to time in its capacity as the UKLA under Part VI of FSMA, as amended, and contained in the UKLA publication of the same name;
"**DTS**"	means Distribuidora de Televisión Digital, S.A.;
"**Document**"	means this prospectus;
"**EDP**"	means Hidroeléctrica del Cantábrico, SA.;
"**EEA**"	means the European Economic Area;
"**EEA States**"	means the member states of the European Union and the European Economic Area, each an "EEA State";
"**Equity Interest**"	means a holding of Ordinary Shares, a contract for difference or other derivative which itself results in having a long position in Ordinary Shares;
"**ERISA**"	means the U.S. Employee Retirement Income Security Act of 1974, as amended;
"**EU**" or "**European Union**"	means an economic and political confederation of European nations which share a common foreign and security policy and co-operate on justice and home affairs;

"**Euroclear**"	means Euroclear Bank S.A./N.V.;
"**Exercise**"	means the process by which value is realised on Management Shares by a fixed proportion of them being redeemed, converted, or exchanged or acquired by the Company, and "Exercised" shall be construed accordingly;
"**FATCA**"	has the meaning set out in paragraph 20 of Part IX of this Document;
"**FCA**"	means the Financial Conduct Authority of the United Kingdom or any successor body;
"**Founder Directors**" or "**Executive Directors**"	means Eamonn O'Hare and Robert Samuelson;
"**FSMA**"	means the Financial Services and Markets Act 2000, as amended, modified or supplemented from time to time;
"**Group**"	means the Company and its subsidiaries from time to time;
"**Growth in Value**" or "**Growth in Value of the Company**"	means (i) on or prior to the first Calculation Date, the Company's growth calculated on the first Measurement Date by deducting the Shareholders' aggregate Invested Capital from the sum of the Company's Market Capitalisation and the aggregate of all Shareholder Returns or (ii) after the first Calculation Date, the Company's growth during the period from the previous Calculation Date up to and including the relevant Measurement Date, calculated by deducting the Shareholders' Invested Capital from the sum of the Company's Market Capitalisation at the relevant Measurement Date and Shareholder Returns for the relevant period;
"**HMRC**"	means Her Majesty's Revenue and Customs;
"**IFRS**"	means the International Financial Reporting Standards as adopted by the European Union;
"**IGA**"	has the meaning set out in paragraph 20 of Part IX of this Document;
"**IncentiveCo**"	means Zegona Limited, a subsidiary of the Company, incorporated in Jersey with registered number 117602, but resident in England and Wales;
"**IncentiveCo Articles**"	means the articles of association of IncentiveCo;
"**INE**"	means the Instituto Nacional de Estadistica;
"**Initial Exercise Period**"	means the period between 14 August 2018 and 14 August 2020;
"**Invested Capital**"	means on or prior to the first Calculation Date, the Parent Subscription Proceeds and, at all times thereafter, the Market Capitalisation of the Company on the previous Calculation Date (or, if higher, the Net Shareholder Invested Capital on that date); plus any Parent Subscription Proceeds from the previous Calculation Date to the next Measurement Date;
"**J.P. Morgan Cazenove**"	means J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove;
"**Listing Rules**"	means (in accordance with section 79(2) of FSMA), rules relating to admission to the Official List;

"**Loan Agreement**"	means the senior secured loan agreement entered into by Parselaya in connection with the Telecable Acquisition, as described in paragraph 12.11 of Part IX of this Document;
"**London Stock Exchange**"	means London Stock Exchange plc;
"**MAML**"	means Marwyn Asset Management Limited;
"**Management**"	means the holders of the Management Shares from time to time, being at the date of this Document Eamonn O'Hare, Robert Samuelson and Howard Kalika;
"**Management Shares**"	means A ordinary shares of 0.00001p each in the capital of IncentiveCo;
"**Market Capitalisation**"	means (i) on any date, the volume weighted average mid-market price of the Ordinary Shares for the previous 30 trading days multiplied by the number of Ordinary Shares in issue on such date or (ii) following a Takeover, the Takeover Consideration multiplied by the number of Ordinary Shares in issue on the Takeover or (iii) if IncentiveCo is wound up, the cash sum which remains to be distributed after all of IncentiveCo's liabilities (excluding any amounts due to Shareholders and the Management incentive arrangements) have been paid and its assets have been realised;
"**Measurement Date**"	means the relevant date upon which the Growth in Value is to be calculated;
"**Measurement Period**"	means the Initial Exercise Period and thereafter the period between the third and fifth anniversary of the previous Calculation Date;
"**Member State**"	means a member of the EEA;
"**MIM LLP**"	means Marwyn Investment Management LLP;
"**MLTI**"	means Marwyn Long Term Incentive LP, the holder of the Core Investor Shares;
"**MVI LP**"	means Marwyn Value Investors LP;
"**Net Invested Capital**"	means the sum of Invested Capital minus Parent Dividends and Parent Capital Returns, as they vary over time from the later of 19 March 2015 or the previous Calculation Date to the Measurement Date;
"**Net Shareholder Invested Capital**"	means from 19 March 2015 the sum of Parent Subscription Proceeds minus Parent Dividends and Parent Capital Returns;
"**Non-Executive Directors**"	means Murray Scott and Mark Brangstrup Watts;
"**Oakley**"	means Oakley Capital Corporate Finance (a division of Oakley Capital Limited);
"**Official List**"	means the Official List of the UKLA;
"**operating cash flow margin**"	means cash from operating activities as a percentage of sales in a given period;
"**Ordinary Shares**"	means ordinary shares of £0.01 each in the capital of the Company;
"**Option Agreement**"	means the option agreement dated 28 July 2015 between the Company and J.P. Morgan Chase Bank, N.A., details of which are set out in paragraph 12.1 of Part IX of this Document;
"**Parent Capital Return**"	means a return of share capital, share premium or other capital reserve made by the Company;
"**Parent Dividend**"	means a dividend paid or other distribution declared by the Company;

"**Parent Subscription Proceeds**"	means the total ordinary share capital invested in the Company (including any Ordinary Shares issued for non-cash consideration at the value determined by the Board);
"**Parselaya**"	means Parselaya, S.L., a Spanish company, with registered office at Calle Zurbarán, número 9, local derecha, 28010, Madrid and holder of Spanish Tax Identification No. (N.I.F.) B87273272;
"**Preferred Return**"	means that at the relevant Measurement Date the Market Capitalisation represents a "compound annual growth rate" (as defined in the IncentiveCo Articles) of the Net Invested Capital as it varies over time equal to or greater than five per cent. per annum;
"**Premium Listing**"	means a premium listing under Chapter 6 of the Listing Rules;
"**Prohibited Person**"	means any person who by virtue of his holding or beneficial ownership of shares or warrants in the Company would or might in the opinion of the Directors: (i) give rise to an obligation on the Company to register as an "investment company" under the U.S. Investment Company Act; (ii) give rise to an obligation on the Company to register under the U.S. Exchange Act of 1934, as amended or result in the Company not being considered a "foreign private issuer" as such term is defined in Rule 3b-4(c) under the U.S. Exchange Act of 1934, as amended; or (iii) result in a Benefit Plan Investor holding shares in the Company;
"**Prospectus Rules**"	means the prospectus rules of the UKLA made in accordance with section 73A of FSMA, as amended from time to time;
"**Redeemable Shares**"	means redeemable shares of £1 each in the capital of the Company;
"**Registrar**"	means Capita Registrars Limited;
"**Regulation S**"	means Regulation S under the U.S. Securities Act;
"**Revolving Facility**"	has the meaning set out in paragraph 12.11 of Part IX of this Document;
"**RTVE Financing Law**"	Law 8/2009 on financing Corporación de Radio y Televisión Española;
"**Rule 144A**"	means Rule 144A under the U.S. Securities Act;
"**Second Admission**"	means the admission of the issued Ordinary Shares to trading on AIM and which became effective on 14 August 2015;
"**Shareholder**"	means a holder of Ordinary Shares;
"**Shareholder Returns**"	means on or prior to the first Calculation Date, all Parent Dividends and Parent Capital Returns from 19 March 2015 and, at all times thereafter, all Parent Dividends and Parent Capital Returns from the previous Calculation Date;
"**Share Purchase Agreement**"	means the share purchase agreement dated 25 July 2015 between the Company and the Telecable Vendors, in connection with the Telecable Acquisition details of which are set out in paragraph 12.2 of Part IX of this Document;
"**Significant Shareholder**"	means a Shareholder who holds three per cent. or more of the Ordinary Shares, current details of whom are set out in paragraph 5 of Part IX of this Document;

"**Standard Listing**"	means a standard listing under Chapter 14 of the Listing Rules;
"**Takeover**"	means (i) a takeover offer for the Company being declared wholly unconditional or (ii) a scheme of arrangement for the acquisition of the Company being declared wholly unconditional or (iii) completion of a sale of all or substantially all of the business and assets of the Group combined with a return of the net proceeds of such sale, after satisfying any other creditors of the Company, to the Shareholders;
"**Takeover Consideration**"	means (i) in respect of a takeover offer or a scheme of arrangement made for cash, the cash price which would be received per Ordinary Share or, if the consideration is otherwise than in cash, the anticipated market price of the non-cash consideration per Ordinary Share at the date of the Takeover (as determined by the Board) or (ii) in respect of a sale of all or substantially all of the business and assets of the Group, the total consideration received for such business or assets, after all of IncentiveCo's other liabilities have been paid (excluding any amounts due to Shareholders and the Management incentive arrangements) divided by the number of Ordinary Shares in issue;
"**Telecable**"	means Telecable, the business owned and operated by Telecable de Asturias S.A. and acquired by the Group pursuant to the Share Purchase Agreement;
"**Telecable Acquisition**"	means the acquisition by the Group of the entire share capital of Telecable Capital Holding S.L.U. and the minority interests in its subsidiary Telecable de Asturias, S.A.;
"**Telecable Consideration Shares**"	means 3,718,236 Ordinary Shares issued to certain of the Telecable Vendors pursuant to the Share Purchase Agreement on 14 August 2015;
"**Telecable Group**"	means Telecable Capital Holdings S.L.U. and its subsidiaries;
"**Telecable Vendors**"	means CEP III Investment 18 S.à r.l., Liberbank, S.A., Mr. Carlos Cadarso Marqués, Mr. Antonio Retana García-Morán, Mr. Alfonso Oliva Rivero, Mr. Alejandro Martínez Peón, Mr. Jesús Pérez Iglesias, Mr. Francisco Javier Cañete Chalver, Mr. Juan Luis Acuña García, Mr. Juan Manuel Cofiño González;
"**Telefónica**"	means Telefónica de España, S.A.U. and its subsidiaries;
"**UK**" or "**United Kingdom**"	means the United Kingdom of Great Britain and Northern Ireland;
"**UKLA**"	means the United Kingdom Listing Authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
"**uncertificated**" or "**in uncertificated form**"	means recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"**UK IGA**"	has the meaning set out in paragraph 20 of Part IX of this Document;
"**United States**" or "**U.S.**"	has the meaning given to the term "United States" in Regulation S;
"**U.S. Investment Company Act**"	means the U.S. Investment Company Act of 1940, as amended, and related rules;
"**U.S. Securities Act**"	means the U.S. Securities Act of 1933, as amended;
"**Value**"	means, in the context of the Management Incentive Arrangements or the Core Investor Incentive Arrangements, for the purposes of calculating the value of any Ordinary Shares as consideration, the

	volume weighted average mid-market price of the Ordinary Shares for the previous 30 trading days;
"**VAT**"	means UK value added tax;
"**Winding Up**"	means the winding up of IncentiveCo.

Part B – GLOSSARY

"2G"	Second Generation Mobile System, which is based on the GSM standard.
"3G"	Third Generation Mobile System, which is based on the UMTS universal standard.
"4G"	Fourth Generation Mobile System, which is based on the LTE universal standard.
"4K television"	Television with 4,000 pixels which has resolution four times that of HD television.
"ADSL"	Asymmetric Digital Subscriber Line, a data communications technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide by utilising frequencies not used by a voice telephone call.
"ARPU"	Average Revenue Per User is a measure of the revenues generated by a product line (fixed, broadband, Pay TV or mobile) divided by the average number of lines per unit time, typically per month.
"bundles"	The products considered when referring to bundles as fixed-line telecommunications, fixed broadband, Pay TV and postpaid mobile.
"churn"	Measure of the number of individuals terminating their contract with a telecommunications operator over a specific period of time.
"CMT"	The Spanish Telecommunications Market Commission (*Comisión del Mercado de Telecomunicaciones*).
"CNMC"	The Spanish Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia) (into which the CMT was integrated*).
"Dark Fibre"	Dark fibre is optical fibre infrastructure (cabling and repeaters) that is currently in place but is not being used and can be leased to third parties.
"DOCSIS"	Data Over Cable Service Interface Specification is an international telecommunications standard that allows the addition of high-speed data transfer to an existing cable TV (CATV) system. It is employed by many cable television operators to provide internet access over their existing hybrid fibre-coaxial (HFC) infrastructure.
"Double-play" or "2P"	Double-play is the combination of two separate telecommunications and entertainment products, comprising any two of the following: television, broadband internet access, fixed-line telecommunications and mobile telecommunications, marketed and sold as a single integrated package of services to customers.
"Downstream/upstream"	Downstream speed is the speed at which a user can download data from the Internet. Upstream speed is the speed at which a user can upload data to the Internet.
"DSL"	Digital Subscriber Line is a technology enabling a local loop copper pair to transport high-speed data between a central office and the customers' premises.
"DTH"	Direct-to-Home: the transmission of satellite services and functionality with reception through a satellite dish.

''DTT''	Digital Terrestrial Television, is digital television broadcast entirely over earthbound circuits. A satellite is not used for any part of the link between the broadcaster and the end user.
''Ethernet''	Ethernet is the most widely-installed standard local area network technology.
''fibre-rich''	A network that is rich in optical fibre.
''Fixed services'' or ''Fixed-line services''	Fixed services includes fibre, ADSL and indirect access.
''FTTH''	Fibre to the Home is a generic term for a broadband network architecture that uses optical fibre to replace all or part of the usual metal loop used for last mile communications.
''FTTx''	Fibre to the x, a generic term for any broadband network architecture using optical fibre to provide all or part of the local loop used for last mile telecommunications. The term is a generalisation for several configurations of fibre deployment.
''fully redundant''	Fully redundant means that a network can lose any one piece of networking gear at any one level and data will continue to flow uninterrupted.
''Gbps''	A gigabit per second.
''GHz''	Gigahertz is one billion hertz (a unit of frequency).
''GIT''	Principado de Asturias.
''GPRS''	General Packet Radio Service is a packet-switching technology that enables data transfers through cellular networks.
''GSM''	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
''HD''	High Definition.
''HFC''	Hybrid Fibre-Coaxial cable and refers to a network that consists of optical fibre and coaxial cables, as is deployed by many cable TV and telecommunications businesses.
''High speed''	Broadband using download speed higher than 30Mbps.
''Homes passed''	Homes passed are homes, residential multiple dwelling units or commercial units that are covered by an active node.
''hosting and housing''	The business of housing, serving, and maintaining IT servers for other companies.
''HSPA''	A mix of two mobile telecommunications protocols, High Speed Download Packet Access (HSDPA) and High Speed Uplink Packet Access (HSUPA) that extends and improves the performance of existing protocols.
''IEEE''	The Institute of Electrical and Electronics Engineers.
''IP'' or ''Internet Protocol''	Internet protocol is a method or protocol by which data is sent from one computer to another on the internet. Each computer or host on the internet has at least one IP address that uniquely identifies it from all other computers.
''IPTV'' or ''Internet Protocol Television''	IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.
''Large Accounts''	Large companies demanding complex and tailored telecommunication services.

"leased line"	Dedicated communication channel (using SDH or Ethernet technologies, Dark Fibre) that interconnects two or more sites.
"LTE"	Long Term Evolution, a new mobile telecommunications technology that succeeds 3G. 3GPP (Third Generation Partnership Project) Long-Term Evolution, is a new high performance air interface for cellular mobile communication systems. LTE is the last step toward the fourth generation (4G) of radio technologies designed to increase the capacity and speed of mobile telephone networks.
"Mbps"	Megabits per second, a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband networks are often indicated in Mbps.
"MHz"	Megahertz, one million hertz (a unit of frequency).
"MIET"	The Ministry of Industry, Energy and Tourism (*Ministerio de Industria, Energía y Turismo*).
"Mobile penetration"	Number of total mobile customers excluding "mobile only" customers divided by total number of fixed services customers.
"MTR"	Mobile termination rates.
"MVNO"	Mobile Virtual Network Operator is a company providing mobile phone services directly to their customers without owning key network assets such as a licensed frequency allocation of radio spectrum and the cell tower infrastructure. These assets are leased from a MNO.
"NEBA"	New Ethernet Broadband Access.
"NGAN"	New Generation Access Networks, refers to latest technology networks.
"NGN"	Next Generation Network.
"nPVR"	Network Personal Video Recording, a system which enables all content storage to be held centrally.
"Operator Selection"	The ability of the subscriber or user to select a given operator for all or certain calls and to access the services of any operator interconnected with the user's operator that provides access to the public telecommunications network. The operator can be chosen ahead of time or on a call-by-call basis.
"OTT"	Over-the-top.
"Pay TV" or "pay television"	Subscription-based television services.
"penetration"	Percentage of customers over homes passed in Telecable's areas of operation, and with respect to any particular service, penetration is the percentage of homes contracting that service over total homes existing in a specific area.
"PSTN"	Public Switched Telephone Network, the traditional telephone system that runs through copper cables (voice up to 64 Kbps, data up to 56 Kbps).
"PVR"	Personal Video Recorder, an interactive TV recording device.
"quadruple-play" or "quad-play" or "4P"	Quad-play is the combination of four separate telecommunications and entertainment products, comprising television, broadband internet access, fixed-line telecommunications and mobile telecommunications marketed and sold as a single integrated package of services to customers.

"Residential churn"	A customer is considered a churning customer when all active products of that customer become inactive (disconnected), partial deactivations are considered internal migrations (downgrades) and customers that move home and remain with Telecable will not be recorded in the churn rate.
"RGUs"	A revenue generating unit is a single product provided to a customer either alone or as part of a package of multiple products.
"SDH"	Synchronous Digital Hierarchy, standardised protocol that transfers multiple digital bit streams over optical fibre using lasers or highly coherent light from light-emitting diodes (LEDs).
"security services"	Includes services such as: cloud firewall, antivirus, and device management among others.
"SMEs"	Small and medium-sized enterprises. SMEs are ranked a notch above SOHOs.
"SMP"	Significant Market Power.
"SMS"	Short Message Service, a text message service which enables users to send short messages (160 characters or less) to other users.
"SOHO"	Small Office, Home Office is a business operated out of a business owner's residence and that can be located in an established office within the residence. Considered a microenterprise as it involves five or less employees. SOHOs are categorised one notch below SMEs.
"Spanish Telecommunications Market"	Comprises the markets in which Telecable operates and which includes the following segments as defined by the CNMC: wholesale ("*servicios mayoristas*"), fixed-line telecommunications ("*telefonía fija*"), fixed broadband ("*banda ancha fija*"), business communications ("*comunicaciones de empresa*"), telecommunications information services ("*servicios de información telefónica*"), mobile telecommunications ("*telefonía móvil*"), mobile broadband "*banda ancha móvil*", audiovisual services ("*servicios audiovisuales*"), sale and lease of equipment ("*Venta y alquiler de equipos*") and others ("*otros (incl. serv. univ.*").
"triple-play"	Triple-play is the combination of three separate telecommunications and entertainment products, comprising any three of the following: television, broadband internet access, fixed-line telecommunications and mobile telecommunications, marketed and sold as a single integrated package of services to customers.
"TV everywhere"	System whereby TV content is accessible online via a variety of display devices, including PC, mobile phones, tablets or laptops.
"UHD"	Ultra-high-definition.
"ULL"	Unbundling of the local loop.
"UMTS"	UMTS is one of the major third generation mobile communications systems being developed. UMTS is suited to deliver voice, text, music and animated images. Data can be sent via UMTS at approximately six times the speed of ISDN.
"Up-sell"	Up-sell is the process of selling an enhanced or higher specification service to customers, normally at an increased price.
"VDSL" or "Very-high bitrate Digital Subscriber Line"	VDSL is a DSL technology providing faster data transmission over a single flat untwisted or twisted pair of copper wires. VDSL is capable of supporting high bandwidth applications such as HDTV,

	as well as telecommunications services (VoIP) and general internet access, over a single connection.
"VoD"	Video on Demand, a system that allows customers to select and watch video content on demand.
"Voice Services"	Services that allow carriers to complete their end-user calls that originate or terminate within Telecable's territory. Includes the provision of local and long-distance services related to voice (calling charges, line rental/subscription and connection fees are included in this category), enhanced voice services, data and fax transmission over the circuit-switched PSTN, and retail voice over IP.
"VoIP" or "Voice over IP"	A telephone service via internet, or via transmission control/ Internet Protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
"virtual private network"	A network that uses primarily public telecommunication infrastructure such as the internet to provide remote offices or travelling users access to a central organisational network. It often requires remote users of the network to be authenticated, and often secure data with encryption technologies to prevent disclosure of private information to unauthorised parties.
"WiFi"	WiFi is a wireless networking technology that allows computers and other devices to communicate over a wireless signal. It describes network components that are based on one of the 802.11 standards developed by the IEEE and adopted by the Wi-Fi Alliance.
"WiFi ac"	802.11 ac, a new WiFi protocol with increased range and speed.
"xDSL"	Group of technologies that provides data transmission over the wires of local telephone network. ADSL is the most commonly installed DSL technology.

ANNEX

HISTORICAL FINANCIAL INFORMATION ON TELECABLE FOR 2012 AND 2013 UNDER SPANISH GAAP

(a) Auditors' report on 2013 Consolidated Financial Statements

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of TELECABLE CAPITAL HOLDING, S.L.U.:

1. We have audited the consolidated financial statements of TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES, which comprise the consolidated balance sheet at 31 December 2013 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The directors are responsible for the preparation of the Group's consolidated financial statements in accordance with the regulatory financial reporting framework applicable to the Group (identified in Note 2-a to the accompanying consolidated financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the equity and financial position of Telecable Capital Holding, S.L.U. and Subsidiaries at 31 December 2013, and the results of their operations and their cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein.

3. The accompanying consolidated directors' report for 2013 contains the explanations which the directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated director's report is consistent with that contained in the consolidated financial statements for 2013. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Telecable Capital Holding, S.L.U. and Subsidiaries.

   Deloitte, S.L.

   Registered in ROAC under no. S0692

   Jorge Izquierdo Mazón
   13 June 2014

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 15). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2013 AND 2012 (NOTES 1, 2, 3 AND 4)
(Euros)

	2013	2012(*)
ASSETS		
NON-CURRENT ASSETS:		
Intangible assets (Note 5) –	**244,383,593**	**256,948,064**
Development	173,556	—
Concessions	1,845,920	1,879,758
Patents, licences, trademarks and other	12,695,120	13,150,038
Goodwill	152,990,143	152,990,143
Computer software	4,694,158	5,334,461
Other intangible assets	71,481,131	83,199,349
Advances and intangible assets in progress	503,565	394,315
Property, plant and equipment (Note 6) –	**133,255,625**	**141,860,900**
Land and buildings	3,840,065	3,942,762
Plant and other items of property, plant and equipment	128,666,649	136,724,243
Property, plant and equipment in the course of construction and advances	748,911	1,193,895
Non-current financial assets (Note 7) –	**3,967,757**	**92,941**
Equity instruments	1,715	47,887
Other financial assets	3,966,042	45,054
Deferred tax assets (Note 12)	**11,330,179**	**10,249,448**
TOTAL NON-CURRENT ASSETS	**392,937,154**	**409,151,353**
CURRENT ASSETS:		
Inventories –	**572,418**	**515,342**
Goods held for resale	472,418	513,643
Advances to suppliers	100,000	1,699
Trade and other receivables –	**7,235,958**	**6,430,842**
Trade receivables for sales and services	6,946,527	6,143,013
Other receivables	32,219	3,674
Employee receivables	1,200	6,601
Other accounts receivable from public authorities (Note 12)	256,012	277,554
Current investments in Group companies –	**28,351**	**176**
Current financial assets (Note 7) –	**41,218**	**40,515**
Other financial assets	41,218	40,515
Prepayments for current assets	**1,822,772**	**154,984**
Cash and cash equivalents	**29,429,975**	**35,304,536**
Cash	6,978,008	11,214,279
Cash equivalents (Note 7)	22,451,967	24,090,257
TOTAL CURRENT ASSETS	**39,130,692**	**42,446,395**
TOTAL ASSETS	**432,067,846**	**451,597,748**

	2013	2012(*)
EQUITY AND LIABILITIES		
EQUITY:		
Shareholder's equity (Note 8) –		
Registered share capital	**342,000**	**342,000**
Share premium	**33,661,000**	**33,661,000**
Consolidation reserves	**-106,461**	**—**
Retained losses	**-21,268,656**	**-1,098,507**
Loss attributable to the Parent	**-22,758,052**	**-21,689,683**
Non-controlling interests	**-2,989,410**	**26,657,227**
TOTAL EQUITY	**-13,119,579**	**37,872,037**
NON-CURRENT LIABILITIES:		
Non-current payables –	**212,971,257**	**202,462,221**
Bank borrowings (Notes 9 & 11)	209,549,734	197,956,314
Obligations under finance leases (Note 6)	—	270,364
Derivatives (Note 7)	3,040,062	3,804,656
Other financial liabilities (Note 10)	381,461	430,887
Payable to Group companies, associates and related parties (Note 11)	**135,602,448**	**117,701,944**
Deferred tax liabilities (Note 12)	**41,190,557**	**48,270,162**
TOTAL NON-CURRENT LIABILITIES	**389,764,262**	**368,434,327**
CURRENT LIABILITIES:		
Current payables –	**25,290,082**	**17,004,741**
Bank borrowings (Note 9)	11,915,500	1,672,103
Obligations under finance leases (Notes 6 & 11)	597,575	644,821
Other financial liabilities (Notes 10 & 11)	12,777,007	14,687,817
Trade and other payables –	**29,687,189**	**27,971,237**
Payable to suppliers	11,323,274	8,109,482
Sundry accounts payable	13,494,502	16,074,066
Remuneration payable	1,468,276	1,768,729
Current tax liabilities (Note 12)	972,325	779,176
Other accounts payable to public authorities (Note 12)	2,313,750	1,008,216
Customer advances	115,062	231,568
Current accruals and accrued income	**445,892**	**315,406**
TOTAL CURRENT LIABILITIES	**55,423,163**	**45,291,384**
TOTAL EQUITY AND LIABILITIES	**432,067,846**	**451,597,748**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 15 are an integral part of the consolidated balance sheet at 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 15). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (NOTES 1, 2, 3 AND 4)
(Euros)

	2013	2012(*)
CONTINUING OPERATIONS:		
Revenue (Note 13)	**133,376,649**	**128,567,948**
Sales	1,579,772	1,266,013
Services	131,796,877	127,301,935
In-house work on non-current assets (Note 13)	**408,232**	**352,669**
Procurements (Note 13)	**(33,225,200)**	**(30,553,126)**
Other operating income-	**746,339**	**1,195,774**
Non-core and other current operating income (Note 13)	740,587	1,082,709
Income-related grants transferred to profit or loss	5,752	113,065
Staff costs (Note 13)	**(10,100,816)**	**(10,422,489)**
Wages, salaries and similar expenses	(8,113,814)	(8,564,886)
Employee benefit costs	(1,987,002)	(1,857,603)
Other operating expenses –	**(33,284,547)**	**(35,811,283)**
Outside services (Note 13)	(29,868,911)	(32,650,358)
Taxes other than income tax	(1,464,534)	(1,690,218)
Losses on, impairment of and changes in allowances for trade receivables (Note 13)	(1,620,697)	(1,178,606)
Other current operating expenses	(330,405)	(292,101)
Depreciation and amortisation charge (Notes 5 & 6)	**(46,334,397)**	**(47,141,609)**
Impairment and gains or losses on disposals of non-current assets (Notes 5 & 6) –	**(4,073,362)**	**(1,604,796)**
Gains or losses on disposals and other	(4,073,362)	(1,604,796)
PROFIT (LOSS) FROM OPERATIONS	**7,512,898**	**4,583,088**
Financial income-	**694,239**	**451,231**
From marketable securities and other financial instruments	694,239	451,231
Financial expenses –	**(35,524,777)**	**(32,965,206)**
On debts to third parties	(35,524,777)	(32,965,206)
Changes in fair value of financial instruments (Note 7)	**764,594**	**(3,804,656)**
Exchange differences	**(17,101)**	**(30,545)**
Impairment losses on disposal of financial instruments	**(46,172)**	—
FINANCIAL PROFIT	**(34,129,217)**	**(36,349,176)**
LOSS BEFORE TAX	**(26,616,319)**	**(31,766,088)**
Income tax (Note 12)	2,992,369	9,808,462
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(23,623,950)**	**(21,957,626)**
DISCONTINUED OPERATIONS:		
Loss for the year from discontinued operations net of tax	—	—
CONSOLIDATED LOSS FOR THE YEAR	**(23,623,950)**	**(21,957,626)**
Loss attributable to the Parent	**(22,758,052)**	**(21,689,683)**
Profit (Loss) attributable to non-controlling interests	**(865,898)**	**(267,943)**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 15 are an integral part of the income statement for the year ended 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 15). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (NOTES 1, 2, 3 AND 4)

