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The securities of the Company have not been, and will not be, registered under the securities laws of

Australia, Canada, Japan, the Republic of South Africa or any state, province or territory thereof or any other jurisdiction outside the United Kingdom and may not be taken up, offered, sold, resold, pledged, transferred, delivered or distributed, directly or indirectly, through CREST or otherwise, within, into or from Australia, Canada, Japan or South Africa, or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinary resident in, or a citizen of such jurisdictions or to any person in any country or territory where to do so would or might contravene applicable securities laws or regulations except pursuant to an applicable exemption.

Barclays, which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the UK by the PRA and the Financial Conduct Authority ("**FCA**"), and Oakley, which is authorised and regulated in the UK by the FCA, are both acting exclusively for the Company in connection with the Share Issue. Neither of the Banks will regard any other person (whether or not a recipient of this Document) as a client in relation to the Share Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to Share Issue or any transaction, matter or arrangement described in this Document.

Apart from the responsibilities, and liabilities, if any, which may be imposed on the Banks by the Financial Services and Markets Act of 2000 ("**FSMA**") or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction, neither of the Banks nor any of their affiliates, directors, officers, employees or advisers, accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this Document, including its accuracy or completeness or for any other statement made or purported to be made by it, or on behalf of it, the Company, the directors or for any other person, in connection with the company, the New Ordinary Shares, the Share Issue or Admission, and nothing in this Document should be relied upon as a promise or representation in this respect, whether or not to the past or future. The Banks and their respective affiliates, directors, officers, employees and advisers accordingly disclaims to the fullest extent permitted by law any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Document or any such statement. No representation or warranty, express or implied, is made by the Banks or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the attached Document.

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Further, each US Person (within the meaning of Regulation S) to whom the Company's securities are offered or who accesses the attached Document will be deemed to have represented and agreed, on your own behalf and on behalf of any beneficial owner for whose account you are acting in connection with the offering, that if you purchase the Company's securities during the 40-day period after the securities are listed on the London Stock Exchange, then: (i) at the time of such purchase you either (x) will not be a US Person (within the meaning of Regulation S) and will be located outside of the United States, or (y) will be, and each beneficial owner for whose account you are acting will be, a QIB who is also a QP; and (ii) such securities so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by you to be a US Person (within the meaning of Regulation S), by pre-arrangement or otherwise, and in an offshore transaction complying with the provisions of Rule 904 of the Regulation S.

You are reminded that you have received this electronic transmission and the attached Document on the basis that you are a person into whose possession this Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Document, electronically or otherwise, to any other person. This Document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Company, the Banks nor any of their respective affiliates nor any of their and such affiliates' respective directors, officers, employees, agents, representatives or advisers accepts any liability or responsibility whatsoever in respect of any difference between the Document distributed to you in electronic format and the hard copy version or for any loss howsoever arising from any use of this electronic transmission or the attached Document or their respective contents or otherwise arising in connection therewith. By accessing the attached Document, you consent to receiving it in electronic form.

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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.

The Company and each of the Directors, whose names appear in paragraph 1 of Part XIII (Directors, Corporate Governance and Employees) 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 in Part II (Risk Factors) 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)

Placing of 95,715,728 New Zegona Shares at 105 pence per New Zegona Share

and

Admission of the New Zegona Shares 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

Global Co-ordinator and Underwriter
Barclays

Financial Adviser and Co-bookrunner
Oakley Advisory Limited

The Company's ordinary shares are listed on the standard listing segment of the Official List and traded on the London Stock Exchange's Main Market for listed securities. Applications will be made to the FCA for the New Zegona Shares to be admitted to the standard listing segment of the Official List maintained by the UK Listing Authority and to the London Stock Exchange for such New Zegona Shares to be admitted to trading on its Main Market for listed securities ("**Admission**"). It is expected that Admission will become effective, and that dealings in the New Zegona Shares will commence, at 8.00 a.m. on 11 February 2019.

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 those aspects of the Listing Rules or the Disclosure Guidance and Transparency Rules, which in each case the Company has indicated 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 New Zegona Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The New Zegona Shares will be offered (i) in the United States only to, or to US Persons (as defined in Regulation S under the US Securities Act ("**Regulation S**")) that are, qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the US Securities Act ("**Rule 144A**"), that are also qualified purchasers ("**QPs**") as defined in Section 2(a)(51) of the US Investment Company Act of 1940, as amended (the "**US Investment Company Act**"), who have each executed and delivered to the Company a US Qualified Purchaser's Letter, in transactions that are exempt from, or not subject to, the registration requirements of the US Securities Act, and (ii) to non-US Persons (as defined in Regulation S) outside of the United States in "offshore transactions" as defined in, and in reliance on, Regulation S. The New Zegona Shares will be subject to limitations on transfer as described in Part XIV (The Placing - Selling restrictions and notice to investors). Moreover, the Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of the US Investment Company Act. No actions have been taken to allow a public offering of the New Zegona Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan or South Africa. Subject to certain exceptions, the New Zegona Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, Japan, South Africa and any member state of the EEA (other than the United Kingdom, Spain, Belgium, the Netherlands, Ireland and Italy). This Document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the Zegona Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Neither the US Securities and Exchange Commission, nor any securities regulatory authority of any state of the United States, has approved the Zegona Shares or passed upon the adequacy or accuracy of this Document. Any representation to the contrary is a criminal offence in the United States.

Barclays Bank PLC, acting through its Investment Bank ("**Barclays**"), which is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the FCA in the United Kingdom, is acting as global co-ordinator and underwriter exclusively for the Company and no one else in connection with the Placing and Oakley Advisory Limited ("**Oakley**" and, together with Barclays, the "**Banks**"), which is authorised and regulated by the FCA in the United Kingdom, is acting as financial adviser and co-bookrunner exclusively for the Company and no one else in connection with the Placing and neither Bank will regard any other person (whether or not a recipient of this Document) as a client in relation to the Placing, Admission or any other matter referred to in this Document and is not, and will not be, responsible to anyone other than the Company for providing the protections afforded to their clients or for giving advice in relation to the Placing, Admission or any other matter referred to in this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither of the Banks nor any of their respective subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person for the contents of this Document, including its accuracy, correctness or for any other statement made or purported to be made by it, or on its behalf in connection with the Company or the Placing, Admission and other matters referred to in this Document. Each Bank, its respective subsidiaries, branches and affiliates accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise in respect of this Document or any statement herein.

Information not contained in this Document

No person has been authorised to give any information or make any representation other than those contained in this Document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, or the Banks. Neither the delivery of this Document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information in this Document is correct as of any time subsequent to the date hereof.

No access to Euskaltel non-public information or verification processes

In this Document, all information relating to the Euskaltel Group has been sourced, compiled or extracted without material adjustment, or as otherwise noted, from publicly available information published by the Euskaltel Group, and the Company has not had access to any non-public information of the Euskaltel Group. Accordingly, the information included in this Document in relation to the Euskaltel Group has not been subject to verification or comment by Zegona or the Directors, acting in their capacity as Directors of Zegona. Although Robert Samuelson, a director of the Company, is on the board of directors of Euskaltel, he is subject to confidentiality obligations owed to Euskaltel in respect of non-public Euskaltel Group information and has not shared any such information with the Company. The Company does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document and in any event prior to Admission. In addition, Euskaltel's management has not provided any supporting materials to the Company with respect to any Euskaltel Group information contained in this Document, and Zegona has not had the co-operation of Euskaltel management or due diligence access to the Euskaltel Group, its business, auditors or management. Accordingly, all information relating to the Euskaltel Group contained or referred to herein is based solely on information publicly reported by the Euskaltel Group and available on Euskaltel's website and has not been independently verified by the Company or the Banks. Nothing in this Document limits or qualifies the Company's or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.

Available information for investors in the United States

For so long as any of the Zegona Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Zegona Share, or to any prospective purchaser of a Zegona Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

Service of process and enforcement of civil liabilities

All of the Directors are residents of countries other than the United States. The Company is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Zegona Shareholders to effect service of process within the United States upon the Directors or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. Shareholders based in the US may have difficulties enforcing in courts outside the United States judgments obtained in US courts against some of the Directors or the Company (including actions under the civil liability provisions of the US securities laws). In addition, an award or awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom. Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

No incorporation of website information

The contents of the Company's websites, including any hyperlinks to or from such websites, do not form part of this Document.

Copies of this Document are available on the "Investors" 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.

This Document is dated 15 January 2019.

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PART I - 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	**Warning**	The following summary should be read as an introduction to this Document only. Any decision to invest in New Zegona Shares should be based on a consideration of this Document as a whole including the information incorporated by reference into this Document. Where a claim relating to information contained in this Document is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation of this summary but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Document or it does not provide, when read together with the other parts of this Document, key information in order to aid investors when considering whether to invest in New Zegona Shares.
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 (the "**Company**" or "**Zegona**", and including its subsidiaries, the "**Zegona Group**").
B.2	**Domicile and legal form, applicable legislation and**	The Company is incorporated in England and Wales under the Act and domiciled in the United Kingdom.

	jurisdiction of incorporation	
B.3	**Current operations and principal activities**	**The Zegona Group** Zegona was established in 2015 with the objective of investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns. The first of such opportunities was the acquisition of Telecable, which completed on 14 August 2015. On 26 July 2017, Telecable was sold to Euskaltel in exchange for cash consideration, contingent consideration and a c.15% equity interest in Euskaltel. **Acquisition of Euskaltel Shares** Zegona's strategy is to increase its ownership position in Euskaltel and to use this increased influence to work constructively with the Euskaltel board of directors and management to improve the performance of the business. On 19 October 2018, Zegona announced its intention to make a partial tender offer to acquire up to approximately 14.9% of Euskaltel's outstanding issued ordinary share capital as at the date of the announcement at a price of €7.75 per share (the "**Proposed Tender Offer**"). However, given the deterioration in equity market conditions at the end of 2018, the Directors believe that the terms available to finance the acquisition of the full 14.9% of Euskaltel to be sought in the Proposed Tender Offer would not have been acceptable to Zegona Shareholders, including because the equity funding required would have been overly dilutive. As the Company was informed that it was not permitted under Spanish law to reduce the maximum size of the Proposed Tender Offer, Zegona announced on 21 December 2018 that it no longer intended to proceed with the Proposed Tender Offer. On 14 January 2019, Zegona entered into a Shareholder Relationship Agreement with Talomon, an experienced TMT and telecommunications sector investor. Talomon is a current shareholder in both Euskaltel and Zegona and, pursuant to the Shareholder Relationship Agreement, has agreed formally to support Zegona's strategy as described in this Document. Under the Shareholder Relationship Agreement, Talomon is permitted to own up to 2.4% of the outstanding issued share capital of Euskaltel but, as of the date of that agreement, owned approximately 1.4%. In order to avoid any mandatory offer requirements under Spanish law, for so long as the agreement is in effect, the Directors believe that the Zegona Group is only permitted to increase its stake in Euskaltel by a further approximately 12.5% (or 22,330,000 Euskaltel Shares) from its current 15% shareholding position at the date of this Document, such that the aggregate shareholding of the Zegona Group and Talomon would not exceed 29.9%. Instead of the Proposed Tender Offer, Zegona will seek to increase its ownership of Euskaltel through market purchases or privately negotiated transactions up to a maximum of 12.5% of the

		outstanding issued share capital of Euskaltel at a price it considers attractive for Zegona Shareholders based on prevailing market conditions (the "**Euskaltel Share Acquisition**"). Accordingly, Zegona is proposing to raise net proceeds of £95.9 million pursuant to the Placing and entered into the Barclays Facility and the Virgin Funding on 14 January 2019. Zegona currently anticipates drawing substantially all of the £30 million available to it under the New Facilities if there is sufficient availability in the market for it to purchase Euskaltel Shares at a price it considers attractive for Zegona Shareholders based on prevailing market conditions. The New Facilities are expected to remain largely undrawn until substantially all of the net proceeds of the Placing have been used, though Zegona may draw down and use a portion of the Barclays Facility to purchase Euskaltel Shares prior to Admission. Subject to the conditions set out in this Document, the Company intends to use £125.0 million, representing the proceeds of the Placing and the funds expected to be drawn down under the New Facilities less amounts required for general corporate purposes and to pay fees, costs and expenses related to the Transaction (the "**Available Funds**") to fund the Euskaltel Share Acquisition. At the current Euskaltel share price of €7.26 (being the closing price at 11 January 2019), the Available Funds would not be sufficient to increase Zegona's interest by 12.5%. **The Euskaltel Group** *The following description has been extracted without material adjustment from the Euskaltel 2017 Annual Report, which has been published by Euskaltel and has not been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, auditors or management and accordingly Euskaltel has not confirmed that the below disclosure remains accurate. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.* Euskaltel was incorporated with limited liability under the Spanish Companies Act on 3 July 1995. Its statutory activity consists of the installation, management, development, execution, operation and marketing and sale of telecommunications networks and services in accordance with prevailing legislation, as well as the marketing and sale of goods required to carry out these services. Euskaltel was created by the Basque Government and three savings banks (BBK, Kutxa and Vital) in 1995 to become the Basque Country's alternative telecommunications operator and, thus, bring an end to Telefónica's monopoly over the sector. On 1 July 2015, the Euskaltel Shares were admitted to trading on

		the Barcelona, Bilbao, Madrid and Valencia stock exchanges. All of the shares in R Cable were acquired by Euskaltel on 27 November 2015. This company was incorporated in A Coruña on 1 August 1994. On 26 July 2017, Euskaltel acquired all of the shares in Telecable, which was incorporated in Oviedo on 29 December 1994. The primary business of both R Cable and Telecable consists of the rendering in Galicia and Asturias of services similar to those carried out by Euskaltel, thereby creating a new, leading telecommunications group in the north of Spain. The Euskaltel Group offers its services to a market of 6 million people, serving over 750,000 residential and business customers. Euskaltel, R Cable and Telecable are leaders in optic fibre (broadband, phones, Pay TV and convergent telecommunications services) in the Basque Country, Galicia and Asturias, respectively, with a solid customer base and complementary business models. A mobile phone operator with its own 4G licence in the Basque Country, Galicia and Asturias, Euskaltel has the largest proprietary fibre optic network in place on the market.
B.4a	**Significant recent trends affecting the Zegona Group and the industries in which it operates**	Zegona seeks to invest in businesses in the European TMT sector and improve their performance to deliver attractive shareholder returns. Presently, the Zegona Group has no directly owned operating business and is therefore materially impacted by its direct exposure to the Spanish Telecommunications Market through its approximate 15% investment in Euskaltel, the strength of the mergers and acquisitions market for European TMT assets, and the performance of the TMT markets in those geographies more generally. The Company believes the outlook for telecommunications businesses in Spain continues to be positive, which provides Euskaltel with the potential for further growth. The broader Spanish economy had GDP growth of 3.1% in 2017, with GDP growth of 2.6% expected for 2018 (as published by the European Commission). Many operators in the telecommunications market in Spain are seeking to build profitable growth. The trend of sustained price repair has also continued throughout 2017 and into 2018, with all major Spanish operators generally increasing prices. The Company believes there is also a healthy environment for acquisitions across the broader European TMT landscape. There has been an increase in deal activity in 2017 and 2018, including in Ireland, the Netherlands, Germany and the UK and the market has also seen growth in the availability of assets although valuation multiples remain historically high which reinforces the need for Zegona to continue to evaluate new acquisition opportunities selectively and actively pursue only those which meet Zegona's rigorous financial and strategic criteria. More generally, the operating environment in European telecommunications markets remains challenging, with significant

		competition between operators and a struggle to generate growth.
	Significant recent trends affecting the Euskaltel Group and the industries in which it operates	**Unaudited results for the nine months ended 30 September 2018:** *On 5 November 2018, the Euskaltel Group released its results presentation for the third quarter of 2018. An extract of the associated press release is set out below and has been amended to reflect information from the results presentation, which presents pro forma results and KPIs for the Euskaltel Group that have been adjusted to include a full year of performance in 2017 from Telecable which was acquired by Euskaltel on 26 July 2017.* *The below information has not been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, auditors or management and accordingly Euskaltel has not confirmed that the below disclosure remains accurate. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA. The following financial information is unaudited.* The Euskaltel Group, comprising Euskaltel, R Cable and Telecable, has announced its results for the third quarter of 2018, which show revenue growth of 17.4% on a statutory basis (decline of 1.5% on a pro forma basis), increasing revenue on a statutory basis (decreasing on a pro forma basis) to €521.1 million while net income stands at €46.6 million, which is 42% higher than in the first nine months of 2017 on a statutory basis (261% higher on a pro forma basis). EBITDA (as presented and defined by Euskaltel as net income plus depreciation and amortisation plus/minus impairment) hit €252.9 million, up 15.3% compared to the third quarter of 2017 on a statutory basis (down 0.2% on a pro forma basis) with a 48.5% revenue margin (defined as operating cash flow divided by total revenue), which increased by 0.6% due to Euskaltel's announced synergies and efficiency measures. Operating cash flow (as presented by Euskaltel as EBITDA minus investments (as defined by Euskaltel)) stands at €148.8 million with a 28.5% revenue margin, which would have risen to 32.4% if Euskaltel's integration and expansion plans had not been taken into consideration, compared to 31.3% in the first half of 2018. Overall, the Euskaltel Group has generated €85 million of free cash flow during the first nine months of 2018, which is nearly 17% of revenue. *Positive expansion progress* Euskaltel's expansion plan, which was set in motion in 2018, is

		progressing satisfactorily. Euskaltel now has over 2,000 customers in Navarre, where Euskaltel expects to forge ahead with its expansion plan by opening new sales points, aiming to exceed 4,000 new customers in this region by the end of 2018. Euskaltel's expansion experience in Navarre has demonstrated Euskaltel's technical experience in providing FTTH solutions and IPTV via a third party network, as a result of the strategic agreement with Orange Spain that gives Euskaltel access to 10 million homes across Spain. Euskaltel has recently announced increased growth forecasts for its plan to expand beyond its local markets, to add a total of 700,000 homes to the total area covered by its services, where it expects to attract 90,000 new clients by 2022. Similarly, Euskaltel has updated its business plans due to results and new business opportunities and it expects revenue generated in the new territories to be around 8% of Euskaltel's total revenues in 2022. Euskaltel announced on 17 December 2018 that it had signed a new agreement with Reial Automòbil Club de Catalunya ("**RACC**") to offer its range of services to RACC's members in Catalonia. Furthermore, Euskaltel intends to provide access to services for 100,000 new homes through the deployment of its networks in regions within Euskaltel's local markets where there is currently no access to services. During the third quarter of 2018, Euskaltel has also continued to modernise the quality and capacity of its network, rolling out DOCSIS 3.1 technology. This improvement will ensure that Euskaltel's network offers customers the highest speeds and most advanced products and services. *Business segment* The business segment had revenue growth of 17.8% on a statutory basis (0.3% on a pro forma basis) up to €143.4 million. This growth in both revenues and customers is based on new contracts in the SME and Large Account segments thanks to the new sales initiatives aimed at SMEs and the strategic alliance signed in the first quarter of 2018 with Microsoft Corporation, which consolidates Euskaltel's position and strength as the lead operator in the digital transformation of companies. R Cable has been awarded the development and execution phases of the Smart City project for the city of Lugo. *Residential segment* The Euskaltel Group's customers have contracts for over 2,363 million products, representing approximately 39,000 new contracts in 2018. During 2018, there have been 32,528 new "postpaid" lines. The TV segment has seen 13,555 new customers and the number of contracts for broadband products has increased by 4,024. Progress in contracts for services and products in the residential

<table>
<tr><td></td><td></td><td>segment is evidenced by the record penetration rates for all products across the customer base: broadband - 85.9% (an increase of 15 basis points compared to the first half of 2018); mobile phones - 80.2% (an increase of 0.1% compared to the first half of 2018); pay TV - 70.9% (an increase of 0.4% compared to the first half of 2018).

As a result of Euskaltel's convergent strategy, the number of high-value customers with 3P and 4P contracts stands at 69% of all customers, representing an average of 3.6 products per user.

The number of residential customers in the first nine months of the year reduced slightly by 0.3%.

Revenue over the third quarter of 2018 in the residential segment has been positive with growth of 0.5% compared to the second quarter of 2018.

Dividend

Euskaltel's board of directors has approved the distribution of an interim dividend against 2018 results for a gross amount of €0.14 per share, an increase of around 10% compared to 2017. The payment date will be 7 February 2019.</td></tr>
<tr><td>B.5</td><td>Description of the Zegona Group and Zegona’s position therein</td><td>The Company is the parent company of the Zegona Group. The significant subsidiary of the Company is:

<table><tr><th>Name</th><th>Country of incorporation</th><th>Proportion of ownership interest</th><th>Principal activity</th></tr><tr><td>Zegona Limited</td><td>Jersey</td><td>100</td><td>Incentive and holding company</td></tr></table></td></tr>
<tr><td>B.6</td><td>Notifiable interests in Zegona and voting rights</td><td>As at 11 January 2019 (being the latest practicable date prior to the publication of this Document), the interests (all of which are beneficial unless otherwise stated) of the Directors, senior managers and their connected persons in the share capital of the Company, together with such interests as are expected to subsist immediately following Admission, are as follows:</td></tr>
</table>

Director/ senior manager(2)	Interests as at 11 January 2019		Interests immediately following Admission(1)	
	Number of Existing Zegona Shares	Percentage of issued share capital	Number of Zegona Shares	Percentage of issued share capital
Eamonn O'Hare(3)	1,365,519	1.08%	2,032,185	0.92%
Robert Samuelson(3)	514,996	0.41%	657,853	0.30%
Murray Scott	32,147	0.03%	66,147	0.03%
Richard Williams(4)	25,287	0.02%	25,287	0.01%
Ashley Martin	10,479	0.01%	10,479	0.00%
Mark Brangstrup Watts(5)	-	0.00%	-	0.00%
Howard Kalika	177,034	0.14%	319,892	0.14%
Dean Checkley	4,216	0.00%	4,216	0.00%
Menno Kremer	-	0.00%	-	0.00%

Notes:

(1) Assuming no Zegona Shares are issued prior to Admission other than the New Zegona Shares and there are no buy-backs of Zegona Shares prior to Admission.

(2) None of the Directors and senior managers are a Euskaltel shareholder.

(3) Eamonn O'Hare and Robert Samuelson also have interests in Management Shares, details of which are set out in the table below.

(4) Richard Williams also holds a long position equivalent to 36,006 shares through a contract for difference.

(5) As at 11 January 2019, Marwyn, of which Mark Brangstrup Watts is a Non-Executive Director, held 25.78% of the share capital of the Company in its capacity as agent for and on behalf of its discretionary managed clients. Mark Brangstrup Watts has a beneficial interest in the Core Investor Shares.

Eamonn O'Hare, Robert Samuelson, Howard Kalika and Menno Kremer have been issued Management Shares pursuant to their employee arrangements with the Zegona Group. Details of the Management Shares held by each individual are set out below:

	Participation in Growth in Value	Number of Management Shares
Eamonn O'Hare	8.88%	3,050,000,000
Robert Samuelson	4.44%	1,525,000,000
Howard Kalika	1.23%	425,000,000
Menno Kremer	0.45%	154,639,176
	15.00%	**5,154,639,176**

The Placing and Admission will not have any effect on the terms of the Management Incentive Scheme. The gross proceeds of the Placing will increase the amount of invested capital for the purposes of the Management Incentive Scheme.

As at 11 January 2019 (being the latest practicable date prior to the publication of this Document), the Company was aware of the

		following persons who are interested, directly or indirectly, in 3% or more of the issued share capital of the Company:

Shareholder	Interests as at 11 January 2019 — Number of Existing Zegona Shares	Interests as at 11 January 2019 — Percentage of issued share capital	Interests immediately following Admission(1) — Number of Zegona Shares	Interests immediately following Admission(1) — Percentage of issued share capital
Marwyn(2)	32,538,225	25.78%	42,062,035	18.95%
Artemis Investment Management LLP	-	0.00%	36,190,476	16.31%
Invesco Asset Management	21,492,686	17.03%	30,064,114	13.55%
Fidelity Investments Limited	12,621,944	10.00%	19,362,940	8.72%
Capital Research & Management Company	9,892,689	7.84%	17,705,431	7.98%
Legal & General Investment Management	9,001,149	7.13%	16,429,720	7.40%
AXA Investment Managers	8,694,970	6.89%	11,094,970	5.00%
Canaccord Genuity Group Inc	7,710,190	6.11%	20,670,043	9.31%
Taconic Capital Advisers	6,134,710	4.86%	6,134,710	2.76%
Tekne Capital Management LLC	4,322,123	3.42%	4,322,123	1.95%

Note:

(1) Assuming no Zegona Shares are issued prior to Admission other than the New Zegona Shares and there are no buy-backs of Zegona Shares prior to Admission.

(2) In its capacity as agent for and on behalf of its discretionary managed clients. Mark Brangstrup Watts is a Non-Executive Director of both the Company and Marwyn.

The Placing and Admission will not have any effect on the terms of the Core Investor Incentive Scheme. The gross proceeds of the Placing will increase the amount of invested capital for the purposes of the Core Investor Incentive Scheme.

As at 11 January 2019 (being the latest practicable date prior to the publication of this Document), Zegona is not aware of any person or persons who directly or indirectly, acting jointly with others or acting alone, exercised or could exercise control over Zegona.

All Zegona Shares will have the same voting rights.

B.7	**Selected historical financial information**	**The Zegona Group** Selected historical financial information which summarises the

		financial results and financial condition of Zegona for the financial years ended 31 December 2017 and 31 December 2016 and the financial period from incorporation on 19 January 2015 to 31 December 2015, all prepared in accordance with IFRS as adopted by the EU, is set out in the following tables. The interim accounts for the nine months ended 30 September 2018 and 30 September 2017 were prepared in accordance with IAS 34 as adopted by the EU. Information provided for the financial years ended 31 December 2017 and 31 December 2016 and the financial period from incorporation on 19 January 2015 to 31 December 2015 is audited and information for the nine months ended 30 September 2018 (and comparative information for the nine months ended 30 September 2017) is unaudited. Information provided for the financial years ended 31 December 2017 and 31 December 2016 and the financial period from incorporation on 19 January 2015 to 31 December 2015 has been extracted without material adjustment from the Zegona 2017 Annual Report, the Zegona 2016 Annual Report and the Zegona 2015 Annual Report, respectively. Information provided for the nine months ended 30 September 2018 and 30 September 2017 has been extracted without material adjustment from the Zegona 2018 Interim Results. As disclosed in note 1 to the Zegona Group's audited consolidated financial statements for the year ended 31 December 2017, the comparative figures for the year ended 31 December 2016 have been restated to include the results of Telecable within discontinued operations. Accordingly, the restated financial information for the year ended 31 December 2016 has been extracted without adjustment from the restated comparatives included in, and are comparable with, the audited consolidated financial statements for the year ended 31 December 2017.

Condensed consolidated statement of comprehensive income

	Nine months ended 30 September		Year ended 31 December			
	2018	2017	2017	2016 Restated[(1)]	2016[(2)]	2015[(3)]
	(Unaudited)	(Unaudited)				
			(in €000)			
Revenue	-	-	-	-	140,798	52,966
Operating (loss)/profit	(3,378)	(6.351)	(11,007)	(5,884)	3,446	(7,661)
Profit/(loss) before tax	3,763	(6,650)	(11,236)	(6,312)	(10,924)	(16,437)
Profit/(loss) for the period from continuing operations	3,731	(6,661)	(11,247)	(6,408)	(5,488)	(14,892)
Profit for the period from discontinued operations	-	54,564	53,017	920	-	-
Profit/(loss) for the period	3,731	47,903	41,770	(5,488)	(5,488)	(14,892)
Earnings per share			(in €cents)			
Basic and diluted - total operations	3.0	24.4	23.2	(2.8)	(2.8)	(16.6)
Basic and diluted - continuing operations	3.0	(3.4)	(6.2)	(3.3)	(2.8)	(16.6)

Notes:

(1) Restated to include the results of Telecable within discontinued operations.