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Euros)

	2013	2012(*)
LOSS PER CONSOLIDATED INCOME STATEMENT (I)	**(23,623,950)**	**(21,957,626)**
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY (II)	—	—
TOTAL TRANSFERS TO CONSOLIDATED PROFIT OR LOSS (III)	—	—
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSE (I+II+III)	**(23,623,950)**	**(21,957,626)**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 15 are an integral part of the statement of recognised income and expense for the year ended 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 15). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (NOTES 1, 2, 3 AND 4)

B) STATEMENTS OF CHANGES IN TOTAL EQUITY
(Euros)

	Share Capital	Share Premium	Consolidation Reserves	Retained Losses	Loss for the Year Attributable to the Parent	Non-Controlling interests	TOTAL
2012 BEGINNING BALANCE (*)	**342,000**	**33,661,000**	—	—	**(1,098,507)**	**26,925,170**	**59,829,663**
Total recognised consolidated income and expense	—	—	—	—	**(21,689,683)**	**(267,943)**	**(21,957,626)**
Other changes in equity							
– Allocation of 2011	—	—	—	**(1,098,507)**	**1,098,507**	—	—
2012 ENDING BALANCE(*)	**342,000**	**33,661,000**	—	**(1,098,507)**	**(21,689,683)**	**26,657,227**	**37,872,037**
2013 BEGINNING BALANCE	**342,000**	**33,661,000**	—	**(1,098,507)**	**(21,689,683)**	**26,657,227**	**37,872,037**
Total recognised consolidated income and expense	—	—	—	—	**(22,758,052)**	**(865,898)**	**(23,623,950)**
Other changes in equity							
– Allocation of 2012	—	—	(1,519,534)	(20,170,149)	21,689,683	—	—
– Distribution of dividends	—	—	—	—	—	(31,339,690)	(31,339,690)
– Other changes	—	—	1,413,073	—	—	2,558,951	3,972,024
2013 ENDING BALANCE	**342,000**	**33,661,000**	**(106,461)**	**(21,268,656)**	**(22,758,052)**	**(2,989,410)**	**(13,119,579)**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 15 are an integral part of the statement of changes in total equity for the year ended 31 December 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 15). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (NOTES 1, 2, 3 & 4)

(Euros)

	2013	2012(*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)	**38,694,247**	**32,145,931**
Loss for the year before tax	**(26,616,319)**	**(31,766,088)**
Adjustments for	**85,749,442**	**85,921,518**
– Depreciation and amortisation charge (Notes 5 & 6)	46,334,397	47,141,609
– Change in provisions (Note 12)	1,620,697	1,178,606
– Gains/losses on derecognition and disposal of non-current assets (Notes 5 & 6)	4,073,362	1,604,796
– Procceds from disposals of financial instruments	46,173	—
– Finance income	(694,239)	(451,231)
– Finance costs (Note 9)	35,524,777	32,965,206
– Exchange differences	17,101	30,545
–Changes in fair value of financial instruments – derivatives	(764,594)	3,804,656
-In-house work on non-current assets (Note 13)	(408,232)	(352,669)
Changes in working capital	**(4,125,050)**	**1,329,498**
– Inventories	(57,076)	88,777
– Trade and other receivables	(2,190,668)	(783,493)
– Other current assets	(1,696,666)	589,858
– Trade and other payables	(180,639)	1,541,636
– Other current liabilities	—	(107,280)
Other cash flows from operating activities	**(16,313,826)**	**(23,338,997)**
– Interest paid	(11,634,661)	(21,511,259)
– Interest received	530,781	451,231
– Income tax recovered (paid) (Note 12)	(5,209,947)	(2,339,701)
– Other amounts received (paid)	—	60,732
CASH FLOWS FROM INVESTING ACTIVITIES (II)	**(28,685,870)**	**(29,369,741)**
Payments due to investment	**(32,657,895)**	**(29,386,141)**
– Property, plant and equipment (Note 6)	(19,812,803)	(19,971,645)
– Intangible assets (Note 5)	(9,085,043)	(9,403,566)
– Other financial assets	(3,760,048)	(10,930)
Proceeds from disposal	**3,972,025**	**16,400**
– Other financial assets	3,972,025	16,400
CASH FLOWS FROM FINANCING ACTIVITIES (III)	**(15,865,837)**	**(2,893,095)**
Proceeds and payments relating to financial liability instruments	**15,473,853**	**(2,893,095)**
– Proceeds from issue of bank borrowings (Note 9)	22,138,275	592,145
– Repayment of bank borrowings (Note 9)	(6,600,076)	(3,150,805)
– Repayment of other borrowings	(64,346)	(334,435)
Dividends and interest on equity instrument paid	**(31,339,690)**	—
– Dividends	(31,339,690)	—
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)	**(17,101)**	**(30,545)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	**(5,874,561)**	**(147,450)**
Cash and cash equivalents at beginning of year	35,304,536	35,451,986
Cash and cash equivalents at end of year	29,429,975	35,304,536

(*) Presented for comparison purposes only

The accompanying Notes 1 to 15 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2013.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements for the year ended 31 December 2013

1. Activities of the Parent and of the Group companies

Brief historical description and activities of the Parent

Telecable Capital Holding, S.L.U. (''TCH'' or ''the Parent'') was incorporated as a sole-shareholder private limited liability company for an indefinite period of time in Madrid by virtue of a public deed executed before the Notary Fernando Fernández Medina on 15 April 2011, under number 724 of his protocol, and filed at the Mercantile Registry of Madrid in volume 28.775, folio no. 15, page no. M-518066, entry no. 1, under the name of Lariño Investments, S. L. Subsequently, the Company changed its name to its current name by virtue of a public deed executed on 28 December 2011.

Its company object consists of, *inter alia*, the purchase and sale, for its own account and in its own interest, of shares, equity interests and -in general- financial, corporate or any other kind of assets and securities, with the participation, as appropriate, of the intermediaries legally or statutorily required to do so.

Its registered office is in Oviedo, at calle Marqués de Pidal, number 11 bajo, and its employer identification number is B86200557.

At 2011 year-end, the Parent Company acquired 85.01% of the share capital of Sociedad Promotora de las Telecomunicaciones en Asturias, S.A., which, owned all the shares of Telecable de Asturias, S.A. (Sole-Shareholder Company), constituting the three Telecable Group companies (''the Group''), which TCH, was therefore the parent company.

The merger between Sociedad Promotora de las Telecomunicaciones en Asturias S.A. (acquiring company – ''SPTA'') and Telecable de Asturias S.A.U. (absorbed company) was later formalised in a public deed executed on 18 April 2012 in the presence of the Oviedo Notary Luis Ignacio Fernández Posada, under number 1694 of his protocol, which was filed at the Mercantile Registry of Asturias on 25 April 2012. The corporate name was also changed to Telecable de Asturias, S.A. (''TCA'' or the ''Subsidiary Company''). After this operation TCH, owned shares representing 85.01% in the new TCA, constituting both companies the group called ''Telecable'' (hereinafter, the ''Group''), in which TCH remains the parent company.

On 10 January 2013, the investee TCA has paid a dividend to its shareholders, corresponding to THC the amount of EUR 177,660 thousand. With this dividend TCH has satisfied and cancelled financial debt with several financial institutions (see Note 7).

On the other hand, on 22 February, 2013, TCH has proceeded to sell 21,174 TCA shares to certain members of the management team of the investee company (representing 2.30% of the total shares of TCA).

The abridged financial statements of TCH were prepared on 25 March 2014 and will be filed at the Mercantile Registry of Asturias.

Environmental impact

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

Specific legislation

Financing of public television

On 28 August 2009, Law 8/2009 on the financing of Corporación de Radio y Televisión Española (''CRTVE Financing Law'') was approved. The purpose of this Law was to eliminate advertising revenue from the financing system of Corporación de Radio y Televisión Española (CRTVE) and to introduce a new system of financing based on funds earmarked for this purpose in the State Budget, supplemented by contributions that must be made by electronic communications operators and television operators with nationwide presence or presence in more than one autonomous community. Also, a percentage of the tax on radio spectrum use is used to finance this Corporation. Lastly, this financing system is supplemented by the funds obtained from the services provided by CRTVE.

The aforementioned Law was implemented by Royal Decree 1004/2010, of 5 August. Article 4 of the aforementioned Royal Decree establishes a rebuttable presumption regarding the geographical location of the activities carried on by electronic communications operators, by virtue of which, and for the purposes of the payment of this contribution, it is presumed that all electronic communications operators registered in the Operators Register carry on their activities at a nationwide level or in more than one autonomous community. In order to guarantee the transparency and legal certainty of electronic communications operators, the Spanish Telecommunications Market Commission (CMT), through a Resolution of 14 October 2010, established the criteria to be used to determine the geographical location of the activities carried on by electronic communications operators pursuant to the aforementioned Law and Royal Decree, stipulating that ''*for the sole purpose of Article 4 of the Royal Decree on the financing of CRTVE, when 75% or more of the gross operating income of an electronic communications operator is obtained from customers domiciled in a single autonomous community, it shall be considered that its activities are not carried on in more than one autonomous community*''.

In relation to TCA, on 11 January 2011 the CMT issued the corresponding official notice stating that Telecable de Asturias is a telecommunications operator that provides its services in the Autonomous Community of Asturias and, therefore, in accordance with the aforementioned Article 4, is exempt from the tax envisaged therein.

European cinema tax

On 31 March 2011, Audiovisual Communications Law 7/2010 was published. Article 5.3 of this Law stipulates that providers of television audiovisual communications services with nationwide or autonomous-community coverage must contribute annually to the early financing of the production in Europe of motion pictures, films, television series, documentaries and animated films and series, with 5% of their earnings from the previous year as per their operating statement, relating to the channels that broadcast these audiovisual productions within seven years from the date of their production.

Based on the aforementioned legislation, and depending on the income earned in the year 2012, an investment obligation amounting to EUR 557,409 was generated in that year. In 2013, the Group has materialised that obligation by the agreements reached for the participation in the co-production of two films amounting to EUR 560,000.

Group structure

The subsidiary company, which has been included in these consolidated financial statements for 2013 and 2012 by the global integration method, as well as its individual information, is as follows:

2013

		Percentage of Direct and Indirect	Thousands of Euros			
			Information on the Company			
	Line of Business and Registered Office	Ownership	Share Capital	Reserves	Losses from previous years	Loss for the Year
Telecable de Asturias, S.A.	Provision of Telecommunications services (Asturias)	82.71%	55,380	55,209	(1,131)	(5,740)

2012

		Percentage of Direct and Indirect	Thousands of Euros		
			Information on the Company		
	Line of Business and Registered Office	Ownership	Share Capital	Reserves	Loss for the Year
Telecable de Asturias, S.A.	Provision of telecommunications services (Asturias)	85.01%	55,380	264,209	(1,131)

Financial year of the consolidated companies-

The financial year of the subsidiary company and of the Parent coincides with the calendar year. Therefore, the reporting date of the individual financial statements used for consolidation purposes is 31 December in 2013.

The data presented in the foregoing table were obtained from the audited separate financial statements of the consolidated companies.

Definition of the scope of consolidation-

At 31 December 2013, the scope of consolidation includes TCA, as a subsidiary, in which TCH holds an 82.71% ownership interest.

2. Basis of presentation of the consolidated financial statements

a) Regulatory financial reporting framework-

These consolidated financial statements were formally prepared by the Board of Directors in accordance with the regulatory financial reporting framework applicable to the Group, which consists of:

a) The Spanish Commercial Code and all other Spanish corporate law.

b) The Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010 and the Spanish National Chart of Accounts approved by Royal Decree 1514/2007.

c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

d) All other applicable Spanish accounting legislation.

b) Fair presentation-

The accompanying consolidated financial statements, which were obtained from the accounting records of TCH and of its subsidiary TCA , are presented in accordance with the regulatory financial reporting framework applicable thereto and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for 2013.

These consolidated financial statements, which were formally prepared by the Board of Directors of TCH and the financial statements of the investee, will be submitted for approval by the sole shareholder of the Parent, and it is considered that they will be approved without any changes. The consolidated financial statements for 2012 were approved by the sole shareholder on 27 June 2013 and were filed at the Mercantile Registry of Asturias.

c) Non-mandatory accounting principles applied-

The Parent's directors formally prepared these consolidated financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. Also, no non-obligatory accounting principles were applied.

d) Basis of consolidation-

The companies over which the Group has effective control by virtue of ownership of a majority of the voting power in their representation and decision-making bodies were fully consolidated.

The basic consolidation bases used were as follows:

1. All the significant balances and transactions between the fully consolidated companies are eliminated on consolidation as follows:

   – ***Reciprocal receivables and payables***

     All the reciprocal receivables and payables of the consolidated subsidiaries were eliminated on consolidation.

   – ***Income and expenses***

     The transactions including the reciprocal income and expenses of the consolidated subsidiaries were eliminated on consolidation.

   – ***Results of intra-Group transactions***

     The results of intra-Group transactions are eliminated and deferred until they are realised vis-à-vis non-Group third parties.

   – ***Dividends***

     Internal dividends are deemed to be dividends recognised as income for the period of a Group company that were distributed by another Group company.

     The dividends received by Group companies relating to profit distributed from prior years are eliminated, since they are considered to be reserves of the recipient company. Interim dividends are eliminated against the related account receivable at the company that distributed them.

2. The accounting principles and policies applied by the Group companies were unified with those applied by the Parent in preparing the accompanying consolidated financial statements.

3. On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognised at acquisition-date fair value. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill, whereas negative differences are recognised in profit or loss on the acquisition date.

4. The interest of non-controlling shareholders in the equity and results of the fully consolidated Group companies, after making the related unification adjustments, is recognised under "Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and under "Profit/Loss Attributable to Non-Controlling Interests" in the accompanying consolidated income statement.

e) Key issues in relation to information and estimation of uncertainty-

The information disclosed in these consolidated financial statements is the responsibility of the Parent's directors.

In the consolidated financial statements for 2013 and 2012 estimates were occasionally made by the Parent's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to the following:

- The useful life of the intangible assets and property, plant and equipment (see Notes 5 and 6).
- The assumptions used in the assessment of possible impairment losses on certain assets (see Note 5 and 6).
- The measurement of certain financial instruments (see Note 7).
- The calculation of the provisions (see note 4.g).
- The recoverability of deferred tax assets (see Note 12).
- The corporate income tax expense (see Note 12).

Although the aforementioned estimates were made on the basis of the best information available at 31 December 2013 on the events analysed, events that take place in the future might make it necessary to significantly change these estimates (*upwards or downwards*) in subsequent years. If necessary, changes in accounting estimates would be applied prospectively.

f) Comparative information-

The information relating to 2012 contained in these notes to the consolidated financial statements is presented for comparison purposes with that relating to 2013.

g) Working capital deficiency and financial situation-

Given the imbalance between dates of collection and payments of the transactions, current liabilities of the companies of the cable industry is generally higher than its current assets. As reflected in the accompanying consolidated balance sheet, the Group was in such situation at 31 December 2013. However, according to the directors of the parent company, difficulties to cope with debt payments in the expiration date are not predicted.

On the other hand, at 31 December, 2013 the group has negative equity up to EUR 13 million. TCH signed a loan contract with its shareholder (see note 11), which will become an equity loan when it fulfils all the legal conditions established in art 363 of the text of the Spanish Corporation Law. The company's Administrators have prepared these financial statements on a going concern basis, given that, in their opinion, the grouṕs ability to recover its assets and fulfil any payment obligation is guaranteed. Additionally, the Group has the capital and financial support of its shareholders in order to meet its existing commitments.

h) Grouping of items-

Certain items in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

i) Changes in accounting policies-

In 2013 there were no changes in accounting policies with respect to those applied in 2012.

j) Correction of errors-

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2012.

3. Allocation of the profits of the Group's Parent

The proposed allocation of the profits for the year that the Parent's directors will submit for approval by the sole shareholder is as follows (in euros):

Basis of allocation	**Euros**
Profits for the year	**4,505,933**

Allocation to	Euros
Legal reserve	**68,400**
Retained Losses	**4,437,533**

4. Accounting policies

The principal accounting policies used by the Group in preparing its consolidated financial statements for 2013, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets-

The Group accounts for its intangible assets as follows:

1. Development expenditure: this is recognised at acquisition cost as incurred and is amortised on a straight-line basis over its useful life (a maximum period of five years). Capitalised development expenditure is specifically itemised by project and the related costs are clearly identified so that they can be allocated over time. However, when there are doubts as to the technical success or the economic and commercial viability of the project, the capitalised expenses are recognised in the consolidated income statement for the period in which such uncertainty exists.

2. Administrative concessions: this line item relates to the rights of use relating to the Oviedo Municipal Council's conduits, which are amortised over a period of 25 years, based on the conduits assigned, and the concessions for exclusive use of the public domain radio spectrum electric frequencies which are amortised over the term of the concessions, i.e. until 2030.

3. Intellectual property – Trademarks: the Group recognises under ''Intellectual Property – Trademarks'' the fair value associated with its commercial trademark ''Telecable'' under which it sells its products and which was recognised within the context of the business combination carried out at the end of 2012.

   The Parent's directors, taking into consideration that the innovations in the field of telecommunications have changed the business approach and that many companies have also decided to change their image and even their trademark, estimate that the remaining useful life of the ''Telecable'' trademark could be 30 years.

4. Goodwill: Business combinations are accounted for by applying the acquisition method, for which the acquisition date is determined and the cost of the combination is calculated, and the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair value.

   Goodwill or gains from a bargain purchase arising from a combination are calculated as the difference between the acquisition-date fair value of the assets acquired and liabilities assumed and the cost of the business combination at the acquisition date.

   The cost of a business combination is the aggregate of:

   The acquisition-date fair value of the assets acquired, the liabilities assumed and the equity instruments issued.

   The fair value of any contingent consideration that depends on future events or on the fulfilment of certain specified conditions.

   The costs incurred to issue equity or debt securities given up in exchange for the items acquired are not included in the cost of a business combination.

   Also, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination or, clearly, any costs incurred internally in this connection. Such amounts are charged directly to profit or loss.

   If the business combination is achieved in stages and, therefore, the acquirer already held an equity interest in the acquiree immediately before the acquisition date (the date on which control is obtained), the goodwill or gain on a bargain purchase is the difference between:

- The cost of the business combination, plus the acquisition-date fair value of any equity interest previously held by the acquirer in the acquiree; and
- The fair value of the identifiable assets acquired less the fair value of the liabilities assumed, determined as indicated above.

Any gain or loss arising from fair value remeasurement of the previously held equity interest in the acquiree on the date control is obtained, is recognised in consolidated profit or loss. If the investment in this investee had previously been measured at fair value, any valuation adjustments not yet recognised in profit or loss will be transferred to the income statement. Also, the cost of a business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held equity interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the balance sheet date.

Goodwill is not amortised and is subsequently measured at cost less any impairment losses recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period. On the basis of the analyses performed, the Group considered that at 31 December 2013 there is no impairment in its goodwill.

If, exceptionally, a gain on a bargain purchase arises from the business combination, it is recognised as income in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer must report in its financial statements provisional amounts for the items for which the accounting is incomplete and the provisional amounts may be adjusted in the period required to obtain the necessary information. However, the measurement period may not exceed one year from the acquisition date.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration has been classified as equity, in which case subsequent changes in its fair value are not recognised.

5. Computer software: the Group recognises under ''Computer Software'' the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the period in which they are incurred. Computer software is amortised on a straight-line basis over four years. The rights of use relating to the Audience Management System TCNet, which are amortised over the term of the contract (normally three years), are recognised under this heading.

6. Other intangible assets:

   The Group recognises the following under ''Other Intangible Assets'':

   a. Optical fibre rights of use: amortised on a straight-line basis over ten years.

   b. Vodafone network rights of use: amortised on a straight-line basis over three years and a half.

   c. Exploitation rights to two film productions: amortised on a straight-line basis over two years, which is the period during which the Group considers that TCA will obtain income from these rights.

   d. Contractual rights with customers: The group recognises in this line item certain commissions for attracting new customers paid to retailers for both fixed and mobile services, subject to certain conditions being met, namely the existence of a direct and unequivocal relationship and guaranteed recovery of the commissions. These commissions are amortised on a straight-line basis over 12 months, for fixed services, and 18 months, for mobile services.

e. Customer relationships arising from the merger process occurred in 2012. This intangible asset is amortised over a period of approximately nine to ten years for fixed service customers and over approximately two to three years for mobile service customers.

At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment (for other assets), the Group tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income. The analysis carried out showed that there was no need to recognise any impairment losses during the year.

The Group recognises the appropriate impairment loss when the recoverable amount of the asset is lower than its carrying amount, provided that this amount cannot be recovered through the generation of sufficient profits to cover all the costs and expenses arising as a result of its use.

Impairment of property, intangible assets

Whenever there are signs of impairment, the Group calculates, by the denominated ''Impairment Test'', if there are any value losses which reduce these assets recoverable value to an amount below its value in books.

Recoverable amount is the higher between fair value less sale costs and value in use.

Due to the business combination that took place in 2012, goodwill arose up to EUR 152,990 thousand, approximately, that has led the Group, based on the applicable accounting legislation, to perform an impairment test in order to determine the recoverability of goodwill as well as other operating assets. This impairment test was based on the generation of future cash flows resulting from five-year projections made by the Group (using assumptions relating to income, costs and investments based on management's experience and future prospects according to the current strategic plan). The main variables used in the calculations, which were reviewed by management and the Board of Directors, were as follows:

- A post-tax discount rate of 8.3% used to calculate the present value of the cash flows, thereby reflecting current market assessments of the time value of money and the risks specific to the asset.
- Year-on-year EBITDA increases of 2.5%-5%, which in all cases are below the increases obtained by the Group in the past.
- The Group considered a perpetual earnings growth rate of 1.8%.
- An investment volume between EUR 25-30 million, depending on the year.
- For tax rate calculation purposes, the Group has taken into account current legislation and the updates which will be implemented in the following years.

In this scenario addressed by Group management no impairment losses arose on goodwill or other intangible and tangible assets held by the Group.

Sensitivity analysis

If there are no changes in the business' hypothesis, a sensitivity analysis has been made on the discount rate and on the growth rate that are applicable to the business cash flows. A 1% change on the discount rate would imply a 13% variation on the business value. On the other hand a -1% change on the growth rate would imply a -11% variation on the business value.

b) Property, plant and equipment-

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated below.

Property, plant and equipment upkeep and maintenance expenses are recognised in the consolidated income statement for the period in which they are incurred. However, the costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Replacements or renewals of items of property, plant and equipment are recognised as assets and the items replaced or renewed are derecognised.

In-house work on non-current assets is measured at accumulated cost by adding the other costs directly attributable to the assets to the acquisition cost of raw materials and other consumables. Replacements or renewals of items of property, plant and equipment are recognised as assets and the items replaced or renewed are derecognised.

The group transfers items of property, plant and equipment in the course of construction to property, plant and equipment in use when the facilities have been brought into service.

Property, plant and equipment in use are depreciated systematically on the basis of the estimated useful life of the assets and by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life
Civil engineering work	20
Network terminal unit	7 to 10
Backbone	20
Distribution centres	8.3
Nodes	10
Distribution network	15
Home fixtures	10.5
Equipment in customer homes	6.67
Furniture and tools	10
Computer hardware	4
Buildings and other structures	40

In 2013, the group has acquired several assets for an amount of EUR 4,275,892 that, as it is described in the technical economic study made by an independent expert, are based on advanced technology which is exposed to an accelerated obsolescence level in its first years of their useful live. Therefore, it has been considered to depreciate these assets by the sum-of-the-years'-digits method.

Impairment of property, plant and equipment

Every year, at year end, as long as there are any signs of impairment, the Group calculates, by the denominated ''Impairment Test'', if there are any value losses which reduce these assets recoverable value to an amount below its value in books, according to methodology described in Note 4a.

At 31 December 2013 the Group has also made an individualised assessment of its assets, in order to identify if it is necessary to register any impairment. A property, plant and equipment impairment has been registered up to EUR 264,912 that correspond to the expected substitution, next year, of the email platform CriticalPath and the TV head Euskaltel (see Note 6).

c) Leases-

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Group acts as the lessee, the cost of the leased assets is presented in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under the lease are allocated to the consolidated income statement for the period in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Operating leases

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

d) Financial instruments-

A "*financial instrument*" is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An "*equity instrument*" is a legal transaction that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial assets-

The financial assets held by the Group are classified in the following categories:

1. Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Group's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

   These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. They are subsequently measured at amortised cost, calculated using the effective interest method, which is the discount rate that exactly matches the initial carrying amount of a financial instrument to all its estimated cash flows of all kinds over the course of its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date, adjusted, where applicable, by the fees and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is estimated in the same way as for fixed rate instruments and is recalculated on each contractual repricing date on the basis of the changes in the future cash flows arising therefrom.

   At least at each reporting date the Group tests these financial assets for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, an impairment loss is recognised in the income statement.

2. Other financial assets: the guarantees provided are recognised in the consolidated balance sheet at their nominal amount since the effect of not discounting future cash flows is not material.

The Group derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred.

Financial liabilities-

Financial liabilities include accounts payable by the Group that have arisen from the purchase of goods or services in the normal course of the Group's business and those which, not having commercial substance cannot be classed as derivative financial instruments.

The accounts payable by the Group are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost. The costs of arranging these liabilities initially reduce their fair value and are taken into consideration subsequently in order to calculate the effective interest rates used to recognise the amortised cost of the financing.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

Derivative financial instruments-

The Group's activities are mainly exposed to interest rate risk, due to the changes in the floating Euribor rate to which its borrowings are tied. In order to cover these exposures, the Group has been using derivative financial instruments, in order to cover from the risk of interest rate fluctuations (see Note 7).

At 31 December 2013, the Group owes two derivatives with a nominal value of EUR 130 million, which are registered as non-hedged derivatives. Thereby, these derivatives are recognised as assets and liabilities within the balance sheet at its fair value. Their value changes must be recognised within the profit and losses account.

In order for these derivative financial instruments to qualify for hedge accounting, they must be initially designated as such and the hedging relationship must be documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item will be almost fully offset by those of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80% to 125% of the gain or loss on the hedged item.

Since 1 January 2013 the Group uses the fair value definition for a financial instrument as the price that would be paid or would be received if that instrument would be transferred to a third party, including credit risk.

In order to determine the adjustment from credit risk a technique based on calculations made from simulations of the total exposition (that includes current and potential exposition) adjusted by the probability of non-compliance over the time and by severity (or potential loss) assigned to the Group and to each counterpart is used. Total expected exposition of derivatives are obtained from market evidences, as interest curves, exchange rates and volatilities from the market conditions at the date of the valuation.

Inputs applied to obtain own and counterpart credit risk (default probability determination) are based, mainly, on the applications of spreads of its own credit and from similar entities currently being negotiated in the market.

This methodology has not had relevant impact on the financial instruments valuation on 1 January 2013.

If the cash flow cover requirements are met, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the consolidated income statement in the same period during which the hedged item affects profit or loss.

Equity instruments-

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recognised in equity at the proceeds received, net of issue costs.

e) Inventories-

Inventories, comprising basically mobile handsets, are measured at the lower of FIFO cost, and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Group recognises the appropriate write-downs as an expense in the consolidated income statement when the net realisable value of the inventories is lower than acquisition cost.

f) Grants, donations and legacies received-

The Group accounts for grants, donations and legacies received from third parties other than the owners as follows:

1. *Non-refundable grants, donations and legacies related to assets*: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for those received from shareholders that are not income.

2. *Operating grants:* They are registered when it is certain that they will be received and will be recorded in the profit and loss account according to when the related expenses are incurred.

The company's administrators believe that the Group has met, and will meet in the future, the conditions established for the grants to become effective in a definite way.

g) Provisions and contingencies-

When preparing the consolidated financial statements the Parent's directors make a distinction between:

1. *Provisions*: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and

2. *Contingent liabilities*: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The consolidated financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

There were no contingent assets or liabilities at 31 December 2013 and 2012 other than those described in these notes to the consolidated financial statements.

h) Income tax-

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax assets are recognised for the deductible temporary differences, for the tax loses generated in the year that may be compensated on the following years and for deductions and other tax benefits not used in the year that remain and may be used on the following years.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability.

i) Revenue and expense recognition-

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

j) Termination benefits-

Under current labour legislation, the Group companies are required to pay termination benefits to employees under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The Group recognised a provision of EUR 13,745 during 2013 which has been registered under the personnel expense account.

k) Current/non-current classification-

In the consolidated balance sheet, assets and liabilities expected to be recovered, consumed or settled within twelve months from the reporting date are classified as current items. If, prior to the reporting date, a liability does not give the Group an unconditional right to defer the settlement for at least twelve months from the consolidated balance sheet date, the liability is classified as a current liability.

l) Discontinued operations-

A discontinued operation is any component of the Group that has been sold or disposed of in any other way or has been classified as held for sale and, among other conditions, represents a line of business or significant area that can be distinguished from the rest.