(2) Actual financial information for the year ended 31 December 2016, without restatement.

(3) Results from incorporation on 19 January 2015.

Condensed consolidated statement of financial position

	As at 30 September	As at 31 December		
	2018	2017	2016	2015
	(Unaudited)			
		(in €000)		
Non-current assets	181,573	182,861	683,993	711,960
Current assets	13,098	15,741	40,892	24,785
Total assets	**194,671**	**198,602**	**724,825**	**736,745**
Current liabilities	1,076	2,437	45,122	41,472
Non-current liabilities	-	-	317,218	321,620
Total liabilities	**1,076**	**2,437**	**362,340**	**363,092**
Net assets	**193,595**	**196,165**	**362,485**	**373,653**

Condensed consolidated statement of cash flows

	Nine months ended 30 September		Year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**			
			(in €000)		
Net cash flows (used in)/from operating activities	(4,524)	19,437	16,403	40,001	(937)
Net cash flows from/(used in) investing activities	8,067	(42,867)	(43,371)	(25,566)	(644,762)
Net cash flows (used in)/from financing activities	(5,622)	176,807	14,904	(5,362)	660,110
Net (decrease)/increase in cash and cash equivalents	**(2,079)**	**153,377**	**(12,064)**	**9,073**	**14,411**

The Zegona Group acquired Telecable on 14 August 2015 and consolidated the results of Telecable from this date. Telecable was sold to Euskaltel on 26 July 2017 and, as part of the consideration for the sale, the Zegona Group acquired an approximate 15% shareholding in Euskaltel. Following the sale of Telecable, Zegona returned £139.7 million to Zegona Shareholders by way of a tender offer in October 2017.

On 14 January 2019, the Zegona Group entered into the Virgin Funding, which will allow the Zegona Group to draw down up to £10 million to partially fund, if required, the Euskaltel Share Acquisition and fees and expenses incurred in connection with the Transaction.

On 14 January 2019, the Zegona Group entered into the Barclays Facility, which will allow the Zegona Group to draw down up to £30 million, which will be reduced to £20 million if and to the extent the Virgin Funding is drawn down, to partially fund the Euskaltel Share Acquisition and fees and expenses incurred in connection with the Transaction and for general corporate purposes.

Zegona currently anticipates drawing substantially all of the £30 million available to it under the New Facilities if there is sufficient availability in the market for it to purchase Euskaltel Shares at a price it considers attractive for Zegona Shareholders based on prevailing market conditions. The New Facilities are expected to remain largely undrawn until substantially all of the net proceeds of the Placing have been used, though Zegona may draw down and use a portion of the Barclays Facility to purchase Euskaltel Shares prior to Admission.

Save as set out above, there have been no significant changes in the financial condition and operating results of the Zegona Group from 19 January 2015 to the date of this Document.

The Euskaltel Group

Selected historical financial information which summarises the financial results and financial condition of the Euskaltel Group for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 prepared in accordance with IFRS as adopted by the EU, for the six months ended 30 June 2018 and 30 June 2017 prepared in accordance with IAS 34 as adopted by the EU, and for the nine months ended 30 September 2018 and 30 September 2017 prepared by Euskaltel is set out in the following tables.

Information provided for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 is stated in Euskaltel's audited public reports, and the information for both the nine months ended 30 September 2018 (and comparative information for the nine months ended 30 September 2017) and the six months ended 30 June 2018 (and comparative information for the six months ended 30 June 2017) is unaudited.

Information provided for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 has been extracted without material adjustment from the Euskaltel 2017 Annual Report, the Euskaltel 2016 Annual Report and the Euskaltel 2015 Annual Report, respectively. Information provided for the six months ended 30 June 2018 and 30 June 2017 has been extracted without material adjustment from the Euskaltel 2018 Interim Results. Information provided for the nine months ended 30 September 2018 and 30 September 2017 has been extracted without material adjustment from the Euskaltel 3Q18 Results Presentation.

Condensed consolidated income statement

	Six months ended 30 June		**Year ended 31 December**		
	2018	**2017**	**2017**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**			
	(in €000)				
Revenue	340,311	274,138	609,275	561,426	334,375
Operating Profit	62,742	51,616	115,224	125,048	66,747
Profit before tax	38,529	28,404	66,343	77,194	10,548
Profit for the period	28,811	21,115	49,562	62,145	7,237
Earnings per share	**(in €cents)**				
Basic and diluted	16	14	30	41	6

Condensed consolidated balance sheet

	As at 30 June		**As at 31 December**		
	2018	**2017**	**2017**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**			
	(in €000)				
Non-current assets	2,737,072	2,086,090	2,768,346	2,119,220	2,184,772
Current assets	145,336	271,382	136,222	221,118	97,622
Total assets	**2,882,408**	**2,357,472**	**2,904,568**	**2,340,338**	**2,282,394**
Current liabilities	323,712	221,033	246,504	210,104	140,461
Non-current liabilities	1,592,408	1,405,375	1,694,422	1,388,140	1,439,009
Total liabilities	**1,916,120**	**1,626,408**	**1,940,926**	**1,598,244**	**1,579,470**
Net assets	**966,288**	**731,064**	**963,642**	**742,094**	**702,924**

Condensed consolidated statement of cash flows

	Six months ended 30 June		Year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**			
	(in €000)				
Net cash flows from operating activities	123,476	106,303	217,683	232,417	85,271
Net cash flows used in investing activities	(67,947)	(46,088)	(262,023)	(98,193)	(869,952)
Net cash flows (used in)/from financing activities	(43,278)	(17,323)	(54,298)	(305)	797,402
Net increase/(decrease) in cash and cash equivalents	**12,251**	**42,892**	**(98,638)**	**133,919**	**12,721**

Consolidated P&L - statutory results

	Nine months ended 30 September	
	2018	**2017**
	(Unaudited)	**(Unaudited)**
	(in €m)	
Revenue	521.1	444.0
Gross profit	383.5	338.3
EBITDA	252.9	219.3
EBIT	105.2	96.6
Net income	46.6	32.9

Consolidated P&L - pro forma (for full year consolidation of Telecable)

	Nine months ended 30 September	
	2018	**2017**
	(Unaudited)	**(Unaudited)**
	(in €m)	
Revenue	521.1	528.8
Gross profit	383.5	392.7
EBITDA	252.9	253.4
EBIT	105.2	98.9
Net income	46.6	12.9

On 1 July 2015, the Euskaltel Shares were admitted to trading on the Barcelona, Bilbao, Madrid and Valencia stock exchanges. Euskaltel completed the acquisitions of R Cable on 27 November 2015 and Telecable on 26 July 2017.

So far as Zegona is aware, there have been no further significant disclosures by Euskaltel since 5 November 2018 which may indicate a significant change in financial condition and operating results of the Euskaltel Group. The Company and its advisers have not had access to Euskaltel's non-public information or documentation and accordingly have been unable to perform any due diligence on such information or documentation and accordingly Euskaltel has not confirmed that the above disclosure remains accurate. All

		information relating to Euskaltel and the Euskaltel Group has been sourced from publicly available information and has not been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the completion of the Transaction. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.
B.8	**Selected unaudited *pro forma* financial information**	Not applicable; this Document does not contain *pro forma* information in relation to the Company.
B.9	**Profit forecast or estimate**	Not applicable; this Document does not contain profit forecasts or estimates.
B.10	**Nature of any qualifications in the audit reports on the historical financial information**	Not applicable; the audit reports on the historical financial information contained in this Document do not contain any qualifications.
B.11	**Working capital – qualifications**	Not applicable; the Company is of the opinion that, after taking into account the net proceeds of the Placing and funds available under the New Facilities, the Zegona 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	**Type and class of securities being admitted to trading**	Zegona is proposing to offer 95,715,728 New Zegona Shares through a Placing at 105 pence per ordinary share. 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 the securities in issue**	The ordinary shares are denominated in Sterling.
C.3	**Number of ordinary shares in issue and par value**	The Company has 126,219,449 fully paid ordinary shares of £0.01 par value in issue. The Company has no partly paid ordinary shares in issue.
C.4	**Rights of securities**	The New Zegona Shares will be issued credited as fully paid and will rank *pari passu* in all respects with each other and with each Existing Zegona Share and will rank equally for dividends declared

		with a record date falling after Admission and for any distributions on a winding-up. On a show of hands, each Zegona Shareholder has one vote and on a poll each Zegona Shareholder has one vote per Zegona Share held.
C.5	**Restrictions on transfer**	The Zegona Shares are freely transferrable and there are no restrictions on transfer, save that the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of Zegona Shares held by a person to whom the sale or transfer of Zegona Shares may cause Zegona to be classified as an investment company under the US Investment Company Act. In addition, the distribution of this Document and/or any accompanying document and/or the transfer of the Zegona Shares, through CREST or otherwise, into jurisdictions outside the United Kingdom may be restricted by law. Each investor of the New Zegona Shares, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgments, representations and agreements, for itself and for each account for which it is purchasing. See Part XIV (The Placing) in this Document.
C.6	**Admission to trading on regulated market**	Application will be made to the London Stock Exchange for the New Zegona Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities, which is a regulated market. Application will also be made to the FCA for the New Zegona Shares to be admitted to the standard listing segment of the Official List. The Zegona Shares are not and will not at Admission be admitted to trading on any other regulated market.
C.7	**Dividend policy**	Zegona remains committed to paying dividends to Zegona Shareholders. Future dividends will be funded by the receipt of dividends from Euskaltel on the Zegona Group's existing 15% holding and any further Euskaltel Shares purchased in the Euskaltel Share Acquisition with the proceeds of the Placing, and other cash reserves. Zegona intends, irrespective of any debt financing obligations, for the foreseeable future, to promptly return the Sterling equivalent of all dividends received from its enlarged investment in Euskaltel to Zegona Shareholders.

Section D – Risks		
Element		
D.1	**Key risks that are specific and individual to the**	• All information relating to the Euskaltel Group included in this Document has been sourced from publicly available information and has not been subject to comment or

	Zegona Group and/ or the Euskaltel Group and the industries in which they operate	verification by Euskaltel or Zegona, and Euskaltel has not confirmed that any disclosure in respect of it is or remains accurate. In addition, the due diligence process with respect to the Transaction itself has been limited, as Zegona has not been able to perform any due diligence with Euskaltel's management. • Zegona's ability to increase its holding in Euskaltel is largely dependent on Euskaltel Shares being available in the market at a price that the Board considers attractive. If the price for Euskaltel Shares increases above such a price or if there are insufficient Euskaltel Shares available in the market, Zegona may decide not to begin, or may decide to stop at any time, the acquisition of Euskaltel Shares. This may result in Zegona not increasing its ownership position in Euskaltel significantly or at all. • While Zegona anticipates greater participation on Euskaltel's board of directors as a result of its increased ownership following the Euskaltel Share Acquisition, it is not certain how quickly, if at all, it can acquire the intended number of Euskaltel Shares and to what extent, if any, it will be able to increase its representation on the Euskaltel board of directors and, even if it is able to increase its ownership interest and participation on the board of directors, there can be no assurance that the Euskaltel board of directors will choose to work with Zegona to seek to improve Euskaltel's performance. • Even if the Euskaltel board of directors chooses to work with Zegona, the initiatives Zegona has identified to improve Euskaltel's performance may not be implemented as anticipated, or may be implemented but still not be successful in improving Euskaltel's performance or increasing the value of Zegona's investment in Euskaltel. Any benefits derived from such plans may fall short of Zegona's expected benefits as described herein. • The acquisition of Euskaltel Shares may take more time than expected. A delay in acquiring Euskaltel Shares could have an impact on the implementation of Zegona's strategy as set out in this Document, including by preventing both Zegona and the director or directors it is able to have elected to the Euskaltel board of directors from engaging with Euskaltel in a manner that is in line with Zegona's strategy. • The Zegona Group may be exposed to interest rate risk related to the New Facilities, which could cause its indebtedness service obligations to increase significantly, and its financial flexibility may be restricted by its level of indebtedness. • There is no assurance that Admission will take place when anticipated or at all. • The value of the Zegona Group's investment in Euskaltel

		is subject to fluctuation based on the performance of the Euskaltel Share price, which in turn may be negatively influenced by a number of factors specific to the Euskaltel Group's performance, or general sentiment about the Spanish telecommunications industry, the Spanish and European economies or global capital markets. • Zegona is dependent on dividends from Euskaltel to fund future dividends to Zegona Shareholders. Foreign exchange rates may also have an impact as dividends received from Euskaltel are in Euro with dividends being paid by the Company in Sterling. • There is a risk that, in the future, the Zegona Group will not be able to: identify available targets based on competition in the marketplace; identify suitable targets at a price that allows for acceptable returns; obtain any consents or authorisations required to carry out an acquisition; or procure the necessary financing, be this from equity, debt or a combination of the two. • The absence or loss of key management could result in the failure of Zegona to achieve its objective, including its involvement in Euskaltel. • The Euskaltel Group is exposed to strategic risks that are inherent to the telecommunications industry, or arise from the competitive situation and market growth (the Euskaltel Group operates in a market subject to price pressure, to which it must be able to respond, and to continuous growth in the use of telecommunications services, which may be affected by issues related thereto such as security and changes in technology and may result in a change in forecasts of the demand for services), or arise from changes in technology. • The Euskaltel Group is exposed to operational risks that are inherent to the telecommunications industry, arise from regulation of the industry (the telecommunications industry is regulated, and such regulation is subject to possible changes resulting from changes in legal provisions and technological evolution), arise from changes in technology (the Euskaltel Group may be required to adapt its services to those changes), or arise from agreements with third parties, as well as agreements with suppliers for the provision of significant services for its business).
D.3	**Key risks related to the New Zegona Shares**	• The New Zegona Shares may not be a suitable investment for all shareholders and the value of the New Zegona Shares may fluctuate. • Any future issue of Zegona Shares could dilute the holdings of Zegona Shareholders and could adversely affect the market price of the Zegona Shares. • Zegona's ability to continue to pay dividends on the Zegona

		Shares will depend on the availability of distributable reserves. • A limited number of shareholders have significant holdings of Zegona Shares, and such shareholders 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 Zegona Shares. • The Standard Listing of Zegona Shares affords Zegona Shareholders a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List. • 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 Zegona Shares or otherwise. • The Company believes that it was a PFIC for its taxable year 2018 and there is a significant risk that it will be a PFIC in 2019 and possibly any subsequent taxable year.

Section E - Offer		
Element		
E.1	**Total net proceeds and estimate of total expenses**	The Company is proposing to raise net proceeds of £95.9 million pursuant to the Placing. The total costs (including fees and commissions, but exclusive of VAT) payable by the Company in connection with the Transaction are estimated to be £4.6 million. No expenses will be charged by the Company to any Zegona Shareholder.
E.2a	**Reasons for the Transaction, use of proceeds and estimated net amount of proceeds**	The proposed issue of New Zegona Shares is being made in order to fund the Euskaltel Share Acquisition, fees and expenses incurred in connection with the Transaction and for general corporate purposes. Subject to the conditions set out in this Document, the Company intends to use the Available Funds to fund the Euskaltel Share Acquisition. To the extent that the Company has not used all or substantially all of the Available Funds to acquire Euskaltel Shares over a time period considered reasonable by the Directors, or if the Company has chosen not to acquire further Euskaltel Shares (for example, as a result of a significant increase in Euskaltel's share price), subject to retaining any amounts required for general corporate and working capital purposes, any voluntary or mandatory repayment of the New Facilities, Zegona currently intends to return any excess to Zegona Shareholders through an appropriate and

		equitable mechanism, including through a potential buyback of Zegona Shares in the market, which could have adverse tax consequences for Zegona Shareholders.
E.3	**Terms and conditions of the Placing**	The Company is proposing to issue 95,715,728 New Zegona Shares under the Placing at a price equal to 105 pence per New Zegona Share. The issue of New Zegona Shares requires approval by the Zegona Shareholders, which will be sought at the General Meeting. The New Zegona Shares will, when issued and fully paid, rank *pari passu* in all respects with each other and with each Existing Zegona Share, including the right to receive all dividends or other distributions declared with a record date falling after Admission. Applications will be made to the UKLA and to the London Stock Exchange for the New Zegona Shares to be admitted to the Official List with a Standard Listing and to trading on the London Stock Exchange's Main Market for listed securities, respectively. The offer of New Zegona Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than, the United Kingdom may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to subscribe for New Zegona Shares pursuant to the Placing. The New Zegona Shares have not been, and will not be, registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States. The New Zegona Shares will be offered (i) in the United States only to, or to US Persons that are, QIBs that are also QPs, who have each executed and delivered to the Company a US Qualified Purchaser's Letter, in transactions that are exempt from, or not subject to, the registration requirements of the US Securities Act, and (ii) to non-US Persons outside of the United States in "offshore transactions" as defined in, and in reliance on, Regulation S. Moreover, the Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of the US Investment Company Act. No actions have been taken to allow a public offering of the New Zegona Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan or South Africa. Subject to certain exceptions, the New Zegona Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, Japan, South Africa or any member state of the EEA (other than the United Kingdom, Spain, Belgium, the Netherlands, Ireland and Italy). This Document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the New Zegona Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.
E.4	**Material interests**	Not applicable; there are no interests, known to the Company,

		material to the issue of the New Zegona Shares which are conflicting interests.
E.5	**Selling shareholders and lock-up agreements**	The New Zegona Shares are to be issued by the Company. Pursuant to the Placing Agreement, the Company has agreed, subject to customary exceptions, not to issue any Zegona Shares or rights to subscribe for Zegona Shares during the period of 90 days following Admission, without the prior written consent of Barclays.
E.6	**Dilution**	Assuming the issue of 95,715,728 New Zegona Shares, no other issues of Zegona Shares between 11 January 2019, being the latest practicable date prior to publication of this Document, and Admission and no buy-backs of Zegona Shares prior to Admission, the Existing Zegona Shares will represent approximately 56.87% (on a fully diluted basis) of the total issued Zegona Shares immediately following Admission.
E.7	**Estimated expenses charged to the investor**	Not applicable; no expenses will be directly charged to investors in connection with the Transaction.

PART II - RISK FACTORS

A number of factors affect the business, operating results, financial condition and prospects of the Zegona Group. This section describes the risk factors which are considered by Zegona to be material in relation to the Zegona Group, including those if the Transaction is completed. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to Zegona, or which Zegona currently deems immaterial, may also have an adverse effect on the Zegona Group's business, operating results, financial condition and prospects. The risks and uncertainties described below are not set out in any order of priority and do not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect.

Prospective investors should further note that the risks relating to the Zegona Group, the industries in which it operates and the New Zegona Shares summarised in Part I (Summary) of this document are the risks that Zegona believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Zegona Shares. However, as the risks which the Zegona Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) of this Document, but also the risks and uncertainties described below, together with all other information contained in this Document and the information incorporated by reference herein, before making any investment decision.

The Zegona Group intends to increase its shareholding in Euskaltel up to a maximum of 27.5%. Given that ownership of the Euskaltel Shares is the Zegona Group's principal asset and dividends paid on such shares are Zegona's principal source of cash, the risks as set out in Part C below, although specific to Euskaltel, are also applicable to Zegona. Each risk factor set out in Part C has been prepared based on Zegona's understanding of Euskaltel's business and competitive environment and with regard to the Euskaltel 2017 Corporate Governance Report and the 2015 Euskaltel prospectus published in connection with its initial public offering, together with Euskaltel's other public reports, none of which have been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, its auditors or management and accordingly Euskaltel has not confirmed that the below disclosure is, or remains, accurate. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document.

Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.

PART A: RISKS RELATING TO THE PROPOSED TRANSACTION

Risks relating to lack of information and due diligence undertaken by Zegona in connection with increasing the investment in Euskaltel

All information relating to the Euskaltel Group included in this Document has been sourced from publicly available information and has not been subject to comment or verification by Euskaltel or Zegona or their respective directors and Euskaltel has not confirmed that any disclosure in respect of it is or remains accurate. Neither Zegona nor its advisers have had access to any additional non-public information or documentation of Euskaltel and accordingly have been unable to perform any due diligence with Euskaltel's management on any such Euskaltel information included in this Document. Although Robert Samuelson, a Director of the Company, is on the board of directors of Euskaltel, he is subject to confidentiality obligations in respect of non-public Euskaltel information and has not shared, and does not expect to share, any such information with the Company. Since the announcement of the Proposed Tender Offer by the Company on 19 October 2018, Robert Samuelson has taken steps designed to limit the receipt of information from Euskaltel in his capacity as a proprietary director of Euskaltel. The Company does not, therefore, expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document and in any event prior to Admission. Prospective investors should therefore be aware and take into account that, whilst the Company is not aware of any facts that would render the information relating to Euskaltel materially inaccurate or misleading, there can be no assurance, as a result of the above, that such information relating to Euskaltel remains accurate and is not misleading.

In addition, the due diligence process with respect to the Transaction itself has been limited for the same reason and Zegona's assessments are subject to a number of assumptions relating to profitability, business opportunities and growth. Accordingly, there can be no assurance that the assessments or due diligence conducted regarding the Euskaltel Group and its businesses will prove to be correct or reveal or highlight all relevant facts that may be necessary or helpful in evaluating the acquisition of additional Euskaltel Shares through the Euskaltel Share Acquisition, and actual developments may differ significantly from Zegona's expectations. As a result, Zegona may pay too high a price to acquire additional interests in Euskaltel and this could have a material adverse impact on Zegona's business, financial condition and results of operations.

Nothing in this risk factor limits or qualifies the responsibility statement in paragraph 1 of Part XV (Additional Information) of this Document or under Prospectus Rule 5.5 or Part 6 of FSMA.

It is not certain to what extent the Zegona Group will be able to increase its ownership position in Euskaltel, if at all, and, even with Zegona's increased ownership, the board of directors of Euskaltel may not choose to work with Zegona to improve the Euskaltel Group's performance

The Zegona Group's ability to increase its holding in Euskaltel is largely dependent on Euskaltel Shares being available in the market at a price that the Board considers attractive. If the price for Euskaltel Shares increases above such a price or if there are insufficient Euskaltel Shares available in the market, Zegona may decide not to begin, or may decide to stop at any time, the acquisition of Euskaltel Shares. At the current Euskaltel share price of €7.26 (being the closing price at 11 January 2019), the Available Funds would not be sufficient to increase Zegona's interest by 12.5%. This may result in the Zegona Group not increasing its ownership position in Euskaltel significantly or at all. Alternatively, the Board may determine, at any time, that the Zegona Group's shareholding in Euskaltel is no longer in the best interest of Zegona Shareholders. If Zegona is unable to or chooses not to materially increase its ownership position in Euskaltel and thereby seek to increase its participation on the Euskaltel board of directors, or if it decreases its shareholding position, Zegona's ability to engage with the board of directors of Euskaltel may be more limited than the Board currently anticipates or may decrease.

If the Zegona Group is able to increase its ownership position in Euskaltel following the Euskaltel Share Acquisition, this increased ownership position in Euskaltel may facilitate greater participation on the board of directors of Euskaltel but, even if Zegona acquires the maximum amount that it intends to purchase (being 12.5% of the outstanding issued ordinary share capital of Euskaltel) through the Euskaltel Share Acquisition, there is no automatic associated right for Zegona to appoint any additional directors of Euskaltel, as described below. In any event, the board of directors of Euskaltel may choose not to work with Zegona to seek to improve the Euskaltel Group's performance or implement any proposals Zegona may make, including as a result of disagreements about strategic direction.

The Zegona Group may, as a result of its increased holding in Euskaltel following the Euskaltel Share Acquisition, be able to have elected one or more additional directors to Euskaltel's board of directors. However, this would require both the co-operation of Euskaltel's board of directors and approval of Euskaltel's shareholders as a whole. However, it is not certain that Zegona will be able to have elected any additional directors, or when any such director could be elected, and, in any event, Euskaltel's board of directors and management may not support Zegona to gain any additional board representation. In addition, any additional director which Zegona has elected would almost certainly require the appointment of an additional independent director, in each case subject to a maximum of 15 directors on the board of directors of Euskaltel, and any directors nominated by Zegona would need to be assessed by Euskaltel's Appointments and Remuneration Committee and approved by Euskaltel's shareholders at a general meeting. Even if Zegona were able to have elected one or more additional directors to Euskaltel's board of directors following the Euskaltel Share Acquisition, there are no circumstances under which those directors appointed by Zegona would constitute a majority of Euskaltel's board of directors.

The acquisition of Euskaltel Shares may take more time than expected

Zegona's ability to increase its holding in Euskaltel is largely dependent on Euskaltel Shares being available in the market at a price that the Board considers attractive for Zegona Shareholders based on prevailing market conditions. For the 12-month period ended 11 January 2019, the close price per Euskaltel share ranged from €6.44 (on 12 October 2018) to €8.25 (on 12 June 2018), with an arithmetic average of €7.37 over this period. The price per Euskaltel share was €7.26 on 11 January 2019. The Euskaltel share price may also be volatile in the future and certain events, such as Zegona's announcement of the Transaction, may increase the Euskaltel share price which would negatively impact Zegona's ability to acquire Euskaltel Shares,

In addition, if Robert Samuelson is required to re-engage as a director of Euskaltel prior to completion of the Euskaltel Share Acquisition, this could delay the acquisition of Euskaltel Shares as Zegona may be prohibited from making market purchases during Euskaltel closed periods or otherwise during periods when Robert Samuelson has sensitive or inside information.

Any delay in acquiring Euskaltel Shares as a result of the above, or for any other reason, could have an impact on the implementation of Zegona's strategy as set out in this Document in a number of ways, including:

- Zegona and the director or directors it is able to have elected to the Euskaltel board of directors may be unable to engage with Euskaltel in a manner that is in line with the strategy set out in this Document;
- As the New Facilities are in Sterling and will not be drawn down until substantially all of the net proceeds under the Placing have been used, the Euro-Sterling foreign exchange rate may limit the number of Euskaltel Shares the funds drawn under the New Facilities can be used to acquire;
- Robert Samuelson may be unable to return to his board activities as a director of Euskaltel, limiting the influence that Zegona can have on Euskaltel during this period; and
- Total dividends paid through to Zegona Shareholders will be lower as a percentage of the total net assets of Zegona, given that Zegona may hold significant cash that has not yet been utilised to acquire further Euskaltel Shares.

Zegona may not receive strong or sufficient support from other Euskaltel shareholders to work with the Euskaltel board of directors to seek to improve the Euskaltel Group's performance

Zegona may not receive support from other Euskaltel shareholders to work with the Euskaltel board of directors to seek to improve the Euskaltel Group's performance. The Directors believe they have received indications that certain Euskaltel shareholders will support Zegona but, with the exception of Talomon, such indications are not binding and such other Euskaltel shareholders may ultimately not support Zegona and there can be no assurance that Talomon will not terminate or breach the Shareholder Relationship Agreement. Any failure to achieve strong or sufficient support from Euskaltel shareholders may prevent improvements being made in the areas highlighted by Zegona, which could have a negative impact on the Zegona Group's investment in Euskaltel and, in turn, have a material adverse effect on Zegona's business, financial condition and results of operations.

Improvements in the areas Zegona has identified to improve the Euskaltel Group's performance may not be implemented as anticipated, or may be implemented but still not be successful in improving the Euskaltel Group's performance or increasing the value of the Euskaltel investment

Even if the Euskaltel board of directors chooses to work with Zegona to seek to improve the Euskaltel Group's performance, there is a risk that one or more of a number of factors could cause the Euskaltel Group's performance to decline, or not to improve sufficiently to generate material additional value. These factors could be internal to the Euskaltel Group, such as a failure by Euskaltel management to successfully implement one or more improvements in the areas that Zegona has highlighted as anticipated or within a reasonable period of time. It is also possible that, even if such initiatives are fully implemented by the Euskaltel Group, they may not achieve their desired or anticipated benefit, including targeted cost savings.

Therefore, there can be no assurance that any initiatives will be fully implemented or that such initiatives, even if fully implemented, will achieve their anticipated benefit within an acceptable time period, or at all, any of which could have a negative impact on the Zegona Group's investment in Euskaltel and, in turn, have a material adverse effect on Zegona's business, financial condition and results of operations.

There is no guarantee that Zegona will be able to successfully leverage its wide-ranging network of contacts to help deliver value to the Euskaltel Group should the Euskaltel board of directors seek its help

While any actions taken within the Euskaltel Group's business need to be driven by the Euskaltel board of directors and management team, Zegona's senior management has a wide-ranging network of contacts across the international telecommunications sector, giving it access to capabilities that it believes can benefit the Euskaltel Group. This network enabled Zegona to propose Jon James, previously Chief Operating Officer of ComHem and currently CEO of Tele2 Netherlands, as a new independent board member of Euskaltel. Jon was appointed a director of Euskaltel in July 2017. Over recent months, Zegona has discussed Euskaltel with the ex-Jazztel CEO, José Miguel García, and believes his skills and experience could also be a valuable addition to the Euskaltel leadership team. Zegona believes that José Miguel García transformed Jazztel into a leading telecommunications brand, executing a national rollout with a targeted value for money offer and a customer-focused approach, creating an estimated €2.8 billion of equity value for shareholders between 2006 and 2014. Similarly, Zegona's senior management has a long-standing relationship with Virgin and Zegona intends to facilitate discussions between the Euskaltel Group and Virgin for the Euskaltel Group to enter into an agreement to use the Virgin brand for expansion into new regions. Virgin has 80% awareness with consumers in Spain aged 25 to 65 according to research it commissioned. Virgin-branded businesses also enjoy lower churn rates and marketing efficiencies and the Virgin brand can help attract and retain talent. There can be no guarantee that Zegona will be successful in delivering any material benefits to Euskaltel from its network, either by helping the Euskaltel Group to secure a satisfactory agreement with Virgin within a time period acceptable to Virgin or delivering any other initiative, or that the use of the Virgin brand will achieve the anticipated benefits, including lower churn rates, marketing and talent retention benefits. Failure to derive meaningful value from Zegona's network could limit the extent to which Zegona is able to successfully work with the Euskaltel board of directors to improve the performance of the business, which could have a negative impact on the Zegona Group's investment in Euskaltel and, in turn, have a material adverse effect on Zegona's business, financial condition and results of operations.

The Zegona Group may be exposed to interest rate risk related to the New Facilities, which could cause its indebtedness service obligations to increase significantly

The interest rates on the New Facilities are linked to a margin over LIBOR. Interest rates may and are expected to increase in the future. As a result, interest rates on the New Facilities or any other variable rate indebtedness the Zegona Group may incur could be higher than current levels. If interest rates increase, the Zegona Group's debt service obligations on its variable rate indebtedness (including the New Facilities) would increase even though the amount borrowed remained the same, and the Zegona Group's profit and cash flows, including cash available for servicing its indebtedness, would correspondingly decrease, which could have a material adverse effect on its business, financial condition and results of operation.

The Zegona Group's financial flexibility may be restricted by its level of indebtedness and financing costs could increase or financing could cease to be available in the long term

Any increased indebtedness, the pledges granted over certain Euskaltel Shares and the covenants and mandatory prepayment events (including as a result of a change of control of Euskaltel or a fall in the value of Euskaltel Shares to €3.42 or below) contained in the New Facilities (as described in further detail in paragraph 18 of Part XV (Additional Information)) may have important consequences for the Zegona Group's future prospects and financial condition, including the Zegona Group having to dedicate an increased portion of its cash flow to service the indebtedness that could result in reduced funds being available for dividend payments as well as limiting access to additional funding for potential future acquisitions.

The Zegona Group's access to debt, equity and other financing as a source of funding for future acquisitions or for refinancing maturing debt will be subject to many factors, many of which will be beyond its control. The type, timing and terms of any future financing will depend on the Zegona Group's funding requirements and the then prevailing conditions in the financial markets. There is a risk that these conditions will not be favourable at the time any refinancing is required or that the Zegona Group will not be able to complete any such refinancing in a timely manner or on favourable terms, if at all. An increase in the cost, or lack of availability, of financing and capital could have a material adverse effect on the Zegona Group's business, financial condition and results of operation.

Zegona may be left with significant cash reserves if it is unable to purchase Euskaltel Shares in the market at an acceptable price

In the event Zegona is not able to utilise all or substantially all of the Available Funds to acquire Euskaltel Shares over a time period considered reasonable by the Directors, or the Company has chosen not to acquire further Euskaltel Shares (for example, as a result of a significant increase in Euskaltel's share price), subject to retaining any amounts required for general corporate and working capital purposes, any voluntary or mandatory repayment of the New Facilities, Zegona currently intends to return any excess to Zegona Shareholders, including through a potential buyback of Zegona Shares in the market, which could have adverse tax consequences for Zegona Shareholders. There can be no assurance that the Company will be able to conduct a share buyback in a manner that does not have adverse tax consequences for Zegona Shareholders or at all and any money returned may be reduced by foreign exchange differences as a result of such money having been held in Euros for the relevant period. Accordingly, the amount of cash returned may be less than the excess funds held by the Company under such circumstances.

Admission may not occur when anticipated or at all

Until the New Zegona Shares are admitted to listing on the Official List and to trading on the London Stock Exchange, they will not be fungible with existing Zegona Shares currently traded on the London Stock Exchange. Admission is conditional, inter alia, on: (i) the Placing Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to Admission; (ii) publication of any supplementary prospectus if required; (iii) the passing of the resolutions (without amendment) at the General Meeting. Until all the conditions have been satisfied, there can be no assurance that the admission of the New Zegona Shares to listing on the Official List and to trading on the London Stock Exchange will take place when anticipated or at all. If a supplementary prospectus is required and Zegona is unable to publish such supplementary prospectus, it may delay or prevent the satisfaction of the conditions.

Management attention may be diverted from other acquisitions by the Transaction

The Transaction will require substantial amounts of both time and focus from Zegona's senior management team, which could divert its attention from other acquisition opportunities that could have proved to be as valuable or more valuable than the acquisition of the additional investment in Euskaltel. In addition, following completion of the Transaction, Zegona will work with the Euskaltel board of directors and management to seek to improve the Euskaltel Group's performance, which will continue to require the time and attention of Zegona's senior management and may be further compounded by the fact that the Zegona Group will still be operating from a minority position with respect to its investment in Euskaltel and on the Euskaltel board. of directors

The Euskaltel Share Acquisition may become a reverse takeover

There is a possibility that, pursuant to the Listing Rules, the aggregate acquisition of Euskaltel Shares could be treated by the UKLA as a reverse takeover, requiring Zegona to seek readmission of its shares to listing on the Official List. If such a situation were to occur, Zegona may choose to cease making further purchases of Euskaltel Shares or may be required to publish a prospectus and seek readmission prior to continuing to purchase Euskaltel Shares.

PART B: RISKS RELATED TO THE BUSINESS AND OPERATIONS OF THE ZEGONA GROUP, ITS INVESTMENT IN EUSKALTEL AND THE INDUSTRY IN WHICH IT OPERATES

The value of the Zegona Group's existing investment in Euskaltel may fall for a number of reasons both within and outside the control of either Zegona or Euskaltel

The Zegona Group's sole material asset is its holding of approximately 15% of the share capital of Euskaltel. The value of this investment is subject to fluctuation based on the performance of the Euskaltel share price, which in turn is influenced by a number of factors specific to Euskaltel's performance and general sentiment about the Spanish telecommunications industry, the Spanish and European economies and global capital markets. There is a risk that any one, or a combination, of these factors could cause the value of the Euskaltel investment to drop significantly, materially impacting the value of the Zegona Group's asset and its return on investment, which could have a material adverse effect on Zegona's business, financial condition and results of operations.

Success of Zegona's strategy is uncertain

The Zegona Group's level of profit will be reliant upon the performance of the Euskaltel Group and Zegona's strategy from time to time. The success of its strategy depends on the Directors' ability to identify investments in accordance with Zegona'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 Zegona's investing criteria, that the Company will be able to invest its capital on attractive terms or that Zegona will be able to generate positive returns for Zegona Shareholders. If Zegona's strategy is not successfully implemented, or any amendments or modifications made to such strategy are unsuccessful, this could have a material adverse effect on Zegona's business, financial condition and results of operations.

The amount of contingent consideration received by the Zegona Group from Euskaltel in connection with the disposal of Telecable may be less than currently anticipated, or it may take significantly longer than expected for such amounts to be received

Under the terms of the sale and purchase and share exchange agreement with Euskaltel for the disposal of Telecable (the "**Telecable SPA**"), up to a further €15 million of contingent cash consideration is payable by Euskaltel to Zegona Limited upon certain tax credits arising and being proven to be useable. As at 30 September 2018, Zegona recorded this contingent consideration at a fair value of €4.74 million, but the eventual amount to be received, if any, depends on several factors that are entirely dependent on the Euskaltel Group. These factors include the availability of tax assets, the extent to which there will be sufficient taxable profits to utilise these assets, and assumptions around the outcome of certain open interactions with the Spanish tax authorities, including the receiving a binding ruling by the Spanish General Directorate of Taxation confirming certain tax assets are eligible for use upon a qualifying merger of the Telecable entities. There can be no assurance that the assumptions Zegona has made about these factors are correct and the amount eventually received may be significantly lower than Zegona's current best estimate, if any amount is received, and it may take substantially longer than twelve months to receive, which could have a material adverse effect on Zegona's business, financial condition and results of operations.

The Zegona Group is prevented from selling some of its investment in Euskaltel in order to realise its investment

The terms of the Telecable SPA signed with Euskaltel prevent the Zegona Group from selling 8.94 million of its shares in Euskaltel (33.3% of Zegona's total holding) before 27 January 2019 and a further 8.94 million shares (33.3% of Zegona's total holding) before 26 July 2019. In addition, the Zegona Group entered into a tax indemnity agreement dated 15 May 2017 pursuant to which the Zegona Group agreed to indemnify Euskaltel in respect of any losses arising from the Spanish tax authorities declaring void or unusable certain tax credits generated in favour of Telecable arising from the distributions of dividends approved and executed by Telecable during the 2013 fiscal year, which enabled the deduction of the financial expenses in the corporate income tax of the 2013 and subsequent fiscal years. The Zegona Group has granted security to Euskaltel in respect of its obligations under the tax indemnity agreement by a share pledge over 1,663,158 of its shares in Euskaltel. There is a risk that these various restrictions could prevent the Zegona

Group from realising the full gain on its investment at the optimal time, which could have a material adverse effect on the returns made to Zegona Shareholders.

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

The Zegona 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 Zegona’s financial plans, marketing and the execution of its planned strategy with respect to the Euskaltel Group's business, as well as 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. Zegona’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 Zegona Group, it could have a material adverse effect on Zegona's business, financial condition and results of operations.

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

As part of Zegona’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 Zegona 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. Many of the companies that might seek to acquire assets Zegona is interested in, including private equity, strategic acquirers or others, have greater financial reserves or access to capital compared to Zegona. Furthermore, even if an agreement is reached relating to a proposed acquisition, Zegona may fail to complete such acquisition for reasons beyond its control. Any such event will result in a loss to Zegona of the related costs incurred, which could adversely affect subsequent attempts to identify and acquire another target business, any of which could have a material adverse effect on Zegona's business, financial condition and results of operations.

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

Although Zegona cannot currently predict the amount of additional capital that may be needed, Zegona may be unable to raise the additional funds necessary to complete desired acquisitions in the future. Zegona may not receive sufficient support from Zegona Shareholders to raise additional equity, and new equity investors may be unwilling to invest on terms that are favourable to Zegona, or at all. Additionally, 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 Zegona’s strategy and remains unavailable or only available on terms that are unacceptable to Zegona, Zegona may be compelled either to restructure or abandon a particular acquisition target, or proceed with acquisitions on less favourable terms, which may reduce Zegona’s return on the investment and may impact the Company’s financial strategy.

In addition, the potential expansion, operating activities and/or business development of any of the businesses Zegona may acquire in the future, may be reliant on Zegona's ability to raise additional capital 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 Zegona’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 have a material adverse effect on Zegona's business, financial condition and results of operations, as well as the returns to Zegona Shareholders.

If Zegona were to incur additional substantial indebtedness in connection with any future acquisitions or the expansion and operation of any future acquired business, such indebtedness could result in default and foreclosure on Zegona's assets if its cash flow from operations was insufficient to pay its debt obligations as they became due. It could also limit Zegona's ability 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 Zegona's business, financial condition and results of operations.

Zegona will be subject to restrictions in offering Zegona 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

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

If the Zegona Group 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 and thus its ability to implement its plans may be limited and third party minority shareholders may dispute Zegona's strategy

The Zegona Group may be either an active investor and acquire control of a company or it may, as in the case of the proposed Transaction, acquire a non-controlling stake. Although the Zegona Group generally 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 Zegona Group expects to acquire sufficient influence to implement its strategy. If the Zegona Group 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 Zegona Group'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 Zegona Group's interests, or they may obstruct Zegona's strategy for the target or propose an alternative strategy. Any third party's interests may be contrary to the Zegona Group's interests. In addition, disputes among the Zegona Group and any such third parties could result in litigation or arbitration. Any of these events could impair Zegona's objectives and strategy, which could have a material adverse effect on Zegona's business, financial condition and results of operations.

Investments in private companies are subject to a number of risks

In the future, the Zegona Group 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 Zegona's business, financial condition and results of operations.

Material facts or circumstances may not be revealed in any due diligence processes carried out by Zegona

In connection with any proposed acquisitions or investment, Zegona 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, Zegona 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 consideration the Zegona Group may pay, or to formulate a business strategy. Furthermore, the information provided during the due diligence may be incomplete, inadequate or inaccurate. As part of the due diligence process, Zegona will also make subjective judgments regarding the results of operations, financial condition and prospects of a potential opportunity. If the due diligence investigation fails to identify correctly material issues and liabilities that may be present in a target company or business, or if Zegona considers such material risks to be commercially acceptable relative to the opportunity, and the Zegona Group proceeds with an acquisition, the Zegona Group may subsequently incur substantial impairment charges or other losses. In addition, following an acquisition, the Zegona Group may be subject to significant, previously undisclosed liabilities of the acquired business that were not identified during the due diligence and which could contribute to poor operational performance, undermine any attempt to restructure the acquired company or business in line with Zegona’s business plan and have a material adverse effect on Zegona’s business, financial condition and results of operations.

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

It is unlikely that any substantial business acquired by the Zegona Group will immediately fit Zegona’s business model or be currently operating in accordance with Zegona’s requirements. The success of the Zegona Group’s acquisitions will therefore depend on Zegona’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 Zegona 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 effect on Zegona’s business, financial condition and results of operations.

The Zegona Group is dependent on dividends from Euskaltel to fund future dividends to Zegona Shareholders

The amount of distributions and dividends, if any, which may be paid from Euskaltel to the Zegona Group will depend on many factors, including the Euskaltel Group’s results of operations and financial condition, limits on dividends under applicable law, its constitutional documents, documents governing any indebtedness, and other factors which are outside the control of Zegona, which may consequently be unable to make distributions and pay dividends on the Zegona Shares, which could adversely impact the return to Zegona Shareholders and have a material adverse effect on Zegona's business, financial condition and results of operations.

In addition, distributions and dividends paid from Euskaltel to the Zegona Group will be denominated in Euro, whilst the Zegona Shares, and any dividends to be announced in respect of such shares, will be quoted in Sterling. Any adverse changes in exchange rates, including any depreciation of the Euro against Sterling, could reduce the value of the Zegona Group's investment in Euskaltel in foreign currency terms and may adversely impact the value of any dividends or distributions to Zegona Shareholders.

Zegona may be subject to foreign investment and exchange risks

Whilst Zegona's functional currency is Sterling, the presentational currency is Euros. As a result, Zegona's consolidated financial statements carry the Company's assets in Euros. Any business the Zegona Group 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, Zegona 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 Zegona Group'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 Zegona 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 Zegona wishes to use them or that they will be sufficient to cover the risk, any of which could have a material adverse effect on Zegona's business, financial condition and results of operations.

The Zegona Group may not be able to sell its investments under attractive terms or at all

Zegona has set out its objective of investing in businesses and improving their performance to deliver attractive shareholder returns. The Zegona Group is therefore dependent on finding suitable buyers for its investments who are willing and able to complete an acquisition on favourable terms for Zegona. There is no certainty that such buyers will exist when Zegona is looking to sell or that Zegona 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 Zegona considers attractive and is willing to accept. If such terms cannot be agreed, the Zegona Group may be unwilling or unable to sell these investments, and the level and timing of returns to Zegona and Zegona Shareholders may be adversely impacted, which could have a material adverse effect on Zegona's business, financial condition and results of operations.

The general economic climate may be adverse for Zegona

The Zegona Group 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, Zegona 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 Zegona Group's net asset value and operating results. Accordingly, adverse economic conditions could have a material adverse effect on Zegona's business, financial condition and results of operations.

Legal, political and economic uncertainty surrounding the exit of the UK from the European Union may be a source of instability in international markets, create significant currency fluctuations, and adversely affect the Zegona Group's operations

The UK held a referendum on 23 June 2016 to determine whether the UK should leave the EU or remain as a Member State, the outcome of which was in favour of leaving the EU. On 29 March 2017, the UK formally notified the European Council of its intention to leave the EU. Under Article 50 of the 2009 Lisbon Treaty ("**Article 50**"), the UK will cease to be a Member State when a withdrawal agreement is entered into (such agreement will also require parliamentary approval, both in the UK and in the EU) or, failing that, two years following the notification of its intention to leave under Article 50, unless the European Council (together with the UK) unanimously decides to extend this period or the UK revokes its Article 50 notice. On 25 November 2018, the EU and UK government agreed the terms of a withdrawal agreement that must be ratified by the UK and European parliaments ahead of the UK's withdrawal on 29 March 2018. The UK parliament is currently scheduled to vote on the withdrawal agreement on 15 January 2018. Until the

UK officially exits the EU, EU laws and regulations will continue to apply, and changes to the application of these laws and regulations are unlikely to occur during negotiations. However, due to the size and importance of the UK economy, the uncertainty and unpredictability concerning the UK's legal, political and economic relationship with the EU after the UK exits the EU may continue to be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax (including the tax treatment of cross border payments), fiscal, legal, regulatory or otherwise) for the foreseeable future, including beyond the date of the UK's withdrawal from the EU. Such continued uncertainty could have an adverse impact on the number or attractiveness of acquisition opportunities available to the Zegona Group.

The long-term effects of Brexit will depend on any agreements (or lack thereof) between the UK and the EU and, in particular, any arrangements for the UK to retain access to EU markets either during a transitional period or more permanently. Additionally, the exchange rate of Sterling vis-à-vis other currencies has been, and may continue to be, relatively volatile since the referendum, which can result in increasing costs of non-sterling denominated expenses and other obligations as further described in the risk factors "*The Zegona Group is dependent on dividends from Euskaltel to fund future dividends to Zegona Shareholders*" and "*Zegona may be subject to foreign investment and exchange risks*" above.

Furthermore, UK regulatory requirements could be subject to significant change and could place an additional burden on Zegona, which could have a material adverse effect on its business, financial condition and results of operations.

The Zegona Group is subject to risks from legal and arbitration proceedings

The Zegona Group 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 Zegona.

In the event of a negative outcome of any material proceedings, whether based on a judgment or a settlement agreement, the Zegona Group could also be forced to make substantial payments or accept other sanctions, and the costs related to litigation and arbitration proceedings may be significant, any of which could have a material adverse effect on Zegona's business, financial condition and results of operations.

PART C: RISKS RELATED TO THE BUSINESS AND OPERATIONS OF THE EUSKALTEL GROUP AND THE INDUSTRY IN WHICH IT OPERATES

The Euskaltel 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 in the Spanish economy and, in particular, the Basque, Galician and Asturian economies

The Euskaltel Group has benefited from the increased use of telecommunications products in Spain in recent years, and its future growth and profitability depend in part on demand for these services in the coming years. For example, bundling broadband internet, television and fixed-line and mobile telecommunications services is an important part of the Euskaltel Group's strategy and, if one of its bundled offerings no longer appeals to its customers, they may discontinue using the Euskaltel Group's bundled or stand-alone services altogether. Predicting changes in demand for different services is inherently difficult, and if demand for bundled services does not increase as expected due to customer behaviours changing, worsening economic conditions, or for other reasons, it could have a material adverse effect on the Euskaltel Group's business, financial condition and results of operations.

In addition, the Euskaltel Group derives a substantial portion of its revenues from residential customers, and demand for its telecommunications services may be significantly impacted by deteriorating economic conditions and rising unemployment rates. While the Spanish economy has experienced growth in recent years, following a significant downturn in 2012 and 2013, unemployment still remains high and is forecast at 15.3% for 2018 and 13.8% for 2019 (as published by the European Commission in its Spring 2018 European Economic Forecast). As the Euskaltel Group operates almost exclusively in the Basque Country, Galicia and Asturias, its success is closely tied to general economic developments in those regions and cannot be offset by developments in other markets. The Basque, Galician and Asturian economies followed a similar pattern to the Spanish economy in recent years with relatively high unemployment of 9.42% in the Basque Country, 13.45% in Asturias and 12.24% in Galicia in the third quarter of 2018 (source: INE). If general economic conditions were to worsen or unemployment levels were to further increase, it may be: (i) more difficult to attract and retain new and existing subscribers; (ii) more likely that existing customers will downgrade or disconnect their services; and (iii) more difficult to maintain ARPU at existing levels. Furthermore, a deterioration in economic conditions could lead to a higher number of non-paying customers or generally result in service disconnections. As a result, any deterioration of the Spanish economy and in particular a deterioration of the economy of the Basque Country, Galicia or Asturias, including increases in unemployment rates, could result in declines in the Euskaltel Group's revenue without a corresponding decrease in costs, which could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group operates in a highly competitive industry

The Spanish, Basque, Galician and Asturian telecommunications markets are highly competitive and may become more competitive in the future. The Euskaltel Group faces significant competition from both established and new competitors that provide telecommunications services, generally in Spain and particularly in the Euskaltel Group's regional markets of the Basque Country, Galicia and Asturias, and the Euskaltel Group's success in these marketplaces is affected by the actions of its competitors. In some instances, the Euskaltel Group competes against companies with various advantages, including larger financial resources, greater personnel resources, wider geographical coverage, ability to offer different services and more established relationships with regulatory authorities and content providers. This competition could result in lower prices for the Euskaltel Group's products in the future, the loss of existing and new customers or both, which would result in reduced revenue and could materially adversely affect the Euskaltel Group's business, prospects, financial condition and results of operations and substantially reduce the Euskaltel Group’s market share in the Basque Country, Galicia or Asturias.

Competition from established companies in the Spanish fixed line and mobile markets, 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 of the Euskaltel Group’s business lines, resulting in a decrease in residential and business 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. The Euskaltel Group’s success in the marketplace may be affected by the actions of its competitors. In particular, the Euskaltel Group’s 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 Euskaltel Group will need to continue 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 the Euskaltel Group may be unable to match), changes in consumer preferences and general economic and social conditions. If the Euskaltel 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, which could materially and adversely affect the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel 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

Spain acquired ONO and, in July 2015, Orange Spain acquired Jazztel. These acquisitions have created a landscape dominated by three main convergent operators at the Spanish national level: Telefónica, Vodafone Spain and Orange Spain. In addition, in November 2015, Euskaltel acquired R Cable and, in July 2017, acquired Telecable. Furthermore, in September 2016, MásMóvil acquired Yoigo and Pepephone.

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

- less capacity to influence regulatory matters, especially in the Euskaltel Group’s 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 Euskaltel Group’s territories and with greater local resources; and
- an increase in the marketing spend by those larger integrated providers.

If any of these factors were to materialise, the Euskaltel Group’s revenues, profitability and financial condition could deteriorate if it becomes necessary to increase its operating costs and/or increase the level of its investments above those originally anticipated. In addition, if the market is increasingly concentrated between three operators with significantly greater scale than the Euskaltel Group, it could become more difficult for Euskaltel to compete, which could have a material adverse effect on the Euskaltel Group’s business, prospects, financial condition and results of operations.

Fibre deployment plans announced by some of Euskaltel’s competitors could make the telecommunications business in its regional markets more competitive in the future, which could result in lower prices for Euskaltel products and the loss of existing and new customers

A number of the Euskaltel Group's competitors have announced the expansion and sharing of FTTH networks in Spain. In February 2018, Telefónica announced that it had reached a new commercial wholesale deal for Orange Spain to access Telefónica’s FTTH network, representing an extension of their previous 2016 agreement, and a similar agreement between Telefónica and Vodafone Spain was reached in 2017. In September 2018, MásMóvil announced that it had reached an agreement to share an FTTH network with Vodafone Spain allowing MásMóvil to exceed significantly its own network target and improve its competitiveness and profitability in the short term. These agreements could erode the Euskaltel Group’s competitive advantage in the high speed broadband market and have an adverse effect on the Euskaltel Group’s revenue and ability to acquire and retain high quality customers and, therefore, adversely affect the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group’s business is subject to rapid and significant change in technology and, if the Euskaltel Group fails to introduce new or enhanced products and services successfully, the Euskaltel Group’s revenues and margins could be lower than expected

The fixed and mobile telecommunications markets are characterised by rapid and significant changes in technology. The effect of future technological changes on the Euskaltel Group’s business cannot be predicted. It is possible that products or other technological breakthroughs, such as 4G, 5G, 4K TV, Voice over IP, Voice over LTE or IPTV, may result in the Euskaltel Group’s core offerings becoming less competitive and render its existing products and services obsolete. There can be no guarantee that the Euskaltel Group will successfully anticipate the demands of the marketplace with regard to new technologies or that it can make the necessary investments to develop such technology. Furthermore, any of the new or enhanced products or services that the Euskaltel Group introduces may not perform as expected or products or services introduced by the Euskaltel Group’s competitors may be more appealing to customers. Any failure by the Euskaltel Group to successfully develop new technologies could adversely affect the Euskaltel Group's ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on its business, financial condition and results of operations.

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

The Euskaltel Group's future success depends in part on its ability to anticipate and adapt in a timely manner to technological changes. This may require the Euskaltel Group to invest further in its existing operations or in new technologies in order to compete effectively with its competitors. The Euskaltel 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 its business, prospects, financial condition and results of operations.

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

The Euskaltel 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 could contain a number of requirements regarding the way in which the Euskaltel 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 Euskaltel 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 the Euskaltel Group may not 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 Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel 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 Euskaltel 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 Euskaltel's administrative and operational expenses or limit its ability to generate revenues. The Euskaltel Group is subject to rules and/or regulations relating to, among other things:

- the interconnection between different networks and the interconnection rates that the Euskaltel Group 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;
- requirements to invest in content;
- the use of spectrum;
- access offered by MNOs to MVNOs;
- 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;
- audiovisual communication services;
- accessing content in the audiovisual market; and

- universal service obligations including the requirements of the National Universal Service Fund.

In addition, changes in other laws and regulations not directly related to the Euskaltel Group's business may affect the Euskaltel Group's business, prospects, financial condition and results of operations.