For operations of this nature, the Group includes in the consolidated income statement under a single heading entitled ''Profit/Loss for the Period from Discontinued Operations Net of Tax'' both the profit or loss after tax of discontinued operations and the gain or loss after tax resulting from the measurement of the operations at fair value less costs to sell or from the sale or disposal of the items constituting the discontinued operation.

Also, when operations are classified as discontinued, the Group presents under the aforementioned heading the amount for the preceding year relating to the operations that have been discontinued at the end of the reporting period to which the consolidated financial statements refer.

m) Related party transactions-

The Group performs all its transactions with related parties (financial, commercial or of any nature) at transfer prices following OECD guidelines in order to regulate transactions with companies in the Group to which it belongs and associates. Also, these transfer prices are adequately supported and, therefore, the Group's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future (see note 11).

n) Consolidated statement of cash flows-

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The normal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

5. Intangible assets

The changes in 2013 and 2012 in "Intangible Assets" in the consolidated balance sheets were as follows:

2013

	Euros			
	Beginning Balance	Additions or Charge for the Year	Disposals or Reductions	Ending Balance
Cost-				
Development expenditure	819,133	180,890	—	1,000,023
Administrative concessions	2,153,885	105,333	—	2,259,218
Patents, licences, trademarks and other	13,644,484	2,457	—	13,646,941
Goodwill	152,990,143	—	—	152,990,143
Computer software	24,971,869	2,514,139	(6,006)	27,480,002
Other intangible assets	109,271,162	6,275,355	(5,279,131)	110,267,386
Advances and intangible assets in progress	394,315	109,250	—	503,565
	304,244,991	**9,187,424**	**(5,285,137)**	**308,147,278**
Accumulated amortisation-				
Development expenditure	(819,133)	(7,334)	—	(826,467)
Administrative concessions	(274,127)	(139,171)	—	(413,298)
Patents, licences, trademarks and other	(494,446)	(457,375)	—	(951,821)
Computer software	(19,637,408)	(3,154,442)	6,006	(22,785,844)
Other intangible assets	(26,071,813)	(17,993,573)	5,279,131	(38,786,255)
	(47,296,927)	**(21,751,895)**	**5,285,137**	**(63,763,685)**
Intangible assets, net	**256,948,064**			**244,383,593**

2012

	Euros				
	Beginning Balance	Additions or Charge for the Year	Disposals or Reductions	Transfers	Ending Balance
Cost-					
Development expenditure	819,133	—	—	—	819,133
Administrative concessions	2,031,007	122,878	—	—	2,153,885
Patents, licences, trademarks and other	13,643,789	695	—	—	13,644,484
Goodwill	152,990,143	—	—	—	152,990,143
Computer software	22,027,673	—	—	2,944,196	24,971,869
Other intangible assets	105,794,783	5,958,131	(2,481,752)	—	109,271,162
Advances and intangible assets in progress	16,649	3,321,862	—	(2,944,196)	394,315
	297,323,177	**9,403,566**	**(2,481,752)**	**—**	**304,244,991**
Accumulated amortisation-					
Development expenditure	(819,133)	—	—	—	(819,133)
Administrative concessions	(139,584)	(134,543)	—	—	(274,127)
Patents, licences, trademarks and other	(35,523)	(458,923)	—	—	(494,446)
Computer software	(16,898,324)	(2,739,084)	—	—	(19,637,408)
Other intangible assets	(9,953,104)	(18,544,460)	2,425,751	—	(26,071,813)
	(27,845,668)	**(21,877,010)**	**2,425,751**	**—**	**(47,296,927)**
Intangible assets, net	**269,477,509**				**(256,948,064)**

Goodwill

At 31 December 2013, the Group had recognised in its assets goodwill of EUR 152,990,143, on which no impairment losses were recognised in 2013 (see Note 4.a).

Main investments

The most significant additions in 2013 relate, mainly, to contractual obligations with customers and the development of computer software needed for the Group's operations.

Disposals in 2013

At 31 December 2013, contractual rights with clients, cost and depreciation, have been disposed for EUR 5,279,131, as well as computer programs that were not in use for EUR 6,006.

Fully amortised assets

At 31 December 2013 and 2012, intangible assets in use included certain fully amortised intangible assets still in use with a total cost and related accumulated depreciation of EUR 21,111,062 and EUR 15,929,589, the detail being as follows:

	Euros	
	2013	**2012**
Computer software	17,947,669	15,086,191
Development expenditure	819,133	819,133
Other intangible assets	2,308,000	—
Patents, licences, trademarks and other	36,260	24,265
Total	**21,111,062**	**15,929,589**

6. Property, plant and equipment

The changes in "Property, plant and equipment" in 2013 and 2012 in the consolidated balance sheets were as follows:

2013

	Euros			
	Beginning Balance	**Additions or Charge for the Year**	**Disposals or Reductions**	**Ending Balance**
Cost-				
Land and buildings	4,919,297	—	—	4,919,297
Network terminal unit	57,206,503	3,557,351	(7,086,658)	53,677,196
Backbone	17,393,354	249,210	—	17,642,564
Distribution centres	17,751,805	631,682	(6,450,406)	11,933,081
Nodes	10,563,159	30,674	(115,776)	10,478,057
Distribution network	72,949,632	2,409,855	—	75,359,487
Home fixtures	67,016,630	6,570,122	(4,413,081)	69,173,671
Equipment in customer homes	46,875,726	6,424,377	(4,793,933)	48,506,170
Machinery	33,923	—	—	33,923
Tools	29,961	—	—	29,961
Furniture	6,259,700	306,093	—	6,565,793
Other installations	1,574,486	1,800	—	1,576,286
Computer hardware	3,320,570	318,438	—	3,639,008
Other property, plant and equipment	6,081,152	—	—	6,081,152
Intangible assets in progress	1,193,895	(381,012)	(63,972)	748,911
	313,169,793	**20,118,590**	**(22,923,826)**	**310,364,557**
Accumulated depreciation-				
Land and buildings	(976,536)	(102,696)	—	(1,079,232)
Network terminal unit	(37,329,109)	(4,659,658)	5,659,912	(36,328,855)
Backbone	(6,579,739)	(1,037,223)	—	(7,616,962)
Distribution centres	(15,440,342)	(1,113,156)	6,210,751	(10,342,747)
Nodes	(8,461,719)	(509,812)	103,689	(8,867,842)
Distribution network	(30,136,876)	(5,018,865)	—	(35,155,741)
Home fixtures	(32,787,680)	(6,815,046)	2,218,736	(37,383,990)
Equipment in customer homes	(32,105,152)	(5,042,848)	4,230,109	(32,917,891)
Machinery	(30,961)	(526)	—	(31,487)
Tools	(25,559)	(1,089)	—	(26,648)
Furniture	(1,209,535)	(71,115)	—	(1,280,650)
Computer hardware	(2,490,219)	(389,026)	—	(2,879,245)
Other installations	(3,267,311)	222,396	(12)	(3,044,927)
Prematurity (years 2000 and 2001)	156,035	(43,838)	—	112,197
	(170,684,703)	**(24,582,502)**	**18,423,185**	**(176,844,020)**
Property, plant and equipment impairment	**(624,180)**	**(264,912)**	**624,180**	**(264,912)**
Property, plant and equipment, net	**141,860,910**			**133,255,625**

2012

	Euros				
	Beginning Balance	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfers**	**Ending Balance**
Cost-					
Land and buildings	4,919,298	—	—	—	4,919,298
Network terminal unit	51,706,795	—	—	2,909,641	54,616,436
Backbone	18,483,404	—	—	984,692	19,468,096
Distribution centres	17,188,627	—	—	267,434	17,456,061
Nodes	9,862,911	—	—	71,519	9,934,430
Distribution network	77,665,815	—	—	3,016,752	80,682,567
Home fixtures	61,630,964	—	—	6,543,663	68,174,627
Equipment in customer homes	43,218,065	—	(3,947,942)	5,390,833	44,660,956
Machinery	37,020	—	—	—	37,020
Other fixtures	8,231,377	—	(948,213)	1,210,023	8,493,187
Computer hardware	3,238,604	—	—	294,615	3,533,219
Advances and intangible assets in progress	1,558,753	20,324,314	—	(20,689,172)	1,193,895
	297,741,633	**20,324,314**	**(4,896,155)**	—	**313,169,792**
Accumulated depreciation-					
Land and buildings	(873,839)	(102,697)	—	—	(976,536)
Network terminal unit	(33,018,471)	(4,310,638)	—	—	(37,329,109)
Backbone	(5,809,251)	(770,488)	—	—	(6,579,739)
Distribution centres	(14,120,429)	(1,319,913)	—	—	(15,440,342)
Nodes	(7,859,722)	(601,997)	—	—	(8,461,719)
Distribution network	(26,137,013)	(3,999,863)	—	—	(30,136,876)
Home fixtures	(25,649,057)	(7,138,623)	—	—	(32,787,680)
Equipment in customer homes	(29,982,986)	(3,965,239)	3,277,370	—	(30,670,855)
Machinery	(29,509)	(1,452)	—	—	(30,961)
Other fixtures	(3,911,252)	(2,647,045)	621,596	—	(5,936,701)
Computer hardware	(2,131,868)	(358,351)	—	—	(2,490,219)
Prematurity (2000 and 2001)	204,328	(48,293)	—	—	156,035
	(149,319,069)	**(25,264,599)**	**3,898,966**	—	**(170,684,702)**
Impairment losses recognised on equipment in customer homes (Euro DOCSIS equipment)	—	**(624,190)**	—	—	**(624,190)**
Property, plant and equipment, net	**148,422,564**				**141,860,900**

Main investments

The most significant additions in 2013 relate to the acquisition of infrastructure and equipment for the development of the cable network, the modernisation of the equipment installed in customers' homes and all the items composing the Group's operating infrastructure.

At the end of the year the assets under construction were mainly clients' equipment pending to be installed.

Disposals

The main disposals in 2013 relate to:

- Installations in subscribers who are not subscribed anymore homes, which had a net book value of EUR 2,194,345.

- Certain obsolete plant items, network terminal units and distribution centres related to Eurodocsis technology, with a carrying amount of EUR 1,678,489 and a related impairment of EUR 624,180 that was registered in 2012.
- Customers' home equipment with a carrying amount of EUR 563,825.
- Obsolete storage equipment without rotation up to EUR 63,972.

The result from these disposal was recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets-Gains or losses on disposals and other" in the accompanying consolidated income statement for 2013.

Impairment

During 2013, impairment losses were recorded for EUR 264,912 according to the following detail:

- EUR 136,763 relate to the webmail platform CriticalPath, which renovation is scheduled for 31 March 2014.
- EUR 96,242 relate to the expected disposal at 31 December 2014 of Euskaltel's network terminal units according to the contract signed with the supplier.
- The other amount is related to the disposal of obsolete objects, whose value was not relevant.

The expense related to these impairment is registered under "Impairment and Gains or Losses on Disposals of Non-Current Assets-Gains or losses on disposals and other" in the accompanying consolidated income statement for 2013.

Fully depreciated property, plant and equipment

At 31 December 2013 and 2012, the Group had the following fully depreciated items of property, plant and equipment still in use:

	Euros	
	2013	**2012**
Network terminal unit	19,312,790	14,037,585
Backbone	210,668	210,668
Distribution centres	8,754,152	7,671,107
Nodes	5,465,895	5,043,523
Distribution network	3,812,378	1,461,602
Home fixtures	15,008,428	7,647,086
Equipment in customer homes	20,166,203	14,626,865
Machinery	28,658	28,658
Tools	19,305	18,845
Furniture	859,884	791,782
Computer hardware	2,094,724	1,834,953
Other installations	932,437	776,533
Total	**76,665,522**	**54,149,207**

Insurance policy

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The policies arranged at 31 December 2013 and 2012 year-end are considered to adequately cover the risks related to the Group's activities.

Finance leases

At 31 December 2013 and 2012, the Group was using the following assets under finance leases:

2013

			Euros				
Asset	Lease Term in Months	Months Elapsed until 31/12/13	Original Cost of the Asset	Lease Payments Paid in Prior Years	Lease Payments Paid in 2013	Lease Payments Outstanding, Including Amount of Purchase Option (Note 11)	Amount of Purchase Option
Cisco Proyecto Liberbank equipment	24	14	409,085	31,677	193,886	183,522	16,923
Cisco Proyecto Liberbank equipment	24	14	66,719	5,166	31,621	29,932	2,760
Cisco Proyecto Liberbank equipment	24	13	116,341	4,497	54,978	56,866	4,814
Cisco Proyecto Liberbank equipment	24	12	638,281	—	311,027	327,254	100
			1,230,426	**41,340**	**591,512**	**597,574**	**24,597**

These assets are registered under "Technical installations and other property, plant and equipment" in the consolidated balance sheet.

The Group intends to exercise the purchase option on expiry of the finance leases.

Obligations under finance leases-

The outstanding finance lease payments and purchase options at 31 December 2013 in relation to finance leases arranged and in force at that date amounted to EUR 597,574, according to the following detail,

	Euros	
Falling Due Within One Year	**2013**	**2012**
2013	—	644,821
2014	597,574	270,364
	597,574	**915,185**

The outstanding amount at December 2013 includes a balance of EUR 270,364 related to other debts with related parties (see Note 11), which are registered under the epigraph "Obligations under financial leases" of the consolidated balance attached.

Their nominal value does not differ significantly from their present value.

7. Financial assets

Non-current financial assets-

The detail of "Non-Current Financial Assets" in the accompanying consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Equity instruments	1,715	47,887
Other financial assets	3,966,042	45,054
Total	**3,967,757**	**92,941**

The balances of ''Non-Current Financial Assets – Equity Instruments'' in the accompanying balance sheets at 31 December 2013 relate to investments in the equity of certain companies which are measured at acquisition cost. These companies are not listed on any stock exchange.

The balances of ''Non-Current Financial Assets – Other Financial Assets'' in the accompanying consolidated balance sheets at 31 December 2013 relate to guarantees, measured at the amount given, which does not differ significantly from their fair value. In December 31, 2013, the Group has registered EUR 3,923,506 for a loan dated 22 February 2013 and due 2030, given to certain members of the management team of the Company amounting to EUR 3,760,048 and EUR 163,458 for interest accrued at the rate of 5% annually until 31 December 2013

Current financial assets-

At 31 December 2013 and 2012 ''Current Financial Assets – Other Financial Assets'' in the accompanying consolidated balance sheet include EUR 41,218 and EUR 40,515 that correspond to guarantees measured at the amount given.

Cash equivalents-

At December 31, 2013 and 2012, ''Cash Equivalents'' include EUR 22,451,967 and EUR 24,090,257 in relation to term deposits with a maturity of less than three months that form part of the Group's normal cash management arrangements. The carrying amount of these assets approximates to their fair value. There are no restrictions on their availability.

Information on the nature and level of risk of financial instruments-

The Group's activities are exposed to various financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of financial markets and endeavours to minimise the potential adverse effects on its profitability.

Cash flow interest rate and fair value interest rate risk: The Group's interest rate risk arises mainly from non-current borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. However, borrowings bearing interest at fixed rates expose the Group to fair value interest rate risk. In 2013 the Group's floating-rate borrowings were denominated in euros, so there is no exposure to exchange rate risk.

Information on the financing that the Group had obtained at 31 December 2013 is disclosed in Note 9. Of this financing, the loan arranged with a banking syndicate bears interest at a floating rate tied to market rates.

The Group began to manage the cash flow interest rate risk arising on the aforementioned loan through floating-to-fixed interest rate swaps. The economic effect of these interest rate swaps is to convert borrowings at floating rates into fixed-rate borrowings. In general, the Group obtains long-term borrowings at floating rates and swaps them for fixed rates that are lower than those that would have been available had the Group obtained the borrowings directly at fixed rates. Under the interest rate swaps, the Group undertakes with other parties to swap, at certain intervals of time (generally quarterly), the difference between the fixed interest and the floating interest calculated on the basis of the notional principal amounts arranged.

Credit risk: arises from cash and cash equivalents, deposits at banks and trade receivables. With regard to banks, the Group uses the ratings assigned by independent agencies. If the customers have been rated independently, these ratings are used. Otherwise, the Group evaluates the creditworthiness of the customer, taking into account its financial position, past experience and other factors. The individual credit limits are established on the basis of internal and external ratings and the use of these limits is monitored on a regular basis.

Liquidity risk: prudent management of liquidity risk ensures that sufficient cash and marketable securities are held and financing is available through a sufficient level of committed credit facilities. Management monitors the Group's projected liquidity reserve on the basis of its expected cash flows.

At 31 December 2013, the Group had cash and cash equivalents amounting to approximately EUR 29 million.

Derivative financial instruments-

The detail of the interest rate derivatives arranged by the Group is as follows:

			Euros		
				Fair Value	
Entity	Expiry	Type	Amount Arranged	Assets	Liabilities
BNP	2015	Swap	75,000,000	—	(1,520,031)
Unicredit	2015	Swap	75,000,000	—	(1,520,031)
				—	**(3,040,062)**

The fair value of the derivatives arranged at 2013 year-end is recognised under "Non-Current Liabilities – Non-Current Payables – Derivatives" in the accompanying balance sheet at 31 December 2013 and the related effect on profit or loss is recognised under "Change in Fair Value of Financial Instruments" in the consolidated income statement for 2013, given that they do not comply with the requirements to be considered as hedge derivatives.

At 31 December 2013, the par value of derivatives amounted to EUR 130 million.

Interest rate sensitivity analysis.

Variations in the fair value of derivatives of interest rate for the Group depend on the variation curve of the Euribor interest rates and long-term swaps. The fair value of these derivatives at 31 December 2013 is EUR 3,040 thousand.

In the following figure, a sensitivity analysis is shown (variations in the fair value at 31 December 2013) of the fair values due to changes in the interest rates curves. The Group considers that a reasonable variation during 2013 is +0,5% and -0,1%.

Sensitivity (euros, pretax)	**31.12.2013**
+0.5% (increase in interest rate curve)	1,007,504.16
-0.1% (decrease in interest rate curve)	(203,066.62)

The sensitivity analysis shows that interest rates derivatives suffer a decline in its fair value when interest rates increase and, therefore, the Group would compensate the increase of interest rates in its financing. If interest rates decrease, the fair value would increase.

8. Equity and shareholders' equity

a) Share capital-

The Parent was incorporated by public deed on 15 April 2011 with a share capital of EUR 3,000, represented by 100 registered shares of EUR 30 par value each. Subsequently, on 28 December 2011, capital was increased by issuing 11,300 new shares of EUR 30 par value each, with a share premium of EUR 2,978.85 each. Thus, at 31 December 2011 the share capital of the Parent amounted to EUR 342,000, represented by 11,400 fully subscribed and paid shares of EUR 30 par value each, numbered sequentially from 1 to 11,400, inclusive, of which 11,300 fully paid shares each had a share premium of EUR 2,978.85. At 31 December 2013 and 2012, the Parent's capital structure was as follows:

	Percentage of Ownership
CEP III Investment 18 S.à.r.l.	**100%**

The ultimate shareholder of CEP III Investment 18 S.à.r.l. is a venture capital entity managed by the Carlyle Group.

b) Loss attributable to the Parent-

The contribution of each consolidated company to the consolidated loss for 2013 was as follows (in euros):

Company	Accounting Loss	Consolidation Adjustments	Contribution to Consolidated Loss
Telecable Capital Holding, S.L.U.	4,505,933	(23,121,796)	(18,615,863)
Telecable de Asturias, S.A.	(5,739,511)	731,424	(5,008,087)
	(1,233,578)	**(22,390,372)**	**(23,623,950)**

c) Non-controlling interests-

The balance of ''Non-Controlling Interests'' in the consolidated balance sheet includes the value of the investment of non-controlling interests in fully consolidated companies. Also, the balance of ''Loss Attributable to Non-Controlling Interests'' in the consolidated income statement represents the share of non-controlling interests in the profit or loss for the year.

The changes in ''Non-Controlling Interests'' in 2013 and 2012 in the consolidated balance sheets were as follows:

2013

	Euros			
	Beginning Balance	Increases	Reductions	Ending Balance
Telecable de Asturias, S.A.	**26,657,227**	**1,693,053**	**(31,339,690)**	**(2,989,410)**

2012

	Euros			
	Beginning Balance	Increases	Reductions	Ending Balance
Telecable de Asturias, S.A.	**26,925,170**	**(267,943)**	**—**	**26,657,227**

9. Bank borrowings

On 28 December 2011, the Group entered into a loan totalling EUR 218,500,000 with a banking syndicate.

In relation to this financing, the Group had pledged the collection rights on bank accounts, insurance contracts and its purchase and sale agreement, and had granted a security interest over the collection rights arising on certain service agreements, a promise to mortgage certain property. At the date of preparation of these consolidated financial statements the directors do not consider that there are any indications that these guarantees and pledges will be enforced.

The syndicated loan's clauses include the achievement of certain ratios relating to the consolidated financial information of the Group. The directors of the company declare that these ratios were fully met at 31 December 2013.

Other debts with credit institutions

In addition to the syndicated loan, on 28 December 2011, Liberbank granted a EUR 50,000,000 loan to the company due 2021, when the Group will be required to repay the principal plus the interest accrued, which will be capitalised to the principal owed. However, there is a mandatory early repayment clause requiring to allocate $66^{2/3}\%$ of the surplus cash flow (as defined in the loan agreement) for each year to repay the loan principal, provided the most recent debt coverage ratio (as established in the senior financing agreement calculated *pro forma* as if the repayment in question had already occurred) is equal to or less than 2 and there is no non-performance of the syndicated loan

(to which it is subordinated) that has not been remedied or approved by the banks forming the syndicate and the payment in question will not lead to the non-performance of the senior financing agreement. For these purposes, as we mentioned previously this ratio has been fulfilled
so the early repayment clause is not applicable. The applicable interest rate is 8.5% per year, although this rate may be reduced to 7.5%, depending on the debt coverage ratio.

Outstanding debt and maturity schedule

At 31 December 2013, the sum of the debt with credit institutions was EUR 221,465,234 of which EUR 209,549,734, are registered in ''Non-Current Payables – Bank borrowings'' and EUR 11,915,500 are registered under ''Current Payables – Bank borrowings'' of the consolidate balance attached.

The charge for the accrued interest of the group on 2013, is EUR 13,802,337 that have been registered in the ''Financial expenses'' of the consolidated income statements, applying an interest rate of Euribor 1 month plus a market spread.

The repayment schedule established for the loans at 31 December 2013 are listed below:

Maturing in	**Euros**
2014	11,915,501
2015	13,169,764
2016	16,305,422
2017	15,678,291
2018 and subsequent years	164,396,256
	221,465,234

10. Other current and non-current payables

Other non-current financial liabilities-

The detail of ''Non-Current Payables – Other Financial Liabilities'' on the liability side of the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Ministry of Industry refundable advances	368,086	417,495
Long-term guarantees	13,375	13,392
Total	**381,461**	**430,887**

On 19 September 2005, the Spanish Ministry of Industry, Tourism and Trade granted the Group an interest-free loan of EUR 351,946, repayable over 13 years, with a three-year grace period for the repayment of the principal. In the accompanying consolidated balance sheet at 31 December 2013, the portion of this loan maturing at more than one year (EUR 131,808) is classified under ''Non-Current Payables – Other Financial Liabilities'' and the portion maturing in 2014 (EUR 35,195) is classified under ''Current Payables – Other Financial Liabilities''.

Also, on 2 December 2008, the Ministry of Industry, Tourism and Trade granted the Group an interest-free loan of EUR 535,020, repayable over 15 years, with a 3-year grace period for the repayment of the principal. In the accompanying consolidated balance sheet at 31 December 2013, the portion of this loan maturing at more than one year (EUR 236,278) is classified under ''Non-Current Payables – Other Financial Liabilities'' and the portion maturing in 2012 (EUR 29,151) is classified

Other current financial liabilities-

The detail of "Current Payables – Other Financial Liabilities" on the liability side of the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Ministry of Industry refundable advances	64,346	70,679
Short-term payables to non-current asset suppliers	12,712,661	14,617,138
Total	**12,777,007**	**14,687,817**

The balances relating to refundable advances correspond to amounts claimable at short term arising from the subsidised loans referred to in the foregoing section of this note.

The short-term payables to non-current asset suppliers at 31 December 2013 and 2012 relate mainly to amounts payable in relation to investments made in the year.

11. Related companies

The detail of the balances with Group companies at 31 December 2013 and 2012 is as follows:

	Euros	
Epígrafe/ Empresa	**2013**	**2012**
Cash and cash equivalents-		
Liberbank, S.A.	**26,573,162**	**20,107,363**
Long term Group Debts-		
Liberbank, S.A. (Note 9)	**(58,775,844)**	**(54,357,047)**
Loans-		
CEP III Investment 18 Finance S.à r.l.	**(135,602,448)**	**(117,701,944)**
Long term leasing suppliers -		
Liberbank, S.A. (Note 6)	**—**	**(270,364)**
Short term leasing suppliers -		
Liberbank, S.A. (Note 6)	**(270,321)**	**(644,821)**

The detail of significant transactions with Group companies and affiliates for the years 2013 and 2012 is the one presented below:

	Euros	
	2013	**2012**
Expenses-	**(22,541,818)**	**(15,874,171)**
Leasing	(40,610)	(25,470)
Operating rental	—	(53,975)
Financial expenses	(265)	—
Financial services	(181,643)	(220,282)
Loan interest	(4,418,796)	—
Loan interest – CEP	(17,900,504)	(15,574,444)
Income-	**3,908,167**	**2,252,975**
Telecommunication services income	3,529,621	1,441,050
Financial income	378,546	187,610
Income from personnel in commission services	—	621,115
Advertisement income	—	3,200

On 28 December 2011, the Group arranged a subordinated loan of EUR 102,000,000 with CEP III Investment 18 Finance S.à.r.l. This loan bears interest at an annual rate of 15% and has an established maturity of 20 years, after which time the total principal plus the accrued interest must be repaid. However, the aforementioned agreement envisages the possibility of the loan being converted into a participating loan according to Real Decreto-ley 7/1996, from 7 June at the request of the lender. The full amount of this loan and EUR 33,602,448 relating to accrued interest payable were recognised under "Non-Current Payables to Group Companies and Associates" in the accompanying consolidated balance sheet at 31 December 2013.

Unincorporated temporary joint ventures (UTEs)

At 31 December 2013, the Group had a 60% interest in the UTE Telecable-Auna-BT, which engages in the provision of telecommunications services in Asturias.

At 31 December 2013, the Group had an 82% interest in the UTE Telecable-Vodafone, which engages in the provision of fixed and mobile telecommunications services to a corporate customer.

The Group's share of the UTE's assets, liabilities, expenses and income was included in these consolidated financial statements although the Parent's directors consider that the impact thereof is scantly material. The balance sheets and income statements of these UTEs at 31 December 2013 are as follows:

UTE TELECABLE – AUNA-BT

BALANCE SHEET AT 31 DECEMBER 2013 AND 2012

(Euros)

ASSETS	**2013**	**2012**
Trade and other receivables	**417,197**	**376,720**
Trade receivables for sales and services	389,060	389,428
Other accounts receivable from public authorities	28,137	9,292
Current financial assets	**715**	**715**
Other financial assets	715	715
Cash and cash equivalents	221,667	241,423
TOTAL CURRENT ASSETS	639,579	620,858
TOTAL ASSETS	**639,579**	**620,858**

EQUITY AND LIABILITIES	**2013**	**2012**
Current payables	**(867)**	**(629)**
Trade and other payables	**640,446**	**621,487**
payable to suppliers	12,252	12,252
payable to suppliers – Group companies and associates	580,746	561,798
Sundry accounts payable	47,448	47,437
TOTAL CURRENT LIABILITIES	**639,579**	**620,858**
TOTAL EQUITY AND LIABILITIES	**639,579**	**620,858**

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Euros)

	2013	2012
CONTINUING OPERATIONS		
Revenue	476,794	478,930
Procurements	(476,794)	(478,930)
Other operating income	8,505	7,281
Other operating expenses	(8,505)	(8,318)
LOSS FROM OPERATIONS	**—**	**(1,037)**
Finance income	—	1,037
FINANCIAL PROFIT	**—**	**1.037**
PROFIT/LOSS BEFORE TAX	**—**	**—**
PROFIT/LOSS FOR THE YEAR	**—**	**—**

UTE – TELECABLE – VODAPHONE

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Euros)

ASSETS	**2013**	**2012**
Trade and other receivables	**75,110**	**52,568**
Trade receivables for sales and services	72,339	51,486
Other accounts receivable from public authorities	2,771	9
Other receivables	—	1,073
Cash and cash equivalents	**44,294**	**5,494**
TOTAL CURRENT ASSETS	**119,404**	**58,062**
TOTAL ASSETS	**119,404**	**58,062**

EQUITY AND LIABILITIES	**2013**	**2012**
Current payables	**(32,833)**	**(15,227)**
Trade and other payables	**152,237**	**73,289**
Payable to suppliers	73,659	23,465
Payable to suppliers – Group companies and associates	77,426	48,259
Sundry accounts payable	1,152	1,152
Other payables	—	413
TOTAL CURRENT LIABILITIES	**119,404**	**58,062**
TOTAL EQUITY AND LIABILITIES	**119,404**	**58,062**

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Euros)

	2013	2012
CONTINUING OPERATIONS:		
Revenue	170,201	170,201
Procurements	(170,201)	(170,201)
Other operating income	2,618	1,073
Other operating expenses	(2,618)	(1,117)
LOSS FROM OPERATIONS	—	**(44)**
Finance income	—	44
FINANCIAL PROFIT/LOSS	—	—
PROFIT/LOSS BEFORE TAX	—	—
PROFIT/LOSS FOR THE YEAR	—	—

12. Tax matters

Current tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2013 and 2012 is as follows:

	Euros	
Concept	**2013**	**2012**
Tax receivables-	**256,012**	**277,554**
VAT/IGIC	20,867	277,554
Income tax	235,145	—
Tax payables-	**2,134,074**	**854,556**
VAT	750,887	296,972
Personnel income tax withholdings	130,503	120,812
Other	1,252,684	436,772
Social Security Payables	**179,676**	**153,660**

Reconciliation of the accounting loss to the tax loss-

Income tax is calculated on the basis of the accounting profit/loss determined by application of generally accepted accounting principles and which does not necessarily coincide with the taxable profit/tax loss.