One of the Euskaltel 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.

The Euskaltel Group is not considered by the CNMC to be 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 Euskaltel 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 could adversely affect the Euskaltel Group's business, financial condition and ability to introduce new products and services. The Euskaltel Group's business could be adversely affected by any changes in laws or regulations or their interpretation regarding, for example, authorisation requirements, access and price regulation, interconnection arrangements or any change in policy allowing more favourable conditions for its competitors. The Euskaltel Group's ability to introduce new products or 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 Euskaltel 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 Euskaltel Group and thereby indirectly expose the Euskaltel Group to additional risks if such suppliers are unable to fulfil their obligations to the Euskaltel Group as a result of such regulation.

Any negative impact on the reputation of and value associated with the Euskaltel Group's brands could adversely affect its business

A number of brands, including "Euskaltel", "Euskaltel Wi-Fi", "Edonon", "OSOA", "R Cable", "R", "Mundo R", "WificlientesR", "TV conmigo", "Telecable", "Tedi TV" and "Wifisfera", among others, are important assets of the Euskaltel Group's business. Maintaining the reputation of, and value associated with, these brands is central to the success of the Euskaltel Group's business, but the Euskaltel Group's business strategy and its execution may not accomplish this objective. The Euskaltel Group's reputation may be harmed if the Euskaltel Group encounters difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to the Euskaltel Group's traditional product offerings, financial difficulties, customer acceptance, public disagreements between Euskaltel's shareholders or otherwise, which in turn may adversely affect the Euskaltel Group's business, prospects, financial condition and results of operations.

Health risks, whether real or perceived, or other problems connected with mobile devices or their base stations and other technologies used by the Euskaltel 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 Euskaltel 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 Euskaltel Group could experience a material adverse effect on its business, prospects, financial condition and results of operations.

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

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

- dissatisfaction with the quality of the Euskaltel Group's customer service;
- customers moving to areas where the Euskaltel Group does not or cannot offer services;
- interruptions to the delivery of services to customers over the Euskaltel 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 Euskaltel Group or offer content or features that the Euskaltel Group does not offer.

The Euskaltel Group's inability to control churn or an increase in churn as a result of any of these factors or otherwise could lead to a reduction in revenue, which could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group may fail to keep its large contracts with private and public sector customers on commercially attractive terms or at all

A significant proportion of the Euskaltel Group's revenue is derived from large contracts with private and public sector customers, and the loss of any such contracts or customers may have a significant effect on the Euskaltel Group's revenue. For example, the loss of a large contract with the Basque government in 2016 was a significant factor affecting the decline in the Euskaltel Group's business segment revenue in 2017 compared to the previous year. Any failure to renew existing large contracts with such customers on commercially attractive terms, or at all, may have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group is subject to increasing operating costs and inflation risks which may adversely affect the Euskaltel Group's earnings

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

The Euskaltel Group is also impacted by inflationary increases in salaries, wages, benefits and other costs. Increases in inflation could significantly impact its cost base, which could have a material adverse effect on its business, prospects, financial condition and results of operations.

The Euskaltel Group depends on third parties to provide premium programming for the Euskaltel Group's Pay TV service

The Euskaltel Group obtains substantially all of its content from third party providers, and therefore the Euskaltel Group's ability to compete in the Pay TV market depends, in part, on the Euskaltel Group's ability to obtain attractive programming from such third parties at reasonable prices. A relatively small number of third party companies produce and control access to programming. If the Euskaltel Group is unable to purchase content at commercially reasonable prices, or at all, the Euskaltel Group's 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 Movistar+, controls a significant portion of the Spanish Pay TV market. This significant market power may provide DTS with competitive advantages over the Euskaltel Group'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 regards to making exclusive content available to other operators, these conditions were not sufficient to avoid a significant increase in the cost of certain content (including, for example, major football competitions), such that the Euskaltel Group was not able to maintain this content due to the significantly increased prices.

If the Euskaltel Group loses access to other content, this could lead to increased customer churn and adversely affect the Euskaltel Group's ability to attract new customers, which could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group relies on contracts with third parties for the voice and data services for its mobile customers

The Euskaltel Group relies on contracts with third parties, primarily Orange Spain and Telefónica for the voice and data services it provides to the Euskaltel Group's mobile customers. Services are offered under the full MVNO model. If these contracts are not renewed or are otherwise terminated, or the companies do not maintain their networks or provide the services required under the terms of the contract, and the Euskaltel Group is unable to find a replacement network operator, on reasonable commercial terms or at all, the Euskaltel Group could be prevented from carrying on its mobile business altogether, or on less favourable terms or with less desirable services. This could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group relies on third party suppliers

The Euskaltel Group's business depends on third party equipment and service suppliers, including for network maintenance services and the provisions of certain network equipment, who may fail to provide necessary equipment and services on a timely basis, fail to provide the equipment and services to the agreed upon standard, discontinue their products or seek to charge prices that are not reasonable, any of which could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition or results of operations.

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

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

Moreover, if any part of the Euskaltel Group's network or system infrastructure is affected by flood, fire or other natural disaster, computer viruses, terrorism, power loss or other unforeseen events, the Euskaltel Group's operations and customer relations could be materially adversely affected. The Euskaltel 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 Euskaltel Group's business depends on certain sophisticated critical systems, including the Euskaltel Group's network operating centre and billing 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 Euskaltel Group's business. Any significant interruptions in providing services could negatively impact the Euskaltel Group's reputation and consequently impair its ability to obtain and retain customers which could have a material adverse effect on its business, prospects, financial condition and results of operations.

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

The Euskaltel Group must continuously maintain and improve its networks, including overseeing its outsourced services, 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 Euskaltel Group's existing networks depends on its and its suppliers' ability to:

- enhance the functionality of the Euskaltel Group's network in order to offer competitive services to the Euskaltel Group's customers;
- expand the capacity of the Euskaltel Group's 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 Euskaltel Group fails to maintain and improve its network, the Euskaltel Group's services may be less attractive to existing and potential customers and the Euskaltel Group may lose customers to competitors who are able to provide higher quality services. This could negatively impact the Euskaltel Group's financial condition and make it more difficult for the Euskaltel Group to fund its operations.

The Euskaltel 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 and make it more difficult for the Euskaltel Group to fund its operations, any of which could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

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

The Euskaltel Group operates conditional access systems to transmit encrypted digital programs, including the Euskaltel Group's digital television packages. Billing and revenue generation for the Euskaltel Group's services also relies on the proper functioning of such conditional access systems.

While the current conditional access system that the Euskaltel Group has deployed throughout its network for the purposes of protecting content appears to be functioning adequately to protect the Euskaltel Group from the risk of illegal piracy, there can be no assurance that such systems always function as intended. There is a risk that the Euskaltel Group will not be able to successfully eliminate the piracy currently faced or that the Euskaltel Group may face in the future. In addition, there can be no assurances that any new conditional access system security that the Euskaltel 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 Euskaltel Group's business, prospects, financial condition and results of operations.

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

The Euskaltel Group's operations are currently managed by a number of key executives and employees. The loss of any key personnel could significantly impede the Euskaltel Group's financial plans, product development, network completion, marketing and other plans, which could affect the Euskaltel Group's ability to comply with its financing arrangements and other commitments. In addition, competition for qualified executives in the telecommunications industry is intense. The Euskaltel Group's growth and success in implementing its business plans largely depend on the Euskaltel Group's 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 the Euskaltel Group's senior executives or other key personnel ceases their employment with the Euskaltel Group, its business, prospects, financial condition and results of operations could be negatively affected.

In addition, the Euskaltel Group’s employees are members of various trade unions and adhere to collective bargaining agreements, and thus the Euskaltel Group is exposed to the risk of strikes and other industrial actions. Such actions, and the negotiation of new collective bargaining agreements, could result in delays in the Euskaltel Group’s ability to serve its customers in a timely manner or disrupt the Euskaltel Group’s operations and make it more costly to operate the Euskaltel Group’s business, any of which could have a material adverse effect on its business, prospects, financial condition and results of operations.

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

The Euskaltel 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 the Euskaltel Group’s network;
- ensuring its brands are well recognised and favourably viewed in the regions in which it operates;
- increasing the loyalty of the Euskaltel Group’s customer base and attracting new customers; and
- continuously improving the Euskaltel Group’s processes and procedures through the implementation of new and upgraded systems and technologies.

The Euskaltel Group’s ability to fund its growth depends on its ability to generate positive cash flows after all such costs and/or raising of finance, such as drawing on its credit facilities. In addition, the Euskaltel Group’s liquidity and capital resources requirements may increase if the Euskaltel Group expands into additional areas of operation or if the Euskaltel Group makes future acquisitions. The Euskaltel Group may not generate sufficient cash flow or have access to sufficient funding to meet these requirements. If the Euskaltel Group fails to meet these requirements, it could have an adverse effect on the Euskaltel Group’s business, prospects, results of operations, financial conditions and the Euskaltel Group’s future growth could be significantly curtailed. Similarly, unexpected reductions in the Euskaltel 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, and the Euskaltel Group’s future growth could be significantly curtailed, any of which could have a material adverse effect on its business, prospects, financial condition and results of operations.

The Euskaltel Group may fail to realise the anticipated benefits of its acquisitions of R Cable and Telecable

The Euskaltel Group acquired R Cable in November 2015 and Telecable in July 2017, each of which provide services in the Galicia and Asturias regions of northern Spain similar to those provided by Euskaltel. The success of the Euskaltel Group's business will, in part, depend on its ability to realise the anticipated benefits and operational efficiencies from the integration of the R Cable and Telecable businesses with the rest of the Euskaltel Group. These anticipated benefits and efficiencies include the integration of business support functions, such as finance, information technology, human resources and marketing and sales, as well as expanding the Euskaltel Group's regional footprint through the different acquired brands. If the anticipated benefits and operational efficiencies are not realised, the purposes and rationale for the acquisitions will not be fully achieved, which could have a material adverse effect on the Euskaltel Group’s business, prospects, financial condition and results of operations.

The Euskaltel Group’s capital expenditures may not generate a positive return

The broadband internet, television and telecommunications markets in which the Euskaltel 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 Euskaltel Group’s future upgrades and developments will generate a positive return or that the Euskaltel Group will have adequate capital available to finance them. If the Euskaltel 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 have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group's business may be adversely affected if there is unauthorised access to, or disclosure of, personal data

The Euskaltel Group receives and stores a large volume of personal data, some of which is processed by third party suppliers on the Euskaltel Group's behalf. The Euskaltel Group's processing, storage, use and disclosure of such data is regulated, including under the General Data Protection Regulation.

Any failure to comply with data protection regulations, or industry or legal standards, could adversely affect the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group relies on licensed encryption and authentication technology to ensure the secure transmission of the personal data that the Euskaltel Group receives from its customers. It is possible that cyber attacks or advances in computer capabilities could result in a compromise or breach of the technology used by the Euskaltel Group to protect customer data, which could significantly harm the Euskaltel Group's business, damage the Euskaltel Group's reputation, expose the Euskaltel Group to potential litigation, fines, losses and liability, or cause existing customers and prospective customers to lose confidence in the Euskaltel Group's security measures, which would have a negative effect on the value of the Euskaltel Group's brand and, in turn, have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

The Euskaltel Group is subject to risks from legal and arbitration proceedings

The Euskaltel Group 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 the Euskaltel Group.

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

The Euskaltel Group may not be able to generate sufficient cash flow to repay all of its debt obligations at maturity and, to the extent the Euskaltel 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 the Euskaltel Group's cost of borrowing

The Euskaltel Group's ability to make payments on its debt or to refinance any such debt will depend on the Euskaltel Group's ability to generate cash. The Euskaltel Group's 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 the Euskaltel Group's products and services;
- the Euskaltel Group's ability to improve its business processes and procedures;
- the Euskaltel Group's future operating performance;
- the Euskaltel Group's level of capital expenditures;

- the Euskaltel Group's 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 the Euskaltel Group's business.

The Euskaltel 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 Euskaltel Group may not be able to do so on satisfactory terms, or at all. In the event that the Euskaltel 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 Euskaltel Group than the indebtedness it refinances. Such terms, including additional restrictions on the Euskaltel Group's operations and higher interest rates, could have a material adverse effect on the Euskaltel Group's business, prospects, financial condition, results of operations and the value of the Euskaltel Group's ordinary shares.

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

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

As at 30 June 2018, the Euskaltel Group had bank loans with outstanding nominal amounts totalling €1,347.5 million under term facilities with amounts drawn of €235,000 due 30 June 2022, €277,500 due 30 June 2021 and €835,000 due 30 November 2024 (unaudited). The Euskaltel Group also had a non-current revolving credit facility of €300 million, with €220 million drawn due 30 June 2021, and current undrawn credit facilities totalling €49.25 million (unaudited). The Euskaltel Group may also incur further debt with floating interest rates in the future. Interest rates are highly sensitive to many factors beyond the Euskaltel 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 Euskaltel Group will be required to use a greater proportion of its revenues to pay interest expenses on its floating rate debt. While the Euskaltel Group may in the future choose to hedge, totally or partially, its interest rate exposure, any such measures may not be sufficient to protect the Euskaltel Group from such risks and there can be no assurance that the Euskaltel Group will be able to enter into hedge agreements in the future on satisfactory terms or at all. Any hedging arrangements will also expose the Euskaltel Group to credit risk in respect of the hedging counterparty. Any of the foregoing may have a material adverse effect on the Euskaltel Group's business, prospects, financial condition and results of operations.

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

The Euskaltel Group's debt agreements contain a number of financial and restrictive covenants and other provisions that limit the Euskaltel Group's ability to operate its business. For example, some of these provisions limit the Euskaltel Group's ability to enter into mergers, make a substantial change to the nature of the Euskaltel Group's business, make disposals, incur additional financial indebtedness, create security over assets, provide guarantees and indemnities, make loans, make acquisitions and investments or undertake share buy-backs.

These covenants and other provisions could adversely affect the Euskaltel Group's ability to finance its future operations and capital needs, pursue acquisitions and engage in other business activities that may be in the Euskaltel Group's best interest. In addition, a failure to comply with these obligations could lead to a default under the terms of its debt agreements, which would prevent the Euskaltel 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 the Euskaltel Group's assets would be sufficient to repay such debt in full.

PART D: RISKS RELATING TO THE NEW ZEGONA SHARES

Investments in listed securities may not be a suitable investment for all recipients and the market price of the New Zegona Shares may be volatile

The New Zegona Shares may not be a suitable investment for all the recipients of this Document. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under FSMA (or from another appropriately authorised financial adviser) who specialises in advising on the acquisition of shares and other securities.

Prospective investors should be aware that the value of an investment in Zegona may go down as well as up.

The market price of the New Zegona Shares could be volatile and subject to significant fluctuations due to a variety of factors outside the control of the Zegona Group. Such factors include: changes in sentiment in the market regarding the New Zegona Shares (or securities similar to them), any regulatory changes affecting the Zegona Group’s or the Euskaltel Group's operations, variations in the Zegona Group’s or the Euskaltel Group's operating results, business developments of the Zegona Group, the Euskaltel Group or their respective competitors, the operating and share price performance of other companies in the industries and markets in which the Zegona Group and Euskaltel Group operate, speculation about the Zegona Group's or the Euskaltel Group's business in the press, media or the investment community, changes to the Zegona Group’s or the Euskaltel Group's profit estimates or the publication of reports by analysts and general market conditions. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Zegona Group’s operating performance, underlying asset value or prospects. The market price of the New Zegona Shares may be adversely affected by any of the preceding or other factors regardless of the Zegona Group’s actual results of operations and financial condition. Furthermore, the Zegona Group’s operating results and prospects from time to time may be below the expectations of market analysts and investors.

Zegona Shareholders will experience dilution on their ownership as a result of the Placing

Existing Zegona Shareholders will suffer an immediate dilution in their proportionate ownership and voting interests in Zegona which will be reduced following Admission. Assuming there are no other changes to Zegona's share capital between the date of this Document and Admission, existing Zegona Shareholders will suffer dilution of approximately 43.13% to their shareholdings in the Company as a result of the Placing.

Any future Zegona Share issues and sales of Zegona Shares by major Zegona Shareholders may have an adverse effect on the market price of the Zegona Shares

Other than in respect of the Transaction, Zegona has no current plans for any subsequent offering of Zegona Shares. However, it is possible that Zegona may decide to offer additional Zegona Shares in the future. An additional offering or a significant sale of Zegona Shares by any major Zegona Shareholder could have an adverse effect on the market price of the outstanding Zegona Shares.

Zegona's ability to continue to pay dividends on the Zegona Shares will depend on the availability of distributable reserves and dividend payments are not guaranteed

Zegona’s ability to pay dividends is limited under English company law, which limits a company to only paying dividends to the extent that it has distributable reserves available for this purpose. As a holding company, Zegona’s ability to pay dividends in the future is affected by a number of factors, most importantly the Zegona Group's ability to receive sufficient dividends from Euskaltel or any subsidiary or investment it may acquire in the future. With respect to Euskaltel, payment of such dividends is subject to the existence of sufficient distributable reserves in Euskaltel and to legal and regulatory requirements and other restrictions under Spanish law, including, but not limited to, applicable tax laws. In addition, the financial condition and operating requirements of Euskaltel may limit the Zegona Group’s ability to obtain cash from Euskaltel. These laws and restrictions could limit the payment of future dividends and distributions by Euskaltel to the Zegona Group, which could restrict Zegona’s ability to pay a dividend to holders of the Existing Zegona Shares or the New Zegona Shares. Zegona 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.

Exchange rate fluctuations may impact the price of Zegona Shares or the value of any dividends paid

The Zegona Shares, and any dividends to be announced in respect of such shares, will be quoted in Sterling. An investment in New Zegona Shares by an investor in a jurisdiction whose principal currency is not Sterling exposes the investor to foreign currency rate risk. Any depreciation of the Sterling in relation to such foreign currency will reduce the value of the investment in the Zegona Shares in foreign currency terms and may adversely impact the value of any dividends.

Zegona Shareholders outside the United Kingdom may not be able to participate in future equity offerings

English law provides for pre-emption rights generally to be granted to the Zegona Shareholders, unless such rights are disapplied by shareholder resolution. However, Zegona Shareholders outside the United Kingdom may not be entitled to exercise these rights. US holders of shares are customarily excluded from exercising any such pre-emption rights they may have unless a registration statement under the US Securities Act is effective with respect to those rights, or an exemption from the registration requirements or similar requirements in other jurisdictions thereunder is available. Zegona has no current intention to file any such registration statement, and cannot assure prospective investors that any exemption from the registration requirements would be available to enable US or other overseas holders to exercise such pre-emption rights or, if available, that it will utilise any such exemption.

Zegona has not registered and does not intend to register as an investment company under the US Investment Company Act

Zegona is not, and does not intend to become, registered in the United States as an investment company under the US Investment Company Act and related rules and regulations. The US Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies.

As Zegona is not so registered and does not plan to register, none of these protections or restrictions is or will be applicable to the Company. In addition, to avoid being required to register as an investment company under the US Investment Company Act, the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of Zegona Shares held by a person to whom the sale or transfer of Zegona Shares may cause Zegona to be classified as an investment company under the US Investment Company Act. These procedures may materially affect certain Zegona Shareholders' ability to transfer their Zegona Shares.

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

Investments in New Zegona Shares may be relatively illiquid. There may be a limited number of Zegona Shareholders and this may contribute both to infrequent trading in the New Zegona Shares on the London Stock Exchange and to volatile share price movements. Investors should not expect that they will necessarily be able to realise their investment in New Zegona Shares within a period that they would regard as reasonable. Accordingly, the New Zegona 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 New Zegona Shares.

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

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

Further issues of Zegona Shares may result in immediate dilution

Zegona may issue additional Zegona Shares in subsequent public offerings or private placements to fund acquisitions. Statutory pre-emption rights prevent the issue of Zegona Shares for cash consideration without such shares being offered to Zegona Shareholders first, subject to the disapplication of such pre-emption rights by a special resolution of the Zegona Shareholders. Therefore, existing Zegona 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 Zegona Shareholders or if shares are issued for non-cash consideration), which may dilute existing Zegona Shareholders' interests in Zegona.

Zegona will be subject to restrictions in offering Zegona 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

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

The Standard Listing of the New Zegona Shares affords Zegona Shareholders a lower level of regulatory protection than a Premium Listing

Application will be made for the New Zegona Shares to be admitted to a Standard Listing on the Official List. A standard listing affords Zegona Shareholders 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, Zegona Shareholders do not have the opportunity to vote on any future acquisitions, even if Zegona Shares are being issued as consideration for such acquisition, save to the extent Zegona Shareholder approval is required to issue such Zegona Shares.

Zegona may be unable to transfer to a Premium Listing

Following, or at a similar time to, the completion of any further material acquisition, or at another time at Zegona's discretion, the Directors may seek to transfer from Zegona's admission as a Standard Listing to a Premium Listing, subject to fulfilling the relevant eligibility criteria at the time. There can be no guarantee that Zegona will meet such eligibility criteria or that a transfer to a Premium Listing 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 Zegona Group 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 Zegona is able to seek or achieve a Premium Listing.

A change of, or failure to change, listing venue in these circumstances may have an adverse effect on the valuation of the New Zegona Shares. Alternatively, in addition to, or in lieu of seeking a Premium Listing, Zegona 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 Zegona Shareholders may otherwise consider to be less attractive or convenient.

PART E: RISKS RELATED TO TAX

Adverse changes in the tax position of Zegona and its subsidiaries

Any change in Zegona's or any of its subsidiaries, or, following any further acquisition, any other member of Zegona'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 Zegona's ability to pay dividends, dividend growth and/or the market value of the Zegona Shares.

Adverse changes in the tax position of Euskaltel'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 Zegona's business and financial performance.

Levels of and reliefs from taxation may change

The levels of, and reliefs from, taxation may change. Zegona 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 Zegona or Zegona Shareholders.

Further acquisitions may result in adverse tax, regulatory or other consequences for Zegona Shareholders which may differ for individual Zegona 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 Zegona Shareholders which may differ for individual Zegona Shareholders depending on their individual status and residence. The value of a Zegona Shareholder's interest in Zegona may be impacted as a result.

Zegona may be impacted by the Base Erosion and Profit Shifting Project (the "BEPS Project")

The Organisation for Economic Co-operation and Development ("**OECD**") is currently undertaking a project, known as the BEPS Project, with the aim that jurisdictions should change their domestic tax laws and introduce additional or amended provisions in double taxation treaties. A number of jurisdictions, including the UK, have already implemented certain BEPS Project measures (for example, the UK has introduced anti-hybrid legislation and rules restricting the extent to which companies within the charge to UK corporation tax may obtain relief for interest expenses). In addition the UK has ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("**MLI**"), which is intended to facilitate the speedy introduction by participating states of double tax treaty-related BEPS Project recommendations and which came into force in the UK on 1 October 2018.

Several of the areas of tax law on which the BEPS Project is focusing are potentially relevant to the ability of the Zegona Group to efficiently realise and/or repatriate income and capital gains from the jurisdictions in which they arise. Depending on the extent to and manner in which relevant jurisdictions implement changes in those areas of tax law, the ability of the Zegona Group to do those things may be adversely impacted. The implementation of the BEPS Project is likely to be a time of significant tax legislative changes for the OECD jurisdictions in which the Zegona Group may invest. These changes potentially include, for example, restrictions on interest and other deductions for tax purposes and/or restrictions on an entity's ability to rely on a double tax treaty (in particular, one of the features of the MLI is the introduction of a "principal purpose test" into certain double tax treaties, which may limit the ability of the Zegona Group to claim treaty relief). It is not clear precisely what impact there may be to the Zegona Group as a result of such changes. Depending on how the BEPS Project is implemented, any changes to tax laws, or double tax treaties based on recommendations made by the OECD in relation to the BEPS Project, may also result in additional reporting and disclosure obligations for Zegona Shareholders.

Zegona believes that it was a passive foreign investment company ("PFIC") for its taxable year 2018 and there is a significant risk that it will be a passive foreign investment company in 2019 and possibly any subsequent taxable year

A non-United States corporation will be a PFIC for US federal income tax purposes for any taxable year if either: (a) 75% or more of its gross income for such year is "passive income", which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income (the Income Test); or (b) 50% or more of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the Asset Test). For this purpose, a corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which the corporation owns, directly or indirectly, at least 25% (by value) of the stock.

Because the Company's current assets consist primarily of the approximately 15% shareholding of Euskaltel (i.e., less than the 25% threshold described in the preceding paragraph), which is treated as an asset that produces passive income, the Company believes that it was a PFIC for the taxable year of 2018 and there is a significant risk that the Company will be a PFIC for the taxable year of 2019. The Company's PFIC status for future taxable years will depend on whether it will own 25% or more in Euskaltel or other companies as described below.

If the Euskaltel Share Acquisition results in the Company owning (directly or indirectly) at least 25% (by value) of the outstanding Euskaltel Shares, then generally for each quarter in which the Company owned 25% or more in Euskaltel, the Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of Euskaltel under the Asset Test and Income Test for purposes of making the determination for the 2019 taxable year and subsequent taxable years. Accordingly, the Company's PFIC status for 2019 and the foreseeable future is substantially dependent on its investment in Euskaltel, unless and until the Company diversifies its investments and activities other than its shareholding in Euskaltel. For as long as the Company continues to own less than 25% (by value) of Euskaltel, the Company generally will continue to be a PFIC. Even if the Euskaltel Share Acquisition results in the Company owning at least 25% (by value) of outstanding Euskaltel Shares, there is a significant risk that the Company will be a PFIC for the taxable year of 2019 because the Asset Test is based on the average of the quarterly values of the assets of the Company and, prior to increasing its shareholding in Euskaltel to 25% or more, the assets of the Company will primarily consist of cash from the Placing, which is treated as an asset that produces passive income, and the shareholding of Euskaltel, which is also treated as an asset that produces passive income unless and until the Company's shareholding in Euskaltel is at least 25% (by value) of the outstanding Euskaltel Shares. If the Company increases its ownership in Euskaltel to at least 25% (by value) of the outstanding Euskaltel Shares, the Company would not expect the shareholding of the Euskaltel Shares to be treated as an asset that produces passive income for purposes of the Asset Test and Income Test for each quarter in which the Company's shareholding equals or exceeds 25% (by value) of the outstanding Euskaltel Shares, based on the Company's understanding of Euskaltel's current composition of income and assets as reflected on its public filings (which have not been independently verified by the Company). However, because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, because the Company's PFIC status may depend to a large extent on Euskaltel's annual PFIC status if the Company owns 25% or more (by value) in Euskaltel and because the Company's assets in 2019 and subsequent taxable years may consist of less than 25% shareholding in other companies and cash, there is a significant risk that the Company will be a PFIC for any taxable year. Prospective US investors should therefore be willing to bear the consequences of owning shares in a PFIC in making their investment decision. The Company does not intend to conduct an annual PFIC analysis at the end of each taxable year or notify its US Shareholders regarding its PFIC status.

If the Company were a PFIC for any taxable year during which a US investor held Zegona Shares, such US investor would generally be subject to adverse US federal income tax consequences, including increased tax liability on disposition gains and certain "excess distributions" and annual information reporting requirements. See the paragraph entitled "Certain US federal income tax considerations—Passive Foreign Investment Company (PFIC) Considerations" in Part XII (Taxation) for further information.

PART III - 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 Zegona Shares and any income from Zegona Shares can go down as well as up and Zegona Shareholders may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in New Zegona 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 Part II (Risk Factors) of this Document.

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

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or Barclays. Neither the delivery of this Document nor any offer or subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Zegona Group since the date of this Document or that the information in this Document is correct as at any time subsequent to its date.

The contents of this Document or any subsequent communication from the Company or from the Banks or any of their respective affiliates, officers, directors, employees or agents is not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

Any reproduction or distribution of this Document, in whole or in part, and any disclosure of its contents, or use of any information contained in this Document for any purpose other than considering the Placing or an investment in the New Zegona Shares is prohibited. By accepting delivery of this Document, each offeree of the New Zegona Shares agrees to the foregoing.

Without limitation, the contents of the websites of the Company and Euskaltel do not form part of this Document.

The information given is as of the date of this Document and, except as required by the FCA, the Panel, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the City Code, the Disclosure Guidance and Transparency Rules or any other applicable law, will not be updated.

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 Zegona Group and the industry and markets in which the Zegona Group and Euskaltel Group 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, the Market Abuse Regulation or the DTRs.

This Document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Zegona 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 Zegona 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 in Part II (Risk Factors), their personal circumstances and the financial resources available to them.

Forward-looking statements contained in this Document do not in any way seek to qualify the working capital statement contained in paragraph 15 of Part XV (Additional Information).

Market and financial information

This Document contains information regarding Zegona's and Euskaltel's business and the markets in which they operate and compete, which Zegona has obtained from various third party sources. Where information has been sourced from a third party, it has been accurately reproduced and, so far as Zegona is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading and the source of such information has been disclosed.

Presentation of financial information

Unless otherwise stated, financial information relating to the Zegona Group has been extracted from the consolidated financial statements set out in Part B of Part XI of this Document.

Unless otherwise stated, financial information in this Document relating to the Zegona Group has been prepared in accordance with IFRS as adopted by the European Union.

The financial information relating to Euskaltel and Zegona is presented and incorporated by reference in this Document was not prepared in accordance with US Generally Accepted Accounting Principles ("**US GAAP**") or audited in accordance with US Generally Accepted Auditing Standards ("**US GAAS**") or the standards of the Public Company Accounting Oversight Board ("**PCAOB Standards**"). No opinion or any other assurance with regard to any financial information was expressed under US GAAP, US GAAS or PCAOB Standards and the financial information is not intended to comply with SEC reporting requirements. Compliance with such requirements would require the modification, reformulation or exclusion of certain financial measures. In addition, changes would be required in the presentation of certain other information. In particular, no reconciliation to US GAAP is provided.

Zegona non-IFRS financial information

Zegona uses Total Shareholder Return as a measure to demonstrate the value generated for investors by significant transactions, compared to the amount originally invested. Total Shareholder Return is a "non-IFRS" or "non-GAAP" measure that is calculated using financial measures that are not calculated in accordance with IFRS. Total Shareholder Return is not a measure based on IFRS or US GAAP and prospective investors should not consider it as an alternative to the historical financial position or other indicators of the Zegona Group's performance based on IFRS.

Zegona believes Total Shareholder Return is both a useful and necessary measure to report as it quantifies Zegona's success in executing its strategy in the same terms that investors use as a key metric when allocating capital. As there are no IFRS or GAAP measures that articulate this performance in terms that are consistent with those used by the investment community, the non-IFRS amount is being provided to supplement investors' understanding from the IFRS measures also provided in this Document.

Total Shareholder Return for Telecable is the percentage difference between: (1) the implied value of a Zegona Share before costs at the completion of the Telecable sale, including the impact of re-invested dividends previously paid; and (2) the average investment cost of a Zegona Share, assuming the investor had participated in all capital raises from incorporation. While there are no IFRS or GAAP measures that provide an equivalent insight, the most similar IFRS or GAAP term is the 'gain on sale of discontinued operation' as disclosed in note 9 to the financial statements in the Zegona 2017 Annual Report, and this note has been incorporated by reference in this Document. A breakdown of the calculation of the Total Shareholder Return, and a reconciliation to the gain on sale of discontinued operation, is provided below.

Currency amounts as shown, per share amounts in £	**At completion (26 July 2017)**
Gain on sale of discontinued operation (€m)	**57.8**
Intersegment loan settled (€m)	181.7
Carrying amount of net assets sold (€m)	164.4
Total consideration per IFRS 10 (€m)	**403.9**
Additional value not reflected in consideration per IFRS 10 (€m)(1)	6.4
Equity value of Zegona implied on disposal (€m)	**410.3**
Equity value of Zegona implied on disposal (£m)(2)	368.5
Implied value of a Zegona Share excluding dividend re-investment(3)	**1.88**
Impact of dividend re-investment(4)	0.08
Implied value of a Zegona Share	**1.96**
Invested capital per share(5)	1.46
Total Shareholder Return	**34%**

Notes:
(1) Comprised of: (1) €2.0 million paid by Telecable to Zegona in May 2017 principally in relation to partial repayment of the intersegment loan; (2) €1.9 million of loans from Telecable management assigned to the Zegona Group on completion and trade and other receivables due from Telecable; and (3) a €2.5 million adjustment to reflect the difference between Zegona's best estimate of cash to be received of €7.6 million and the fair value of the contingent consideration of €5.1 million included in the calculation of gain on disposal per IFRS 10.
(2) Calculated using the Sterling to euro exchange rate of 1.1134 prevailing on 26 July 2017.
(3) Equity value divided by 196,044,960 Zegona Shares in issue on completion.
(4) 2.25 pence per Zegona Share dividend paid on 14 October 2016 divided by the value of the Zegona Share on the re-investment date (102.70 pence) multiplied by the implied value of the Zegona Share at the measurement date (£1.88), plus 2.25 pence per Zegona Share dividend paid on 17 March 2017 divided by the value of the Zegona Share on the re-investment date (112.53 pence) multiplied by the implied value of the Zegona Share at the measurement date (£1.88).
(5) Shares issued by Zegona:

	Number of shares	**Invested capital (£)**	**Invested capital per share**
Share issues - January 2015	21,675	26,010	£1.20
Share issue - March 2015	24,978,325	29,973,990	£1.20
Share issue - August 2015	171,044,960	256,567,440	£1.50
Total shares issued	**196,044,960**	**286,567,440**	**£1.46**

Note on Euskaltel Group information

This Document contains certain information relating to the Euskaltel Group and its business, management and operations including information contained in the Summary, Part II (Risk Factors), Part VII (Information about the Transaction), Part IX (Information on Euskaltel) and Part XV (Additional Information). All information relating to the Euskaltel Group included in this Document has been sourced, compiled or extracted without material adjustment, as noted, from publicly available information published by Euskaltel, and the Company has not had access to any non-public information of Euskaltel. Accordingly, the information included in this Document in relation to the Euskaltel Group has not been subject to verification or comment by Zegona or the Directors, acting in their capacity as Directors of Zegona. Although Robert Samuelson, a director of the Company, is on the board of directors of Euskaltel, he is subject to confidentiality obligations in respect of non-public Euskaltel information and has not shared any such information with the Company.

The Company does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document and in any event prior to Admission. In addition, Euskaltel's management has not provided any supporting materials to the Company with respect to any Euskaltel information contained in this Document, and Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, auditors or management. Accordingly, all information relating to the Euskaltel Group contained or referred to herein is based solely on information publicly reported by Euskaltel and available on Euskaltel's website and has not been independently verified by the Company or the Banks.

Euskaltel states in the Euskaltel 2017 Annual Report that it prepares its consolidated financial statements in accordance with IFRS as adopted by the EU.

Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.

The Euskaltel Group non-IFRS financial information

The Euskaltel Group uses certain alternative performance measures to assess the financial performance of its business, and certain of these measures are termed "non-IFRS" or "non-GAAP" measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS. The alternative performance measures and definitions set out below have been extracted without material adjustment from the Consolidated Directors' Report within the Euskaltel 2017 Annual Report, the relevant sections of which have been incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference), and which has not been commented on or verified by Zegona or the Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, auditors or management and accordingly Euskaltel has not confirmed that the below disclosure remains accurate.

An explanation of the alternative performance measures used in the Euskaltel 2017 Annual Report is as follows:

- EBITDA: Net income plus depreciation and amortisation plus/(less) impairment;
- Adjusted EBITDA: EBITDA plus other results, as set out in note 13.4 to Euskaltel's 2017 Consolidated Annual Accounts (incorporated by reference herein) removing the impact of non-recurring expenses;
- Operating cash flow: EBITDA less Investments;
- Conversion rate: Operating cash flow divided by EBITDA;
- Adjusted operating cash flow: Adjusted EBITDA less Investments;
- Adjusted conversion rate: Adjusted operating cash flow divided by Adjusted EBITDA;
- Investments: Additions of intangible assets and property, plant and equipment; and
- NFD (Net Financial Debt): nominal values payable on bank borrowings and other loans less liquid funds available at financial entities (cash and cash equivalents).

Currency

Unless otherwise indicated, all references in this Document to "£", "Sterling", "pence" or "p" are to the lawful currency of the United Kingdom, all references to "Euros", "euros", "€" or "€cents" are to the single currency of the Eurozone, and all references to "US$" are to the lawful currency of the United States.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any manufacturer (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Zegona Shares being the subject of the Placing have been subject to a product approval process, which has determined that such Zegona Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Zegona Shares may decline and investors could lose all or part of their investment; the Zegona Shares offer no guaranteed income and no capital protection; and an investment in the Zegona Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Banks will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Zegona Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Zegona Shares and determining appropriate distribution channels.

Trading

In connection with the Placing, the Banks and any of their respective affiliates, acting as investors for their own accounts, or for the accounts of clients, may acquire New Zegona Shares as a principal position and in that capacity may retain, subscribe for, purchase, sell, offer to sell or otherwise deal for their own accounts, or for the accounts of clients, in such New Zegona Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this Document to the New Zegona Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, placing or dealing by each of the Banks and any of their affiliates acting as investors for their own accounts. In addition, certain of the Banks or their affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of New Zegona Shares. None of the Banks or any of their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Barclays and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities related to or issued by the Company, its affiliates or other parties involved in or related to the Transaction. Oakley is a corporate finance advisory firm. The Banks and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business, each as applicable, with the

Company and its respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Banks have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and the Company's interests. In particular, Barclays will be lender under the Barclays Facility and will be assisting the Company in executing the Euskaltel Share Acquisition.

In their capacity as lender, Barclays may, in the future, seek a reduction of a loan commitment to the Company, or its affiliates, or impose incremental pricing or collateral requirements with respect to such facilities or credit arrangements, in the ordinary course of business. In addition, Barclays or their affiliates that have a lending relationship with the Company may routinely hedge their credit exposure to the Company consistent with their customary risk management policies; a typical hedging strategy would include Barclays or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Zegona Shares.

No recommendation

This Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or any of the Banks or any of their respective representatives that any recipient of this Document should purchase the New Zegona Shares.

Legality of investment

None of the Company or any of the Banks or any of their respective representatives is making any representation to any offeree or purchaser of the New Zegona Shares in the Placing regarding the legality of an investment by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Data protection

When an application is made to subscribe for New Zegona Shares, the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) will collect data about the prospective Zegona Shareholder, such as the name of the Zegona Shareholder, their address, the number of Zegona Shares they subscribe or wish to subscribe to, account details and proof of identity, together with such other personal data as is required in connection with the administration of the prospective Zegona Shareholder's interest in the Company ("**Personal Data**"). This data will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) in accordance with applicable data protection legislation and regulatory requirements of the United Kingdom. It will be stored on the Company or other third party processor's computer systems and manually, and will be retained for as long as is necessary in order to administer the interests in the Company and for any period thereafter which is required in order for the Company to comply with its reporting obligations.

The Company is required by Data Protection Legislation to specify the purposes for which it will hold Personal Data. The Company (together with any third party, functionary, or agent appointed by the Company) will use and process such data for the following purposes:

- for or in connection with the subscription for, and holding of, Zegona Shares, including processing Personal Data in connection with credit and money laundering checks on the prospective Zegona Shareholder;
- to communicate with the prospective Zegona Shareholder as necessary in connection with the proper running of the Company's business affairs and generally in connection with the subscription for, and holding of, Zegona Shares;
- to provide Personal Data to such third parties as are or shall be necessary in connection with the proper running of the Company's business affairs and generally in connection with the subscription for, and holding of, Zegona Shares or as Data Protection Legislation may require, including to third parties outside the UK or the EEA (subject to the use of a transfer mechanism which is approved at the relevant time by the European Commission or any other regulatory body which has or acquires

the right to approve methods of transfer of personal data outside the UK); and

- for the Company's internal record keeping and reporting obligations.

The legal basis for processing Personal Data for the purposes set out above is the legitimate interests of the Company in carrying out its business and maintaining the register of members of the Company and/or (in some cases) that the processing is necessary for compliance with a legal obligation to which the Company is subject.

The Company is a data controller in respect of Personal Data and for the purpose of Data Protection Legislation. All prospective Zegona Shareholders whose Personal Data has been submitted in connection with an application for an interest in the Company have a right to:

- be told about the data that the Company hold about them and to receive a copy of the information that constitutes Personal Data about them, on request;
- request access to and rectification or erasure of Personal Data, restriction of processing concerning the prospective Zegona Shareholder, and the right to data portability (as set up in, and subject to limits imposed by Data Protection Legislation);
- withdraw consent to processing, to the extent that processing is based on consent; and
- lodge a complaint about processing with the UK data protection supervisory authority (the Information Commissioners Office).

If you wish to exercise any of these rights, or wish to contact the Company about your Personal Data, you should submit a written application to the Company via the Company Secretary at 20 Buckingham Street, London WC2N 6EF.

Where a third party provides Personal Data about a prospective Zegona Shareholder to the Company, the third party represents and warrants to the Company that it has collected and transferred such data to the Company in accordance with Data Protection Legislation.

ERISA considerations

Investment in the Company is not open to US Benefit Plan Investors (e.g., US employee benefit plans, US individual retirement accounts and entities whose assets are deemed to be assets of one or more US employee benefit plans or US individual retirement accounts).

Rounding

Certain numerical figures set out in this Document, including financial data presented in millions or thousands, have been subject to rounding adjustments and, as a result, the totals of the data in this Document may vary slightly from the actual arithmetic totals of such information.

No incorporation of website

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

Definitions

A list of defined terms and a glossary of technical terms used in this Document is set out in Part XVII (Definitions, Abbreviations and Glossary).

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 IV - EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected date of finalisation of number of New Zegona Shares to be issued pursuant to the Placing(1)	14 January 2019
Zegona General Meeting	10.00 a.m. on 7 February 2019
Expected date of Admission and commencement of dealings (for normal settlement) in New Zegona Shares on the London Stock Exchange	8.00 a.m. on 11 February 2019
New Zegona Shares expected to be issued and credited to CREST accounts	11 February 2019

Note:
(1) To be announced by the Company via an RIS announcement.

References to a time of day are to London time. The dates and times given are indicative only and are based on the Company's current expectations and may be subject to change. If any of the times and/or dates above change, the revised times and/or dates will be notified to Zegona Shareholders via an RIS announcement.

PART V - INDICATIVE STATISTICS

Number of Zegona Shares in issue as at 11 January 2019	126,219,449
Issue Price (per New Zegona Share)	105 pence
Number of New Zegona Shares to be issued in connection with the Placing	95,715,728
Number of Zegona Shares to be in issue immediately following Admission (with no Zegona Shares held in treasury)(1)	221,935,177
New Zegona Shares as a percentage of Zegona's outstanding issued share capital immediately following Admission (with no Zegona Shares held in treasury)(1)	43.13%
Gross proceeds of the Placing	£100.5 million
Estimated expenses of the Transaction	£4.6 million
Estimated net proceeds of the Placing receivable by the Company	£95.9 million

Notes:

(1) On the assumption that no further Zegona Shares are issued (other than the New Zegona Shares) and the Company does not engage in any share buy-back from the date of this Document until Admission.

PART VI - DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

DIRECTORS	Eamonn O'Hare *(Chairman and CEO)* Robert Samuelson *(Chief Operating Officer)* Mark Brangstrup Watts Richard Williams Murray Scott Ashley Martin
COMPANY SECRETARY	Axio Capital Solutions Limited One Waverley Place Union Street St Helier Jersey JE1 1AX
REGISTERED OFFICE	20 Buckingham Street London WC2N 6EF
GLOBAL CO-ORDINATOR AND UNDERWRITER	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB
FINANCIAL ADVISER AND CO-BOOKRUNNER	Oakley Advisory Limited 3 Cadogan Gate Chelsea London SW1X 0AS
LEGAL ADVISER TO ZEGONA AS TO ENGLISH AND US LAW	Travers Smith LLP 10 Snow Hill London EC1A 2AL
LEGAL ADVISER TO THE BANKS AS TO ENGLISH AND US LAW	Davis Polk & Wardwell London LLP 5 Aldermanbury Square London EC2V 7HR
AUDITOR TO ZEGONA	KPMG LLP 15 Canada Square London E14 5GL

PART VII - INFORMATION ABOUT THE TRANSACTION

1 Introduction

Zegona's strategy is to increase its ownership position in Euskaltel and to use this increased influence to work constructively with the Euskaltel board of directors and management to improve the performance of the business.

On 19 October 2018, Zegona announced its intention to make a partial tender offer to acquire up to approximately 14.9% of Euskaltel's outstanding issued ordinary share capital as at the date of the announcement at a price of €7.75 per share (the "**Proposed Tender Offer**"). However, given the deterioration in equity market conditions at the end of 2018, the Directors believe that the terms available to finance the acquisition of the full 14.9% of Euskaltel to be sought in the Proposed Tender Offer would not have been acceptable to Zegona Shareholders, including because the equity funding required would have been overly dilutive. As the Company was informed that it was not permitted under Spanish law to reduce the maximum size of the Proposed Tender Offer, Zegona announced on 21 December 2018 that it no longer intended to proceed with the Proposed Tender Offer.

On 14 January 2019, Zegona entered into a Shareholder Relationship Agreement with Talomon, an experienced TMT and telecommunications sector investor. Talomon is a current shareholder in both Euskaltel and Zegona and, pursuant to the Shareholder Relationship Agreement, has agreed formally to support Zegona's strategy as described in this Document. Under the Shareholder Relationship Agreement, Talomon is permitted to own up to 2.4% of the outstanding issued share capital of Euskaltel but, as of the date of that agreement, owned approximately 1.4%. In order to avoid any mandatory offer requirements under Spanish law, for so long as the agreement is in effect, the Directors believe that the Zegona Group is only permitted to increase its stake in Euskaltel by a further approximately 12.5% (or 22,330,000 Euskaltel Shares) from its current 15% shareholding position at the date of this Document, such that the aggregate shareholding of the Zegona Group and Talomon would not exceed 29.9%.

Instead of the Proposed Tender Offer, Zegona will seek to increase its ownership of Euskaltel through market purchases or privately negotiated transactions up to a maximum of 12.5% of the outstanding issued share capital of Euskaltel at a price it considers attractive for Zegona Shareholders based on prevailing market conditions (the "**Euskaltel Share Acquisition**").

Accordingly, Zegona is proposing to raise net proceeds of £95.9 million pursuant to the Placing and entered into the Barclays Facility and the Virgin Funding on 14 January 2019. The Barclays Facility, which provides funds of up to £30 million, to be reduced to £20 million if and to the extent the Virgin Funding is drawn down, has been available since 14 January 2019 to fund the Euskaltel Share Acquisition, any fees and expenses incurred in connection with the Transaction and for general corporate purposes. The Virgin Funding, which the Directors believe represents strategic support from the Virgin Group for Zegona’s strategy, provides funds of up to £10 million which may be used to fund the Euskaltel Share Acquisition and any fees and expenses incurred in connection with the Transaction. Zegona currently anticipates drawing substantially all of the £30 million available to it under the New Facilities if there is sufficient availability in the market for it to purchase Euskaltel Shares at a price it considers attractive for Zegona Shareholders based on prevailing market conditions. The New Facilities are expected to remain largely undrawn until substantially all of the net proceeds of the Placing have been used, though Zegona may draw down and use a portion of the Barclays Facility to purchase Euskaltel Shares prior to Admission. For additional information on the terms of the New Facilities, see paragraph 18.3 of Part XV (Additional Information).

Subject to the conditions set out in this Document, the Company intends to use the Available Funds to fund the Euskaltel Share Acquisition. Based on a Euskaltel share price of €7.26 (being the closing price at 11 January 2019), the Available Funds would not be sufficient to increase Zegona's interest by 12.5%.

To the extent that the Company has not used all or substantially all of the Available Funds to acquire Euskaltel Shares over a time period considered reasonable by the Directors, or the Company has chosen not to acquire further Euskaltel Shares (for example, as a result of a significant increase in Euskaltel’s share price), subject to retaining any amounts required for general corporate and working capital purposes, any voluntary or mandatory repayment of the New Facilities, Zegona currently intends to return any excess to Zegona Shareholders through an appropriate and equitable mechanism, including through a potential buyback of Zegona Shares in the market, which could have adverse tax consequences for Zegona Shareholders.

The Placing will require approval by Zegona Shareholders for the issuance of additional equity on a non pre-emptive basis at a shareholders' meeting to be held on 7 February 2019.

Marwyn, in its capacity as agent for and on behalf of its discretionary clients, has agreed to invest in the Placing, is fully supportive of the Transaction and intends to remain Zegona's largest shareholder upon Admission. Eamonn O'Hare, Robert Samuelson, Murray Scott and Howard Kalika are also participating in the Placing.

2 Background and reasons for the Transaction

When the Zegona Group entered the Spanish Telecommunications Market through its purchase of Telecable in August 2015, it identified an opportunity for substantial value creation through the combination of the three then-independent northern Spanish cable operators, Euskaltel, R Cable and Telecable. The Euskaltel Group acquired R Cable in November 2015, and the subsequent sale of Telecable to Euskaltel in July 2017 completed the consolidation of all three operators, creating the leading integrated telecommunications operator in the north of Spain.

The sale of Telecable resulted in Zegona Shareholders having an ownership interest in Euskaltel through the approximately 15% shareholding of Euskaltel that the Zegona Group received as part of the consideration for the sale of Telecable.

As Zegona has previously stated, it believes that the Euskaltel Group is a strategically attractive business with a strong competitive position in its home markets in the Basque Country, Asturias and Galicia, with a range of opportunities to deliver profitable growth and generate significant positive cash flow.

While Zegona has expressed disappointment with certain aspects of its investment in Euskaltel, it still strongly believes there is potential to create significant additional value by driving efficiency improvements, increasing revenue growth in the existing regions and accelerating expansion outside the current footprint.

This significant incremental investment that Zegona is proposing through the Euskaltel Share Acquisition reinforces Zegona's commitment to Euskaltel and underlines its belief in the future potential of the the Euskaltel Group's business. In addition, with increased ownership, Zegona may be able to appoint one or more additional directors to the board of directors of Euskaltel. This creates the opportunity for Zegona's senior management to apply its sector knowledge and experience to contribute additional value to the business and help realise its full potential.

3 Summary information on Zegona

Zegona was established in 2015 with the objective of investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns. Zegona is listed on the Standard Listing segment of the Official List of the FCA and the Main Market for listed securities of the London Stock Exchange, and is led by former Virgin Media executives Eamonn O'Hare and Robert Samuelson.

The Zegona Group acquired Telecable, the leading quadplay cable telecommunications operator in the Asturias region of Spain in August 2015. The Zegona Group sold Telecable to Euskaltel in July 2017 and since that time has owned approximately 15% of Euskaltel. As part of that transaction, Robert Samuelson was appointed to Euskaltel's board of directors and its committees. The Zegona Group also entered into a standstill agreement with Euskaltel that limited it to acquiring no more than 1.5% of Euskaltel for one year post the closing of the sale of Telecable. This standstill arrangement has now come to an end.

For additional information on Zegona's business, see Part VIII (Information on Zegona).

4 Summary information on Euskaltel

The below information has been compiled from Euskaltel's annual reports and information publicly available on its website, each of which have been published by Euskaltel and not been subject to verification or comment by Zegona or the Directors, acting in their capacity as Directors of Zegona. Zegona has not *had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, its auditors or management and accordingly Euskaltel has not confirmed that the below disclosure remains accurate. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.*

With its headquarters in Bilbao, Spain, the Euskaltel Group is the leading telecommunications group in northern Spain, with a deep-rooted commitment to the Basque Country, Galicia and Asturias. The Euskaltel Group generated revenues of €707 million (on a pro forma basis) in the financial year ended 31 December 2017. The Euskaltel Group offers its services to a market of 6 million people, serving over 750,000 residential and business customers through three principal brands, Euskaltel (in the Basque Country), R Cable (in Galicia) and Telecable (in Asturias). The Euskaltel Group is a leader in providing advanced telecommunications services including high speed broadband, mobile, Pay TV and fixed line telephony services. The Euskaltel Group has the largest proprietary high speed network in its three core regions, passing 2.2 million homes.

Euskaltel's three segments are:

- **Residential** (representing 67% of Euskaltel Group revenue in 2017): offers residential customers a combination of fixed-line and mobile telecommunication services, as well as other added-value services, which it mainly renders through its fibre optic rich cable network and its MVNO agreements.
- **Business** (representing 27% of Euskaltel Group revenue in 2017): offers a portfolio of services to business customers segmented by business size, including SOHO customers (less than ten employees), SMEs (from 10 to 40 employees, with relatively high tech needs) and Large Accounts, including both public entities and large corporations that tend to be based in the Basque Country, Asturias and Galicia.
- **Wholesale and Other** (representing 6% of Euskaltel Group revenue in 2017): provides communications services to wholesale clients, most of whom are other telecommunications companies, including leased lines, data and voice services using the Euskaltel Group's installations and infrastructures to render services to their customers.

For additional information on the Euskaltel Group's business, see Part IX (Information on Euskaltel).

5 Financial effects of implementing the Euskaltel Share Acquisition

The financial effects of implementing the Euskaltel Share Acquisition are materially impacted by a number of factors that cannot be resolved at this time, or which will not be known until after the completion of the Euskaltel Share Acquisition, which collectively mean it is not possible to present a meaningful estimate of the financial effects of implementing the Euskaltel Share Acquisition. In particular:

- The number of Euskaltel Shares acquired and the price at which Zegona can acquire Euskaltel Shares through market purchases or privately negotiated transactions;
- Zegona has not had the co-operation of Euskaltel's management, due diligence access to Euskaltel's business and financial information, or access to Euskaltel's auditors and reporting accountants. Given the lack of access that Zegona has had to the Euskaltel business, Zegona is unable to confirm that no material adjustments would need to be made to the consolidated financial statements of Euskaltel to achieve consistency with Zegona's accounting policies; and
- As described in Part E of Part XI (Historical Financial Information), the Zegona Group's future accounting for its investment in Euskaltel is both uncertain and contingent upon facts and circumstances that will not be known until after the completion of the Euskaltel Share Acquisition. The impact on the Zegona Group's financial position and results of operations will be materially different depending on which accounting treatment is deemed appropriate and at this point it is not

possible to make a reasonable estimation of what that will be.

The financial impact of implementing the Euskaltel Share Acquisition will also be heavily dependent on the price of the Euskaltel Shares acquired and the number of Euskaltel Shares Zegona chooses to buy. Given the size of the investment in Euskaltel as a proportion of the Zegona Group's net assets, the impact of differences in the share prices used would almost certainly be material to the Zegona Group's financial position and results of operations and so it would not be possible to give a meaningful insight into the effects of implementing the Euskaltel Share Acquisition. For further details of the financial effects of implementing the Euskaltel Share Acquisition, including the potential impact of the New Facilities if fully drawn, see paragraph 2 of Section A of Part X (Operating and Financial Review of the Zegona Group).

Nothing in this paragraph 5 shall be construed as a profit forecast or be interpreted to mean that the future earnings per share, profits, margins or cash flows of the Zegona Group will necessarily be greater or less than the historical published earnings per share, profits, margins or cash flows of the Zegona Group.