The reconciliation of the consolidated accounting loss for the period from the date of incorporation (see Note 1) to 31 December 2013 and 2012 to the estimated loss for income tax purposes and the reconciliation of the accounting loss for this period to the Group's tax loss is as follows:

Concept	Euros		
	Increase	(Decrease)	Amount
Consolidated loss for the year before tax			**(26,616,319)**
Permanent differences	**179,446,140**	**(3,758,001)**	**175,688,139**
Arising from Telecable de Asturias	29,597	—	29,597
TCH individually considered	156,754,375	(3,758,001)	152,996,374
Consolidation differences	22,662,168	—	22,662,168
Temporary differences	**31,647,246**	**(2,171,737)**	**29,475,509**
Arising from Telecable de Asturias	31,647,246	(2,171,737)	29,475,509
Tax loss			**178,547,329**
Previous year negative results compensation			**(1,569,296)**
TCH individually considered			(1,569,296)
Tax charge at 30%			**53,093,410**
Estimated net tax			**53,093,410**
Less – Tax credits			(46,921,140)
Less – Tax withholdings and pre-payments			(5,209,947)
Consolidated current tax liability (*)			**962,323**

(*) Payable taxes are registered under "Current taxes payables" for EUR 972,325 and "Other tax credits" for EUR (10,002).

The permanent differences of TCH, correspond to positive adjustments made to the accounting loss as a result of the different accounting and tax value of the investment the Company has in TCA according to what it is established in art 14.1.j) of Spanish Income Tax Law, introduced by Law 16/2013, 29 October which establishes several environmental tax measures as well as other tax and financial matters, which is in force since 1 January 2013.

In 2013, TCH registered a gain from the dividend distributed by its subsidiary (TCA) for EUR 177,660,310, which has generated a deduction for double imposition of dividends up to the tax charge at 30%, EUR 53,298,093, according to what it is established in article 30.1 of the Income Tax Law. From the deduction that has been generated, the company has used EUR 46,921,140 in 2013 income tax liquidation and EUR 6,376,953 are pending to be compensated.

On the other hand, TCH has used in 2013 negative results from previous years which were pending to be used since 2011 for EUR 1,569,296.

Permanent differences corresponding to TCA are related to non-deductible fines, as it is stated in article 14 of the Income Tax Law.

Positive temporary differences of TCA relate, mainly, to the different criteria, between tax and accounting criteria, of certain expenses (personnel provisions), as well as to the different criteria relating to property, plant and equipment depreciation expenses and 2013 depreciation of certain elements which value was increased due to a business combination that took place in 2012.

Negative temporary differences of TCA, mainly correspond to the depreciation of certain assets that were devalued as a result from the merger operation that took place in 2012, to the goodwill's (generated from Oviedo de Cable merger) depreciation, to the reversion of the different timing criteria between tax and accounting expenses (personnel costs and extraordinary expenses), to the different tax and accounting depreciation criteria for R&D related to Infoternera Project as a consequence of the application of the free depreciation regime established in the Income Tax Law for these kind of assets, as well as to the reversion of the temporary positive differences in previous years of certain property, plant and equipment assets due to the different accounting and tax criteria.

The reconciliation of the accounting loss for 2012 to the estimated taxable profit for income tax purposes is as follows:

2012

	Euros		
	Increase	**(Decrease)**	**Amount**
Consolidated loss for the year before tax	—	—	(31,766,088)
Permanent differences	**27,390**	**—**	**27,390**
Arising from Telecable de Asturias	27,390	—	27,390
Temporary differences	**46,815,080**	**(4,433,955)**	**42,381,125**
Arising from Telecable de Asturias	24,068,048	(4,433,955)	19,634,093
Arising from TCH	22,747,032	—	22,747,032
Tax loss			**10,642,427**
Tax charge at 30%			**3,192,728**
Estimated net tax			**3,192,728**
Less – Tax credits			205,933
Less – Tax withholdings and pre-payments			2,207,619
Consolidated current tax liability			**779,176**

Reconciliation of the accounting loss to the income tax expense

The reconciliation of the accounting loss to the income tax expense is as follows:

	Euros	
	2013	**2012**
Consolidated loss for the year before tax	(26,616,319)	(31,766,088)
Permanent differences	153,025,971	27,390
Consolidation differences	22,662,168	—
Temporary differences	29,475,509	42,381,125
Consolidated loss for the year before tax	**178,547,329**	**10,642,427**
Tax charge at 30%	**53,564,199**	**3,192,728**
Consolidated current tax expense (30%)	**53,564,199**	**3,192,728**
Changes in temporary differences in the year	(8,842,653)	(12,714,338)
Dividends deductions	(46,921,140)	(286,852)
Income tax expense (benefit) recognised in profit or loss	**(2,199,594)**	**(9,808,462)**
2012 Income Tax regularisation Telecable de Asturias, S.A. (*) III	**(520,980)**	**—**
Consolidation adjustments	**(271,795)**	**—**
Total income tax expense (benefit) recognised in profit or loss	**(2,992,369)**	**(9,808,462)**

(*) On 25 July 2013, in order to adjust the accounting of Income Tax made at 31 December 2012 to the one presented in the income tax declaration some adjustments were made, mainly R&D deductions.

Deferred tax assets recognised

The changes in 2013 and 2012 in ''Deferred Tax Assets'' in the consolidated balance sheets were as follows:

2013

	Euros			
	Beginning Balance	**Business Combi-nations (Note 5)**	**(Decrease)**	**Ending Balance**
Deductible temporary differences (*)	223,481	—	(42,450)	181,031
Differences in depreciation and amortisation criteria(*)	1,201,666	2,370,439	(52,452)	3,519,653
Business Combination (Note 1)	1,738,258	—	(277,256)	1,461,002
Differences in non-deductible finance costs (**)	6,542,696	—	(446,761)	6,095,935
Tax loss carryforwards	543,347	—	(470,789)	72,558
Total	**10,249,448**	**2,370,439**	**(1,289,708)**	**11,330,179**

(*) Among decreases, there are EUR 33,908 related to 2012 income tax regularisation, presented in 2013.
(**) The EUR 446,761 decrease is related to 2012 income tax regularisation, presented in 2013.

Some of the movements in this epigraph for 2013 come from some changes in tax regulations that have had impact on the consolidated Group income tax:

- On the one hand, Law 16/2012 of December 27th, that establishes some measures related to public finance consolidation and economic activity growth, brought a limitation on the depreciation expense that is tax deductible for 2013 and 2014, that consists on the intangible assets, property, plant and equipment and investment property depreciation, in 2013 and 2014 for those entities that do not comply with the requirements established in points 1, 2 or 3 of article 108 of the income tax law, to be tax deductible up to 70% of the total depreciation expense. This limitation is also applicable for the depreciation of these assets that are depreciated as established in articles 111, 113 and 115 of the Income Tax Law when the tax payer does not comply with the requirements established to be considered as a reduced dimension company in the tax period. Accounting depreciation that is not deductible according to this article will be lineally deducted for a 10 year period or, optionally, during the asset's whole useful life, from the tax period beginning in 2015.

  As stated above, the company in 2013 has registered a deferred tax asset for EUR 2,305,851, that correspond to accounting depreciation that was not tax deductible this year due to the described limitation.

- On the other hand, Real Decreto- ley 12/2012 30 March which introduces several tax and administrative measures in order to reduce public deficit establishes, starting 1 January 2012, a limitation to financial expenses up to 30% of the operating benefit of the year, understood as the result in the profit and loss account according to the commercial code and other regulations, eliminating property, plant and equipment depreciation, imputation of non-financial property, plant and equipment grants and others, impairment and property, plant and equipment sales results and adding financial income on equity investments as long as they relate to dividends from entities in which the company participates by, at least, 5% or which the acquisition value of the participation is greater than EUR 6 million, except for those participations that have been acquired with debts which financial expenses are not deductible according to letter h) from part 1, article 14 of this law, being, in every case, deductible net financial expenses for a one year tax period for EUR 1 million. Net financial expenses that have not been deducted may be deducted in the tax period finishing in the following 18 years, with the ones of the year, and up to the limit established and, additionally, if net financial expenses of the year do not reach the established limit, the difference between this limit and financial expenses will be added to the

deduction of net financial expenses in the tax years finishing in the following 5 years until this difference disappears. The Group, 2013 year end, has a tax ability pending to be used of EUR 38,063 thousand, that correspond to the difference between the indicated limit in 2013 and the net financial expenses of the tax years that may be recovered in the following 5 years. Additionally, the Group has registered in its Balance deferred tax assets generated in 2012 for EUR 6,095,935, that correspond to 30% of the difference between 30% of the operating benefit generated in 2012 by the tax consolidation group in which the company was the head company, and the net financial expenses of this tax period which will be recovered in the following 18 years.

Deferred tax liabilities

The changes in 2013 and 2012 in ''Deferred Tax Liabilities'' in the consolidated balance sheets were as follows:

2013

	Euros			
	Beginning Balance	**Increase**	**(Decrease)**	**Ending Balance**
Business Combination (Note 1)	31,798,449	—	(4,208,312)	27,590,137
Finance Leases (*) (**)	610,611	—	(247,684)	362,927
Goodwill tax depreciation	29,162	4,860	—	34,022
Accelerated Depreciation (**)	15,063,030	—	(2,544,682)	12,518,348
Grants related to assets and refundable advances (Note 8)	771,022	—	(135,854)	635,168
Accelerated Depreciation of R&D	—	52,067	—	52,067
Other	(2,112)	—	—	(2,112)
Total deferred tax liabilities	**48,270,162**	**56,927**	**(7,136,532)**	**41,190,557**

(*) Under ''Financial Leases'' there is the incentive of accelerated depreciation established in Disp,11th Additional CIT Law, applied to assets under finance lease contracts initiated in 2009.

(**) Within decreases, an amount of EUR 1,112, associated with the adjustments on the income tax of 2012, presented in 2013 is included. In addition, an amount of EUR 3,766 is included in the year increases by the same concept.

In 2013 a deferred tax liability has been recorded derived from the temporary difference concerning the implementation of the freedom of tax depreciation of the research and development expenses registered as intangible assets in 2013, which relates to the INFOTERNERA project, financed by CDTI.

Years open for review and tax audits-

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired.

Taking this into consideration, at 31 December 2013, the Parent had all the taxes applicable to it since its incorporation open for review by the tax authorities (see Note 1). The other Group companies had all years since 2009 open for review by the tax authorities (plus 2009 for income tax).

The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

13. Income and expenses

a) Revenue-

The detail, by business line, of the revenue for 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Residential segment	102,070,539	102,145,503
Company segment	31,306,110	26,422,445
	133,376,649	**128,567,948**

b) Other income-

"Other Operating Income – Non-Core and Other Current Operating Income" in the accompanying consolidated income statement for the year ended 31 December 2013 amounted to EUR 740,587 and includes mainly, income obtained by Telecable de Asturias from advertising and marketing services in the different channels amounting to EUR 624,142.

c) In-house work on non-current assets-

The detail of the in-house work on non-current assets incurred in 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Works made for:		
Distribution network	59,510	55,165
Eurodocsis project	80,910	97,601
Special systems and projects	156,504	199,903
Infoternera project	111,308	—
Total	**408,232**	**352,669**

d) Procurements-

The detail of "Procurements" in the accompanying consolidated income statements for 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Purchases of goods held for resale	14,341,542	13,833,612
Purchases of raw materials and other supplies	15,830,307	15,028,353
Changes in inventories	230,792	275,636
Work performed by other companies	2,822,559	1,415,525
Total	**33,225,200**	**30,553,126**

The detail, by origin, of the purchases made by the Group in 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Spain	30,855,628	26,603,093
EU countries	2,369,572	3,950,033
Total	**33,225,200**	**30,553,126**

e) Staff costs-

The detail of "Staff Costs" in the accompanying consolidated income statements for 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Wages, salaries and similar expenses	8,100,069	8,193,167
Social security costs	1,927,410	1,834,857
Termination benefits	13,745	371,719
Other	59,592	22,746
Total	**10,100,816**	**10,422,489**

The average headcount in 2013 and 2012, by professional category, was as follows:

Professional Category	**Average Number of Employees**	
	2013	**2012**
Senior management	8	7
University graduates	75	73
Further education graduates	33	32
Supervisors	40	38
Clerical and sales staff	17	17
Total	**173**	**167**

The detail, by category and gender, of the number of employees at 31 December 2013 and 2012 is as follows:

	2013		**2012**	
Professional Category	**Men**	**Women**	**Men**	**Women**
Senior executives	7	1	7	—
University graduates	40	35	40	33
Further education graduates	25	8	24	8
Supervisors	36	4	34	4
Clerical and sales staff	10	7	10	7
Total	**118**	**55**	**115**	**52**

f) Outside services

The breakdown of "Outside Services" in the accompanying consolidated income statements for 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Rent and royalties	3,026,023	3,093,731
Repair and upkeep expenses	6,356,100	6,898,116
Independent professional services	12,992,004	14,427,996
Transport expenses	1,590	7,461
Insurance premiums	137,955	128,193
Banking and similar services	370,180	332,642
Advertising	4,955,796	4,675,899
Utilities	1,111,442	1,221,396
Other operating expenses	917,821	1,864,924
Total	**29,868,911**	**32,650,358**

g) Impairment of trade receivables

The changes in impairment losses relating to "Loans and Receivables" in the accompanying consolidated balance sheet in 2013 were as follows:

	Euros			
	Balance at 31/12/12	**Impairment Loss Recognised**	**Amount Used**	**Balance at 31/12/13**
Impairment of accounts receivable	**1,191,999**	**1,620,697**	**(1,154,271)**	**1,658,425**

In 2013 the Group recognised impairment losses of EUR 1,620,697 on trade receivables considered to be of difficult recovery. These losses were recognised under "Other Operating Expenses – Losses on, Impairment of and Change in Allowances for Trade Receivables" in the accompanying consolidated income statement for 2013

h) Financial expenses-

The detail of "Financial expenses" in the accompanying consolidated income statements for 2013 and 2012 is as follows:

	Euros	
	2013	**2012**
Interest on syndicated loan (Note 9)	10,945,753	9,584,363
Interest on finance leases	40,610	21,429
Interest on CEP III financing (Note 9)	17,900,504	15,574,444
Interest on Liberbank financing	4,418,796	4,321,631
Interest cost relating to refundable advances	8,603	9,588
Settlements of derivatives	2,196,918	3,453,050
Other financial expenses	13,593	701
Total	**35,524,777**	**32,965,206**

14. Other disclosures

Remuneration of the Board of Directors and senior executives

The Parent's Board of Directors is made up of four members, two individuals (men) and two legal entities represented, for the purposes of exercising their duties, by two individuals (also men).

In 2013 the members of the Parent's Board of Directors did not receive any attendance fees or remuneration from the Group for discharging their duties.

Also, in 2013 the Parent did not have any pension or life insurance obligations to its directors. Similarly, the Parent has not granted any loans or credit facilities to its current directors and it does not have any other pension fund, life insurance or other similar obligations to them. In 2013 there were no termination benefit costs or share-based payments to members of the Board of Directors.

In 2013 the members of the Parent's Board of Directors did not carry out any transactions with the Parent or with Group companies outside the normal course of business or that were not performed on an arm's length basis.

Regarding senior management, exerted by the board of directors they did not earn any wages or salaries in 2013.

Detail of investments in companies with similar activities and of the performance, as independent professionals or as employees, of similar activities by the directors

At 2013 year-end the members of the Board of Directors of TCH and certain persons related to them as defined in the Spanish Limited Liability Companies Law held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Parent's object. Also, following is a detail of the positions held and functions discharged at those companies:

Owner	Investee	Line of Business	Ownership Interest	Position Held
CEP III Participations Investment 18 finance represented by Alex Wagenberg Bondarovschi (**)	Numericable/Completel (*)	Telecommunications	37.47%	Director
	Sagemcon(*)	Telecommunications	76.50%	None
CEP III Investment 18 S.à.r.l. represented by Carlos Robles García	Numericable/Completel (*)	Telecommunications	37.47%	Director
	Sagemcon(*)	Telecommunications	76.50%	None
Christopher Finn	CEP III Investment 15 S.à.r.l	Holding of investments	None	Director
	CEP III Investment 15 Finance S.à.r.l	Holding of investments	None	Director

(*) Through CEP III Participations S.à.r.l. SICAR.

(**) On 24 September 2013, the only shareholder of the Company decided to accept the resignation of the CEP III Participations S.à.r.l SICAR and to name CEP III Investment 18 Finance, S.à.r.l as a new member of the board of directors of the Company.

The directors did not report any situations of direct or indirect conflict of interest that they might have with the Parent, as provided for in Article 229.1 of the Spanish Limited Liability Companies Law, except in relation to the Group of companies to which the Parent is related.

Disclosures on the payment periods to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July:

	2013		2012	
	Amounts Paid and Payable at Year-End		Amounts Paid and Payable at Year-End	
Paid in the maximum payment period	40,575,576	42.77%	39,530,711	47.62%
Rest	54,286,723	57.23%	43,485,135	52.38%
Total payments made in the year	**94,862,299**	**100%**	**83,015,846**	**100%**
Weighted average period of late payment	54		59	
Payments at year-end not made in the maximum payment period	16,538,313		4,882,626	

These balances relate to suppliers and creditors that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to ''Trade and Other Payables – Sundry Accounts Payable'' under ''Current Liabilities'' in the accompanying consolidated balance sheets at 31 December 2013 and 2012.

The maximum legal payment period applicable to the Group under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and in accordance with the transitional provisions established in Law 15/2010, of 5 July, is 60 days from 1 January 2013 (75 days in 2012).

Fees paid to auditors

In 2013 the fees for financial audit and other services provided by the Parent's auditor, Deloitte, S.L., or by companies related to the auditor as a result of a relationship of control, common ownership or common management, were as follows (in euros):

Description	**2013**
Audit services	56,500
Total audit and related services	**56,500**
Other services	133,728
Total professional services	**133,728**

Other relevant issues

The subsidiary Telecable de Asturias recognised EUR 1,399,564 under ''Other Income'' in the consolidated income statement for 2010 relating to the enforcement claim filed against Sogecable as a result of the arbitral award made by the Spanish Telecommunications Market Commission on 16 June in arbitration proceedings no. MTZ2004/1616.

Sogecable's company object is, *inter alia*, to provide television services under the administrative concessions operated by it. Sogecable used to operate a free-to-air TV channel (''Cuatro'') and through its wholly-owned subsidiary Canal Satélite Digital, S.L. operates a satellite pay-TV platform under the trade name ''Digital +''. This pay-TV platform is a competitor of Telecable. In 2003 Sogecable (through its subsidiary CSD) had integrated its pay-TV platform (''Canal Satélite Digital'') with the Telefónica Group platform (''Vía Digital''), which gave rise to the current platform ''Digital +''.

This concentration process was subject to concentration control proceedings conducted by the competition authorities due to the extent to which it clearly strengthened Sogecable's position of dominance.

The conditions that Sogecable was ordered to meet included the requirement to sell to third-party TV operators (including Telecable) certain ''Premium'' channels, such as the Gran Vía and Canal + Deporte channels. This requirement arose from the Government's intention to ensure that all TV operators could make available to their subscribers a range of content that was sufficiently competitive, thereby safeguarding effective competition in the pay-TV market.

Sogecable considered that it was not obliged to submit any offer to sell certain channels to Telecable de Asturias, which prompted the latter to seek a solution through arbitration. The purpose of the arbitration was to ensure compliance with the related conditions by Sogecable which, ultimately, would guarantee an adequate level of competition in the pay-TV market. These arbitration proceedings, conducted by the Spanish Telecommunications Market Commission under no. MTZ 2004/1616, culminated in the issuance of an arbitral award on 16 June 2005, under which Sogecable was ordered to submit an offer to sell the aforementioned channels or, should it fail to do so, compensate Telecable de Asturias for the loss suffered by it, i.e. the amounts that Telecable de Asturias failed to receive in the period in which Sogecable was failing to comply with the terms of the award.

Subsequently, on 10 March 2008, Telecable de Asturias filed the related arbitral award enforcement claim at the Madrid Commercial Court of First Instance, which handed down a decision on 28 June 2010 ordering Sogecable to indemnify Telecable de Asturias with EUR 2,647,348 for damage and losses due to the foregoing on the basis of certain penetration rates. An appeal was filed against this decision at the Madrid Provincial Appellate Court as the parties were not in agreement as to the amount ordered.

Telecable de Asturias, S.A.U. recognised EUR 1,399,564 under ''Revenue'' in 2010, since the sole shareholder and its legal advisers considered that there were no doubts as to the collection of, at least, this amount since it was the valuation of the damages paid into the Madrid Commercial Court of First Instance by the defendant.

Lastly, in 2011 Telecable de Asturias.S.A.U started to withhold payment for the services rendered by Sogecable up to a maximum amount of EUR 2,647,348, irrespective of the definitive outcome of the proceedings.

Finally, on November 2013, according to Madrid's provincial court the pending litigation was solved and it was concluded that TCA must receive a compensation of EUR 1,184,500, given that the amount initially recognised by the company on 2010 was EUR 1,399,564, the company recognised a exceptional expense of EUR 215,064 registered in ''Other current operating expenses'' in the enclosed income statement account.

As a result of the above, an outstanding balance of EUR 1,602,096 in favour of Sogecable is generated, for which the group has registered the related account payable.

Segment reporting

Segment information is structured in accordance with the Group's various business units and is based on the management information prepared by the Parent and its subsidiaries.

In this connection, the Parent's directors consider that the Group has a single segment (CGU), which is the provision of telecommunications services, since:

- The Group's portfolio of customers and products is managed jointly.
- The products are different but are sold in packages.
- There are very few customers only signed up for mobile telephony services who do not also use fixed telephony services.
- The activities of attracting customers and commercial management are performed jointly.
- Although income is forecast by service, expenses are estimated globally.
- However, the financial statements of Telecable de Asturias include a detail of income by service.

15. Events after the reporting period

On the date of the formulation of the consolidated financial statements no event after the reporting period that could modify the information there included has occurred.

Telecable Capital Holding, S.L.U. and Subsidiaries

Consolidated Directors' Report for the year ended 31 December 2013

Activity performed

Telecable Capital Holding, S.L.U. was incorporated as a sole-shareholder private limited liability company for an indefinite period of time in Madrid by virtue of a public deed executed by the notary Fernando Fernández Medina on 15 April 2011, under number 724 of his protocol, and filed at the Mercantile Registry of Madrid in volume 28,775, folio no. 15, page no. M-518066, entry no. 1, under the name of Lariño Investments, S.L. Subsequently, the Parent changed its name to its current name by virtue of a public deed executed on 28 December 2011.

The purpose of this name change was to acquire shares of SPTA, the sole shareholder of Telecable de Asturias. The agreement to purchase SPTA, through which Telecable Capital Holding, S.L.U. acquired, free of encumbrances and liens, 85.01% of the shares of SPTA, which, in turn, owns all the shares of Telecable de Asturias, S.A.U., was executed in a public deed on 28 December 2011.

The effective transfer of the shares took place on 28 December 2011, giving rise to the formation of a group of shareholders made up of The Carlyle Group, with 85.01% of the share capital, and Liberbank, S.A. with the other 14.99%.

On the other hand, on 22 February, 2013, TCH has sold 21,174 shares of TCA to certain members of the management team of the investee company (representing 2.30% of the total shares of TCA).

2013 marked another year conditioned by the world economic situation, which was characterised by a significant financial and economic crisis in all economies. Although as severe a contraction as that of 2009 was avoided, no boost to the economy was achieved and no liquidity was generated in markets to help bring about a strong economic recovery. Therefore, Spain continued to have negative growth in 2013 and its GDP fell by 1.2%.

The telecommunications industry has also been affected by the crisis, seeing a 9% reduction in its revenue. This was the worst year in terms of declining income in the industry due to economic pressure and fierce competition among operators.

Within the context of the Spanish economy, worthy of note is the fact that the Group's billings went up by 3.8% on 2013, that can be considered as a positive year in terms of commercial growth fuelled by both mobile services and the business market, which constitute growth drivers for the Group.

From an economic standpoint, the economic consolidation of the Group was also confirmed. One of the factors contributing to economic success in 2013 has been the growth in Telecable's billings due to the increase in the number of services and the contribution of the mobile telephony business. The containment of operating expenses coupled with an unchanged sales margin also allowed for a 6% year-on-year increase in EBITDA.

Financial results

The financial performance in 2013 was driven by the Mobile Operator in the provision of mobile telephony services, as well as the growth of the business market. Profit from operations amounted to EUR 7,512,898, but after subtracting financial loss and income tax, the Group was left with a loss of EUR 23,623,950.

Main risks and uncertainties

The Group carries on its activity of providing telecommunications services in the area of Asturias. In this context, the Group of companies is subject to various critical factors ranging from its business activity and the regulatory framework that governs it, to the social and economic environment in which its activity is carried on.

In view of the uncertain nature of these critical factors relating to the business activity, they are considered to be both generators of risk and business opportunities.

Following is a detail of the main financial risks affecting the Group:

Environment risks: economic performance, regulatory and legal changes, competition, business and innovation.

Operating risks: relating to operations (new contracts, installation, provision of service, credit), technology and information systems, human capital and corporate image.

Financial risks: relating to interest rates, liquidity and credit.

The Group's management and organisational structure have the devices and means required to evaluate, control and mitigate the main risks.

The Board of Directors oversees both business performance and the internal control systems implemented. This permits the correct assessment and monitoring of the various risks to which the Group is exposed.

Financial risk management: objectives and policies

The main objectives of the financial risk management activity are to ensure the availability of funds to be able to meet financial obligations on a timely basis and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management is based on the identification of risks, the tolerance to each risk, the hedging of financial risks and control of the hedging transactions established.

Environment

The Group has adopted appropriate measures in relation to environmental protection and the minimisation, as required, of its environmental impact, thus complying with current legislation.

Research and development activities

At the end of 1996 the Group began the analysis and launch of a pilot scheme to install advanced telecommunications services allowing for the inclusion of new telecommunications services in the cable network which, until that time, had not been developed on any other cable network.

Of note, *inter alia*, are the high speed internet access service (4-10 Mbps) through cable modem and television, video conferencing, data transfer, integrated telephony and on-demand videos. This enabled cable companies to pioneer the provision of these services and to earn returns quickly on their significant investments.

In 1997 some of these services were demonstrated: access to high-speed internet with 20 customers connected, involving video conferences connecting offices in Avilés, Salinas and Gijón, achieving excellent quality levels.

In 1998 these experiences enabled the network to be prepared for the implementation of new equipment and the launch of new services.

In 1999 the new integrated telephony and cable modem internet access services were launched and the Group worked with Universidad de Oviedo on the Aulanet project to provide interactive classes over the internet.

In 2000 and 2001 work continued on the projects with Universidad de Oviedo.

2002 saw the launch of the ''Juegos On line'' (Online Games) an application developed as part of the PISTACABLE project by Sociedad Promotora de las Telecomunicaciones en Asturias, S.A., which was developed in Pravia.

In 2003 the new IP technology enabling voice and data services to be provided under the same communication protocol was implemented, placing the Group at the forefront of technological innovation at national and international level.

2005 saw a continuation of the collaboration with Universidad de Oviedo and Editorial Prensa Asturiana, S.A. for the development of internet audio and video solutions to improve web accessibility and user knowledge.

In 2006 the ''Plató Virtual'' project was launched in association with Universidad de Oviedo.

In 2008 Telecable de Asturias, S.A.U fostered the creation at its subsidiary of a business area devoted specifically to R+D activities, providing it with the resources and means required to do so.

From 2009 to 2013, the Group participated in various R+D projects relating to:

- Analysis of Solutions for the Multi-channel Provision of Personalised Interactive Services

- Catalogue of Health Services
- Guardian Angel for the Extended Home Environment (GUARANTEE)
- MobApp Platform
- Infoternera
- Interactive Supermarket

All these projects are at the development and investment justification stage.