6 Zegona has not had access to Euskaltel and its ability to undertake detailed due diligence on Euskaltel has been limited

Zegona has not had access to Euskaltel’s management or internal Euskaltel data and therefore has only been able to undertake due diligence based on industry information and publicly available data. Accordingly, Zegona has not been able to undertake any substantial analysis in order to formulate detailed plans or intentions regarding the impact of the Transaction on the Euskaltel Group's business and can therefore not accurately estimate the impact of any improvements that it may work with the board of directors of Euskaltel on seeking to improve the performance of the Euskaltel business. It is also not certain to what extent the Zegona Group’s enhanced shareholding and anticipated increased board representation will enable it to drive positive change in the Euskaltel Group.

Although Robert Samuelson, a Director of the Company, is on the board of directors of Euskaltel, he is subject to confidentiality obligations in respect of non-public Euskaltel information and has not shared, and does not expect to share, any such information with the Company. Since the announcement of the Proposed Tender Offer by the Company on 19 October 2018, Robert Samuelson has taken steps designed to limit the receipt of information from Euskaltel in his capacity as a proprietary director of Euskaltel. The Company does not, therefore, expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Following this, Robert Samuelson expects to receive information on Euskaltel in his capacity as a director and participate in its board meetings (unless he is required to do so earlier).

7 Intentions of Zegona in respect of the Euskaltel business

As it has previously stated, Zegona considers Euskaltel to be a strategically attractive business with a strong competitive position in its home markets and a range of opportunities to deliver profitable growth. While any changes made within the business will have to be driven by Euskaltel’s board and management team, Zegona is seeking to work constructively with the Euskaltel board of directors to improve the performance of the business in a number of areas and, based on discussions it has had, is confident that certain other Euskaltel shareholders would support it in doing this.

Based on the information available to it, Zegona estimates cost savings of approximately €40 million per annum are achievable through creating a single operating platform for the Euskaltel Group’s three regional brands, further efficiency measures at the Euskaltel Group level and the optimisation of MVNO arrangements.

Zegona further believes revenue growth can be driven by expanding the network to up to 200,000 new homes in the Euskaltel Group's existing regions (which Zegona believes will cost approximately €125 per home and can be delivered with an expected three-year payback on the investment in each additional home), investing in customer-focused service upgrades such as gigabit broadband access, increasing focus on specialist sales channels and potentially launching a second, challenger brand in existing regions.

Finally, Zegona believes that by offering an innovative and attractive customer proposition, leveraging the

Euskaltel Group's existing technical platforms, and potentially using a well-known existing brand, there is a compelling opportunity to accelerate expansion outside the current footprint.

Zegona also believes there are a number of areas where its extensive sector knowledge and experience enable it to provide valuable support to the Euskaltel board of directors. Zegona brings an experienced management team with a proven track record and a wide-ranging network of contacts across the international telecommunications sector, giving it access to capabilities that can benefit Euskaltel. Over recent months, Zegona has discussed Euskaltel with the ex-Jazztel CEO, José Miguel García (who is also participating in the Placing), and believes his skills and experience could also be a valuable addition to the Euskaltel leadership.

Zegona senior management also has a long-standing relationship with Virgin, and Zegona intends to facilitate discussions between the Euskaltel Group and Virgin for the Euskaltel Group to enter into an agreement with Virgin to use its well-known brand for its expansion into new regions. Zegona believes the Euskaltel Group could use the brand on attractive terms, including a reasonable brand fee of 2% of branded revenues or less.

8 Intentions of the Zegona Group in respect of its investment in Euskaltel – maximising value to Zegona Shareholders

Zegona anticipates continuing its constructive relationship with the Euskaltel leadership team to help return the business to growth and, based on discussions it has had, is confident that certain other Euskaltel shareholders would support it in doing this. However, any actions taken within the Euskaltel business need to be driven by the Euskaltel board of directors and management team. As described in Part II (Risk Factors) of this Document, there is no guarantee that Euskaltel's board of directors and management will choose to work with Zegona to seek to improve the performance of the business, or that a sufficient number of Euskaltel shareholders will support Zegona's initiatives for Euskaltel, or that any measures implemented will be successful or deliver the benefits Zegona currently anticipates. Furthermore, there is also a risk that, while the Zegona Group continues to hold an investment in Euskaltel, Zegona Shares may trade at a discount to the value implied by the market value of its equity interest in Euskaltel.

Zegona has therefore considered how it may respond to a number of such scenarios as set out below to ensure Zegona Shareholders benefit fully from any increases in the Euskaltel share price.

The Zegona Group is successful in acquiring an increased stake, but is unable to persuade the Euskaltel board of directors to work with it to seek to improve the performance of the business within a time frame acceptable to Zegona

Under these circumstances, Zegona would expect to return its Euskaltel Shares to Zegona Shareholders via a dividend in specie or, subject to lock-up conditions and any obligations with respect to security under the New Facilities, sell its stake in Euskaltel and promptly return the proceeds to Zegona Shareholders.

Zegona is successful in persuading the Euskaltel board of directors to work with it to seek to improve the performance of the business, but Zegona Shares trade at a material discount to the value implied by the market value of its equity interest in Euskaltel

Within two years of the Placing, and at regular intervals thereafter, Zegona's Board will formally review the Euskaltel business performance and the role Zegona has played in adding value. If Zegona Shares are trading at a material discount to the value implied by the market value of its equity interest in Euskaltel at this time, the Zegona Group expects to continue to hold its stake in Euskaltel only if:

- It is clear that during the period from the Placing to the time of the review, Zegona has contributed significant value to the Euskaltel business through its involvement; and
- Zegona is confident that it can continue to add significant further value in the foreseeable future.

If Zegona's Board concludes that these conditions have not been met, Zegona would expect to return its Euskaltel Shares to Zegona Shareholders via a dividend in specie or, subject to lock-up conditions and any obligations with respect to security under the New Facilities, sell its stake in Euskaltel and promptly return the proceeds to Zegona Shareholders, depending on which approach is expected to maximise value to

Zegona Shareholders.

Zegona finds a new acquisition opportunity which meets its rigorous financial and strategic criteria and requires an equity fundraising

If Zegona plans to raise significant further equity capital (for example, for another investment opportunity) and the value at which this equity is raised is expected to be at a material discount to the value implied by the market value of its equity interest in Euskaltel, Zegona would expect to return its Euskaltel Shares to Zegona Shareholders via a dividend in specie or, subject to lock-up conditions and any obligations with respect to security under the New Facilities, sell its stake in Euskaltel and promptly return the proceeds to Zegona Shareholders in advance of the capital raise to ensure Zegona Shareholders can benefit from the full value of these shares and this value does not suffer from any adverse dilution effects from the capital raise.

9 **Overseas investors**

The availability of the New Zegona Shares under the terms of the Placing to persons not located in the UK may be affected by the laws of the jurisdiction where they are located. Such persons should inform themselves about and observe any applicable requirements.

For further details in relation to investors not located in the UK, including investors who are located in the US or are US Persons, see the paragraph entitled "Selling restrictions and notice to investors" of Part XIV (The Placing) of this Document.

10 **The New Zegona Shares**

The New Zegona Shares to be issued pursuant to the terms of the Placing will be issued in registered form and will be capable of being held in certificated and uncertificated form.

The New Zegona Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Zegona Shares, including in relation to the right to receive notice of, and to attend and vote at, general meetings of Zegona, the right to receive and retain any dividends and other distributions declared, made or paid by reference to a record date falling after Admission and to participate in the assets of Zegona upon a winding-up of Zegona. As with the Existing Zegona Shares, the New Zegona Shares will not be subject to any redemption provisions.

11 **Listing, dealings and settlement of the New Zegona Shares**

Application will be made for the admission of the New Zegona Shares to the Official List with a Standard Listing and to trading on the London Stock Exchange's Main Market for listed securities.

It is expected that admission of the New Zegona Shares will become effective and trading on the London Stock Exchange will commence at 8.00 a.m. on 11 February 2019 and dealings for normal settlement in the New Zegona Shares will commence at or shortly after that time.

No application has been made or is currently intended to be made by Zegona for the New Zegona Shares to be admitted to listing or trading on any other exchange.

12 **Dilution**

The issue of 95,715,728 New Zegona Shares will result in Zegona's issued ordinary share capital increasing to 221,935,177 (on the basis of 126,219,449 Zegona Shares being in issue as at 11 January 2019 and assuming no further Zegona Shares are issued prior to Admission and no buy-backs of Zegona Shares prior to Admission). Immediately following Admission, holders of the New Zegona Shares will hold approximately 43.13% of Zegona's issued ordinary share capital (assuming Zegona does not issue any further Zegona Shares or buy back any Zegona Shares from the date of this Document until Admission). As a result, the voting rights of Existing Zegona Shareholders would be diluted, such that an Existing Zegona Shareholder would, immediately following Admission, hold voting rights of approximately 56.87% of the total voting rights that they had held immediately prior to Admission (on the basis that such Existing Zegona Shareholder does not participate in the Placing, no further Zegona Shares are issued and there are no buy-backs of Zegona Shares prior to Admission).

13 Taxation

Certain information about UK and US taxation in relation to the New Zegona Shares is set out in Part XII (Taxation) of this Document. If you are in any doubt as to your tax position, or you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent tax adviser without delay.

PART VIII - INFORMATION ON ZEGONA

The selected historical financial information and other historical financial information in relation to the Zegona Group in this Part VIII (Information on Zegona) has, unless otherwise stated, been extracted without material adjustment from the audited consolidated accounts of the Zegona Group for the years ended 31 December 2017, 31 December 2016 and the period from incorporation to 31 December 2015 and from the unaudited consolidated accounts of the Zegona Group for the nine months ended 30 September 2018 and 30 September 2017, as referred to in Part A (Selected Historical Financial Information of the Zegona Group) of Part XI (Historical Financial Information) of this Document.

Investors should read the whole of this Document and the documents incorporated herein by reference and should not just rely on the information set out in this Part VIII (Information on Zegona). In particular, the attention of prospective investors is drawn to Part II (Risk Factors) of this Document which contains a summary of the risk factors relating to an investment in the Company.

1 HISTORY AND OVERVIEW

Zegona was established in 2015 with the objective of investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns. The first of such opportunities was the acquisition of Telecable, the leading quadruple play cable telecommunications operator in the Asturias region of north west Spain. The acquisition completed on 14 August 2015. The Directors believed the acquisition represented a compelling investment because of, among other factors, Telecable's market leading position and strong cash generation. The Directors also believed there were attractive dynamics in the Spanish Telecommunications Market and Spanish economy more broadly, which they believed could be leveraged to create additional value within the Telecable business. In addition, the Directors identified potential additional upside from further consolidation of Spanish regional cable operators in the future, which they believed 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 other Spanish telecommunications operators.

Upon acquiring Telecable, Zegona worked closely with the management team to develop further the Telecable business and the services it provides, including a number of key strategic initiatives such as broadband speed upgrades and innovative TV services, enhancing the mobile experience for all customers by doubling data allowances and expanding the Wifisfera WiFi service, a renewed focus on business clients with a comprehensive change in management and product portfolio, and a capital expenditure productivity improvement programme focused on reducing costs associated with sales distribution, network maintenance and home installations.

On 26 July 2017, the Zegona Group completed the sale of Telecable to Euskaltel in exchange for cash consideration, contingent consideration and an approximately 15% equity interest in Euskaltel. The sale represented a very attractive return for Zegona Shareholders, with an implied value for Telecable at completion that corresponded to an implied Zegona share price of £1.88 per share and a 34% Total Shareholder Return[1]. This return benefitted from the favourable timing of the sale, which allowed Zegona Shareholders to crystallise part of the value from the 20% appreciation in the Sterling/euro rate from 1.40 to 1.11 during the Zegona Group's period of ownership. Central to Zegona's strategy is a commitment to return surplus cash to investors following successful disposals and Zegona delivered on this after selling Telecable when Zegona returned £139.7 million to Zegona Shareholders through a tender offer, while retaining €10.2 million of cash at 31 December 2017. When combined with dividend payments announced to this date, this resulted in a total cash return to Zegona Shareholders of £158.3 million as at 31 December 2017, equivalent to 55% of the initial equity invested at the initial public offering. In addition to delivering this attractive return on its investment in Telecable, the sale of Telecable to Euskaltel served to consolidate further the market for cable operations in northern Spain, which Zegona had previously identified as potentially driving value for Zegona Shareholders through operating and capital expenditure synergies.

As well as the cash already returned, Zegona believed the sale of Telecable provided an opportunity for further shareholder value creation through the Euskaltel shareholding that the Zegona Group received

[1] For further details on Total Shareholder Return, see the paragraph entitled "Zegona non-IFRS financial information" in Part III (Important Information).

as part of the consideration. The combined Euskaltel and Telecable business created enhanced scale and strong cash generation. There were also substantial opportunities for synergies that were valued by Euskaltel as having a net present value of €245 million and equivalent to €1.37 per share in the combined business. As part of the deal, Zegona nominated the appointment of Robert Samuelson, Zegona’s Chief Operating Officer, to Euskaltel’s board of directors and its board committees and also recommended Jon James (the CEO of Tele2 Netherlands) as an independent director. Both were appointed by Euskaltel with effect from 26 July 2017.

2 STRATEGY

The Company’s strategy is to seek to provide Zegona 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 Zegona Shareholders through a properly executed strategy focussing on taking majority or (in certain circumstances) minority stakes in strategically sound businesses within the European TMT sector that require active change to realise their full value, thereby creating significant long-term returns through fundamental business improvements. While the main elements of Zegona's strategy are set out below, Zegona's overall strategic approach is to deal with each opportunity and situation presented to it individually as it arises. For example, under certain circumstances, the Zegona Group may choose to sell or reduce its stake in Euskaltel in line with its overall strategy.

Zegona evaluates potential investments using a disciplined set of financial and strategic criteria. Zegona focusses on:

- Target businesses with an enterprise value of typically £1-3 billion, although Zegona may deviate outside of this range if it believes the returns are sufficiently attractive;
- TMT, network-based communications and entertainment businesses, primarily in Europe;
- Strategically sound businesses with established market positions and limited expected downside risk, but which have scope for fundamental improvement that is realistically achievable;
- Moderate leverage (usually 3-4 times EBITDA); and
- Multiple viable exit options pre-identified.

Many businesses across the TMT sector currently deliver sub-optimal returns which could be significantly improved. Zegona works with management to deliver fundamental business improvements, such as:

- Changing the businesses’ market positions;
- Being actively involved in the management of the businesses to drive operational improvements;
- Instilling strong discipline around cost efficiency;
- Achieving cost savings;
- Investing in products, services and other value-accretive activities to drive top line growth;
- Focusing on operating profitability and cash generation; and
- Value enhancing bolt-on acquisitions/divestments.

Buyer interest is stimulated as the performance of each investment improves, providing Zegona with a range of options to crystallise the value it has created:

- Zegona identifies the optimal time to crystallise the value it has created, with flexibility to adapt to market changes and other opportunities, to maximise shareholder value;
- Zegona’s publicly listed structure allows Zegona Shareholders to realise value at any time and provides multiple options for value crystallisation; and

- Following a successful crystallisation, any surplus value will be reinvested or returned to Zegona Shareholders.

3 DIVIDEND POLICY

Zegona remains committed to paying dividends to Zegona Shareholders. Future dividends will be funded by the receipt of dividends from Euskaltel on the Zegona Group's existing 15% holding and any further shares purchased with the proceeds of the Placing, as well as Zegona's other cash reserves. Zegona intends, irrespective of any debt financing obligations, for the foreseeable future, to promptly return the Sterling equivalent of all subsequent dividends received from the Zegona Group's enlarged investment in Euskaltel to Zegona Shareholders.

Capacity to pay dividends

The Company is a non-trading holding company which derives increases in distributable reserves from dividends paid by subsidiary companies, principally Zegona Limited which holds the Zegona Group's existing interest in Euskaltel. There are limited restrictions on Zegona Limited paying dividends, therefore the capacity of the Company to make dividend payments is primarily determined by the availability of retained distributable reserves and cash resources. As at 30 September 2018, the Company had distributable reserves of €189.9 million (total equity of €191.7 million including profit for the period of €11.1 million, less share capital of €1.8 million) and the total external dividends paid in relation to FY2017 amounted to €11.2 million. The Company's distributable reserves support over 16 times this annual dividend.

Dividends paid

On 3 April 2017, Zegona's Board approved a policy to declare a dividend of 5.0 pence per ordinary share for 2017. Following the completion of the 2017 tender offer and corresponding decrease in the number of issued ordinary shares, this was updated to an equivalent amount of 7.8 pence on 9 October 2017. Half of the 7.8 pence dividend was paid on 10 November 2017 with the balance paid on 24 April 2018.

An interim dividend for 2018 was declared on 16 November 2018 at a rate of 2.8 pence per Zegona Share, equivalent to £3,534,145. The dividend was paid on 28 December 2018.

4 CAPITALISATION AND INDEBTEDNESS

The following table shows the capitalisation and indebtedness of the Zegona Group as at 30 September 2018. The figures for capitalisation have been extracted without material adjustment from the Zegona 2018 Interim Results included in this Document. The statement of indebtedness has been prepared using policies which are consistent with those used in preparing the latest audited consolidated financial statements of the Zegona Group referred to in Part A (Selected Historical Financial Information of the Zegona Group) of Part XI (Historical Financial Information) of this Document.

	As at 30 September 2018 €000 (Unaudited)
Total capitalisation and indebtedness	
Total current debt	-
Total non-current debt	-
Shareholders' equity	
Share capital	1,763
Other reserves	209,536
Share-based payment reserve	105
Foreign currency translation reserve	(1,570)

	As at 30 September 2018 €000 (Unaudited)
Total capitalisation	**209,834**

An interim dividend for 2018 was declared on 16 November 2018 at a rate of 2.8 pence per Zegona Share, equivalent to €4.0 million. The dividend was paid on 28 December 2018. There have been no other material changes to the capitalisation figures since 30 September 2018.

The following table details the net debt of the Zegona Group as at 30 September 2018, sourced from the Zegona 2018 Interim Results, where the financial statements have been prepared in accordance with IFRS as adopted by the EU:

	As at 30 September 2018 €000 (Unaudited)
Cash	8,133
Less: Short term borrowings	-
Less: Long term borrowings	-
Net debt	**8,133**

PART IX - INFORMATION ON EUSKALTEL

The information set out in this Part IX (Information on Euskaltel) in relation to the Euskaltel Group (including the historical financial information) has, unless otherwise stated below, been extracted without material adjustment from the Euskaltel 2017 Annual Report and the Euskaltel 2018 Interim Results, the relevant sections of which are incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference), and accordingly has not been subject to comment or verification by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, its auditors or management and accordingly Euskaltel has not confirmed that the information set out in this Part IX (Information on Euskaltel) remains accurate. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.

Investors should read the whole of this Document and the documents incorporated herein by reference and should not just rely on the information set out in this Part IX (Information On Euskaltel). In particular, the attention of prospective investors is drawn to Part II (Risk Factors) of this Document which contains a summary of the risk factors relating to an investment in the Company.

Overview

Euskaltel was incorporated with limited liability under the Spanish Companies Act on 3 July 1995. Its statutory activity consists of the installation, management, development, execution, operation and marketing and sale of telecommunications networks and services in accordance with prevailing legislation, as well as the marketing and sale of goods required to carry out these services.

Euskaltel was created by the Basque Government and three savings banks (BBK, Kutxa and Vital) in 1995 to become the Basque Country's alternative telecommunications operator and, thus, bring an end to Telefónica's monopoly over the sector.

On 1 July 2015, Euskaltel's shares were admitted to trading on the Barcelona, Bilbao, Madrid and Valencia stock exchanges.

All of the shares in R Cable were acquired on 27 November 2015. This company was incorporated in A Coruña on 1 August 1994.

On 26 July 2017, the Euskaltel Group acquired all of the shares in Telecable, which was incorporated in Oviedo on 29 December 1994.

The primary business of both R Cable and Telecable consists of the rendering of services in Galicia and Asturias similar to those carried out by Euskaltel, thereby creating a new, leading telecommunications group in the north of Spain.

The Euskaltel Group offers its services to a market of 6 million people, serving over 750,000 residential and business customers. Euskaltel, R Cable and Telecable are leaders in optic fibre (broadband, phones, Pay TV and convergent telecommunications services) in the Basque Country, Galicia and Asturias, respectively, with a solid customer base and complementary business models. A mobile phone operator with its own 4G licence in the Basque Country, Galicia and Asturias, it has the largest proprietary fibre optic network in place on the market.

In recent years, the Euskaltel Group has not achieved certain elements of its published market guidance, including revenue, dividend and OpFCF growth, leverage targets and the ratio of capital expenditure to EBITDA.

Business overview

Residential segment

At the end of July 2017, the Euskaltel Group acquired Telecable, the leading telecommunications operator in Asturias, creating a telecommunications group in the north of Spain with over 2.1 million homes passed, 660,000 residential customers, 101,000 business customers and 15,000 companies.

The Euskaltel Group offers its residential customers a combination of fixed-line and mobile telecommunication services, as well as other added-value services, which it mainly renders through its fibre optic network and MVNO agreements with Orange Spain and Telefónica.

A summary of the main service rendered to residential customers is as follows:

- Bundles: The Euskaltel Group offers its customers the option to subscribe to a range of services in bundles comprising multiple services (high-speed broadband, Pay TV, fixed-line and mobile telephone) at competitive prices. There are two, three and four-service bundles available: double play or 2P, triple play or 3P and quadruple play or 4P. In line with market trends and the Euskaltel Group's own marketing efforts, focussing on cross-selling across the existing customer base, there has been an increase in sales of triple play and quadruple play bundles with significant customer base growth and new subscribers in these segments. As a result, 80.5% of residential customers subscribed to a bundle at 31 December 2017: 12.5% to 2P (12.5% in 2016), 26.3% to 3P (26.3% in 2016) and 41.7% to 4P (39.4% in 2016).

The products that integrate the different bundles are broken down as follows:

- Broadband: The Euskaltel Group is the leading high-speed broadband service provider in the Basque Country, Asturias and Galicia. The fully invested next generation fibre optic network enables the Euskaltel Group to offer different products with ultra high-speeds of up to 500 Mbps, which cannot be equalled by its DSL rivals. At 31 December 2017, the Euskaltel Group offers broadband services to 488,708 residential customers, of which over 99% have high-speed broadband (speeds of 30 Mbps or more).

- Pay TV: The Euskaltel Group is the leading Pay TV service provider in the Basque Country, Asturias and Galicia (jointly with Telefónica). A wide selection of digital TV programming, including basic and premium bundles, and also TV Everywhere (sold under the "Edonon", "Tedi" and “TV comigo” brand), functionalities of VoD and PVR. The Euskaltel Group offers access to premium content with the most popular local offering. At 31 December 2017, the Euskaltel Group offers Pay TV services to 393,356 residential customers.

- Mobile phones: The Euskaltel Group is the fastest-growing and leading mobile phone service provider in the Basque Country, Asturias and Galicia. At 31 December 2017, the Euskaltel Group offers mobile phone services to 529,459 residential customers.

- Fixed-line phones: The Euskaltel Group is a leading fixed-line service provider in the Basque Country, Asturias and Galicia (with the second highest market share, behind Telefónica). The Euskaltel Group offers fixed-line services with unlimited national calls to fixed-lines and a wide range of price plans for fixed-line to mobile calls and fixed-line to international numbers.

Business segment

Details of the main services rendered to business customers, by business size, are as follows:

- SOHOs: The Euskaltel Group has a specific product offering for small office/home office customers (less than ten employees), which includes premium tech support, web hosting and e-mail services. Euskaltel has a dedicated outsourced sales force and recently launched an online sales platform for SOHOs. At 31 December 2017, the Euskaltel Group provides services to 101,378 customers in this segment.

- SMEs: The Euskaltel Group offers a range of solutions for medium-sized businesses (from 10 to 40 employees) with relatively high tech needs. These services include broadband access with speeds of up to 500 Mbps, symmetrical fibre access with speeds of up to 1 Gbps, MPLS network, FMC, IP Switch and advanced IT services. At 31 December 2017, the Euskaltel Group provides services to 12,918 customers in this segment.

- Large Accounts: the Euskaltel Group's Large Account customer base includes both public entities and large corporations. The headquarters of these companies are chiefly based in the Basque Country, Asturias and Galicia and a portion of the Large Account customers also do business outside their home regions. Large Accounts have technically complex requirements and the Euskaltel Group designs tailor-made solutions based on each customer's specific needs. These include symmetrical fibre access with speeds of up to 1 Gbps, FMC, SIP Trunking, MLPS networks, cloud firewalls and virtual data centres.

<u>Wholesale and other revenue</u>

- The Euskaltel Group renders communications services to wholesale clients (most of whom are telecommunications companies in direct competition with the Euskaltel Group) including leased lines, data and voice services using the Euskaltel Group's installations and infrastructures to render services to their customers. For example, Euskaltel announced on 17 December 2018 that it had signed a new agreement with *Reial Automòbil Club de Catalunya* ("**RACC**") to offer its range of services to RACC's members in Catalonia. The Euskaltel Group renders leased lines services in SDH line access, Ethernet and Dark Fibre technologies, Voice Services (which allow distributors to complete calls to end users originating or ending in the Euskaltel Group's territory) and enabling services which are based on the Euskaltel Group's BSS network and Mobile Core Network.

The Euskaltel Group also offers mobile enabler and systems enabler services as well as placement and resale of voice services.

Current trading and prospects

On 5 November 2018, Euskaltel released its results presentation for the third quarter of 2018. An extract of the associated press release is set out below and has been amended to reflect information from the results presentation, which presents pro forma results and KPIs for the Euskaltel Group that have been adjusted to include a full year of performance in 2017 from Telecable which was acquired by Euskaltel on 26 July 2017.

The Euskaltel Group, comprising Euskaltel, R Cable and Telecable, has announced its results for the third quarter of 2018, which show revenue growth of 17.4% on a statutory basis (decline of 1.5% on a pro forma basis), increasing revenue on a statutory basis (decreasing on a pro forma basis) to €521.1 million while net income stands at €46.6 million, which is 42% higher than in the first nine months of 2017 on a statutory basis (261% higher on a pro forma basis).

EBITDA (as presented and defined by Euskaltel as net income plus depreciation and amortisation plus/minus impairment) hit €252.9 million, up 15.3% compared to the third quarter of 2017 on a statutory basis (down 0.2% on a pro forma basis) with a 48.5% revenue margin (defined as operating cash flow divided by total revenue), which rises 0.6% due to Euskaltel's announced synergies and efficiency measures.

Operating cash flow (as presented by Euskaltel as EBITDA minus investments (as defined by Euskaltel)) stands at €148.8 million with a 28.5% revenue margin, which would have risen to 32.4% if Euskaltel's integration and expansion plans had not been taken into consideration, compared to 31.3% in the first half of 2018. Overall, the Euskaltel Group has generated €85 million of free cash flow during the first nine months of 2018, which is nearly 17% of revenue.

Positive expansion progress

Euskaltel's expansion plan, which was set in motion in 2018, is progressing satisfactorily. The Euskaltel Group now has over 2,000 customers in Navarre, where Euskaltel expects to forge ahead with its expansion plan by opening new sales points, aiming to exceed 4,000 new customers in this region by the end of 2018.

Euskaltel's expansion experience in Navarre has highlighted Euskaltel's technical experience in providing FTTH solutions and IPTV via a third party network, as a result of the strategic agreement with Orange Spain that gives the Euskaltel Group access to 10 million homes across Spain.