Own shares

No company in the Group holds own shares.

Derivatives transactions

In 2013 the Group did not perform any transactions with financial derivatives other than those mentioned in Note 7.

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS' REPORT

On 25 March 2014, the Board of Directors of Telecable Capital Holding, S.L.U., pursuant to Article 253 of the Consolidated Spanish Limited Liability Companies Law and Article 37 of the Spanish Commercial Code, authorised for issue the consolidated financial statements and the consolidated directors' report for the year ended 31 December 2013. The consolidated financial statements consist of the attached documents preceding this certificate.

Alex Wagenberg Bondarovschi (for CEP III Participations S.à.r.l. SICAR) Chairman of the Board	Mario Pardo Rojo Director	Mercedes Ramos Soria Director
Christopher Finn Director	Carlos Robles García (for CEP III Investment 18 S.à.r.l.) Director	Ceferino Jesús Torres García Director

CERTIFICATE: to attest that the Consolidated Financial Statements and the Consolidated Directors' Report for 2013, authorised for issue by the Board of Directors of Telecable Capital Holding, S.L.U. at its meeting held on 25 March 2014, are those attached hereto signed by the Secretary of the Board of Directors. Also, the Secretary hereby certifies the authenticity of the signatures of all the directors of Telecable Capital Holding, S.L.U. appearing in this document.

Alejandro Ortiz Vaamonde
Non-Director Secretary

(b) Auditors' report on 2012 Consolidated Financial Statements

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of TELECABLE CAPITAL HOLDING, S.L.U.

1. We have audited the consolidated financial statements of TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES which comprise the consolidated balance sheet at 31 December 2012 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The directors are responsible for the preparation of the Group's consolidated financial statements in accordance with the regulatory financial reporting framework applicable to the Group (identified in Note 2-a to the accompanying consolidated financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2012 present fairly, in all material respects, the equity and financial position of Telecable Capital Holding, S.L.U. and Subsidiaries at 31 December 2012, and the results of their operations and their cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein.

3. Without qualifying our audit opinion, we draw attention to Notes 1 and 5 to the accompanying consolidated financial statements, which indicate that the Parent and the consolidated Group formed through a business combination were formed on 15 April 2011 and 28 December 2011, respectively, which should be taken into account in comparing the consolidated income statement for 2012 with that for 2011 (see Note 2-f).

4. The accompanying consolidated director's report for 2012 contains the explanations which the directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated director's report is consistent with that contained in the consolidated financial statements for 2012. Our work as auditors was confined to checking the consolidated director's report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Telecable Capital Holding, S.L.U. and Subsidiaries.

   Deloitte, S.L.

   Registered in ROAC under no. S0692

   Jorge Izquierdo Mazón
   27 May 2013

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 16). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2012 AND 2011 (NOTES 1, 2, 3 AND 4)
(Euros)

	2012	2011(*)
ASSETS		
NON-CURRENT ASSETS:		
Intangible assets (Note 6) –	**256,948,064**	**269,477,509**
Concessions	1,879,758	1,891,423
Patents, licences, trademarks and other	13,150,038	13,608,266
Goodwill	152,990,143	152,990,143
Computer software	5,334,461	5,129,349
Other intangible assets	83,199,349	95,841,679
Advances and intangible assets in progress	394,315	16,649
Property, plant and equipment (Note 7) –	**141,860,900**	**148,422,564**
Land and buildings	3,942,762	4,045,459
Plant and other items of property, plant and equipment	136,724,243	142,818,352
Property, plant and equipment in the course of construction and advances	1,193,895	1,558,753
Non-current financial assets (Note 8) –	**92,941**	**109,341**
Equity instruments	47,887	47,887
Other financial assets	45,054	61,454
Deferred tax assets (Note 13)	**10,249,448**	**3,606,643**
TOTAL NON-CURRENT ASSETS	**409,151,353**	**421,616,057**
CURRENT ASSETS:		
Inventories –	**515,342**	**604,119**
Goods held for resale	513,643	604,119
Advances to suppliers	1,699	—
Trade and other receivables –	**6,430,842**	**6,825,955**
Trade receivables for sales and services	6,143,013	6,701,844
Trade receivables from Group companies and associates	3,674	—
Sundry accounts receivable	—	838
Employee receivables	6,601	4,472
Other accounts receivable from public authorities (Note 13)	277,554	118,801
Current investments in Group companies –	**176**	**429**
Current financial assets (Note 8) –	**40,515**	**29,332**
Other financial assets	40,515	29,332
Current prepayments and accrued income	**154,984**	**744,842**
Cash and cash equivalents	**35,304,536**	**35,451,986**
Cash (Note 8)	11,214,279	17,801,336
Cash equivalents (Notes 8 & 12)	24,090,257	17,650,650
TOTAL CURRENT ASSETS	**42,446,395**	**43,656,663**
TOTAL ASSETS	**451,597,748**	**465,272,720**

	2012	2011(*)
EQUITY AND LIABILITIES		
EQUITY:		
Shareholder's equity (Note 9) –		
Registered share capital	**342,000**	**342,000**
Share premium	**33,661,000**	**33,661,000**
Consolidation reserves	—	—
Retained losses	**(1,098,507)**	—
Loss attributable to the Parent	**(21,689,683)**	**(1,098,507)**
Non-controlling interests	**26,657,227**	**26,925,170**
TOTAL EQUITY	**37,872,037**	**59,829,663**
NON-CURRENT LIABILITIES:		
Non-current payables –	**202,462,221**	**195,134,861**
Bank borrowings (Note 10)	197,956,314	194,277,208
Obligations under finance leases (Note 7)	270,364	365,520
Derivatives (Note 8)	3,804,656	—
Other financial liabilities (Note 11)	430,887	492,133
Payable to Group companies, associates and related parties (Note 12)	**117,701,944**	**102,127,500**
Deferred tax liabilities (Note 13)	**48,270,162**	**54,429,416**
TOTAL NON-CURRENT LIABILITIES	**368,434,327**	**351,691,777**
CURRENT LIABILITIES:		
Current payables –	**17,004,741**	**27,552,907**
Bank borrowings (Note 10)	1,672,103	2,371,509
Bank borrowings – arrangement costs (Note 10)	—	10,471,375
Obligations under finance leases (Note 7)	644,821	821,489
Other financial liabilities (Note 11)	14,687,817	13,888,534
Trade and other payables –	**27,971,237**	**25,775,687**
Payable to suppliers	8,109,482	6,432,451
Sundry accounts payable	16,074,066	16,489,878
Remuneration payable	1,768,729	1,726,900
Current tax liabilities (Note 13)	779,176	125,262
Other accounts payable to public authorities (Note 13)	1,008,216	744,512
Customer advances	231,568	256,684
Current accruals and accrued income	**315,406**	**422,686**
TOTAL CURRENT LIABILITIES	**45,291,384**	**53,751,280**
TOTAL EQUITY AND LIABILITIES	**451,597,748**	**465,272,720**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 17 are an integral part of the consolidated balance sheet at 31 December 2012.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 (NOTES 1, 2, 3 AND 4)
(Euros)

	2012	2011(*)
CONTINUING OPERATIONS:		
Revenue (Notes 11 & 14)	**128,567,948**	—
Sales	1,266,013	—
Services	127,301,935	—
In-house work on non-current assets (Note 14)	**352,669**	—
Procurements (Note 14)	**(30,553,126)**	—
Cost of goods held for resale sold	(13,833,612)	—
Cost of raw materials and other consumables used	(15,303,989)	—
Work performed by other companies	(1,415,525)	—
Other operating income –	**1,195,774**	—
Non-core and other current operating income (Note 14)	1,082,709	—
Income-related grants transferred to profit or loss	113,065	—
Staff costs (Note 14)	**(10,422,489)**	—
Wages, salaries and similar expenses	(8,564,886)	—
Employee benefit costs	(1,857,603)	—
Other operating expenses –	**(35,519,182)**	—
Outside services (Note 14)	(32,650,358)	(1,324,625)
Taxes other than income tax	(1,690,218)	—
Losses on, impairment of and changes in allowances for trade receivables (Note 14)	(1,178,606)	—
Other current operating expenses	**(292,101)**	—
Depreciation and amortisation charge (Notes 6 & 7)	**(47,141,609)**	—
Impairment and gains or losses on disposals of non-current assets (Notes 6 & 7) –	**(1,604,796)**	—
Gains or losses on disposals and other	(1,604,796)	—
PROFIT (LOSS) FROM OPERATIONS	**4,583,088**	**(1,324,625)**
Finance income –	**451,231**	—
From marketable securities and other financial instruments	451,231	—
Finance costs –	**(32,965,206)**	**(244,671)**
On debts to third parties	(32,965,206)	(244,671)
Changes in fair value of financial instruments (Note 8)	**(3,804,656)**	—
Exchange differences	**(30,545)**	—
FINANCIAL PROFIT	**(36,349,176)**	**(244,671)**
LOSS BEFORE TAX	**(31,766,088)**	**(1,569,296)**
Income tax (Note 13)	9,808,462	470,789
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(21,957,626)**	**(1,098,507)**
DISCONTINUED OPERATIONS:		
Loss for the year from discontinued operations net of tax	—	—
CONSOLIDATED LOSS FOR THE YEAR	**(21,957,626)**	**(1,098,507)**
Loss attributable to the Parent	**(21,689,683)**	(1,098,507)
Profit (Loss) attributable to non-controlling interests	**(267,943)**	—

(*) Presented for comparison purposes only

The accompanying Notes 1 to 17 are an integral part of the income statement for the year ended 31 December 2012.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 (NOTES 1, 2, 3 AND 4)

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
(Euros)

	2012	2011(*)
LOSS PER CONSOLIDATED INCOME STATEMENT (I)	**(21,957,626)**	**(1,098,507)**
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN CONSOLIDATED EQUITY (II)	—	—
TOTAL TRANSFERS TO CONSOLIDATED PROFIT OR LOSS (III)	—	—
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSE (I+II+III)	**(21,957,626)**	**(1,098,507)**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 17 are an integral part of the statement of recognised income and expense for the year ended 31 December 2012.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 (NOTES 1, 2, 3 AND 4)

B) STATEMENTS OF CHANGES IN TOTAL EQUITY
(Euros)

	Share Capital	Share Premium	Consolidation Reserves	Retained Losses	Loss for the Year Attributable to the Parent	Non-Controlling interests	TOTAL
BALANCE AT DATE OF INCORPORATION(*)	**3,000**	—	—	—	—	—	**3,000**
Total recognised consolidated income and expense	—	—	—	—	**(1,098,507)**	—	**(1,098,507)**
Transactions with shareholders or owners							
– Capital increases	339,000	33,661,000	—	—	—	—	**34,000,000**
– Business combinations	—	—	—	—	—	26,925,170	**26,925,170**
2011 ENDING BALANCE(*)	**342,000**	**33,661,000**	—	—	**(1,098,507)**	**26,925,170**	**59,829,663**
2012 BEGINNING BALANCE	**342,000**	**33,661,000**	—	—	**(1,098,507)**	**26,925,170**	**59,829,663**
Total recognised consolidated income and expense	—	—	—	—	**(21,689,683)**	**(267,943)**	**(21,957,626)**
Other changes in equity							
– Allocation of 2011 loss	—	—	—	(1,098,507)	1,098,507	—	—
– Other changes	—	—	—	—	—	—	—
2012 ENDING BALANCE	**342,000**	**33,661,000**	—	**(1,098,507)**	**(21,689,683)**	**26,657,227**	**37,872,037**

(*) Presented for comparison purposes only

The accompanying Notes 1 to 17 are an integral part of the statement of changes in total equity for the year ended 31 December 2012.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011 (NOTES 1, 2, 3 & 4)

(Euros)

	2012	2011(*)
CASH FLOWS FROM OPERATING ACTIVITIES (I)	**32,145,931**	**(747,536)**
Loss for the year before tax	**(31,766,088)**	**(1,569,296)**
Adjustments for	**85,921,518**	**244,671**
– Depreciation and amortisation charge (Notes 6 & 7)	47,141,609	—
– Change in provisions (Note 13)	1,178,606	—
– Gains/losses on derecognition and disposal of non-current assets (Notes 6 & 7)	1,604,796	—
– Finance income	(451,231)	—
– Finance costs (Note 10)	32,965,206	244,671
– Exchange differences	30,545	—
– Changes in fair value of financial instruments – derivatives	3,804,656	—
– In-house work on non-current assets (Note 14)	(352,669)	—
Changes in working capital	**1,329,498**	**1,323,661**
– Inventories	88,777	—
– Trade and other receivables	(783,493)	(114)
– Other current assets	589,858	—
– Trade and other payables	1,541,636	1,323,775
– Other current liabilities	(107,280)	—
Other cash flows from operating activities	**(23,338,997)**	**(746,572)**
– Interest paid	(21,511,259)	(746,572)
– Interest received	451,231	—
– Income tax recovered (paid) (Note 13)	(2,339,701)	—
– Other amounts received (paid)	60,732	—
CASH FLOWS FROM INVESTING ACTIVITIES (II)	**(29,369,741)**	**(279,966,395)**
Payments due to investment	**(29,386,141)**	**(279,966,395)**
– Property, plant and equipment (Note 7)	(19,971,645)	—
– Intangible assets (Note 6)	(9,403,566)	—
– Group companies (net of cash from subsidiaries) (Notes 1 & 5)	—	(279,966,395)
– Other financial assets	(10,930)	—
Proceeds from disposal	**16,400**	**—**
– Other financial assets	16,400	—
CASH FLOWS FROM FINANCING ACTIVITIES (III)	**(2,893,095)**	**316,165,917**
Proceeds and payments relating to equity instruments	—	**34,003,000**
– Proceeds from issue of equity instruments (Note 9)	—	34,003,000
Proceeds and payments relating to financial liability instruments	**(2,893,095)**	**282,162,917**
– Proceeds from issue of bank borrowings (Note 10)	592,145	180,035,417
– Proceeds from issue of borrowings from Group companies and associates (Note 12)	—	102,127,500
– Repayment of bank borrowings (Note 10)	(3,150,805)	—
– Repayment of other borrowings	(334,435)	—
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)	**(30,545)**	—
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	**(147,450)**	**35,451,986**
Cash and cash equivalents at beginning of year	35,451,986	—
Cash and cash equivalents at end of year	35,304,536	35,451,986

(*) Presented for comparison purposes only

The accompanying Notes 1 to 17 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2012.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2012

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 17). In the event of a discrepancy, the Spanish-language version prevails.

TELECABLE CAPITAL HOLDING, S.L.U. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

1. Activities of the Parent and of the Group companies

Brief historical description and activities of the Parent

Telecable Capital Holding, S.L.U. (''TCH'' or ''the Parent'') was incorporated as a sole-shareholder private limited liability company for an indefinite period of time in Madrid by virtue of a public deed executed before the Notary Fernando Fernández Medina on 15 April 2011, under number 724 of his protocol, and filed at the Mercantile Registry of Madrid in volume 28.775, folio no. 15, page no. M-518066, entry no. 1, under the name of Lariño Investments, S.L. Subsequently, the Company changed its name to its current name by virtue of a public deed executed on 28 December 2011.

Its company object consists of, *inter alia*, the purchase and sale, for its own account and in its own interest, of shares, equity interests and -in general- financial, corporate or any other kind of assets and securities, with the participation, as appropriate, of the intermediaries legally or statutorily required to do so.

Its registered office is in Oviedo, at calle Marqués de Pidal, number 11 bajo, and its employer identification number is B86200557.

At 2011 year-end, as a result of the transaction described in Note 5, TCH owned shares representing 85.01% of the share capital of Sociedad Promotora de las Telecomunicaciones en Asturias, S.A. (''SPTA'') which, in turn, owned all the shares representing the share capital of Telecable de Asturias, S.A. (Sole-Shareholder Company) (''Telecable de Asturias''), constituting the three Telecable Group companies (''the Group''), of which TCH is therefore the Parent. The Group's core activity is the provision of telecommunications services, particularly cable, in Asturias, which are provided exclusively by the subsidiary Telecable de Asturias.

On 6 March 2012, the shareholders at the Annual General Meeting of the Group company Telecable de Asturias S.A. (formerly Sociedad Promotora de las Telecomunicaciones en Asturias S.A., absorbing company) and the sole shareholder of Telecable de Asturias, S.A.U. (absorbed company) unanimously approved the merger involving the absorption by the former of its wholly-owned subsidiary, which is subject to the provisions for the absorption of wholly-owned companies contained in Article 49 of Law 3/2009, of 3 April, on structural changes to companies formed under the Spanish Commercial Code (''**Law 3/2009**''). The merger was later formalised in a public deed executed on 18 April 2012 in the presence of the Oviedo Notary Luis Ignacio Fernández Posada, under number 1694 of his protocol, which was filed at the Mercantile Registry of Asturias on 25 April 2012.

Since the absorbing company was the owner of all the shares of the absorbed company and the draft terms of merger did not include any reference to the exchange ratio or procedure for the exchange of the shares, or specify the date from which the new shares would grant their holders entitlement to a share in any profits, a capital increase at the absorbing company was not required, nor were any reports on the draft terms of merger from the directors or independent experts.

As a result of the aforementioned merger, the absorbed company was automatically dissolved without liquidation, and all its assets and liabilities were transferred en bloc to the absorbing company by universal succession pursuant to Law 3/2009. Accordingly, all transactions of the absorbed company will be considered to have been performed by the absorbing company for accounting purposes from 1 January 2012 inclusive.

At 2012 year-end and following the merger, TCH owned 85.01% of the share capital of Telecable de Asturias S.A. (''Telecable de Asturias''), with the two companies constituting the group known as ''Telecable'' (''the Group''), of which TCH is therefore the Parent. The Group's core activity is the

provision of telecommunications services, particularly cable, in Asturias, which are provided exclusively by the subsidiary Telecable de Asturias.

The abridged financial statements (unaudited) of TCH were prepared on 19 March 2013 and will be filed at the Mercantile Registry of Asturias.

Environmental impact

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

Specific legislation

Financing of public television

On 28 August 2009, Law 8/2009 on the financing of Corporación de Radio y Televisión Española ("CRTVE Financing Law") was approved. The purpose of this Law was to eliminate advertising revenue from the financing system of Corporación de Radio y Televisión Española (CRTVE) and to introduce a new system of financing based on funds earmarked for this purpose in the State Budget, supplemented by contributions that must be made by electronic communications operators and television operators with nationwide presence or presence in more than one autonomous community. Also, a percentage of the tax on radio spectrum use is used to finance this Corporation. Lastly, this financing system is supplemented by the funds obtained from the services provided by CRTVE.

The aforementioned Law was implemented by Royal Decree 1004/2010, of 5 August. Article 4 of the aforementioned Royal Decree establishes a rebuttable presumption regarding the geographical location of the activities carried on by electronic communications operators, by virtue of which, and for the purposes of the payment of this contribution, it is presumed that all electronic communications operators registered in the Operators Register carry on their activities at a nationwide level or in more than one autonomous community. In order to guarantee the transparency and legal certainty of electronic communications operators, the Spanish Telecommunications Market Commission (CMT), through a Resolution of 14 October 2010, established the criteria to be used to determine the geographical location of the activities carried on by electronic communications operators pursuant to the aforementioned Law and Royal Decree, stipulating that "*for the sole purpose of Article 4 of the Royal Decree on the financing of CRTVE, when 75% or more of the gross operating income of an electronic communications operator is obtained from customers domiciled in a single autonomous community, it shall be considered that its activities are not carried on in more than one autonomous community*".

In relation to Telecable de Asturias, on 11 January 2011 the CMT issued the corresponding official notice stating that Telecable de Asturias is a telecommunications operator that provides its services in the Autonomous Community of Asturias and, therefore, in accordance with the aforementioned Article 4, is exempt from the tax envisaged therein.

European cinema tax

On 31 March 2011, Audiovisual Communications Law 7/2010 was published. Article 5.3 of this Law stipulates that providers of television audiovisual communications services with nationwide or autonomous-community coverage must contribute annually to the early financing of the production in Europe of motion pictures, films, television series, documentaries and animated films and series, with 5% of their earnings from the previous year as per their operating statement, relating to the channels that broadcast these audiovisual productions within seven years from the date of their production.

Based on the foregoing, the Group estimated a liability of approximately EUR 1,340 thousand since the entry into force of the Law, most of which was used to finance 25% of the financial co-production of three motion pictures, over which Telecable de Asturias acquired the operating rights to the 25% contributed (see Notes 4-a and 6).

Group structure

The fully consolidated subsidiaries included in these consolidated financial statements for 2012 and 2011 and the information thereon are as follows:

2012

			Thousands of Euros		
			Information on the Company		
	Line of Business and Registered Office	Percentage of Direct and Indirect Ownership	Share Capital	Reserves	Loss for the Year
Telecable de Asturias, S.A.	Provision of telecommunications services (Asturias)	85.01%	55,380	264,209	(1,131)

2011

			Thousands of Euros		
			Information on the Company		
	Line of Business and Registered Office	Percentage of Direct and Indirect Ownership	Share Capital	Reserves	Loss for the Year
Telecable de Asturias, S.A.U.(*)	Provision of telecommunications services (Asturias)	85.01%	53,787	4,195	13,195
Sociedad Promotora de las Telecomunicaciones en Asturias, S.A.	Provision of telecommunications services (Asturias)	85.01%	55,380	(1,659)	39,317

(*) Ownership interest held through Sociedad Promotora de las Telecomunicaciones en Asturias, S.A.

Financial year of the consolidated companies-

The financial year of all the consolidated companies and of the Parent coincides with the calendar year. Therefore, the reporting date of the separate financial statements used for consolidation purposes is 31 December in 2012 and 2011.

The data presented in the foregoing table were obtained from the audited separate financial statements of the consolidated companies.

Definition of the scope of consolidation-

On 28 December 2011, the purchase and sale agreement of SPTA was executed in a public deed, by virtue of which TCH acquired 85.01% of SPTA's shares, free and clear of all encumbrances and liens, as follows:

- Cajastur Capital SCR de Régimen Simplificado, S.A.: 45.95%.
- Liberbank, S.A.: 30.95%.
- Editorial Prensa Ibérica, S.A.U.: 8.11%.

The total price of the transaction amounted to EUR 304,318 thousand.

The transaction was completed following compliance with the condition precedent of non-opposition by the Spanish or Community competition authorities to the merger that could arise as a result.

The accounting effects of this transaction on the consolidated financial statements for 2011 are described in Note 5 to the accompanying consolidated financial statements.

On 6 March 2012, the shareholders at the Annual General Meeting of Telecable de Asturias S.A. (formerly Sociedad Promotora de Telecomunicaciones de Asturias S.A.) (absorbing company) and the

sole shareholder of Telecable de Asturias, S.A.U. (absorbed company) unanimously approved the merger by absorption of its wholly-owned subsidiary. The merger was executed in a public deed on 18 April 2012 and registered at the Mercantile Registry on 25 April 2012. The absorbed company was automatically dissolved without liquidation and its business activity was transferred to the post-merger company as were all the rights and obligations of Telecable de Asturias S.A.U., which were transferred by universal succession to Telecable de Asturias S.A. (formerly Sociedad Promotora de Telecable en Asturias, S.A.).

Consequently, at 31 December 2012, the scope of consolidation encompassed the surviving company, Telecable de Asturias S.A., as a subsidiary, in which TCH holds a 85.01% ownership interest.

2. Basis of presentation of the consolidated financial statements

a) Regulatory financial reporting framework-

These consolidated financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Group, which consists of:

a) The Spanish Commercial Code and all other Spanish corporate law.

b) The Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010 and the Spanish National Chart of Accounts approved by Royal Decree 1514/2007.

c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

d) All other applicable Spanish accounting legislation.

b) Fair presentation-

The accompanying consolidated financial statements, which were obtained from the accounting records of TCH and of its subsidiary Telecable de Asturias, are presented in accordance with the regulatory financial reporting framework applicable thereto and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for 2012.

These consolidated financial statements, which were formally prepared by the Board of Directors of TCH at its meeting held on 19 March 2013, and the financial statements of the investees, will be submitted for approval by the sole shareholder of the Parent, and it is considered that they will be approved without any changes. The consolidated financial statements for 2011 were approved by the sole shareholder on 28 June 2012 and were filed at the Mercantile Registry of Asturias.

c) Accounting principles applied-

The Parent's directors formally prepared these consolidated financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. Also, no non-obligatory accounting principles were applied.

d) Basis of consolidation-

The companies over which the Group has effective control by virtue of ownership of a majority of the voting power in their representation and decision-making bodies were fully consolidated.

The basic consolidation bases used were as follows:

1. All the significant balances and transactions between the fully consolidated companies are eliminated on consolidation as follows:

   – ***Reciprocal receivables and payables***

     All the reciprocal receivables and payables of the consolidated subsidiaries were eliminated on consolidation.

   – ***Income and expenses***

     The transactions including the reciprocal income and expenses of the consolidated subsidiaries were eliminated on consolidation.

– ***Results of intra-Group transactions***

The results of intra-Group transactions are eliminated and deferred until they are realised vis-à-vis non-Group third parties.

– ***Dividends***

Internal dividends are deemed to be dividends recognised as income for the period of a Group company that were distributed by another Group company.

The dividends received by Group companies relating to profit distributed from prior years are eliminated, since they are considered to be reserves of the recipient company. Interim dividends are eliminated against the related account receivable at the company that distributed them.

2. The accounting principles and policies applied by the Group companies were unified with those applied by the Parent in preparing the accompanying consolidated financial statements.

3. On acquisition of a subsidiary, its assets, liabilities and contingent liabilities are recognised at acquisition-date fair value. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill, whereas negative differences are recognised in profit or loss on the acquisition date.

4. The interest of non-controlling shareholders in the equity and results of the fully consolidated Group companies, after making the related unification adjustments, is recognised under "Non-Controlling Interests" on the liability side of the accompanying consolidated balance sheet and under "Profit/Loss Attributable to Non-Controlling Interests" in the accompanying consolidated income statement.

e) Key issues in relation to information on and the estimation of uncertainty-

The information disclosed in these consolidated financial statements is the responsibility of the Parent's directors.

In the consolidated financial statements for 2012 and 2011 estimates were occasionally made by the Parent's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to the following:

- The useful life of the intangible assets and property, plant and equipment (see Notes 4-a and 4-b).
- The assessment of possible impairment losses on certain assets (see Note 4-b).
- The measurement of certain financial instruments (see Note 4-d)
- The recoverability of deferred tax assets (see Note 4-g).

Although these estimates were made on the basis of the best information available at 2012 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

f) Comparative information

The information relating to 2011 contained in these notes to the consolidated financial statements is presented solely for comparison purposes with the information for 2012.

However, in accordance with the materiality principle and with a view to simplifying the acquisition process, in 2011 the Parent's directors considered that, for accounting purposes, the date of acquisition of the ownership interest by the Parent was 31 December 2011. Therefore, this should be taken into account when comparing the consolidated income statement for 2012 with that for the preceding year (see Note 5).

g) Working capital deficiency

As reflected in the accompanying consolidated balance sheet, at 31 December 2012 the Group had a working capital deficiency of EUR 22 million (31 December 2011: EUR 10.6 million). However, the Group expects its financial position to be corrected at short term through the

generation of positive business flows in 2013. In addition, the Group has the equity and financial support of its shareholders (see Notes 1 and 9) should it have to meet its current obligations.

h) Grouping of items

Certain items in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

i) Changes in accounting policies

In 2012 there were no changes in accounting policies with respect to those applied in 2011.

j) Correction of errors

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2011.

3. Allocation of the loss of the Group's Parent

The proposed allocation of the loss for the year that the Parent's directors will submit for approval by the sole shareholder is as follows (in euros):

Basis of allocation	**Euros**
Loss for the year	**(20,170,149)**

Allocation to	**Euros**
Retained losses	**(20,170,149)**

4. Accounting policies

The principal accounting policies used by the Group in preparing its consolidated financial statements for 2012, in accordance with the Spanish National Chart of Accounts, were as follows:

a) Intangible assets-

The Group accounts for its intangible assets as follows:

1. Development expenditure: this is recognised at acquisition cost as incurred and is amortised on a straight-line basis over its useful life (a maximum period of five years). Capitalised development expenditure is specifically itemised by project and the related costs are clearly identified so that they can be allocated over time. However, when there are doubts as to the technical success or the economic and commercial viability of the project, the capitalised expenses are recognised in the consolidated income statement for the period in which such uncertainty exists.

2. Administrative concessions: this line item relates to the rights of use relating to the Oviedo Municipal Council's conduits, which are amortised over a period of 25 years, based on the conduits assigned, and the concessions for exclusive use of the public domain radio spectrum electric frequencies which are amortised over the term of the concessions, i.e. until 2030.

3. Intellectual property – Trademarks: the Group recognises under "Intellectual Property – Trademarks" the fair value associated with its commercial trademark "Telecable" under which it sells its products and which was recognised within the context of the business combination carried out at the end of 2011 (see Note 5).

   The Parent's directors, taking into consideration that the innovations in the field of telecommunications have changed the business approach and that many companies have also decided to change their image and even their trademark, estimate that the remaining useful life of the "Telecable" trademark could be 30 years.