Euskaltel has announced growth forecasts for its plan to expand beyond its local markets, a total of 700,000 homes, where it expects to attract 90,000 new clients by 2022. Similarly, Euskaltel has updated its business plans due to results and new business opportunities and it expects revenue generated in the new territories to be around 8% of the Euskaltel Group's total revenues in 2022.

Furthermore, with regards the deployment of its networks in regions within the Euskaltel Group's local markets where there was still no access to services, the Euskaltel Group will provide access to services for 100,000 new homes.

During the third quarter of 2018, the Euskaltel Group has also continued to modernise the quality and capacity of its network, rolling out DOCSIS 3.1 technology. This improvement will ensure that the Euskaltel Group's network offers customers the highest speeds and most advanced products and services.

Business segment

The business segment had revenue growth of 17.8% on a statutory basis (0.3% on a pro forma basis) up to €143.4 million. This growth in both revenues and customers is based on new contracts in the SME and Large Account segments thanks to the new sales initiatives aimed at SMEs and the strategic alliance signed in the first quarter of 2018 with Microsoft Corporation, which consolidates Euskaltel's position and strength as the lead operator in the digital transformation of companies. R Cable has been awarded the development and execution phases of the Smart City project for the city of Lugo.

Residential segment

The Euskaltel Group's customers have contracts for over 2,363 million products, representing approximately 39,000 new contracts in 2018.

During 2018, there have been 32,528 new lines. The TV segment has seen 13,555 new customers and the number of contracts for broadband products has increased by 4,024.

Progress in contracts for services and products in the residential segment is evidenced by the record penetration rates for all products across the customer base: broadband - 85.9% (an increase of 0.2% compared to the first half of 2018); mobile phones - 80.2% (an increase of 0.1% compared to the first half of 2018); Pay TV - 70.9% (an increase of 0.4% compared to the first half of 2018).

As a result of Euskaltel's convergent strategy, the number of high-value customers with 3P and 4P contracts stands at 69% of all customers, representing an average of 3.6 products per user.

Net growth in residential customers in the first nine months of the year dropped slightly by 0.3%.

Revenue over the third quarter of 2018 in the residential segment has been positive with growth of 0.5% compared to the second quarter of 2018.

Dividend

Euskaltel's board of directors has approved the distribution of an interim dividend against 2018 results for a gross amount of €0.14 per share, an increase of around 10% compared to 2017. The payment date will be February 2019.

Euskaltel board structure

As at 11 January 2019, the Euskaltel board of directors consisted of 12 directors (2 executive, 4 proprietary and 6 independent). Zegona currently has one proprietary director, Robert Samuelson, on the Euskaltel board of directors. There is a right under the Spanish Capital Companies Act for significant shareholders to appoint proprietary directors based on the proportional size of their holdings although these rights can be qualified based on other factors such as a company’s bye-laws, which in the case of Euskaltel require that: (i) the Euskaltel board of directors shall consist of a maximum of 15 directors; (ii) there is a majority of proprietary or independent directors over executive directors on the Euskaltel board of directors; and (iii) the number of independent directors represents at least half of all the members of the Euskaltel board of directors. Any director nominated by Zegona would need to be assessed by Euskaltel's Appointments and Remuneration Committee and approved by Euskaltel's shareholders at a general meeting.

Market overview

Spanish macroeconomic environment

After a downturn in 2012 and 2013, the Spanish economy is among the fastest growing in the Euro area and has experienced a period of growth in recent years: GDP grew by 1.4% in 2014, 3.4% in 2015, 3.3% in 2016 and 3.1% in 2017 (source: European Commission in its Spring 2018 European Economic Forecast). GDP growth is forecast at 2.6% for 2018 and 2.2% in 2019 (source: European Commission in its Autumn 2018 European Economic Forecast), resulting in a sustained decrease of unemployment from 24.5% in 2014 to 15.3% forecasted for 2018 and 13.8% forecasted for 2019 (source: European Commission in its Spring 2018 European Economic Forecast). This improving economic environment has been accompanied by increases in consumer spending and consumer confidence from lows during the 2012 and 2013 economic downturn.

The Euskaltel Group operates almost exclusively in the Basque Country, Galicia and Asturias and its success is therefore closely tied to general economic developments in those regions and cannot be offset by developments in other markets. The Basque, Galician and Asturian economies followed a similar pattern to the Spanish economy in recent years, with GDP increasing by 3.1% in 2015, 2.8% in 2016 and 3.1% in 2017 in the Basque Country, 3.1% in 2015, 1.9% in 2016 and 3.5% in 2017 in Asturias and 3.2% in 2015, 3.4% in 2016 and 3.1% in 2017 in Galicia (source: INE). The unemployment rate was 9.42% in the Basque Country, 13.45% in Asturias and 12.24% in Galicia in the third quarter of 2018 (source: INE).

Spanish telecommunications market

Similar to the improvement in the Spanish economy more generally, the telecommunications sector in Spain has continued to recover from the 2012/2013 recessionary period with year-on-year revenue growth in the sector increasing from a low of -9.5% in 2012 to +1.4% forecast for 2018 and +2.1% forecast for 2019. This revenue growth has been underpinned by increasing demand for services with demand for broadband services increasing by 4%, Pay TV increasing by 9% and postpaid mobile lines increasing by 5% from December 2016 to December 2017. Many operators in the telecommunications market in Spain are seeking to build profitable growth, and the trend of sustained price repair has also continued throughout 2017 and into 2018, with all major Spanish operators generally increasing prices (source: Morgan Stanley Report).

The information set out below provides an overview of the electronic communications market in Spain (extracted without material adjustment from the European Commission's Digital Economy and Society Index for 2018).

The electronic communications market in Spain recovered after a decrease in revenues since 2009. Retail revenues were almost constant in 2017 while wholesale revenues increased mainly because of growth in wholesaling of audio-visual services.

Three large convergent operators (Telefónica, Vodafone Spain and Orange Spain) accounted for more than 90% of the retail market for broadband access, followed by a fast growing fourth national player, MásMóvil. With the exception of a stable market share for fixed business services, Telefónica's market share in fixed broadband continued to decrease (41.17% in December 2017), followed by Orange Spain (27.66%) and Vodafone Spain (23.38%). By December 2017, MásMóvil had more than doubled its fixed broadband market share compared to the first quarter (3.51% vs. 1.4%). The Euskaltel Group had consolidated its position as a regional operator in the north of Spain with the acquisition in 2016 of R Cable in Galicia and in June 2017 of Telecable in Asturias. Despite its regional footprint, the Euskaltel Group was already the fourth operator in terms of broadband lines.

Bundling remained the most representative way that operators used for commercialising electronic communications services in Spain. 70.39% of fixed access lines and 96.68% of broadband accesses were part of a bundle. "Four-play" (including mobile services but no IPTV) and "Five-play" bundles played a particularly important role and accounted for more than 79% of all bundles. In the first quarter of 2017, "Five-play" bundles reached 4.8 million, roughly a 20% increase over the previous year, and "Four-play" bundles numbered 6.3 million.

Pay TV services continued to grow and reached 6 million individual subscriptions in the first quarter of 2017. Revenues generated by Pay TV services had been more modest: despite a 50% increase in the number of subscriptions over the last three years, total revenue generated by Pay TV services had only increased by 20%.

In this context, content (in particular premium content) had become a key element to compete in the Spanish electronic communications markets, but also increased cost for operators. The availability and access to premium content (in particular football) was important for some operators. All operators criticised the upwards price spiral (+60%) of football rights. The obligation for Telefónica to provide access to its football rights was based on a 2015 CNMC merger remedy that included a formula for the calculation of the access price. Since then, the rights ownership has moved from Telefónica to Mediapro that continued to apply the same pricing model on the operator's share in the Pay TV market and 20 to 25% on its share in the broadband market. The sector was concerned as the football association had no incentive to limit the acquisition price of football rights.

a. Fixed markets (extracted without material adjustment from the European Commission's Digital Economy and Society Index for 2018)

Investment in fixed services continued to be largely focused on the deployment of FTTH/B networks. In parallel to a decline in the number of DSL lines (from 50.6% to 41.6%), the number of FTTH/B continued to grow at a fast pace from 29.7% to 39.2% in one year. Telefónica has deployed the largest FTTH/B network reaching more than 17.5 million building units (in the first quarter 2017), followed by Orange Spain with 10 million building units (after adding 2 million new building units in one year between 2016 and 2017). Vodafone Spain has also sped up its FTTH/B rollout, doubling the number of building units covered by its network, which reached nearly 3.4 million building units.

This strong growth in the deployment of fibre networks has been supported by regulatory measures as described below as well as co-investment agreements complemented by several commercial wholesale access agreements.

The fixed broadband price index for Spain showed an improvement (from the 23rd to the 22nd position) but prices in Spain remained still more expensive than the EU average. As explained above, the context is a convergent market dominated by bundles and characterised by increasing internet access speeds (supported by a very substantial investment in the deployment of FTTH/B networks) where price increases in the flagship-bundled products of the main operators were generally linked to different improvements (inclusion of more bandwidth, higher allowances for data and voice traffic, additional mobile lines or the inclusion of premium TV content).

b. Mobile market (extracted without material adjustment from the European Commission's Digital Economy and Society Index for 2018)

4G coverage in Spain reached 92% of households, slightly above the EU average (91%). This was the result of the substantial investment by the main three mobile network operators (MNOs) that carried out an important 4G deployment in 2017.

The MNOs have reached network sharing agreements, similar to those previously reached for 3G-2G networks.

Compared to 2016, the MVNOs' market share fell by slightly more than 2% due to the mergers that have taken place since 2014. However, the mobile market does not appear to be growing more concentrated since an alternative operator, MásMóvil, the fourth operator as indicated above, has also increased its share.

OTTs had a substantial impact on SMS but far less on the consumption of mobile voice services. The growing popularity of messaging apps, especially WhatsApp, was making the use of SMS residual for the mass market.

Stand-alone mobile broadband prices for handset offers have substantially decreased in the past year, and are even below the EU average. The price for mobile broadband for tablets and laptops, a product that is not widely sold on the Spanish market, has also decreased in 2017 although it remains above the EU average.

Market development

In recent years, there has been significant consolidation in the Spanish telecommunications and television market, primarily through mobile-centric operators acquiring fixed-line assets operators. In March 2014, Vodafone Spain acquired ONO and, in July 2015, Orange Spain acquired Jazztel. These acquisitions have created a landscape dominated by three main convergent operators at the Spanish national level: Telefónica, Vodafone Spain and Orange Spain. In addition, in November 2015, Euskaltel acquired R Cable and, in July 2017, acquired Telecable. Furthermore, in September 2016, MásMóvil acquired Yoigo and Pepephone. Euskaltel has frequently been cited as a candidate for a combination with another national operator and Zegona estimates that, should this happen, approximately €130-150 million of synergy value could be created, which would logically increase if the business grew beyond its current scale. The trend for consolidation in Spain has also been mirrored in other European TMT markets with a number of recent transactions at attractive multiples, including Vodafone's acquisition of Liberty Global's operations in Germany, the Czech Republic, Hungary and Romania announced in May 2018, Telia's acquisition of GET and TDC Norway in October 2018 and Tele2's acquisition of Com Hem in November 2018.

FTTH network expansion

Spain enjoys one of the highest levels of FTTH in Europe, with Telefónica having approximately 17.5 million FTTH lines installed and with Orange Spain also having an extensive FTTH network with approximately 10 million lines installed. Vodafone Spain uses a mixture of cable (acquired with the purchase of ONO in 2014) and FTTH to provide high speed services to its customers. According to Euskaltel, the Euskaltel Group presently passes approximately 2.2 million homes with its fibre-rich cable. Typically, providers do not exclusively own complete national FTTH networks but provide services to customers through a combination of owned or jointly owned infrastructure, wholesale access agreements where they pay a monthly or annual fee per customer connected and network co-investment arrangements where they pay an initial fixed fee of around €60-70 per home passed in order to gain long term access rights, and which gives owner economics. Each provider uses its judgement to determine what mix of solutions would work best in each market location. The availability of wholesale access arrangements, both through regulated access and commercial agreements, provides the opportunity to grow with relatively limited upfront investment, with the opportunity to then convert to a co-investment model on a success driven basis.

For example, in February 2018, Telefónica announced that it had reached a new commercial wholesale deal for Orange Spain to access Telefónica's FTTH network, representing an extension of the previous 2016 agreement on which Orange Spain could continue accessing Telefónica's network in non-regulated areas defined by current regulation. This reinforced the mutual commitment of these parties of a long-term wholesale relation in areas where Orange Spain is not planning to deploy its own FTTH network. Telefónica stated that the agreement was based on long-term guaranteed sales and proved the synergies obtained from increasing the use of Telefónica's network which optimises deployment efficiency and investment for both companies, and that the agreement would also benefit subscribers who would gain access to a wider FTTH coverage, increasing the access to digital economy services. A similar agreement between Telefónica and Vodafone Spain was reached in 2017.

In September 2018, MásMóvil announced that it had reached an agreement with Vodafone Spain to share a FTTH network of around 1.9 million building units, which will be reached in a maximum period of four years. As part of this agreement, MásMóvil and Vodafone Spain will provide long term rights of use (34 years) for each other's FTTH footprint. MásMóvil stated that the agreement allows it to exceed significantly its 2018 FTTH own network target of 5.1 million building units to more than 5.4 million building units and will improve MásMóvil's competitiveness and FTTH profitability as its FTTH network footprint increases in the short term.

PART X - SECTION A: OPERATING AND FINANCIAL REVIEW OF THE ZEGONA GROUP

This Part X (Operating and Financial Review) should be read in conjunction with Part XI (Historical Financial Information). The financial information considered in this Part X (Operating and Financial Review) is extracted from the financial information of the Zegona Group set out in Parts A and B of Part XI (Historical Financial Information). The consolidated financial statements referred to in this discussion have been prepared in accordance with IFRS as adopted by the EU.

1 OVERVIEW

The Company's strategy is to seek to provide Zegona 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 Zegona Shareholders through a properly executed strategy being applied to selected assets within the European TMT sector. The first of such opportunities was the acquisition of Telecable which completed on 14 August 2015 for a total consideration of €640.5 million. On 26 July 2017, the Zegona Group completed the sale of Telecable to Euskaltel in exchange for cash consideration, contingent consideration and an approximate 15% equity interest in Euskaltel. The sale also represented an attractive return for Zegona Shareholders, with an implied value for Telecable at completion that corresponded to an implied Zegona share price of £1.88 per share and a 34% Total Shareholder Return. Central to Zegona's strategy is a commitment to return surplus cash to investors following successful disposals and Zegona delivered on this after selling Telecable when Zegona returned £139.7 million to Zegona Shareholders through a tender offer in 2017, while retaining €10.2 million of cash at 31 December 2017.

The Directors believe the outlook for telecommunications businesses in Spain continues to be positive, which provides Euskaltel with a solid foundation for growth. The broader Spanish economy continued to perform well in 2017, with GDP growth of 3.1% in 2017 and 2.6% expected in 2018. The telecommunications market in Spain continues to be rational with most players seeking to build profitable growth. The trend of sustained price repair also continued throughout 2017 and into 2018, with all major Spanish operators increasing prices.

2 KEY FACTORS AFFECTING OPERATIONS

The results of the Zegona Group's operations have been, and will continue to be, affected by many factors, some of which are beyond the Zegona Group's control. This section sets out certain key factors that the Directors believe have affected the Zegona Group's results of operations in the period under review or could affect its results of operations in the future.

Acquisition and disposal of Telecable

The Zegona Group acquired the entire share capital of Telecable on 14 August 2015. The results of Telecable were consolidated in the Zegona Group's financial statements from that date, and Telecable contributed €53.0 million of revenue (total Zegona Group revenue of €53.0 million) and €8.4 million of loss before income tax (total Zegona Group loss before income tax of €16.4 million) to the financial results of the Zegona Group in the period ended 31 December 2015. Following a full year of consolidation, Telecable contributed €140.8 million of revenue (total Zegona Group revenue of €140.8 million) and €18.7 million of loss before income tax (total Zegona Group loss before income tax of €10.9 million) to the financial results of the Zegona Group for the year ended 31 December 2016.

The Zegona Group sold the Telecable business to Euskaltel on 26 July 2017 and realised a gain on the sale of €57.8 million, which was the primary driver of profit for the year ended 31 December 2017. The Total Shareholder Return for Telecable of 34% achieved during the year ended 31 December 2017 also benefitted from the favourable timing of the Telecable sale, which allowed Zegona to crystallise part of the value from the 20% appreciation in the Sterling/Euro exchange rate from €1.40 to €1.11 during the Zegona Group's period of ownership.

Following the sale of Telecable, the Zegona Group returned £139.7 million to Zegona Shareholders through a tender offer in October 2017 as part of its strategy to return surplus cash to investors following successful disposals. The Zegona Group also retained €10.2 million of cash as at 31 December 2017.

Investment in Euskaltel

As part of the sale of Telecable, the Zegona Group received 26.8 million shares in Euskaltel, which represented approximately 15% ownership. On receiving the Zegona Group’s equity interest on 26 July 2017, the carrying value of the investment in Euskaltel was €223.8 million, which corresponded to a prevailing Euskaltel share price of €8.35. At 31 December 2017, the value of the investment had reduced by €41.6 million to €182.2 million, resulting from a fall in the Euskaltel share price by 18.6% to €6.80. This decrease was recognised in the Zegona Group's available for sale reserve. Subsequent to that, the Euskaltel share price traded in line with its value as at 31 December 2017.

Dividends paid by Zegona to Zegona Shareholders are largely funded by the receipt of dividends from Euskaltel. The Zegona Group recognised dividend income from Euskaltel of €7.5 million for the nine months ended 30 September 2018 from receipt of a €0.127 per share dividend, totalling €3.4 million, on 1 February 2018 and a €0.151 per share dividend, totalling €4.0 million, on 5 July 2018.

Financial effect of implementing the Euskaltel Share Acquisition

A significant factor affecting the Zegona Group's results of operations in the future will be the financial impacts of implementing the Euskaltel Share Acquisition and the increased ownership in Euskaltel, which in turn will be heavily dependent on four factors that are uncertain until after the Transaction has been completed, namely:

- The price at which Zegona can acquire Euskaltel Shares through market purchases;
- The price of the Euskaltel Shares immediately upon, and in the period following, the completion of the Euskaltel Share Acquisition and the number of Euskaltel Shares Zegona chooses to buy;
- The correct accounting treatment of the Zegona Group’s investment in Euskaltel; and
- Whether there are any material adjustments required to conform Zegona’s and Euskaltel's accounting policies.

Given the size of the investment in Euskaltel as a proportion of the Zegona Group's net assets, the impact of these items will almost certainly be material to the Zegona Group's financial position and results of operations, and it is difficult to give a meaningful estimate of the effects of implementing the Euskaltel Share Acquisition.

Zegona will need to revisit its current conclusion on the appropriate accounting treatment of the Zegona Group's investment in Euskaltel in light of the results of the Euskaltel Share Acquisition, and expects to conclude as a consequence of the Euskaltel Share Acquisition either:

(1) That it continues not to have significant influence over Euskaltel and should continue to account for its investment as a financial asset measured at fair value through profit or loss under IFRS 9. If this is the case:

    ◦ The Zegona Group will continue to recognise its investment at fair value. Assuming (a) the Euskaltel Share Acquisition had happened on 1 January 2018, (b) Zegona was able to acquire 19.8 million Euskaltel Shares at a price of €7.00 per Euskaltel Share, and (c) the Euskaltel share price both on completion of the Euskaltel Share Acquisition and on 30 September 2018 was the same as the assumed Euskaltel Share Acquisition price of €7.00 per Euskaltel Share (the volume weighted average price from 21 December 2018 to 11 January 2019), this would result in an increase to the Zegona Group's total assets as at 30 September 2018 of €144.6 million, representing €138.6 million of new shares and a gain of €6.0 million on revaluing the existing 15% holding to the assumed share price on the assumed completion date. This revaluation would be recognised as finance income in the consolidated statement of comprehensive income. There is no certainty that Zegona will be able to acquire Euskaltel Shares at the volume weighted average price of €7.00, and the

Euskaltel share price was €7.26 on 11 January 2019.

- In 2018, Euskaltel paid total dividends of €0.278 per share in two instalments, with an interim dividend of €0.127 per share paid on 1 February 2018 and a final dividend of €0.151 per share paid on 5 July 2018. Had the Zegona Group acquired 19.8 million Euskaltel Shares as at 1 January 2018, the Zegona Group's dividend income for the nine months to 30 September 2018 would have been €13.0 million, an increase of €5.5 million.

- The Zegona Group's total assets would also have increased by approximately €3.0 million, representing additional cash received under the Placing and draw downs on the New Facilities, net of estimated transaction fees paid of €5.2 million.

- Assuming Zegona drew down £30 million on the New Facilities on 1 January 2018 (valued at €33.7 million as at 30 September 2018) and assuming a constant LIBOR rate of 0.9%, the Zegona Group would have incurred finance costs of €1.3 million for the nine months ended 30 September 2018, which would also have reduced total assets.

- Therefore, the net increase to net assets would have been €118.2 million and the net increase to profit would have been €5.0 million as at and for the nine months ended 30 September 2018 if the Euskaltel Share Acquisition and Placing had taken place on 1 January 2018 and based on the assumptions described above.

(2) That it has significant influence over Euskaltel and will, therefore, need to apply equity accounting to Euskaltel from the date on which significant influence is gained. If this is the case:

- The Zegona Group would recognise its interest in associate at fair value on the date on which significant influence is gained, which is deemed to be the acquisition cost of the investment. Subsequently, the cost of the interest in associate is only adjusted to recognise:

  (i) The Zegona Group's share of the profit or loss of the Euskaltel Group;

  (ii) The Zegona Group's proportionate interest in the Euskaltel Group arising from changes in the Euskaltel Group's other comprehensive income; and

  (iii) The dividends received from Euskaltel.

- Assuming (a) the Euskaltel Share Acquisition had happened on 1 January 2018, (b) Zegona was able to acquire 19.8 million Euskaltel Shares at a price of €7.00 per Euskaltel Share, and (c) the Euskaltel Share price both on completion of the Euskaltel Share Acquisition and on 30 September 2018 was the same as the assumed Euskaltel Share Acquisition price of €7.00 per Euskaltel Share (the volume weighted average price from 21 December 2018 to 11 January 2019), this would result in an increase to the Zegona Group's total assets as at 30 September 2018 of €144.6 million, representing €138.6 million of new shares and a gain of €6.0 million on revaluing the existing 15% holding to the assumed share price on the assumed completion date. There is no certainty that Zegona will be able to acquire Euskaltel Shares at the volume weighted average price of €7.00, and the Euskaltel share price was €7.26 on 11 January 2019.

- In 2018, Euskaltel paid total dividends of €0.278 per share in two instalments, with an interim dividend of €0.127 per share paid on 1 February 2018 and a final dividend of €0.151 per share paid on 5 July 2018. Had Zegona acquired 19.8 million Euskaltel Shares as at 1 January 2018, dividends received by the Zegona Group for the nine months to 30 September 2018 would have been €13.0 million and this would have decreased the carrying value of the interest in associate, and cash would have increased by €5.5 million.

- The Euskaltel Group reported total net income for the nine months ended 30 September 2018 of €46.6 million. Assuming (a) no adjustments are required to conform Euskaltel's accounting policies to Zegona's, (b) the Euskaltel Group had recognised no material amounts within other comprehensive income, (c) the Euskaltel Share Acquisition had happened on 1 January 2018 and (d) Zegona acquired 19.8 million Euskaltel Shares, this would result in income of €12.2 million being recognised within share of profit of associate for the nine months ended 30 September 2018 and an increase in the carrying value of the interest in associate.

- The Zegona Group's total assets would also have increased by approximately €3.0 million, representing additional cash received under the Placing and draw downs on the New Facilities, net of estimated transaction fees paid of €5.2 million.

- Assuming Zegona drew down £30 million on the New Facilities on 1 January 2018 (valued at €33.7 million as at 30 September 2018) and assuming a constant LIBOR rate of 0.9%, the Zegona Group would have incurred finance costs of €1.3 million for the nine months ended 30 September 2018, which would also have reduced total assets.

- Therefore, the net increase to net assets would have been €117.4 million and the net increase to profit would have been €4.2 million as at and for the nine months ended 30 September 2018 if the Euskaltel Share Acquisition and Placing had taken place on 1 January 2018 and based on the assumptions described above.

- If it is concluded that the investment in Euskaltel is an associate, Zegona will also need to test the carrying value of the investment in Euskaltel for impairment.

Spanish economic environment

The macroeconomic environment in Spain, and the Spanish TMT market more specifically, has been a significant factor affecting the Zegona Group's results of operations indirectly through its impact on the performance of the Telecable business, including the price at which the Zegona Group was able to sell it, and the share price performance of Euskaltel.

During the period under review, the Spanish economy has been among the fastest-growing in the Euro area and has experienced a period of growth following the economic downturn in 2012 and 2013 (*Source: European Commission*). The Euskaltel Group operates almost exclusively in the Basque Country, Galicia and Asturias, which have followed a similar pattern to the Spanish economy in recent years. Despite relatively high levels of unemployment persisting, this improving economic environment has been accompanied by increases in consumer spending and consumer confidence from lows during the 2012 and 2013 economic downturn (*Source: European Commission*).

Similar to the improvement in the Spanish economy more generally, the telecommunications sector in Spain has continued to recover from the 2012/2013 recessionary period with year-on-year revenue growth in the sector expected for 2018 and 2019. This revenue growth has been underpinned by increasing demand for services offered by Euskaltel and Telecable such as broadband, Pay TV and postpaid mobile lines. There has also been a trend of sustained price repair in the Spanish TMT market with all major Spanish operators generally increasing prices, which has had a positive impact on the Euskaltel and Telecable businesses (*Source: Morgan Stanley Report*).

Interest rate fluctuations

To the extent Zegona needs to draw down amounts available under the New Facilities, its results of operation will be impacted by the interest and repayments due under the New Facilities. In addition, interest rates may fluctuate and interest rates on the New Facilities or any other variable rate indebtedness the Zegona Group may incur could be higher or lower than current levels. If interest rates increase, the Zegona Group's debt service obligations on its variable rate indebtedness would increase even though the amount borrowed remained the same, and the Zegona Group's profit and cash flows, including cash available for servicing its indebtedness, would correspondingly decrease.

Currency fluctuations

While the Company's and Zegona Limited's functional currencies are Sterling, the Zegona Group's presentational currency is Euros. The holding of Euro-denominated assets has resulted in exchange differences that have had an impact on the Zegona Group's consolidated statement of comprehensive income, including a €667k gain for the nine months ended 30 September 2018 and a €334k loss for the year ended 31 December 2017, which was primarily driven by the Zegona Group's acquisition of the Euro-denominated Euskaltel investment in 2017. The principal ongoing impact of currency fluctuations is the Zegona Group's ability to maintain the Sterling value of dividends paid by Euskaltel in Euros in order to maintain its dividend policy. Fluctuations in the Sterling/Euro rate could also have an impact on the Sterling value of the Zegona Group's investment in Euskaltel, and as a result, the Sterling value of the proceeds from any future sale of Euskaltel Shares that the Zegona Group may distribute to Zegona Shareholders may be reduced.

3 CURRENT TRADING AND PROSPECTS

Since 30 September 2018, the Zegona Group has continued to perform broadly in line with its expectations for 2018, with no significant variations in key financial or operating metrics. The Zegona Group's costs have been in line with expectations since 30 September 2018.

The Company declared an interim dividend on 16 November 2018 at a rate of 2.8 pence per Zegona Share, equivalent to £3,534,145. The dividend was paid on 28 December 2018.