4. Goodwill:

Business combinations are accounted for by applying the acquisition method, for which the acquisition date is determined and the cost of the combination is calculated, and the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair value.

Goodwill or gains from a bargain purchase arising from a combination are calculated as the difference between the acquisition-date fair value of the assets acquired and liabilities assumed and the cost of the business combination at the acquisition date.

The cost of a business combination is the aggregate of:

The acquisition-date fair value of the assets acquired, the liabilities assumed and the equity instruments issued.

The fair value of any contingent consideration that depends on future events or on the fulfilment of certain specified conditions.

The costs incurred to issue equity or debt securities given up in exchange for the items acquired are not included in the cost of a business combination.

Also, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination or, clearly, any costs incurred internally in this connection. Such amounts are charged directly to profit or loss. In this connection, the Group recognised approximately EUR 411 thousand in relation to the cost of professional advisory services for the business combination which took place in 2011, described in Note 5.

If the business combination is achieved in stages and, therefore, the acquirer already held an equity interest in the acquiree immediately before the acquisition date (the date on which control is obtained), the goodwill or gain on a bargain purchase is the difference between:

- The cost of the business combination, plus the acquisition-date fair value of any equity interest previously held by the acquirer in the acquiree; and
- The fair value of the identifiable assets acquired less the fair value of the liabilities assumed, determined as indicated above.

Any gain or loss arising from fair value remeasurement of the previously held equity interest in the acquiree on the date control is obtained is recognised in consolidated profit or loss. If the investment in this investee had previously been measured at fair value, any valuation adjustments not yet recognised in profit or loss will be transferred to the income statement. Also, the cost of a business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held equity interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the balance sheet date.

Goodwill is not amortised and is subsequently measured at cost less any impairment losses recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period. On the basis of the analyses performed, the Group considered that at 31 December 2012 its goodwill was not impaired (see Notes 5 and 6).

If, exceptionally, a gain on a bargain purchase arises from the business combination, it is recognised as income in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer must report in its financial statements provisional amounts for the items for which the accounting is incomplete, and the provisional amounts may be adjusted in the period required to obtain the necessary information. However, the measurement period may not exceed one year from the acquisition date (see Note 5).

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration has been classified as equity, in which case subsequent changes in its fair value are not recognised.

5. Computer software: the Group recognises under "Computer Software" the costs incurred in the acquisition and development of computer programs. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the period in which they are incurred. Computer software is amortised on a straight-line basis over four years. The rights of use relating to the Audience Management System TCNet, which are amortised over the term of the contract (normally three years), are recognised under this heading.

6. Other intangible assets:

   The Group recognises the following under "Other Intangible Assets":

   a. Optical fibre rights of use: amortised on a straight-line basis over ten years.

   b. Vodafone network rights of use: amortised on a straight-line basis over four years.

   c. Exploitation rights to two film productions: amortised on a straight-line basis over two years, which is the period during which the Group considers that Telecable de Asturias will obtain income from these rights (see Notes 1 and 6).

   d. Costs of contracts with customers: Telecable de Asturias recognises in this line item certain commissions for attracting new customers paid to retailers for both fixed and mobile services, subject to certain conditions being met, namely the existence of a direct and unequivocal relationship and guaranteed recovery of the commissions. These commissions are amortised on a straight-line basis over 12 months, for fixed services, and 18 months, for mobile services.

   e. Customer relationships arising from the merger process described in Note 1. This intangible asset is amortised over a period of approximately nine to ten years for fixed service customers and over approximately two to three years for mobile service customers (see Note 4-b)

   At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment (for other assets), the Group tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

   Recoverable amount is the higher of fair value less costs to sell and value in use.

   If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero.

   Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income. The analysis carried out showed that there was no need to recognise any impairment losses during the year.

   The Group recognises the appropriate impairment loss when the recoverable amount of the asset is lower than its carrying amount, provided that this amount cannot be recovered through the generation of sufficient profits to cover all the costs and expenses arising as a result of its use.

b) Property, plant and equipment-

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated below.

Property, plant and equipment upkeep and maintenance expenses are recognised in the consolidated income statement for the period in which they are incurred. However, the costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Replacements or renewals of items of property, plant and equipment are recognised as assets and the items replaced or renewed are derecognised.

In-house work on non-current assets is measured at accumulated cost by adding the other costs directly attributable to the assets to the acquisition cost of raw materials and other consumables. Replacements or renewals of items of property, plant and equipment are recognised as assets and the items replaced or renewed are derecognised.

TCH transfers items of property, plant and equipment in the course of construction to property, plant and equipment in use when the facilities have been brought into service.

Property, plant and equipment in use are depreciated systematically on the basis of the estimated useful life of the assets and by the straight-line method at annual rates based on the years of estimated useful life of the assets, the detail being as follows:

	Years of Estimated Useful Life 2012
Civil engineering work	20
Network terminal unit	7 to 10
Backbone	20
Distribution centres	8.3
Nodes	10
Distribution network	15
Home fixtures	10.5
Equipment in customer homes	6.67
Equipment in businesses	10
Furniture and tools	10
Computer hardware	4
Buildings and other structures	40

Group management has been updating the main variables of its business plan in the light of the latest strategic and operating changes. In 2012 the Group reviewed the useful lives of its assets and the related depreciation methods. The Group's analyses revealed that the expectations in terms of depreciation of certain assets in the current market scenario differ from the estimates made at the time the assets had been acquired, mainly because the new market conditions were taken into account and technical-economic surveys were provided by Group third parties and used by Telecable de Asturias, S.A. to reassess the useful lives and depreciation methods used for the assets, for the assets' future economic benefits and for the expected pattern of consumption of those benefits. The conclusions drawn from the Group's review were as follows:

- The Group changed the 25-year estimated useful life of the items of "Civil Engineering Work" classified under "Distribution Centres" to 20 years following a municipality-level analysis of the pace of replacement or renewal of registered civil construction projects. Also, the useful life of the items of "Computer Software" related to the Audience Management System of Telecable de Asturias was standardised as three years, since the Group detected that some of these items were associated with a useful life of four years and took notice that the year-on-year pace of renewal of these assets was stepping up fast due to the need to adapt systems to new customer requirements. In accordance with the Spanish National Chart of Accounts, this change in estimates was applied prospectively, recognising the increased depreciation and amortisation charge arising from the change in

the estimated useful lives in the related consolidated income statement. The effect of this change was an additional charge of approximately EUR 922 thousand to the consolidated income statement for 2012.

Impairment of property, plant and equipment and intangible assets

Whenever there are indications of impairment, the Group tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

The business combination that took place in 2011 gave rise to goodwill amounting to approximately EUR 152,990 thousand which, based on the applicable accounting legislation, led the Group to apply the relevant impairment test to assess its recoverability and that of the other operating assets. This impairment test was based on the generation of future cash flows resulting from five-year projections made by the Group (using assumptions relating to income, costs and investments based on management's experience and future prospects according to the current strategic plan). The main variables used in the calculations, which were reviewed by management and the Board of Directors, were as follows:

- A post-tax discount rate of 8.3% used to calculate the present value of the cash flows, thereby reflecting current market assessments of the time value of money and the risks specific to the asset.
- Year-on-year EBITDA increases of 2.5%-4%, which in all cases are below the increases obtained by the Group in the past.
- The Group considered a perpetual earnings growth rate of 1%. The directors and management of Telecable de Asturias reckon that they are being prudent, because the growth rates considered are below the actual and past growth rates prevailing in recent years and because they assume that the average growth prospects in the area of influence of Telecable de Asturias may be higher than those considered in the impairment test.
- An investment volume in the region of EUR 25-30 million, depending on the year.
- For tax rate calculation purposes, the Group has taken into account the new tax developments for 2012 and those already approved for 2013 (see Note 13).

In this scenario addressed by Group management no impairment losses arose on goodwill or other intangible and tangible assets held by the Group at 31 December 2012.

Also, current cash flow projections would support increases in the discount rate of around 240 basis points or a decrease in the amount thereof of around 25% without the assets' carrying amount being necessarily impaired.

In addition, irrespective of the foregoing analysis, at 31 December 2012 the Group recognised specific impairment losses on assets amounting to EUR 624 thousand as a result of the current migration of equipment to Eurodocsis, after considering the remaining useful life and carrying amount thereof at 31 December 2012. The migration project is scheduled for completion in 2013 and, accordingly, the aforementioned amount has been considered to be irrecoverable (see Note 7).

c) Leases-

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset. All other leases are classified as operating leases.

Finance leases

In finance leases in which the Group acts as the lessee, the cost of the leased assets is presented in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor. The total finance charges arising under

the lease are allocated to the consolidated income statement for the period in which they are incurred using the effective interest method. Contingent rent is recognised as an expense for the period in which it is incurred.

Leased assets are depreciated, based on their nature, using similar criteria to those applied to the items of property, plant and equipment that are owned.

Operating leases

Expenses resulting from operating leases are charged to income in the year in which they are incurred.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

d) Financial instruments-

A "*financial instrument*" is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An "*equity instrument*" is a legal transaction that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A "*financial derivative*" is a financial instrument whose value changes in response to the changes in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price or market index), the initial investment in which is much smaller than would be required for other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

Financial assets-

The financial assets held by the Group are classified in the following categories:

1. Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Group's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

   These financial assets are initially recognised at the fair value of the consideration given, plus any directly attributable transaction costs. They are subsequently measured at amortised cost, calculated using the effective interest method, which is the discount rate that exactly matches the initial carrying amount of a financial instrument to all its estimated cash flows of all kinds over the course of its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date, adjusted, where applicable, by the fees and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is estimated in the same way as for fixed rate instruments and is recalculated on each contractual repricing date on the basis of the changes in the future cash flows arising therefrom.

   At least at each reporting date the Group tests these financial assets for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, an impairment loss is recognised in the income statement.

2. Other financial assets: the guarantees provided are recognised in the consolidated balance sheet at their nominal amount since the effect of not discounting future cash flows is not material.

   The Group derecognises a financial asset when it expires or when the rights to the cash flows from the financial asset have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred.

Financial liabilities-

Financial liabilities include accounts payable by the Group that have arisen from the purchase of goods or services in the normal course of the Group's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

The accounts payable by the Group are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost. The costs of arranging these liabilities initially reduce their fair value and are taken into consideration subsequently in order to calculate the effective interest rates used to recognise the amortised cost of the financing.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

Derivative financial instruments-

The Group's activities expose it mainly to interest rate risk, due to the changes in the floating Euribor rate to which its borrowings are tied. To cover these exposures, the Group has been using derivative financial instruments, but has not formally designated its derivative financial instruments outstanding as hedges and, accordingly, the latter are recognised as assets or liabilities in the consolidated balance sheet at their fair value. Any changes in fair value must be recognised in the consolidated income statement for the period.

Equity instruments-

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recognised in equity at the proceeds received, net of issue costs.

e) Inventories-

Inventories, comprising basically mobile handsets, are measured at the lower of FIFO cost, and net realisable value. Trade discounts, rebates, other similar items and interest included in the face value of the related payables are deducted in determining the costs of purchase.

Net realisable value is the estimated selling price less the estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The Group recognises the appropriate write-downs as an expense in the consolidated income statement when the net realisable value of the inventories is lower than acquisition cost.

f) Provisions and contingencies-

When preparing the consolidated financial statements the Parent's directors make a distinction between:

1. *Provisions*: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and

2. *Contingent liabilities*: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The consolidated financial statements include all the provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

The compensation to be received from a third party on settlement of the obligation is recognised as an asset, provided that there are no doubts that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

There were no contingent assets or liabilities at 31 December 2012 and 2011 other than those described in these notes to the consolidated financial statements.

g) Income tax-

Following the business combination described in Notes 1 and 5, SPTA and Telecable de Asturias left the tax group of which they had formed part (tax group number 8/00) and, as a result, filed individual corporate income tax returns for 2011. TCH also filed an individual income tax return for 2011.

Also, on 31 December 2011 the required notification was made to the Spanish tax authorities for the formation of a consolidated tax group with effect for the tax periods beginning on or after 1 January 2012, of which TCH is the parent and Telecable de Asturias is its subsidiary.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Group will have taxable profits in the future against which the deferred tax assets can be utilised within the next ten years.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits. The Group files consolidated income tax returns and in this process it applies the following rules: temporary differences arising in the calculation of the consolidated tax base due to the elimination of results from transactions between companies composing the tax group, provided that such results have not been realised with third parties, are recognised by the company that had recognised the result; permanent differences (e.g. due to the elimination of dividends paid among companies in the tax group) or temporary differences arising in the calculation of the consolidated tax base are recognised as a permanent or temporary difference by the company that had recognised the result, as applicable in accordance with the general method of recognition; and any tax losses and tax credits and rebates offset or used by the companies composing the tax group are recognised as a credit or debit between the reporting company and the companies that offset and/or use them, to the extent that they are absorbed by the Group. Deferred tax assets for unused tax credits are recognised by the company in question in the tax group to the extent that they are expected to be used by it or by the other companies composing the tax group as part of the tax group's overall plans or of its business plan, within a time horizon of ten years.

h) Revenue and expense recognition-

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

i) Termination benefits-

Under current labour legislation, the Group companies are required to pay termination benefits to employees terminated under certain conditions. Termination benefits that can be reasonably quantified are recognised as an expense in the period in which the directors decide to pay them and a valid expectation is created on the part of third parties with respect to the termination. The Group recognised a provision of EUR 372 thousand under ''Current Liabilities – Trade and Other Payables'' in the accompanying consolidated balance sheet at 31 December 2012 (31 December 2011: EUR 618 thousand).

j) Current/non-current classification-

In the consolidated balance sheet, assets and liabilities expected to be recovered, consumed or settled within twelve months from the reporting date are classified as current items. If, prior to the reporting date, a liability does not give the Group an unconditional right to defer the settlement for at least twelve months from the consolidated balance sheet date, the liability is classified as a current liability.

k) Discontinued operations-

A discontinued operation is any component of the Group that has been sold or disposed of in any other way or has been classified as held for sale and, among other conditions, represents a line of business or significant area that can be distinguished from the rest.

For operations of this nature, the Group includes in the consolidated income statement under a single heading entitled ''Profit/Loss for the Period from Discontinued Operations Net of Tax'' both the profit or loss after tax of discontinued operations and the gain or loss after tax resulting from the measurement of the operations at fair value less costs to sell or from the sale or disposal of the items constituting the discontinued operation.

Also, when operations are classified as discontinued, the Group presents under the aforementioned heading the amount for the preceding year relating to the operations that have been discontinued at the end of the reporting period to which the consolidated financial statements refer.

l) Related party transactions-

The Group performs all its transactions with related parties (financial, commercial or of any nature) at transfer prices following OECD guidelines in order to regulate transactions with companies in the Group to which it belongs and associates. Also, these transfer prices are adequately supported and, therefore, the Group's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

m) Consolidated statement of cash flows-

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method, with the meanings specified:

- Cash flows. Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities. The normal revenue-producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities. The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities. Activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

5. Business combinations

On 28 December 2011, the agreement for the purchase and sale of SPTA was executed in a public deed by virtue of which TCH acquired 85.01% of SPTA's shares, free and clear of all encumbrances and liens. SPTA in turn, had owned all the shares of Telecable de Asturias, S.A.U.

The consolidated carrying amounts of SPTA (taking into consideration its ownership interest in Telecable de Asturias, S.A.U.) at the date of the business combination are summarised as follows (in thousands of euros):

	31/12/11
Non-current assets	
Intangible assets (Note 6)	8,151
Property, plant and equipment (Note 7)	142,341
Deferred tax assets (Note 13)	1,120
Other non-current assets	110
	151,722
Current assets	
Inventories	604
Trade and other receivables	6,826
Cash and cash equivalents	23,876
Other current assets	203
	31,509
Total assets	**183,231**
Non-current liabilities	
Financial debt (Note 10)	27,465
Deferred tax liabilities	17,678
	45,143
Current liabilities	
Financial debt (Note 10)	15,117
Trade and other payables	23,977
Other current liabilities	423
	39,517
Total liabilities	**84,660**
Net assets (considering 100%)	**98,571**
Net assets acquired (85.01%)	**83,795**
Price of the transaction	**304,318**
Price to be allocated	**220,523**

The Parent's directors, pursuant to the materiality principle and in order to simplify the process of recognition of the acquisition, considered that, for accounting purposes, the acquisition date for the transaction was 31 December 2011. A detail of the estimated economic effect of the three days

between the actual acquisition date and the date for accounting purposes, which was assessed by the Parent's directors to be totally immaterial, is as follows (in thousands of euros):

Line item	Effect
Revenue	1,021
Profit from operations	178
Loss for the year	108

At the date of preparation of the consolidated financial statements for 2011, the Parent's directors had completed the initial assessment process required to allocate the purchase price to the business combination and, accordingly, the resulting amount of the difference between the acquisition price of SPTA and the carrying amount of the net assets acquired was allocated to assets and liabilities as follows (in thousands of euros):

Line item	Fair Value Adjustments 2011
Consolidated balance sheet:	
Intangible assets – trademarks (Note 6)	13,594
Intangible assets – other intangible assets	31
Relationships with fixed and mobile customers (Note 6)	92,702
Intangible assets – conduit rights (Note 6)	896
Intangible assets – goodwill(*)	(1,369)
Intangible assets – goodwill (Note 6)	154,467
Property, plant and equipment (Note 7)	6,082
Deferred tax liabilities (Note 13)	(33,991)
Non-controlling interests (Note 9)	(11,889)
Price to be allocated	**220,523**

(*) Goodwill disclosed in the separate financial statements of Telecable de Asturias, S.A.U. Following the acquisition, it was included in the goodwill of the business combination.

For the purpose of calculating the amount attributed to non-controlling interests, it was taken into consideration that a portion (14.99%) of the intangible assets allocated (excluding goodwill) were not owned by the acquirer.

The aforementioned process for the allocation of the purchase price and the gains or losses arising therefrom was reviewed by an independent expert who issued a review report that concluded favourably with regard to the methodology used in the allocation process by TCH and to the reasonableness of the assumptions used.

The valuation process disclosed a fair value relating to fixed and mobile customer relationships amounting to EUR 92,702 thousand, of which EUR 85,020 thousand related to fixed business customers and EUR 7,682 thousand to mobile business customers. These values were obtained using the multi-period excess earnings method, whereby the value of an intangible asset is estimated as the discounted value of the cash flows generated by it (in this case, "the commercial relationships"). Since this asset normally generates cash flows together with other tangible and intangible assets (property, plant and equipment, working capital, manpower, etc.), it is considered that the cost of using the aforementioned assets (contributing assets) should be subtracted from the cash flows generated by the intangible assets being valued. These assets entitled "Customer Relationships" have a defined useful life (see Note 4-a) and amortisation commenced in 2012.

Additionally, SPTA (currently Telecable de Asturias) operated under the Telecable trademark, which was recognised in its balance sheet at EUR 14 thousand. In relation to the business combination, the fair value of this trademark was calculated and amounted to EUR 13,608 thousand, thereby giving rise to a revaluation of EUR 13,594 thousand. The revaluation was calculated using the royalty relief method, whereby the fair value of a trademark is taken to be equal to the present value of the

estimated cash flows that will be generated by the intangible asset measured over its useful life. In the case of the Telecable trademark, an indirect method was used to estimate the cash flows generated by the intangible asset: the methodology based on market royalties. In accordance with this method, the value of the asset is estimated by capitalising SPTA's profit after tax, which equals the cost that would be incurred by SPTA in obtaining a licence for the use of an intangible asset of similar characteristics and features for which its owner would pay a royalty. In other words, the owner of the intangible asset, merely as a result of owning the asset, saves on the costs of having to pay any license or royalty for its use. The trademark valued was considered to be an asset with a useful life of 30 years.

Lastly, following the value allocation process, it was concluded that the fair value of the property, plant and equipment was EUR 6,082 thousand higher than the carrying amount of the related assets. The valuation method used was the indirect cost approach, which is based on the principle of replacement and takes into account that a prudent investor would not pay more for an asset than the cost of its replacement with a new identical asset or a substitute asset that performs the same function. This estimate of the replacement cost is based upon historical purchasing trends and manufacturing costs. This value was allocated to the items of property, plant and equipment as follows (in thousands of euros):

	Fair Value Adjustments 2011
Land and buildings	989
Network terminal unit	(3,579)
Backbone	2,074
Distribution centres	(295)
Nodes	(629)
Distribution network	7,733
Home fixtures	1,158
Equipment in customer homes	(2,215)
Machinery	3
Other facilities	629
Computer hardware	214
	6,082

The remaining EUR 154,467 thousand (see Note 6) was recognised as final goodwill and related to the synergies and future expectations of the economic benefits contributed to the Group by this business combination. Telecable de Asturias recognised in its financial statements implicit goodwill generated in 2002, amounting to EUR 1,368,160, which relates to the goodwill generated in the acquisition for consideration of the shares of Oviedo de Cable, S.A. by TeleCable de Oviedo, S.A. For the purposes of allocating values in the context of the business combination, this goodwill disappeared and was included in the EUR 154,467 thousand referred to above.

The accounting legislation applicable to the Parent establishes that deferred tax liabilities must be recognised for all taxable temporary differences, unless they arose from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not classified as a business combination and which affected neither the accounting profit (loss) nor the taxable profit (tax loss). The values allocated to the trademark, customer relationships, conduit rights and to a portion of the fixed assets within the context of the business combination in question are non-deductible for tax purposes and, therefore, the Parent's directors recognised the related tax effect under ''Non-Current Liabilities – Deferred Tax Liabilities'' in the consolidated balance sheet at the date of the business combination (see Note 13). The fair value allocated to a portion of the fixed assets was lower than their carrying amount and, therefore, since the accounting profit is lower than the taxable profit, the Parent recognised the related deferred tax assets considering that this amount would be recovered within a period of ten years.

The merged Group company Telecable de Asturias, S.A. had directly charged to expense the commissions for attracting new customers paid for both fixed and mobile services. In 2012 Telecable de Asturias, S.A. was capitalising these commissions to ''Intangible Assets – Other Intangible Assets'',

estimating a useful life of 12 months for commissions relating to fixed services subject to a minimum contract period, or 18 months for commissions relating to mobile services subject to a minimum contract period, considering that the recoverability of those commissions is guaranteed. For the purposes of the final measurement of the assets and liabilities of the business combination described above it was considered that the aforementioned method of capitalisation was being used at that date, as a result of which an intangible asset amounting to EUR 2,481,635 and a deferred tax liability of EUR 744,491 were recognised. This also led to adjustments to ''Goodwill'' and ''Non-Controlling Interests'' of EUR 152,990,143 and EUR 26,925,170, respectively.

Following the valuation process for the assets acquired and liabilities assumed, the Parent's directors considered that the carrying amounts of the assets and liabilities of the company acquired do not differ substantially from their fair value(see Note 4-a).

6. Intangible assets

The changes in 2012 and 2011 in ''Intangible Assets'' in the consolidated balance sheets were as follows:

2012

	Euros				
	Beginning Balance	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfers**	**Ending Balance**
Cost-					
Development expenditure	819,133	—	—	—	819,133
Administrative concessions	2,031,007	122,878	—	—	2,153,885
Patents, licences, trademarks and other	13,643,789	695	—	—	13,644,484
Goodwill	152,990,143	—	—	—	152,990,143
Computer software	22,027,673	—	—	2,944,196	24,971,869
Other intangible assets	105,794,783	5,958,131	(2,481,752)	—	109,271,162
Advances and intangible assets in progress	16,649	3,321,862	—	(2,944,196)	394,315
	297,323,177	**9,403,566**	**(2,481,752)**	**—**	**304,244,991**
Accumulated amortisation-					
Development expenditure	(819,133)	—	—	—	(819,133)
Administrative concessions	(139,584)	(134,543)	—	—	(274,127)
Patents, licences, trademarks and other	(35,523)	(458,923)	—	—	(494,446)
Computer software	(16,898,324)	(2,739,084)	—	—	(19,637,408)
Other intangible assets	(9,953,104)	(18,544,460)	2,425,751	—	(26,071,813)
	(27,845,668)	**(21,877,010)**	**2,425,751**	**—**	**(47,296,927)**
Intangible assets, net	**269,477,509**				**(256,948,064)**

2011

	Euros		
	Beginning Balance	Business Combination (Note 5)	Ending Balance
Cost-			
Development expenditure	—	819,133	819,133
Administrative concessions	—	2,031,007	2,031,007
Patents, licences, trademarks and other	—	13,643,789	13,643,789
Goodwill	—	152,990,143	152,990,143
Computer software	—	22,027,673	22,027,673
Other intangible assets	—	105,794,783	105,794,783
Advances and intangible assets in progress	—	16,649	16,649
	—	**297,323,177**	**297,323,177**
Accumulated amortisation-	—		
Development expenditure	—	(819,133)	(819,133)
Administrative concessions	—	(139,584)	(139,584)
Patents, licences, trademarks and other	—	(35,523)	(35,523)
Computer software	—	(16,898,324)	(16,898,324)
Other intangible assets	—	(9,953,104)	(9,953,104)
	—	**(27,845,668)**	**(27,845,668)**
Intangible assets, net	—		**269,477,509**

Goodwill

At 31 December 2012, the Group had goodwill of EUR 152,990 thousand arising from the business combination described in Note 5, on which no impairment losses were recognised in 2012 (see Note 4-b).

Other intangible assets

As a result of the business combination described in Notes 1 and 5 and the valuation process detailed in Note 5, a fair value associated with fixed and mobile customer relationships of EUR 92,702 thousand was disclosed, of which EUR 85,020 thousand related to fixed business customers and EUR 7,682 thousand related to mobile business customers. This fair value was recognised under ''Intangible Assets – Other Intangible Assets'' in the consolidated balance sheets at 31 December 2012 and 2011.

Main investments

The most significant additions in 2012 related mainly to computer software needed for the Group's operations, to the capitalisation of rights to two film productions financed and co-produced by the Group, and to the capitalisation of the cost of new customers arising from commissions charged for services subject to a minimum contract period.

Disposals in 2012

The Group derecognised football broadcasting rights with a carrying amount of EUR 56,001. This loss was recognised under ''Impairment and Gains or Losses on Disposals of Non-Current Assets – Gains or Losses on Disposals and Other'' in the accompanying consolidated income statement for 2012.

Fully amortised assets

At 31 December 2012, intangible assets in use included certain fully amortised intangible assets still in use with a total cost and related accumulated amortisation of EUR 15,929,589 (31 December 2011: EUR 13,166,700), the detail being as follows:

	Euros	
	2012	**2011**
Computer software	15,086,191	12,335,876
Development expenditure	819,133	819,133
Patents, licences, trademarks and other	24,265	11,691
Total	**15,929,589**	**13,166,700**

7. Property, plant and equipment

The changes in ''Property, Plant and Equipment'' in 2012 and 2011 in the consolidated balance sheets were as follows:

2012

	Euros				
	Beginning Balance	**Additions or Charge for the Year**	**Disposals or Reductions**	**Transfers**	**Ending Balance**
Cost-					
Land and buildings	4,919,298	—	-	—	4,919,298
Network terminal unit	51,706,795	—	-	2,909,641	54,616,436
Backbone	18,483,404	—	-	984,692	19,468,096
Distribution centres	17,188,627	—	-	267,434	17,456,061
Nodes	9,862,911	—	-	71,519	9,934,430
Distribution network	77,665,815	—	-	3,016,752	80,682,567
Home fixtures	61,630,964	—	-	6,543,663	68,174,627
Equipment in customer homes	43,218,065	—	(3,947,942)	5,390,833	44,660,956
Machinery	37,020	—	-	—	37,020
Other fixtures	8,231,377	—	(948,213)	1,210,023	8,493,187
Computer hardware	3,238,604	—	-	294,615	3,533,219
Advances and intangible assets in progress	1,558,753	20,324,314	—	(20,689,172)	1,193,895
	297,741,633	**20,324,314**	**(4,896,155)**	—	**313,169,792**
Accumulated depreciation-					
Land and buildings	(873,839)	(102,697)	—	—	(976,536)
Network terminal unit	(33,018,471)	(4,310,638)	—	—	(37,329,109)
Backbone	(5,809,251)	(770,488)	—	—	(6,579,739)
Distribution centres	(14,120,429)	(1,319,913)	—	—	(15,440,342)
Nodes	(7,859,722)	(601,997)	—	—	(8,461,719)
Distribution network	(26,137,013)	(3,999,863)	—	—	(30,136,876)
Home fixtures	(25,649,057)	(7,138,623)	—	—	(32,787,680)
Equipment in customer homes	(29,982,986)	(3,965,239)	3,277,370	—	(30,670,855)
Machinery	(29,509)	(1,452)	—	—	(30,961)
Other fixtures	(3,911,252)	(2,647,045)	621,596	—	(5,936,701)
Computer hardware	(2,131,868)	(358,351)	—	—	(2,490,219)
Prematurity (2000 and 2001)	204,328	(48,293)	—	—	156,035
	(149,319,069)	**(25,264,599)**	**3,898,966**	—	**(170,684,702)**
Impairment losses recognised on equipment in customer homes (Euro DOCSIS equipment)	—	(624,190)	—	—	(624,190)
Property, plant and equipment, net	**148,422,564**				**141,860,900**

	Euros		
	Beginning Balance	Business Combination (Note 5)	Ending Balance
Cost-			
Land and buildings	—	4,919,298	4,919,298
Network terminal unit	—	51,706,795	51,706,795
Backbone	—	18,483,404	18,483,404
Distribution centres	—	17,188,627	17,188,627
Nodes	—	9,862,911	9,862,911
Distribution network	—	77,665,815	77,665,815
Home fixtures	—	61,630,964	61,630,964
Equipment in customer homes	—	43,218,065	43,218,065
Machinery	—	37,020	37,020
Other fixtures	—	8,231,377	8,231,377
Computer hardware	—	3,238,604	3,238,604
Advances and property, plant and equipment in the course of construction	—	1,558,753	1,558,753
	—	**297,741,633**	**297,741,633**
Accumulated depreciation-			
Land and buildings	—	(873,839)	(873,839)
Network terminal unit	—	(33,018,471)	(33,018,471)
Backbone	—	(5,809,251)	(5,809,251)
Distribution centres	—	(14,120,429)	(14,120,429)
Nodes	—	(7,859,722)	(7,859,722)
Distribution network	—	(26,137,013)	(26,137,013)
Home fixtures	—	(25,649,057)	(25,649,057)
Equipment in customer homes	—	(29,982,986)	(29,982,986)
Machinery	—	(29,509)	(29,509)
Other fixtures	—	(3,911,252)	(3,911,252)
Computer hardware	—	(2,131,868)	(2,131,868)
Prematurity (2000 and 2001)	—	204,328	204,328
	—	**(149,319,069)**	**(149,319,069)**
Property, plant and equipment, net	—		**148,422,564**

Main investments

The most significant additions in 2012 relate to the acquisition of infrastructure and equipment for the development of the cable network, to the acquisition of the equipment required to run the digital television and fixed telephony services, to the modernisation of the equipment installed in customers' homes and to all the items composing the Group's operating infrastructure.

At the end of the year certain items of property, plant and equipment were in the course of construction and related mainly to the deployment of the network to areas in which no customers had yet been connected at the end of the year and to the development of the multimedia network terminal unit which will allow the Group to offer an interactive television service.

Disposals in 2012

The main disposals in 2012 relate to certain obsolete plant items, mainly equipment in customer homes, with a carrying amount of EUR 670,572, and store refurbishments, with a carrying amount of EUR 326,617, which gave rise to losses of the aforementioned amounts, recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets – Gains or Losses on Disposals and Other" in the accompanying consolidated income statement for 2012.

The transfers between the various property, plant and equipment line items arose as a result of the entry into service of various items of property, plant and equipment in the course of construction.

Fully depreciated property, plant and equipment

At 31 December 2012 and 2011, the Group had the following fully depreciated items of property, plant and equipment still in use:

	Euros	
	2012	**2011**
Network terminal unit	14,037,585	11,994,890
Backbone	210,668	210,668
Distribution centre	7,671,107	6,007,932
Nodes	5,043,523	4,508,550
Distribution network	1,461,602	656,943
Home fixtures	7,647,086	3,918,498
Equipment in customer homes	14,626,865	8,774,511
Computer hardware	1,834,953	1,639,203
Machinery	28,658	9,989
Other fixtures	1,587,160	1,080,905
Total	**54,149,207**	**38,802,089**

Insurance

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 31 December 2012 and 2011, the Parent's directors considered that the insurance policies taken out were sufficient to cover the risks to which the Group's activities were exposed.

Finance leases

At 31 December 2012 and 2011, the Group was using the following assets under finance leases:

2012

			Euros				
Asset	**Lease Term in Months**	**Months Elapsed until 31/12/12**	**Original Cost of the Asset**	**Lease Payments Paid in Prior Years**	**Lease Payments Paid in 2012**	**Lease Payments Outstanding, Including Amount of Purchase Option**	**Amount of Purchase Option**
Set-top boxes and accessories	48	46	368,901	282,508	94,217	16,100	8,134
Set-top boxes and accessories	48	39	17,749	10,273	4,456	3,420	383
Set-top boxes and accessories	48	42	310,351	196,161	78,252	46,690	6,743
Set-top boxes and accessories	48	48	43,051	37,935	9,209	—	986
Set-top boxes and accessories	48	48	74,720	69,989	12,862	—	1,710
Set-top boxes and accessories	48	48	158,108	148,095	27,217	—	3,618
Set-top boxes and accessories	48	48	216,441	215,555	28,124	—	4,929
Set-top boxes and accessories	48	48	306,327	313,643	33,280	—	6,956
Set-top boxes and accessories	60	60	226,510	207,993	47,331	4,243	4,243
Set-top boxes and accessories	48	48	212,344	222,493	18,491	—	4,790
Set-top boxes and accessories	60	60	271,146	261,867	52,522	—	5,081
Set-top boxes and accessories	60	60	232,250	224,295	44,995	—	4,352
Set-top boxes and accessories	60	60	156,477	151,011	30,300	—	2,932
Set-top boxes and accessories	48	48	376,140	404,145	24,690	—	8,482
Set-top boxes and accessories	48	48	688,453	760,967	30,512	—	15,627
Set-top boxes and accessories	48	37	1,147,874	574,291	286,172	293,926	24,728
Cisco Proyecto Liberbank equipment	24	2	409,085	—	31,677	377,408	16,923
Cisco Proyecto Liberbank equipment	24	2	66,719	—	5,166	61,553	2,760
Cisco Proyecto Liberbank equipment	24	1	116,341	—	4,496	111,845	4,814
			5,398,987	**4,081,221**	**863,969**	**915,185**	**128,191**

2011

			Euros				
Asset	Lease Term in Months	Months Elapsed until 31/12/11	Original Cost of Asset	Lease Payments Paid in Prior Years	Lease Payments Paid in 2011	Lease Payments Outstanding, Including Amount of Purchase Option	Amount of Purchase Option
Set-top boxes and accessories	48	34	368,901	191,429	91,079	110,317	8,134
Set-top boxes and accessories	48	27	17,749	5,976	4,297	7,876	383
Set-top boxes and accessories	48	30	310,351	120,604	75,557	124,942	6,743
Set-top boxes and accessories	48	39	43,051	27,165	10,770	9,209	986
Set-top boxes and accessories	48	40	74,720	51,196	18,793	12,862	1,710
Set-top boxes and accessories	48	40	158,108	108,331	39,764	27,217	3,618
Set-top boxes and accessories	48	43	216,441	160,655	54,900	28,124	4,929
Set-top boxes and accessories	48	43	306,327	235,719	77,924	33,280	6,956
Set-top boxes and accessories	60	48	226,510	161,697	46,296	51,574	4,243
Set-top boxes and accessories	48	45	212,344	168,408	54,085	18,491	4,790
Set-top boxes and accessories	60	50	271,146	206,058	55,809	52,522	5,081
Set-top boxes and accessories	60	50	232,250	176,483	47,812	44,995	4,352
Set-top boxes and accessories	60	50	156,477	118,816	32,195	30,300	2,932
Set-top boxes and accessories	48	46	376,140	308,119	96,026	24,690	8,482
Set-top boxes and accessories	48	47	688,453	584,431	176,545	30,512	15,627
Set-top boxes and accessories	48	24	1,147,874	298,456	275,835	580,098	24,728
			4,806,842	**2,923,543**	**1,157,687**	**1,187,009**	**103,694**

The Group intends to exercise the purchase option on expiry of the finance leases.

Obligations under finance leases-

The outstanding finance lease payments and purchase options at 31 December 2012 in relation to finance leases arranged and in force at that date amounted to EUR 915,185 (31 December 2011: EUR 1,187,009) and fall due as follows:

	Euros	
Falling Due Within One Year	**2012**	**2011**
2012	—	821,489
2013	644,821	365,520
2014	270,364	—
	915,185	**1,187,009**

Their nominal value does not differ significantly from their present value.

8. Financial assets

Non-current financial assets-

The detail of ''Non-Current Financial Assets'' in the accompanying consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Equity instruments	47,887	47,887
Other financial assets	45,054	61,454
Total	**92,941**	**109,341**

The balances of ''Non-Current Financial Assets – Equity Instruments'' in the accompanying consolidated balance sheets at 31 December 2012 and 2011 relate to investments in the equity of

certain companies which are measured at acquisition cost. These companies are not listed on any stock exchange.

The balances of ''Non-Current Financial Assets – Other Financial Assets'' in the accompanying consolidated balance sheets at 31 December 2012 and 2011 relate in full to guarantees, measured at the amount given, which does not differ significantly from their fair value.

Current financial assets-

At 31 December 2012 ''Current Financial Assets – Other Financial Assets'' in the accompanying consolidated balance sheet includes EUR 40,086 (31 December 2011: EUR 29,332) relating in full to guarantees measured at the amount given.

Cash equivalents-

At 31 December 2012, ''Cash Equivalents'' includes EUR 24,090,257 (31 December 2011: EUR 17,650,650) in relation to term deposits with a maturity of less than three months that form part of the Group's normal cash management arrangements.

Information on the nature and level of risk of financial instruments-

The Group's activities are exposed to various financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of financial markets and endeavours to minimise the potential adverse effects on its profitability. The Group uses derivatives to hedge certain risks.

Cash flow interest rate and fair value interest rate risk: The Group's interest rate risk arises mainly from non-current borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings bearing interest at fixed rates expose the Group to fair value interest rate risk. In 2012 the Group's floating-rate borrowings were denominated in euros.

Information on the financing that the Group had obtained at 31 December 2012 is disclosed in Note 10. Of this financing, the loan arranged with a banking syndicate bears interest at a floating rate tied to market rates.

In 2012 the Group began to manage the cash flow interest rate risk arising on the aforementioned loan through floating-to-fixed interest rate swaps. The economic effect of these interest rate swaps is to convert borrowings at floating rates into fixed-rate borrowings. In general, the Group obtains long-term borrowings at floating rates and swaps them for fixed rates that are lower than those that would have been available had the Group obtained the borrowings directly at fixed rates. Under the interest rate swaps, the Group undertakes with other parties to swap, at certain intervals of time (generally quarterly), the difference between the fixed interest and the floating interest calculated on the basis of the notional principal amounts arranged.

Credit risk: arises from cash and cash equivalents, deposits at banks and trade receivables. With regard to banks, the Group uses the ratings assigned by independent agencies. If the customers have been rated independently, these ratings are used. Otherwise, the Group evaluates the creditworthiness of the customer, taking into account its financial position, past experience and other factors. The individual credit limits are established on the basis of internal and external ratings and the use of these limits is monitored on a regular basis.

Liquidity risk: prudent management of liquidity risk ensures that sufficient cash and marketable securities are held and financing is available through a sufficient level of committed credit facilities. Management monitors the Group's projected liquidity reserve on the basis of its expected cash flows.

At 31 December 2012 and 2011, the Group had cash and cash equivalents amounting to approximately EUR 35 million.

Derivative financial instruments-

The detail of the interest rate derivatives arranged by the Group is as follows:

			Euros		
				Fair Value	
Entity	**Expiry**	**Type**	**Amount Arranged**	**Assets**	**Liabilities**
BNP	2015	Swap	75,000,000	—	(1,902,328)
Unicredit	2015	Swap	75,000,000	—	(1,902,328)
				—	**(3,804,656)**

The fair value of the derivatives arranged at 2012 year-end is recognised under ''Non-Current Liabilities – Non-Current Payables – Derivatives'' in the accompanying consolidated balance sheet at 31 December 2012 and the related effect on profit or loss is recognised as a balancing entry under ''Change in Fair Value of Financial Instruments'' in the consolidated income statement for 2012.

9. Equity and shareholders' equity

a) Share capital-

The Parent was incorporated by public deed on 15 April 2011 with a share capital of EUR 3,000, represented by 100 registered shares of EUR 30 par value each. Subsequently, on 28 December 2011, capital was increased by issuing 11,300 new shares of EUR 30 par value each, with a share premium of EUR 2,978.85 each. Thus, at 31 December 2011 the share capital of the Parent amounted to EUR 342,000, represented by 11,400 fully subscribed and paid shares of EUR 30 par value each, numbered sequentially from 1 to 11,400, inclusive, of which 11,300 fully paid shares each had a share premium of EUR 2,978.85. At 31 December 2012 and 2011, the Parent's capital structure was as follows:

	Percentage of Ownership
CEP III Investment 18 S.à.r.l.	**100%**

The ultimate shareholder of CEP III Investment 18 S.à.r.l. is the Carlyle Group.

b) Loss attributable to the Parent

The contribution of each consolidated company to the consolidated loss for 2012 was as follows (in thousands of euros):

Company	**Accounting Loss**	**Consolidation Adjustments**	**Contribution to Consolidated Loss**
Telecable Capital Holding, S.L.U.	(20,170,149)	—	(20,170,149)
Telecable de Asturias, S.A.	(1,130,848)	(388,686)	(1,519,534)
	(21,300,997)	**(388,686)**	**(21,689,683)**

c) Non-controlling interests-

The balance of ''Non-Controlling Interests'' in the consolidated balance sheet includes the value of the investment of non-controlling interests in fully consolidated companies. Also, the balance of ''Loss Attributable to Non-Controlling Interests'' in the consolidated income statement represents the share of non-controlling interests in the profit or loss for the year.

The changes in ''Non-Controlling Interests'' in 2012 and 2011 in the consolidated balance sheets were as follows:

2012

	Euros			
	Beginning Balance	**Increases**	**Reductions**	**Ending Balance**
Telecable de Asturias, S.A.	**26,925,170**	**(267,943)**	**—**	**26,657,227**

2011

	Euros		
	Beginning Balance	**Business Combinations (Note 5)**	**Ending Balance**
Telecable de Asturias, S.A. (formerly Sociedad Promotora de las Telecomunicaciones en Asturias, S.A.)	**—**	**26,925,170**	**26,925,170**

10. Bank borrowings

On 22 November 2011, the Group entered into a senior financing agreement totalling EUR 218,500,000 with a banking syndicate that consisted of a loan divided into two tranches: Tranche A amounting to EUR 65,000,000 and tranche B amounting to EUR 113,500,000 and two credit facilities totalling EUR 40,000,000

This financing bears interest at a floating market rate which can be paid at between three and six months, at the company's discretion.

At 31 December 2012 and 2011, within the context of this agreement, the Group had bank borrowings of EUR 157,000,000 relating to the amounts drawn down on tranche A (EUR 57,170,868.34) and tranche B (EUR 99,829,131.66), of which EUR 140,125,992 were recognised under ''Non-Current Payables – Bank Borrowings'' and EUR 154,713,167 were recognised under ''Current Payables – Bank Borrowings'' in the accompanying consolidated balance sheet at 31 December 2012 (31 December 2011: EUR 5,145,378 and EUR 2,286,833, respectively). ''Current Payables – Bank Borrowings'' also includes EUR 10,859 thousand of accrued interest payable on the amounts drawn down and commitment fees accrued on the undrawn amounts at 31 December 2011, which were paid in 2012.

In relation to this financing, at the reporting date the Group had pledged the collection rights on bank accounts, insurance contracts and its purchase and sale agreement, and had granted a security interest over the collection rights arising on certain service agreements, a promise to mortgage certain property, a promise to arrange a mortgage or grant a security interest over certain assets such as the network terminal unit and distribution network and a promise to mortgage brands and trade names of certain assets to cover possible non-payment of the loan. The shares of Telecable de Asturias (held by the Parent) and its parent were also pledged as security in proportion to the shareholding in the Parent. At the date of preparation of these consolidated financial statements the directors do not consider that there are any indications that these guarantees and pledges will be enforced.

The conditions applicable to each tranche of this loan are different. In this respect, tranche B has a single maturity in December 2018. Tranche A has different repayment percentages established for the various maturity dates from June 2012 to December 2017, at which date it will have been repaid in full, per the following detail:

Date	Percentage of Repayment (*)
30 June and 31 December 2012	2%
30 June and 31 December 2013	4.5%
30 June and 31 December 2014	9.5%
30 June and 31 December 2015	10.5%
30 June and 31 December 2016	13%
30 June 2017	10.5%
31 December 2017	Amount outstanding

(*) Percentage of repayment of the amount drawn down at the related date.

This repayment schedule arose from the senior financing amendment Novation Agreement, which was entered into and executed in a public deed on 17 April 2013 in the presence of Madrid notary Federico Garayal de Niño, under number 693 of his protocol. By virtue of this agreement, the amount repayable at 31 December 2017, which had been set at 10.5%, was changed to include the repayment of any amount outstanding.

The syndicated loan's clauses include the achievement of certain ratios relating to the consolidated financial information of the Telecable Group, which are described below:

- Debt coverage ratio, understood to be the ratio of net debt to EBITDA.
- Interest coverage ratio, understood to be the ratio of EBITDA to net interest for the year.
- Cash-flow coverage ratio, understood to be the ratio of the cash flows generated by the Group to senior debt repayment each year.
- Capital expenditure, understood to be capital investment expenses incurred in the year which must not exceed certain limits at year-end.
- Surplus cash flows, understood to be the difference between the cash flows generated by the Group in the year and the sum of the repayment of the senior debt, the acquisition costs and the investment and other expenses incurred in the year. If surplus cash flows are detected, they are used to repay the debt early.

The Group's directors state that these ratios had been achieved in full at 31 December 2012.

Telecable Capital Holding S.L.U. had drawn down EUR 122,138 thousand on this syndicated loan at 31 December 2012. Subsequently, on 10 January 2013, Telecable de Asturias drew down amounts on tranches A3 and B3 in order to, *inter alia*, finance a distribution of unrestricted reserves.

On this same date, Telecable Capital Holding, S.L.U. repaid the amounts drawn down under the senior financing agreement, thereby ceasing to be a borrower under this agreement.

Additionally, Telecable de Asturias will have to bear the costs associated with the financing obtained, amounting to approximately EUR 1.3 million.

The 1-month EURIBOR plus a market spread interest borne on the syndicated loan in 2012 amounted to EUR 10,206,627 and is recognised under "Finance Costs" in the accompanying consolidated income statement for 2012.

The syndicated loan agreement includes a clause providing for early repayment from 31 December 2012 on the basis of the values achieved in relation to the debt coverage ratio. The amounts repayable early will be calculated as a percentage of the surplus cash flow in each financial year.

In addition, in 2012 the banks providing the syndicated loan charged the Group the arrangement costs for this financing amounting to approximately EUR 10,471 thousand, which were paid in 2012. This amount was recognised by reducing the amount of the bank borrowings under "Current

Liabilities – Bank Borrowings – Arrangement Costs'' and will be included in the calculation of the effective interest rate applicable to the Group in 2012.

On 28 December 2011, in relation to the corporate transaction described in Note 1, the TCH Group arranged a loan of EUR 50,000,000 (subordinated to the previous loan) with Liberbank, S.A. This loan matures on 28 December 2012, at which date the TCH Group will be required to repay the principal in full plus the interest accrued, which will be capitalised to the principal owed. However, there is a mandatory early repayment clause requiring the Group to allocate 66.6% of the surplus cash flow (as defined in the loan agreement) for each year to repay the loan principal, provided the most recent debt coverage ratio (as established in the senior financing agreement calculated *pro forma* as if the repayment in question had already occurred) is equal to or less than 2 and there is no non-performance of the syndicated loan (to which it is subordinated) that has not been remedied or approved by the banks forming the syndicate and the payment in question will not lead to the non-performance of the senior financing agreement. The applicable interest rate is 8.5% per year, although this rate may be reduced to 7.5%, depending on the debt coverage ratio. As a result of the aforementioned agreement between Telecable de Asturias S.A. and Telecable Capital Holding S.L.U., the total amount drawn down on this loan by Telecable Capital Holding S.L.U. was transferred to Telecable de Asturias S.A. The new terms and conditions of the loan are identical to the original ones except that the principal granted on 10 January 2013 was EUR 54,477,760 since it included the interest accrued by the Parent from the date on which the loan was granted (28 December 2011) to the transfer thereof in January 2013.

At 31 December 2012, the full amount of the loan and EUR 4,320,631 relating to accrued interest payable (31 December 2011: interest payable of EUR 35,416) were recognised under ''Non-Current Liabilities – Non-Current Payables – Bank Borrowings'' in the accompanying consolidated balance sheet.

The repayment schedule established for the loans classified as long-term is indicated below (without taking into account the loan arrangement costs which are deducted from this amount):

2012

	Euros
Maturing in	**2012**
2014	10,862,465
2015	12,005,882
2016	14,864,427
2017 and subsequent years	160,223,540
	197,956,314

2011

Maturing in	**Euros**
2013	5,145,378
2014	10,862,465
2015	12,005,882
2016 and subsequent years	176,734,858
	204,748,583

11. Other current and non-current payables

Other non-current financial liabilities-

The detail of "Non-Current Payables – Other Financial Liabilities" on the liability side of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Ministry of Industry refundable advances	417,495	479,663
Long-term guarantees	13,392	12,470
Total	**430,887**	**492,133**

On 19 September 2005, the Spanish Ministry of Industry, Tourism and Trade granted the Group an interest-free loan of EUR 351,946, repayable over 13 years, with a three-year grace period for the repayment of the principal. In the accompanying consolidated balance sheet at 31 December 2012, the portion of this loan maturing at more than one year (EUR 161,243) is classified under "Non-Current Payables – Other Financial Liabilities" and the portion maturing in 2012 (EUR 37,436) is classified under "Current Payables – Other Financial Liabilities".

Also, on 2 December 2008, the Ministry of Industry, Tourism and Trade granted the Group an interest-free loan of EUR 535,020, repayable over 15 years, with a 3-year grace period for the repayment of the principal. In the accompanying consolidated balance sheet at 31 December 2012, the portion of this loan maturing at more than one year (EUR 256,252) is classified under "Non-Current Payables – Other Financial Liabilities" and the portion maturing in 2012 (EUR 33,243) is classified under "Current Payables – Other Financial Liabilities".

Other current financial liabilities-

The detail of "Current Payables – Other Financial Liabilities" on the liability side of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Ministry of Industry refundable advances	70,679	333,357
Short-term payables to non-current asset suppliers	14,617,138	13,431,649
Debt convertible into grants	—	69,349
Other payables	—	54,179
Total	**14,687,817**	**13,888,534**

The balances relating to refundable advances correspond to amounts claimable at short term arising from the subsidised loans referred to in the foregoing section of this note.

The short-term payables to non-current asset suppliers at 31 December 2012 and 2011 relate mainly to amounts payable in relation to investments made in the year.

12. Related companies

The detail of the balances with Group companies at 31 December 2012 and 2011 is as follows:

2012

	Euros		
	Accounts Receivable	Accounts Payable	
	Cash	Current	Non-Current
Loans-			
CEP III Investment 18 Finance S.à.r.l.	—	—	117,701,944
Total	—	—	**117,701,944**

2011

	Euros		
	Accounts Receivable	Accounts Payable	
	Cash	Current	Non-Current
Loans-			
CEP III Investment 18 Finance S.à.r.l.	—	—	102,127,500
Total	—	—	**102,127,500**

On 28 December 2011, as part of the corporate transaction described in Note 1, the Group arranged a loan of EUR 102,000,000 with its Parent, CEP III Investment 18 Finance S.à.r.l. This loan bears interest at an annual rate of 15% and has an established maturity of 20 years, after which time the total principal plus the accrued interest must be repaid. However, the aforementioned agreement envisages the possibility of the loan being converted into a participating loan at the request of the lender. The full amount of this loan and EUR 15,574,444 relating to accrued interest payable were recognised under ''Non-Current Payables to Group Companies and Associates'' in the accompanying consolidated balance sheet at 31 December 2012.

Unincorporated temporary joint ventures (UTEs)

At 31 December 2012, the Group had a 60% interest in the UTE Telecable-Auna-BT, which engages in the provision of telecommunications services in Asturias.

At 31 December 2012, the Group had an 82% interest in the UTE Telecable-Vodafone, which engages in the provision of fixed and mobile telecommunications services to a corporate customer.

The Group's share of the UTE's assets, liabilities, expenses and income was included in these consolidated financial statements although the Parent's directors consider that the impact thereof is scantly material. The balance sheets and income statements of these UTEs at 31 December 2012 and 2011 are as follows:

UTE TELECABLE – AUNA-BT

BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

(Euros)

ASSETS	**2012**	**2011**
Trade and other receivables	**378,720**	**353,416**
Trade receivables for sales and services	369,428	342,393
Other accounts receivable from public authorities	9,292	—
Other receivables	—	11,023
Current financial assets	**715**	**—**
Other financial assets	715	—
Cash and cash equivalents	241,423	222,507
TOTAL CURRENT ASSETS	**620,858**	**575,923**
TOTAL ASSETS	**620,858**	**575,923**

EQUITY AND LIABILITIES	**2012**	**2011**
Current payables	**(629)**	**—**
Trade and other payables	**621,487**	**575,923**
Payable to suppliers	12,252	477,769
Payable to suppliers – Group companies and associates	561,798	—
Sundry accounts payable	47,437	—
Other payables	—	98,154
TOTAL CURRENT LIABILITIES:	**620,858**	**575,923**
TOTAL EQUITY AND LIABILITIES	**620,858**	**575,923**

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Euros)

	2012	**2011**
CONTINUING OPERATIONS		
Revenue	478.930	472.034
Procurements	(478.930)	(472.034)
Other operating income	7.281	7.489
Other operating expenses	(8.318)	(8.707)
LOSS FROM OPERATIONS	**(1.037)**	**(1.218)**
Finance income	1.037	1.218
FINANCIAL PROFIT	**1.037**	**1.218**
PROFIT/LOSS BEFORE TAX	**—**	**—**
PROFIT/LOSS FOR THE YEAR	**—**	**—**

UTE TELECABLE – VODAFONE

BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

(Euros)

ASSETS	2012	2011
Trade and other receivables	**52,568**	
Trade receivables for sales and services	51,486	**33,473**
Other accounts receivable from public authorities	9	—
Other receivables	1,073	—
Cash and cash equivalents	**5,494**	
TOTAL CURRENT ASSETS:	**58,062**	**33,473**
TOTAL ASSETS	**58,062**	**33,473**

EQUITY AND LIABILITIES	2012	2011
Current payables	**(15,227)**	—
Trade and other payables	**73,289**	**33,473**
Payable to suppliers	23,465	27,525
Payable to suppliers – Group companies and associates	48,259	—
Sundry accounts payable	1,152	—
Other payables	413	5,948
TOTAL CURRENT LIABILITIES:	**58,062**	**33,473**
TOTAL EQUITY AND LIABILITIES	**58,062**	**33,473**

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Euros)

	2012	2011
CONTINUING OPERATIONS:		
Revenue	170.201	28.367
Procurements	(170.201)	(28.367)
Other operating income	1.073	
Other operating expenses	(1.117)	
LOSS FROM OPERATIONS	**(44)**	—
Finance income	44	
FINANCIAL PROFIT/LOSS	—	—
PROFIT/LOSS BEFORE TAX	—	—
PROFIT/LOSS FOR THE YEAR	—	—

13. Tax matters

On 28 December 2011, the Group agreed with its sole shareholder to avail itself of the consolidated tax regime envisaged in Chapter VII of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, for tax periods beginning on or after 1 January 2012, provided that the requirements under current legislation remain in force.

For the purpose of filing consolidated tax returns the Group of companies is made up of Telecable Capital Holding, S.L.U., as the Parent, and Telecable de Asturias, S.A., as the subsidiary. As a result, the subsidiary Telecable de Asturias S.A. joined tax group number 80/12 headed by the Parent Telecable Capital Holding, S.L.U., effective for tax periods beginning on or after 1 January 2012, and, accordingly, as from 2012 it began to file income tax returns as part of the consolidated tax group headed by Telecable Capital Holding, S.L.U.

Current tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Tax receivables-		
VAT refundable	277,554	118,801
	277,554	**118,801**
Tax payables-		
VAT payable	296,972	199,952
Personal income tax withholdings	120,812	132,351
Other Items	436,772	47,970
	854,556	**380,273**
Other tax receivables and payables (State fee)	—	**231,752**
Accrued social security taxes payable	**153,660**	**132,487**
Total tax payables	**1,008,216**	**744,512**

Reconciliation of the accounting loss to the tax loss-

Income tax is calculated on the basis of the accounting profit/loss determined by application of generally accepted accounting principles and which does not necessarily coincide with the taxable profit/tax loss.

The reconciliation of the consolidated accounting loss for the period from the date of incorporation (see Note 1) to 31 December 2012 and 2011 to the estimated loss for income tax purposes and the reconciliation of the accounting loss for this period to the Group's tax loss is as follows:

2012

	Euros		
	Increase	**(Decrease)**	**Amount**
Consolidated loss for the year before tax	—	—	(31,766,088)
Permanent differences	**27,390**	**—**	**27,390**
Arising from Telecable de Asturias	27,390	—	27,390
Temporary differences	**46,815,080**	**(4,433,955)**	**42,381,125**
Arising from Telecable de Asturias	24,068,048	(4,433,955)	19,634,093
Arising from TCH	22,747,032	—	22,747,032
Tax loss			**10,642,427**
Tax charge at 30%			**3,192,728**
Estimated net tax			**3,192,728**
Less- Tax credits			205,933
Less- Tax withholdings and pre-payments			2,207,619
Consolidated current tax liability			**779,176**

2011

	Euros		
	Increase	**(Decrease)**	**Amount**
Loss for the year before tax	—	—	(1,569,296)
Tax loss			**(1,569,296)**

The positive temporary differences of Telecable de Asturias, S.A. relate mainly to the different timing of recognition for accounting and tax purposes of certain expense items (provisions for staff costs), differences between the depreciation and amortisation methods applicable to certain non-current assets for accounting and tax purposes, the reversal of part of the accelerated depreciation and amortisation for 2012 and prior years, the depreciation and amortisation charge in 2012 relating to the cost of gaining customers corresponding to 2011, which is non-deductible for tax purposes, and the depreciation and amortisation of revalued assets as a result of the merger transaction.

The positive temporary differences of TCH relate to finance costs that are non-deductible in 2012 since they exceed 30% of operating profit, pursuant to the tax measure implemented by Royal Decree 12/2012, of 30 March, which limits the deductibility of net borrowings not exceeding EUR 1 million in the tax period to 30% of operating profit.

The negative temporary differences relate mainly to the accelerated depreciation and amortisation provided for in Additional Provision Eleven of the Consolidated Spanish Income Tax Law, which was applicable to certain investments made up until 31 March 2012, the date on which the possibility of taking accelerated depreciation and amortisation was repealed under Royal Decree Law 12/2012, of 30 March.

Reconciliation of the accounting loss to the income tax expense

The reconciliation of the accounting loss to the income tax expense is as follows:

	Euros	
	2012	**2011**
Consolidated loss for the year before tax	(31,766,088)	(1,569,296)
Permanent differences	27,390	—
Temporary differences	42,381,125	—
Consolidated taxable profit(tax loss)	**10,642,427**	**(1,569,296)**
Tax charge at 30%	**3,192,728**	**—**
Consolidated current tax expense (30%)	**3,192,728**	**—**
Changes in temporary differences in the year	(12,714,338)	—
Other	(286,852)	—
Recognition of tax losses	—	(470,789)
Total income tax expense (benefit) recognised in profit or loss	**(9,808,462)**	**(470,789)**

Deferred tax assets recognised

The changes in 2012 and 2011 in ''Deferred Tax Assets'' in the consolidated balance sheets were as follows:

2012

	Euros			
	Beginning Balance	**Business Combinations (Note 5)**	**(Decrease)**	**Ending Balance**
Deductible temporary differences	224,105	151,520	(152,144)	223,481
Differences in depreciation and amortisation criteria	745,248	569,976	(113,558)	1,201,666
Business Combination (Note 5)	2,015,514	—	(277,256)	1,738,258
Tax credits	78,429	136,737	(215,166)	—
Differences in non-deductible finance costs	—	6,542,696	—	6,542,696
Tax loss carryforwards	543,347	—	—	543,347
Total	**3,606,643**	**7,400,929**	**(758,124)**	**10,249,448**

2011

	Euros			
	Beginning Balance	Business Combinations (Note 5)	Increase	Ending Balance
Deductible temporary differences	—	224,105	—	224,105
Differences in depreciation and amortisation criteria	—	745,248	—	745,248
Business Combination (Note 5)	—	2,015,514	—	2,015,514
Tax credits	—	78,429	—	78,429
Tax loss carryforwards	—	72,558	470,789	543,347
Total	**—**	**3,135,854**	**470,789**	**3,606,643**

Royal Decree Law 20/2012, of 13 July, and Royal Decree Law 9/2011, of 19 August, have introduced various amendments to the offset of tax loss carryforwards:

a) Limitation on the amount eligible for offset: solely applicable to the tax periods commencing in 2012 and 2013, companies with revenue of at least EUR 20 million but less that EUR 60 million may only offset 50% of the tax losses existing prior to offset. This percentage is reduced to 25% in the case of entities with revenue of at least EUR 60 million.

b) Last year for offset: applicable for tax periods commencing on or after 1 January 2012, the period for offsetting tax loss carryforwards has been extended to 18 years. This new period is applicable to tax loss carryforwards at the start of the first tax period that commenced on or after 1 January 2012.

The tax measures adopted with a view to reducing the public deficit also included those of Royal Decree 12/2012, of 30 March, which limits the deductibility of net borrowing costs to the amount of 30% of operating profit each year. This restriction is not applicable, however, where net borrowing costs for the tax period do not exceed EUR 1 million. This provision is applicable to reporting periods commencing on or after 1 January 2012. Non-deductible finance costs may be deducted in the following 18 tax periods, provided the aforementioned percentage is not exceeded.

Deferred tax liabilities

The changes in 2012 and 2011 in ''Deferred Tax Liabilities'' in the consolidated balance sheets were as follows:

2012

	Beginning Balances	Increase	(Decrease)	Ending Balances
Business Combination (Note 5)	36,006,759	—	(4,208,310)	31,798,449
Finance leases	834,844	—	(224,233)	610,611
Amortisation of goodwill for tax purposes	—	4,860	—	4,860
Accelerated depreciation and amortisation	15,806,732	1,059,624	(1,856,629)	15,009,727
Grants related to assets and refundable advances	916,349	—	(145,277)	771,072
Other	864,733	—	(789,290)	75,443
Total deferred tax liabilities	**54,429,417**	**1,064,484**	**(7,223,739)**	**48,270,162**

2011

	Beginning Balances	Business Combinations (Note 5)	Ending Balances
Business Combination (Note 5)	—	36,006,759	36,006,759
Finance leases	—	834,844	834,844
Accelerated depreciation and amortisation	—	15,806,732	15,806,732
Grants related to assets and refundable advances	—	916,349	916,349
Other	—	864,733	864,733
Total deferred tax liabilities	**—**	**54,429,417**	**54,429,417**

As disclosed in Note 5, the allocation of the purchase price of SPTA involved allocating this price to certain intangible assets, which have an associated deferred tax liability of EUR 31,798 thousand.

At 31 December 2012, the Group recognised deferred tax liabilities amounting to EUR 15,009 thousand (31 December 2011: EUR 15,807 thousand) in relation to negative temporary differences resulting from accelerated depreciation and amortisation as established in Additional Provision Eleven of the Consolidated Spanish Corporation Tax Law. This deferred tax liability was contributed by Telecable de Asturias upon acquisition.

Years open for review and tax audits-

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired.

Taking this into consideration, at 31 December 2012, the Parent had all the taxes applicable to it since its incorporation open for review by the tax authorities (see Note 1). The other Group companies had all years since 2008 open for review by the tax authorities (plus 2008 for income tax).

The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements.

Asset Revaluation – Law 16/2012, of 27 December

Law 16/2010, of 27 December, introducing various tax and administrative measures aimed at consolidating public finances and driving economic activity, establishes in Article 9 the option for taxpayers of corporation tax, individuals liable for personal income tax who carry out economic activities and taxpayers of non-resident income tax operating through a permanent establishment in Spain to perform an asset revaluation.

The revaluation enabled by Law 16/2010, of 27 December, has full coverage, as in the case of its predecessor, within the legal framework determined by Council Directive 78/660/EEC, of 25 July 1978, concerning the financial statements of certain types of companies, which has been amended in this respect, and is adopted in the exercise of the internal authority of all Member States to lay down the regulatory financial reporting framework applicable to the separate financial statements and to the consolidated financial statements of unlisted companies, under the terms provided for in Regulation 1606/2002 of the European Parliament and of the Council, of 19 July 2002, on the application of international accounting standards.

At the date of formal preparation of these consolidated financial statements, the Group's directors are deciding whether or not to avail themselves of the revaluation option envisaged in the aforementioned Law.

14. Income and expenses

a) Revenue-

The detail, by business line, of the revenue for 2012 is as follows:

	Euros	
	2012	**2011**
Cable television	42,476,612	—
Fixed telephony	37,408,593	—
Internet	51,766,070	—
Data	7,874,827	—
Mobile handset sales	722,663	—
Mobile telephony	19,828,187	—
Other income	—	—
Discounts and promotions – TV	(7,439,835)	—
Discounts and promotions – Other	(24,069,169)	—
	128,567,948	**—**

Other income-

"Other Operating Income – Non-Core and Other Current Operating Income" in the accompanying consolidated income statement for the year ended 31 December 2012 amounted to EUR 1,082,709 and includes, on the one hand, income of EUR 443 thousand obtained by Telecable de Asturias from the provision of advertising and marketing services in the television channel area to promote certain films and/or channels and, on the other hand, the rebilling of certain expenses to Sociedad Promotora de las Telecomunicaciones en Extremadura, S.A., which were previously borne by Telecable de Asturias, S.A.U. and amount to approximately EUR 639 thousand.

b) In-house work on non-current assets-

The detail of the in-house work on non-current assets incurred in 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
In-house staff costs capitalised to distribution network	55,165	—
Costs of hired staff capitalised to home installations	97,601	—
Special projects	199,903	—
	352,669	—

c) Procurements-

The detail of "Procurements" in the accompanying consolidated income statements for 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Purchases of goods held for resale	13,833,612	—
Purchases of raw materials and other supplies	15,028,353	—
Changes in inventories	275,636	—
Work performed by other companies	1,415,525	—
Total	**30,553,126**	**—**

The detail, by origin, of the purchases made by the Group in 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Spain	26,603,093	—
EU countries	3,950,033	—
Total	**30,553,126**	—

d) Staff costs

The detail of "Staff Costs" in the accompanying consolidated income statements for 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Wages, salaries and similar expenses	8,193,167	—
Social security costs	1,834,857	—
Termination benefits	371,719	—
Other	22,746	—
Total	**10,422,489**	—

The average headcount in 2012 and 2011, by professional category, was as follows:

Professional Category	**Average Number of Employees**	
	2012	**2011**
University graduates	80	76
Further education graduates	32	33
Supervisors	38	38
Clerical and sales staff	17	18
Total	**167**	**165**

The detail, by category (including members of the Board of Directors) and gender, of the number of employees at 31 December 2012 and 2011 is as follows:

	2012		**2011**	
Professional Category	**Men**	**Women**	**Men**	**Women**
Senior executives	7	—	9	—
University graduates	40	33	39	28
Further education graduates	24	8	24	8
Supervisors	34	4	34	4
Clerical and sales staff	10	7	10	8
Total	**115**	**52**	**116**	**48**

At 31 December 2012, there was one employee with a disability of more than 33%.

e) Outside services

The breakdown of "Outside Services" in the accompanying consolidated income statements for 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Rent and royalties	3,093,731	—
Repair and upkeep expenses	6,898,116	—
Independent professional services	14,427,996	1,324,451
Transport expenses	7,461	—
Insurance premiums	128,193	—
Banking and similar services	332,642	94
Advertising	4,675,899	—
Utilities	1,221,396	—
Other operating expenses	1,864,924	80
Total	**32,650,358**	**1,324,625**

f) Impairment of trade receivables

The changes in impairment losses relating to "Loans and Receivables" in the accompanying consolidated balance sheet in 2012 were as follows:

	Euros			
	Balance at 31/12/11	**Impairment Loss Recognised**	**Amount Used**	**Balance at 31/12/12**
Impairment of accounts receivable	**942,173**	**1,178,606**	**(928,780)**	**1,191,999**

In 2012 the Group recognised impairment losses of EUR 1,178,606 on trade receivables considered to be of difficult recovery. These losses were recognised under "Other Operating Expenses – Losses on, Impairment of and Change in Allowances for Trade Receivables" in the accompanying income statement for 2012.

g) Finance costs

The detail of "Finance Costs" in the accompanying consolidated income statements for 2012 and 2011 is as follows:

	Euros	
	2012	**2011**
Interest on syndicated loan (Note 10)	9,584,363	81,754
Interest on finance leases	21,429	—
Interest on CEP III financing (Note 10)	15,574,444	127,500
Interest on Liberbank financing	4,321,631	35,417
Interest cost relating to refundable advances	9,588	—
Settlements of derivatives	3,453,050	—
Other finance costs	701	—
Total	**32,965,206**	**244,671**

15. Other disclosures

Remuneration of the Board of Directors and senior executives

The Parent's Board of Directors is made up of four members, two individuals (men) and two legal entities represented, for the purposes of exercising their duties, by two individuals (also men).

In 2012 the members of the Parent's Board of Directors did not receive any attendance fees or remuneration from the Group for discharging their duties.

Also, in 2012 the Parent did not have any pension or life insurance obligations to its directors. Similarly, the Parent has not granted any loans or credit facilities to its current directors and it does not have any other pension fund, life insurance or other similar obligations to them. In 2012 there were no termination benefit costs or share-based payments to members of the Board of Directors.

In 2012 the members of the Parent's Board of Directors did not carry out any transactions with the Parent or with Group companies outside the normal course of business or that were not performed on an arm's length basis.

The Parent's senior executives did not earn any wages or salaries in 2012.

Detail of investments in companies with similar activities and of the performance, as independent professionals or as employees, of similar activities by the directors

At 2012 year-end the members of the Board of Directors of TCH and certain persons related to them as defined in the Spanish Limited Liability Companies Law held ownership interests in the following companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the Parent's object. Also, following is a detail of the positions held and functions discharged at those companies:

Owner	Investee	Line of Business	Ownership Interest	Position Held
CEP III Participations S.à.r.l. SICAR represented by Alex Wagenberg Bondarovschi	Numericable/Completel (*)	Telecommunications	37.47%	Director
	Sagemcon SAS (*)	Telecommunications	76.50%	None
CEP III Investment 18 S.à.r.l. represented by Carlos Robles García	Numericable/Completel (*)	Telecommunications	37.47%	Director
	Sagemcon SAS (*)	Telecommunications	76.50%	None

(*) Through CEP III Participations S.à.r.l. SICAR

The directors did not report any situations of direct or indirect conflict of interest that they might have with the Parent, as provided for in Article 229.1 of the Spanish Limited Liability Companies Law, except in relation to the Group of companies to which the Parent is related.

Disclosures on the payment periods to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July:

	2012		2011	
	Amounts Paid and Payable at Year-End			
	Euros	Percentage	Euros	Percentage
Paid in the maximum payment period	39,530,711	47.62%	—	—
Remainder	43,485,135	52.38%	—	—
Total payments made in the year	**83,015,846**	**100%**	—	—
Weighted average period of late payment	59		n/a	n/a
Payments at year-end not made in the maximum payment period	4,882,626		4,475,528	—

These balances relate to suppliers and creditors that because of their nature are trade creditors for the supply of goods and services and, therefore, it includes the figures relating to ''Trade and Other Payables – Sundry Accounts Payable'' under ''Current Liabilities'' in the accompanying consolidated balance sheets at 31 December 2012 and 2011.

The maximum legal payment period applicable to the Group under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and in accordance with the transitional provisions established in Law 15/2010, of 5 July, is 75 days from the date of entry into force of the Law to 31 December 2012 (85 days in 2011).

SPTA and Telecable de Asturias were consolidated on 31 December 2011 and, therefore, only the payments made in the year by TCH had to be taken into account.

Fees paid to auditors

In 2012 the fees for financial audit services provided by the Parent's auditors, Deloitte, S.L., amounted to approximately EUR 47.5 thousand (2011: approximately EUR 57 thousand).

In 2012 and 2011 the fees for financial audit and other services provided by the Parent's auditor, Deloitte, S.L., or by companies related to the auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2012	2011
Audit services	47,500	57,000
Total audit and related services	**47,500**	**57,000**
Tax counselling services	—	—
Other services	175,988	515,575
Total professional services	**223,488**	**572,575**

Sogecable

The subsidiary Telecable de Asturias recognised EUR 1,399,564 under "Other Income" in the consolidated income statement for 2010 relating to the enforcement claim filed against Sogecable as a result of the arbitral award made by the Spanish Telecommunications Market Commission on 16 June in arbitration proceedings no. MTZ2004/1616.

Sogecable's company object is, *inter alia*, to provide television services under the administrative concessions operated by it. Sogecable used to operate a free-to-air TV channel ("Cuatro") and through its wholly-owned subsidiary Canal Satélite Digital, S.L. operates a satellite pay-TV platform under the trade name "Digital +". This pay-TV platform is a competitor of Telecable. In 2003 Sogecable (through its subsidiary CSD) had integrated its pay-TV platform ("Canal Satélite Digital") with the Telefónica Group platform ("Vía Digital"), which gave rise to the current platform "Digital +".

This concentration process was subject to concentration control proceedings conducted by the competition authorities due to the extent to which it clearly strengthened Sogecable's position of dominance.

The conditions that Sogecable was ordered to meet included the requirement to sell to third-party TV operators (including Telecable) certain "Premium" channels, such as the Gran Vía and Canal + Deporte channels. This requirement arose from the Government's intention to ensure that all TV operators could make available to their subscribers a range of content that was sufficiently competitive, thereby safeguarding effective competition in the pay-TV market.

Sogecable considered that it was not obliged to submit any offer to sell certain channels to Telecable de Asturias, which prompted the latter to seek a solution through arbitration. The purpose of the arbitration was to ensure compliance with the related conditions by Sogecable which, ultimately, would guarantee an adequate level of competition in the pay-TV market. These arbitration proceedings, conducted by the Spanish Telecommunications Market Commission under no. MTZ 2004/1616, culminated in the issuance of an arbitral award on 16 June 2005, under which Sogecable was ordered to submit an offer to sell the aforementioned channels or, should it fail to do so, compensate Telecable de Asturias for the loss suffered by it, i.e. the amounts that Telecable de Asturias failed to receive in the period in which Sogecable was failing to comply with the terms of the award.

Subsequently, on 10 March 2008, Telecable de Asturias filed the related arbitral award enforcement claim at the Madrid Commercial Court of First Instance, which handed down a decision on 28 June 2010 ordering Sogecable to indemnify Telecable de Asturias with EUR 2,647,348 for damage and losses due to the foregoing on the basis of certain penetration rates. An appeal was filed against this

decision at the Madrid Provincial Appellate Court as the parties were not in agreement as to the amount ordered.

Telecable de Asturias, S.A.U. recognised EUR 1,399,564 under ''Revenue'' in 2010, since the sole shareholder and its legal advisers considered that there were no doubts as to the collection of, at least, this amount since it was the valuation of the damages paid into the Madrid Commercial Court of First Instance by the defendant.

Lastly, in 2011 Telecable de Asturias started to withhold payment for the services rendered by Sogecable up to a maximum amount of EUR 2,647,348, irrespective of the definitive outcome of the proceedings.

In 2012 there were no developments in this connection.

Segment reporting

Segment information is structured in accordance with the Group's various business units and is based on the management information prepared by the Parent and its subsidiaries.

In this connection, the Parent's directors consider that the Group has a single segment (CGU), which is the provision of telecommunications services, since:

- The Group's portfolio of customers and products is managed jointly.
- The products are different but are sold in packages.
- There are very few customers only signed up for mobile telephony services who do not also use fixed telephony services.
- The activities of attracting customers and commercial management are performed jointly.
- Although income is forecast by service, expenses are estimated globally.
- However, the financial statements of Telecable de Asturias include a detail of income by service.

16. Events after the reporting period

On 10 January 2013, the shareholders at the Universal Extraordinary General Meeting of the subsidiary Telecable de Asturias, S.A. unanimously resolved to approve the distribution of an extraordinary dividend with a charge to unrestricted reserves amounting to EUR 209,000 thousand, of which EUR 177,660,310 relate to Telecable Capital Holding, S.L.U. and EUR 31,339,690 to Liberbank, S.A.

Additionally, on 22 February 2013, TCH and Liberbank, S.A. (shareholders of Telecable de Asturias, S.A.) sold 2.66% of their shares in Telecable de Asturias to certain senior executives in proportion to their respective ownership interests in the company, for the same share price as that paid by the buyer of Telecable de Asturias on 28 December 2011, adjusted by a market rate from the effective transfer date.

17. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Telecable Capital Holding, S.L.U. and Subsidiaries

Consolidated Directors' Report for the year ended 31 December 2012

Activity performed

Telecable Capital Holding, S.L.U. was incorporated as a sole-shareholder private limited liability company for an indefinite period of time in Madrid by virtue of a public deed executed by the notary Fernando Fernández Medina on 15 April 2011, under number 724 of his protocol, and filed at the Mercantile Registry of Madrid in volume 28,775, folio no. 15, page no. M-518066, entry no. 1, under the name of Lariño Investments, S.L. Subsequently, the Parent changed its name to its current name by virtue of a public deed executed on 28 December 2011.

The purpose of this name change was to acquire shares of SPTA, the sole shareholder of Telecable de Asturias. The agreement to purchase SPTA, through which Telecable Capital Holding, S.L.U. acquired, free of encumbrances and liens, 85.01% of the shares of SPTA, which, in turn, owns all the shares of Telecable de Asturias, S.A.U., was executed in a public deed on 28 December 2011.

The effective transfer of the shares took place on 28 December 2011, giving rise to the formation of a group of shareholders made up of The Carlyle Group, with 85.01% of the share capital, and Liberbank, S.A. with the other 14.99%.

2012 marked another year conditioned by the world economic situation, which was characterised by a significant financial and economic crisis in all economies. Although as severe a contraction as that of 2009 was avoided, no boost to the economy was achieved and no liquidity was generated in markets to help bring about a strong economic recovery. Therefore, Spain continued to have negative growth in 2012 and its GDP fell by 1.3%.

The telecommunications industry has also been affected by the crisis, seeing a 9% reduction in revenue with respect to 2011. 2012 was the worst year in terms of declining income in the industry due to economic pressure and fierce competition among operators.

Within the context of the Spanish economy, worthy of note is the fact that the Group's billings were up 3.5% on 2011. 2012 can be considered a positive year in terms of commercial growth fuelled by both mobile services and the business market, which constitute growth drivers for the Group.

From a corporate standpoint, worthy of note in 2012 was the merger by absorption of the wholly-owned subsidiary Telecable de Asturias, S.A.U. into Sociedad Promotora de las Telecomunicaciones en Asturias, S.A. On 6 March 2012, the shareholders of Telecable de Asturias S.A. (formerly Sociedad Promotora de Telecomunicaciones de Asturias S.A., absorbing company) and the sole shareholder of Telecable de Asturias, S.A.U. (absorbed company) unanimously approved the merger by absorption of the wholly-owned subsidiary into the former company, applying the provisions on the absorption of wholly-owned companies contained in Article 49 of Law 3/2009, of 3 April, on structural changes in companies (**Law 3/2009**). Subsequently, on 18 April 2012, this merger was executed in a public deed before Oviedo Notary Luis Ignacio Fernández Posada, under number 1,694 of his protocol and was filed at the Mercantile Registry of Asturias on 25 April 2012.

Since the absorbing company was the holder of all the shares of the absorbed company, the draft terms of merger did not include any reference to the exchange ratio or procedure for the exchange of the shares and nor did they specify the date from which the new shares would grant their holders entitlement to a share in any profits. Neither a capital increase at the absorbing company, nor the mandatory reports by the directors or independent experts on the draft terms of merger were required.

As a result of this merger, the absorbed company was automatically dissolved without liquidation and all its assets and liabilities were transferred en bloc and by universal succession to the absorbing company pursuant to Law 3/2009. In this respect, all the transactions of the absorbed company will be considered to have been performed by the absorbing company for accounting purposes from 1 January 2012.

From an economic standpoint, the economic consolidation of the Group was also confirmed. One of the factors contributing to economic success in 2012 has been the growth in Telecable's billings due to the increase in the number of services and the contribution of the mobile telephony business. The

containment of operating expenses coupled with an unchanged sales margin also allowed for a 12% year-on-year increase in EBITDA.

Financial results

The financial performance in 2012 was driven by the Mobile Operator in the provision of mobile telephony services, as well as the growth of the business market. Profit from operations amounted to EUR 4,583,088, but after subtracting financial loss and income tax, the Group was left with a loss of EUR 21,957,626.

Main risks and uncertainties

The Group carries on its activity of providing telecommunications services in the area of Asturias. In this context, the Group of companies is subject to various critical factors ranging from its business activity and the regulatory framework that governs it, to the social and economic environment in which its activity is carried on.

In view of the uncertain nature of these critical factors relating to the business activity, they are considered to be both generators of risk and business opportunities.

Following is a detail of the main financial risks affecting the Group:

Environment risks: economic performance, regulatory and legal changes, competition, business and innovation.

Operating risks: relating to operations (new contracts, installation, provision of service, credit), technology and information systems, human capital and corporate image.

Financial risks: relating to interest rates, liquidity and credit.

The Group's management and organisational structure have the devices and means required to evaluate, control and mitigate the main risks.

The Board of Directors oversees both business performance and the internal control systems implemented. This permits the correct assessment and monitoring of the various risks to which the Group is exposed.

Financial risk management: objectives and policies

The main objectives of the financial risk management activity are to ensure the availability of funds to be able to meet financial obligations on a timely basis and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management is based on the identification of risks, the tolerance to each risk, the hedging of financial risks and control of the hedging transactions established.

Environment

The Group has adopted appropriate measures in relation to environmental protection and the minimisation, as required, of its environmental impact, thus complying with current legislation.

Research and development activities

At the end of 1996 the Group began the analysis and launch of a pilot scheme to install advanced telecommunications services allowing for the inclusion of new telecommunications services in the cable network which, until that time, had not been developed on any other cable network.

Of note, *inter alia*, are the high speed internet access service (4-10 Mbps) through cable modem and television, video conferencing, data transfer, integrated telephony and on-demand videos. This enabled cable companies to pioneer the provision of these services and to earn returns quickly on their significant investments.

In 1997 some of these services were demonstrated: access to high-speed internet with 20 customers connected, involving video conferences connecting offices in Avilés, Salinas and Gijón, achieving excellent quality levels.

In 1998 these experiences enabled the network to be prepared for the implementation of new equipment and the launch of new services.

In 1999 the new integrated telephony and cable modem internet access services were launched and the Group worked with Universidad de Oviedo on the Aulanet project to provide interactive classes over the internet.

In 2000 and 2001 work continued on the projects with Universidad de Oviedo.

2002 saw the launch of the ''Juegos On line'' (Online Games) an application developed as part of the PISTACABLE project by Sociedad Promotora de las Telecomunicaciones en Asturias, S.A., which was developed in Pravia.

In 2003 the new IP technology enabling voice and data services to be provided under the same communication protocol was implemented, placing the Group at the forefront of technological innovation at national and international level.

2005 saw a continuation of the collaboration with Universidad de Oviedo and Editorial Prensa Asturiana, S.A. for the development of internet audio and video solutions to improve web accessibility and user knowledge.

In 2006 the ''Plató Virtual'' project was launched in association with Universidad de Oviedo.

In 2008 Telecable de Asturias fostered the creation at its subsidiary of a business area devoted specifically to R+D activities, providing it with the resources and means required to do so.

From 2009 to 2012, the Group participated in various R+D projects relating to:

- Analysis of Solutions for the Multi-channel Provision of Personalised Interactive Services
- Catalogue of Health Services
- Guardian Angel for the Extended Home Environment (GUARANTEE)
- MobApp Platform
- Infoternera
- Interactive Supermarket

All these projects are at the development and investment justification stage.

Treasury shares

Telecable de Asturias does not hold any treasury shares.

Derivatives transactions

In 2012 Telecable de Asturias did not perform any transactions with financial derivatives other than those mentioned in Note 7.

Events after the reporting period

On 10 January 2013, the shareholders at the Universal Extraordinary General Meeting of the subsidiary Telecable de Asturias, S.A. unanimously resolved to approve the distribution of an extraordinary dividend with a charge to unrestricted reserves amounting to EUR 209,000 thousand, of which EUR 177,660,310 relate to Telecable Capital Holding, S.L.U. and EUR 31,339,690 to Liberbank, S.A.

Additionally, on 22 February 2013, TCH and Liberbank, S.A. (shareholders of Telecable de Asturias, S.A.) sold 2.66% of their shares in Telecable de Asturias to certain senior executives in proportion to their respective ownership interests in the company, for the same share price as that paid by the buyer of Telecable de Asturias on 28 December 2011, adjusted by a market rate from the effective transfer date.

AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS' REPORT

At their meeting held on 19 March 2013, and pursuant to Article 253 of the Consolidated Spanish Limited Liability Companies Law and Article 37 of the Spanish Commercial Code, the directors of Telecable Capital Holding, S.L.U. hereby authorise for issue the consolidated financial statements for the year from 1 January to 31 December 2012. The consolidated financial statements consist of the attached documents preceding this certificate.

Alex Wagenberg Bondarovschi
(for CEP III Participations S.à.r.l. SICAR)
Chairman of the Board

Mario Pardo Rojo
Director

Christopher Finn
Director

Carlos Robles García
(for CEP III Investment 18 S.à.r.l.)
Director

CERTIFICATE: to attest that the Consolidated Financial Statements and the Consolidated Directors' Report for 2012, authorised for issue by the Board of Directors of Telecable Capital Holding, S.L.U. at its meeting held on 19 March 2013, are those attached hereto signed by the Secretary of the Board of Directors. Also, the Secretary hereby certifies the authenticity of the signatures of all the directors of Telecable Capital Holding, S.L.U. appearing in this document.

Alejandro Ortiz Vaamonde
Non-Director Secretary