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

4 COMPARABILITY OF RESULTS OF OPERATIONS

The Zegona Group completed the sale of Telecable on 26 July 2017. As a result, Telecable's results were reported as a discontinued operation within the consolidated statement of comprehensive income for the year ended 31 December 2017, including a restatement of the comparative results for the year ended 31 December 2016 included in the Zegona 2017 Annual Report. Where comparative information has been restated for the inclusion of Telecable in discontinued operations, this is shown by marking each affected column as "Restated".

Telecable was the sole operating business of the Zegona Group for the period ended 31 December 2015. Telecable was acquired on 14 August 2015, therefore, while 2016 actual results include a full 12 months of Telecable's performance, amounts for 2015 in the consolidated financial statements only include the trading of Telecable for the four months and 17 days post acquisition.

5 RESULTS OF OPERATIONS

Comparison of results of operations for the nine months ended 30 September 2018 and 2017

	Nine months ended 30 September	
	2018	**2017**
	(Unaudited)	
	(in €000)	
Continuing operations		
Administrative and other operating expenses:		
- Corporate costs	(2,671)	(3,254)
- Significant project costs	(707)	(3,097)
Operating loss	**(3,378)**	**(6,351)**
Finance income	7,464	86
Finance costs	(990)	-
Exchange differences	667	(385)
Profit/(loss) for the period before income tax	**3,763**	**(6,650)**

	Nine months ended 30 September	
	2018	2017
	(Unaudited)	
Income tax	(32)	(11)
Profit/(loss) for the period from continuing operations	**3,731**	**(6,661)**
Discontinued operation		
Profit for the period from discontinued operation	-	54,564
Profit for the period attributable to equity holders of the parent	**3,731**	**47,903**

5.1 Administrative and other operating expenses

Costs are incurred by all Zegona Group entities supporting the corporate activities of the Zegona Group, including staff and premises costs related to Zegona's management team, ongoing costs of maintaining the corporate structure, evaluating new acquisition opportunities and executing acquisition and disposal activities.

Corporate costs

Corporate costs for the nine months ended 30 September 2018 were €2,671k compared to €3,254k for the nine months ended 30 September 2017, representing an 18% decrease. This was driven by a fall in legal and professional fees for the Company's reduced operations following the sale of Telecable in 2017.

Significant project costs

Significant project costs for the nine months ended 30 September 2018 were €707k compared to €3,097k for the nine months ended 30 September 2017, representing a 77% decrease. During 2017, significant project costs were principally professional fees and insurance costs related to the disposal of Telecable, whereas during the first nine months of 2018 there were no significant projects or due diligence costs incurred whilst opportunities were sought and assessed by Zegona's management team until work by advisers commenced on the Transaction in the third quarter of 2018.

5.2 Finance income

Finance income for the nine months ended 30 September 2018 was €7,464k compared to €86k for the nine months ended 30 September 2017. In 2018, the finance income resulted primarily from dividends received from Euskaltel during the period. No dividends were received from Euskaltel during 2017.

5.3 Finance costs

Finance costs for the nine months ended 30 September 2018 were €990k compared to €nil for the nine months ended 30 September 2017. In 2018, the finance costs resulted from the loss on fair value of both the investment in Euskaltel and the contingent consideration receivable from Euskaltel following the sale of Telecable on 26 July 2017. In 2017, the movements in fair value of these financial assets were recognised within other comprehensive income in accordance with IAS 39, with the movements reclassified to retained earnings upon adoption of IFRS 9 on 1 January 2018.

5.4 Exchange differences

Exchange differences for the nine months ended 30 September 2018 totalled a €667k gain compared to a €385k loss for the nine months ended 30 September 2017. This was driven by the acquisition of the investment in Euskaltel during 2017, with the euro-denominated shares being owned by Zegona Limited, which has a functional currency of Sterling.

5.5 Income tax

Income tax expense for the nine months ended 30 September 2018 was €32k compared to €11k for the nine months ended 30 September 2017, representing a 191% increase. Income tax is incurred by the

Zegona Group's Luxembourg entities and the 2018 expense includes an adjustment to 2017 following the preparation of the Luxembourg tax returns by Zegona's tax advisers.

5.6 Profit for the period from discontinued operation

Profit for the period from discontinued operation for the nine months ended 30 September 2018 were €nil compared to €54,564k for the nine months ended 30 September 2017. This was driven by Telecable being included in the results for the nine months ended 30 September 2017 prior to its sale on 26 July 2017 and the resulting gain on the sale of Telecable.

Comparison of results of operations for the years ended 31 December 2017 and 2016

	Year ended 31 December	
	2017	**2016 Restated[(1)]**
	(in €000)	
Continuing operations		
Administrative and other operating expenses:		
- Corporate costs	(6,149)	(3,841)
- Significant project costs	(4,858)	(2,043)
Operating loss	**(11,007)**	**(5,884)**
Finance income	105	47
Finance costs	-	(409)
Exchange differences	(334)	(66)
Loss for the year before income tax	**(11,236)**	**(6,312)**
Income tax expense	(11)	(96)
Loss for the year from continuing operations	**(11,247)**	**(6,408)**
Discontinued operation		
Profit for the year from discontinued operation	53,017	920
Profit/(loss) for the year	**41,770**	**(5,488)**

Note:
(1) Restated to include the results of Telecable within discontinued operations.

5.7 Administrative and other operating expenses

Costs are incurred by all Zegona Group entities supporting the corporate activities of the Zegona Group, including staff and premises costs related to Zegona's management team, ongoing costs of maintaining the corporate structure, evaluating new acquisition opportunities and executing acquisition and disposal activities.

Corporate costs

Corporate costs for the twelve months ended 31 December 2017 were €6,149k compared to €3,841k for the twelve months ended 31 December 2016, representing a 66% increase. This was driven by an increase in the costs of the Company's ongoing corporate operations and included performance-related bonuses for the first time since the Company's incorporation.

Significant project costs

Significant project costs for the twelve months ended 31 December 2017 were €4,858k compared to €2,043k for the twelve months ended 31 December 2016, representing a 138% increase. During 2017, significant project costs were principally professional fees and insurance costs related to the disposal of Telecable and stamp duty reserve tax and professional fees related to the tender offer to repurchase the Company's ordinary shares. During 2016, the significant project costs related to the potential acquisition of the Yoigo business in Spain.

5.8 Finance income

Finance income for the twelve months ended 31 December 2017 was €105k compared to €47k for the twelve months ended 31 December 2016, representing a 123% increase. This was driven by bank interest on the funds received from the sale of Telecable prior to the return of capital by the tender offer in October 2017 and a gain on execution of an FX forward settled in February 2017.

5.9 Finance costs

Finance costs for the twelve months ended 31 December 2017 were €nil compared to €409k for the twelve months ended 31 December 2016. In 2016, the finance costs resulted primarily from the loss on execution of an FX forward settled in September 2016.

5.10 Exchange differences

Exchange differences for the twelve months ended 31 December 2017 were a €334k loss compared to £66k loss for the twelve months ended 31 December 2016, representing a 406% increase. This was driven by the acquisition of the investment in Euskaltel during 2017, with the euro-denominated shares being owned by Zegona Limited, which has a functional currency of Sterling.

5.11 Income tax expense

Income tax expense for the twelve months ended 31 December 2017 was €11k compared to €96k for the twelve months ended 31 December 2016, representing an €85k, or 89%, decrease. Income tax is incurred by the Zegona Group's Luxembourg entities and the level of taxable profit driven by interest on an intercompany loan which was repaid on the sale of Telecable.

5.12 Profit for the year from discontinued operation

On 15 May 2017, the Zegona Group signed an agreement to sell Telecable to Euskaltel. The sale completed on 26 July 2017. Telecable was classified as held for sale from 15 May 2017, being the date that the sale became highly probable. In addition, Telecable was classified as a discontinued operation in 2017 and 2016 because Telecable represented a separate major geographical area of operations of the Zegona Group and, from 15 May 2017, there existed a single co-ordinated plan to dispose of Telecable.

Profit for the year from discontinued operation for the twelve months ended 31 December 2017 increased to €53,017k from €920k for the twelve months ended 31 December 2016. This was driven by the gain on sale of Telecable during 2017, amounting to €57,761k.

Comparison of results of operations for the periods ended 31 December 2016 and 2015

	Year ended 31 December 2016[1]	**Period ended 31 December 2015[2]**
	(in €000)	
Revenue	140,798	52,966
Cost of sales	(80,194)	(31,737)
Gross profit	**60,604**	**21,229**
Other income	825	321
Selling and distribution expenses	(32,379)	(10,963)
Administrative expenses	(17,856)	(9,316)
Impairment losses and losses on disposal of assets	(3,552)	(1,703)
Other operating expenses	(4,196)	(7,229)
Operating profit/(loss)	**3,446**	**(7,661)**

	Year ended 31 December 2016[(1)]	Period ended 31 December 2015[(2)]
	(in €000)	
Finance costs	(13,942)	(8,803)
Finance income	62	51
Loss on FX forwards measured at fair value through profit or loss	(409)	-
Exchange differences	(81)	(24)
Loss for the period before income tax	**(10,924)**	**(16,437)**
Income tax	5,436	1,545
Loss for the period	**(5,488)**	**(14,892)**

Notes:
(1) Actual financial information for the year ended 31 December 2016, without restatement.
(2) Period from incorporation on 19 January 2015.

5.13 Revenue

Revenue for the twelve months ended 31 December 2016 was €140,798k compared to €52,966k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 166% increase. Revenue was generated by Telecable, which was acquired by the Zegona Group on 14 August 2015 and hence 2016 includes a full year of its results. Telecable's revenue growth in 2016 was driven by the consumer mobile and business sectors with growth of 10.3% and 6.0%, respectively. Across the broader consumer sector, performance was solid with 1.9% growth compared to 2015. To counter the competitive nature in this sector, the focus was on upselling products and enhancing the overall value proposition to drive growth in customer lifetime value.

5.14 Cost of sales

Cost of sales for the twelve months ended 31 December 2016 was €80,194k compared to €31,737k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 153% increase, broadly in line with the growth in revenue.

5.15 Other income

Other income for the twelve months ended 31 December 2016 was €825k compared to €321k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 157% increase. Other income was generated by Telecable, which was acquired by the Zegona Group on 14 August 2015.

5.16 Selling and distribution expenses

Selling and distribution expenses for the twelve months ended 31 December 2016 were €32,379k compared to €10,963k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 195% increase. Selling and distribution expenses were incurred by Telecable, which was acquired by the Zegona Group on 14 August 2015.

5.17 Administrative expenses

Administrative expenses for the twelve months ended 31 December 2016 were €17,856k compared to €9,316k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 92% increase. The majority of administrative expenses were incurred by Telecable, which was acquired by the Zegona Group on 14 August 2015.

5.18 Impairment losses and losses on disposal of assets

Impairment losses and losses on disposal of assets for the twelve months ended 31 December 2016 were

€3,552k compared to €1,703k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 109% increase. Impairment losses and losses on disposal of assets arose from assets owned by Telecable, which was acquired by the Zegona Group on 14 August 2015.

5.19 Other operating expenses

Other operating expenses for the twelve months ended 31 December 2016 were €4,196k compared to €7,229k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 42% decrease. Other operating expenses include significant project costs of €3,783k in 2016, which were primarily related to the potential acquisition of the Yoigo business in Spain, and were 54% lower than the significant project costs of €8,300k in 2015, which were primarily related to the acquisition of the Telecable business.

5.20 Finance costs

Finance costs for the twelve months ended 31 December 2016 were €13,942k compared to €8,803k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 58% increase. Finance costs were predominately interest on bank loans held by Telecable, which was acquired by the Zegona Group on 14 August 2015.

5.21 Finance income

Finance income for the twelve months ended 31 December 2016 were €62k compared to €51k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 22% increase. Finance income included interest on loans issued by Telecable to certain members of management.

5.22 Loss on FX forwards measured at fair value through profit or loss

Loss on FX forwards for the twelve months ended 31 December 2016 was €409k compared to €nil for the period from incorporation on 19 January 2015 to 31 December 2015. FX forward contracts were used by Zegona in 2016 to hedge the dividends payable by Zegona.

5.23 Exchange differences

Exchange differences for the twelve months ended 31 December 2016 were €81k compared to €24k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a 238% increase. Exchange differences arose primarily from euro-denominated assets being held by companies with a Sterling functional currency.

5.24 Income tax credit

Income tax credit for the twelve months ended 31 December 2016 was €5,436k compared to €1,545k for the period from incorporation on 19 January 2015 to 31 December 2015, representing a €3,891k, or 252%, increase. Income tax was dominated by tax credits of Telecable, which was acquired by the Zegona Group on 14 August 2015.

6 LIQUIDITY AND CAPITAL RESOURCES

The Zegona Group's liquidity requirements arise primarily from the need to fund payment of dividends to Zegona Shareholders and to fund its operations. The Zegona Group's principal sources of liquidity have been cash flows from operating activities and borrowings (prior to the sale of Telecable on 26 July 2017) and dividends received (following its acquisition of the interest in Euskaltel on 26 July 2017).

The Zegona Group maintains cash and cash equivalents to fund the day-to-day requirements of its business. Cash is held primarily in euros. The Zegona Group relies primarily on cash reserves to provide funds required for operations.

Cash flow for the nine months ended 30 September 2018 and 2017

	Nine months ended 30 September	
	2018 (Unaudited)	**2017 (Unaudited)**
	(in €000)	
Net cash flows (used in)/from operating activities	(4,524)	19,437
Net cash flows from/(used in) investing activities	8,067	(42,867)
Net cash flows (used in)/from financing activities	(5,622)	176,807
Net (decrease)/increase in cash and cash equivalents	**(2,079)**	**153,377**
Net foreign exchange differences	(12)	1,785
Cash and cash equivalents at the beginning of the period	10,224	22,435
Cash and cash equivalents at the end of the period	**8,133**	**177,597**

6.1 Net cash flows (used in)/from operating activities

Net cash flows (used in)/from operating activities for the nine months ended 30 September 2018 were (€4,524k), representing a decrease of €23,961k as compared to the inflow of €19,437k for the nine months ended 30 September 2017. Cash flows from operating activities in 2017 included those of Telecable prior to its sale on 26 July 2017.

6.2 Net cash flows from/(used in) investing activities

Net cash flows from investing activities for the nine months ended 30 September 2018 were €8,067k, representing an increase of €50,934k compared to the outflow of €42,867k for the nine months ended 30 September 2017. Cash flows from investing activities in 2018 resulted from dividend receipts of €7,451k from the Zegona Group's investment in Euskaltel on 1 February 2018 and 5 July 2018 and the settlement of the Telecable management loans on 31 January 2018. Cash flows used in investing activities in 2017 included purchases made by Telecable prior to its sale on 26 July 2017 and amounts relating to the disposal of Telecable, net of cash disposed of.

6.3 Net cash (used in)/from financing activities

Net cash flows (used in)/from financing activities for the nine months ended 30 September 2018 were (€5,622k), representing a decrease of €182,429k compared to the inflow of €176,807k for the nine months ended 30 September 2017. The outflow for 2018 relates to the dividend returned to Zegona Shareholders of €5,622k, compared to €5,069k returned to Zegona Shareholders in 2017. In addition in 2017, there was €197k paid on settlement of an FX forward contract and net proceeds of €182,073k from loans held by Telecable.

Cash flows for the years ended 31 December 2017 and 2016 and the period ended 2015

	Year/Period ended 31 December		
	2017	**2016**	**2015**
	(in €000)		
Net cash flows from/(used in) operating activities	16,403	40,001	(937)
Net cash flows used in investing activities	(43,371)	(25,568)	(644,762)
Net cash flows from/(used in) financing activities	14,904	(5,362)	660,110
Net (decrease)/increase in cash and cash equivalents	**(12,064)**	**9,071**	**14,411**
Net foreign exchange differences	(147)	(900)	(147)

	Year/Period ended 31 December		
	2017	2016	2015
	(in €000)		
Cash and cash equivalents at the beginning of the period	22,435	14,264	-
Cash and cash equivalents at the end of the period	**10,224**	**22,435**	**14,264**

6.4 Net cash flows from/(used in) operating activities

Net cash flows from/(used in) operating activities for the year ended 31 December 2017 were €16,403k, representing a decrease of €23,598k as compared to the €40,001k for the year ended 31 December 2016, which represented an increase of €40,938k as compared to the net cash outflow of €937k for the period ended 31 December 2015. Cash flows from operating activities were strongly influenced by Telecable, which was acquired on 14 August 2015 and sold on 26 July 2017.

6.5 Net cash used in investing activities

Net cash flows used in investing activities for the year ended 31 December 2017 were €43,371k, representing an increase of €17,803k as compared to the €25,568k for the year ended 31 December 2016, which represented a decrease of €619,194k as compared to the net cash outflow of €644,762k for the period ended 31 December 2015. Net cash flows used in investing activities for the period ended 31 December 2015 included €632,585k for the acquisition of Telecable (net of cash acquired), and net cash flows used in investing activities for the year ended 31 December 2017 included €27,640k for costs incurred on the disposal of Telecable (net of cash disposed of).

6.6 Net cash flows from/(used in) financing activities

Net cash flows from/(used in) financing activities for the year ended 31 December 2017 were €14,904k, representing an increase of €20,266k compared to the net cash outflow of €5,362k for the year ended 31 December 2016, which represented a decrease of €665,472k compared to the net cash inflow of €660,110k for the period ended 31 December 2015. Net cash flows from financing activities for the period ended 31 December 2015 included €392,417k from the issue of share capital and €282,539k from loans, both primarily related to the funding for the acquisition of Telecable. Net cash flows from financing activities for the year ended 31 December 2017 included a €156,339k outflow for the capital returned relating to the tender offer, offset by a €182,073k net inflow from loans relating to the refinancing of Telecable on its acquisition by Euskaltel.

7 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

7.1 Credit risk

Credit risk arises from cash and cash equivalents, deposits at banks and financial institutions and trade receivables. The Company 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 Company 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. There are no material financial assets that are written down, past due or impaired as at the publication of this Document and there is no collateral or other credit enhancement feature on the Zegona Group's financial assets.

7.2 Liquidity risk

Prudent liquidity risk management implies holding sufficient cash and marketable securities and the availability of financing through a sufficient level of available credit lines. Zegona's management monitors the Zegona Group's liquidity reserve forecasts based on expected cash flows.

7.3 Market risk

Market risk is the risk that changes in market prices would affect the Zegona Group's income or the value of financial instruments held. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimising the return. Market risk includes interest rate risk and foreign current risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

Any significant increase in relevant global interest rates could result in the funding for future acquisitions becoming more expensive, or returns becoming less attractive. The Zegona Group has a disciplined financial approach and is ultimately only prepared to make acquisitions at the right price and using an appropriate capital structure after considering the risk-adjusted returns. In the event funds are raised, the Zegona Group also has the ability to hedge any exposures.

Foreign currency risk exists due to the Zegona Group operating, and having equity denominated, in a different functional currency (Sterling) to that of its investment in Euskaltel (euro) and of many of its likely acquisition targets. Transactional foreign currency risk is limited and the principal ongoing impact is on the Zegona Group's ability to maintain the Sterling value of dividends paid by Euskaltel in euro in order to maintain its dividend policy.

Based on the anticipated cash flows of the Zegona Group and the Board's ability to reduce or delay any return to Zegona Shareholders should it be necessary, the Board believes that this risk would not have a material effect on the Zegona Group in the ordinary course of business. However, fluctuations in the Sterling/euro rate could have far more significant impact on the Sterling value of the investment in Euskaltel, meaning that the Sterling value of the proceeds from any future sale of Euskaltel shares that the Zegona Group may distribute to Zegona Shareholders may be reduced.

Similarly, fluctuations in the exchange rate between Sterling and other European currencies could cause potential future acquisitions to become more expensive in Sterling, and therefore less desirable if equity were raised in Sterling to fund a material portion of the acquisition price.

8 CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS as adopted by the EU requires the use of certain critical accounting estimates and judgements concerning the future. These are evaluated constantly and based on historical experience and other factors, including management's expectations of future events.

To the extent the actual outcome of these estimates differs from the amounts initially recognised, 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 judgements that present significant risk of a material adjustment to the carrying amounts of assets and liabilities in subsequent reporting periods are described in note 3 to the financial statements included in the Zegona 2017 Annual Report incorporated by reference herein.

PART X - SECTION B: OPERATING AND FINANCIAL REVIEW OF THE EUSKALTEL GROUP

The operating and financial review for the Euskaltel Group for the six months ended 30 June 2018 is as set out in the Euskaltel 2018 Interim Results, and for each of the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 as set out in the Consolidated Directors' Reports and Corporate Responsibility Reports within the Euskaltel 2017 Annual Report, the Euskaltel 2016 Annual Report and the Euskaltel 2015 Annual Report respectively, all of which are incorporated by reference into, and form part of, this Part X - Section B: Operating and Financial Review of the Euskaltel Group. For a cross-reference list of the relevant sections of such documents being incorporated by reference, refer to Part XVI (Documents Incorporated By Reference) of this Document. None of the information above that has been incorporated by reference herein has been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, its auditors or management and accordingly Euskaltel has not confirmed that such information remains accurate. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.

The operating and financial review of the Euskaltel Group is a discussion and analysis of the Euskaltel Group's past performance and, to the extent that any of the relevant sections referred to in the Euskaltel 2017 Annual Report, the Euskaltel 2016 Annual Report, the Euskaltel 2015 Annual Report and the Euskaltel 2018 Interim Results contain outlook information and other forward-looking statements, such statements shall not be incorporated by reference into this Document. Reference should also be made to the 2017, 2016 and 2015 financial information of the Euskaltel Group incorporated by reference into this Document (see Part D (Historical Financial Information of the Euskaltel Group) of Part XI (Historical Financial Information) of this Document) and the risk factors in Part II (Risk Factors) of this Document.

PART XI - HISTORICAL FINANCIAL INFORMATION

PART A: Selected Historical Financial Information of the Zegona Group

The selected financial information for the Zegona Group set out below has been extracted without material adjustment from the historical financial information incorporated by reference as set out in Part B of this Part XI (Historical Financial Information) below. Investors should read the whole of this Document before making an investment decision and should not rely solely on the summarised information in this Part A.

Condensed Consolidated Statement of Comprehensive Income

	Nine months ended 30 September		Year ended 31 December			
	2018	2017	2017	2016 Restated(1)	2016(2)	2015(3)
	(Unaudited)	(Unaudited)				
			(in €000)			
Revenue	-	-	-	-	140,798	52,966
Operating (loss)/profit	(3,378)	(6.351)	(11,007)	(5,884)	3,446	(7,661)
Profit/(loss) before tax	3,763	(6,650)	(11,236)	(6,312)	(10,924)	(16,437)
Profit/(loss) for the period from continuing operations	3,731	(6,661)	(11,247)	(6,408)	(5,488)	(14,892)
Profit for the period from discontinued operations	-	54,564	53,017	920	-	-
Profit/(loss) for the period	3,731	47,903	41,770	(5,488)	(5,488)	(14,892)
Earnings per share			(in €cents)			
Basic and diluted - total operations	3.0	24.4	23.2	(2.8)	(2.8)	(16.6)
Basic and diluted - continuing operations	3.0	(3.4)	(6.2)	(3.3)	(2.8)	(16.6)

Notes:

(1) Restated to include the results of Telecable within discontinued operations.

(2) Actual financial information for the year ended 31 December 2016, without restatement.

(3) Results from incorporation on 19 January 2015.

Condensed Consolidated Statement of Financial Position

	As at 30 September	As at 31 December		
	2018	2017	2016	2015
	(Unaudited)			
		(in €000)		
Non-current assets	181,573	182,861	683,933	711,960
Current assets	13,098	15,741	40,892	24,785
Total assets	**194,671**	**198,602**	**724,825**	**736,745**
Current liabilities	1,076	2,437	45,122	41,472
Non-current liabilities	-	-	317,218	321,620
Total liabilities	**1,076**	**2,437**	**362,340**	**363,092**
Net assets	**193,595**	**196,165**	**362,485**	**373,653**

Condensed Consolidated Statement of Cash Flows

	Nine months ended 30 September		Year ended 31 December		
	2018	2017	2017	2016	2015
	(Unaudited)	(Unaudited)			
			(in €000)		
Net cash flows (used in)/from operating activities	(4,524)	19,437	16,403	40,001	(937)
Net cash flows from/(used in) investing activities	8,067	(42,867)	(43,371)	(25,568)	(644,762)
Net cash flows (used in)/from financing activities	(5,622)	176,807	14,904	(5,362)	660,110
Net (decrease)/increase in cash and cash equivalents	**(2,079)**	**153,377**	**(12,064)**	**9,071**	**14,411**

PART B: **Historical Financial Information of the Zegona Group**

The audited consolidated financial statements of the Zegona Group for the financial year ended 31 December 2017 as set out in the Zegona 2017 Annual Report, the audited consolidated financial statements of the Zegona Group for the financial year ended 31 December 2016 as set out in the Zegona 2016 Annual Report and the audited consolidated financial statements of the Zegona Group for the period ended 31 December 2015 as set out in the Zegona 2015 Annual Report, together with the auditors' reports thereon and notes thereto are incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference) and available for inspection as set out in paragraph 23.1 of Part XV (Additional Information). Each of these consolidated financial statements was prepared in accordance with IFRS as adopted by the EU.

As disclosed in note 1 to the Zegona Group's audited consolidated financial statements for the year ended 31 December 2017, the comparative figures for the year ended 31 December 2016 have been restated to include the results of Telecable within discontinued operations. Accordingly, the restated financial information for the year ended 31 December 2016 has been extracted without adjustment from the restated comparatives included in the audited consolidated financial statements for the year ended 31 December 2017.

The auditors of Zegona, KPMG LLP, issued unqualified audit opinions on Zegona's consolidated financial statements for each of the financial years ended 31 December 2017 and 31 December 2016. The previous auditors of Zegona, Deloitte LLP, issued an unqualified audit opinion on Zegona's consolidated financial statements for the financial period from incorporation to 31 December 2015.

The unaudited consolidated financial statements of the Zegona Group for the nine months ended 30 September 2018 (with comparatives for the nine months ended 30 September 2017) are as set out below and are available for inspection as set out in paragraph 23.1 of Part XV (Additional Information). These consolidated financial statements were prepared in accordance with IAS 34 as adopted by the EU.

Zegona Communications plc

Responsibility Statement

Statement of Directors' Responsibility

We confirm to the best of our knowledge that the unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Neither the Company nor the directors accept any liability to any person in relation to the interim financial statements except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

Details on the Company's Board of Directors can be found on the Company website at www.zegona.com.

By order of the Board

Eamonn O'Hare

Chairman and CEO

14 January 2019

KPMG LLP

Independent Review Report to Zegona Communications plc

Conclusion

We have been engaged by the company to review the condensed set of interim financial statements in the third quarter financial report for the nine months ended 30 September 2018 which comprises condensed consolidated statement of comprehensive income, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim financial statements in the third quarter financial report for the nine months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The third quarter financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2a, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of interim financial statements included in the third quarter financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of interim financial statements in the third quarter financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 company for our review work, for this report, or for the conclusions we have reached.

David Neale

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square, London, E14 5GL

14 January 2019

Zegona Communications plc

Condensed Consolidated Statement of Comprehensive Income

		For the nine months ended 30 September	
		2018	**2017**
		Unaudited	
	Note	**€000**	**€000**
Continuing operations			
Administrative and other operating expenses:			
- Corporate costs		(2,671)	(3,254)
- Significant project costs		(707)	(3,097)
Operating loss		**(3,378)**	**(6,351)**
Finance income	4	7,464	86
Finance costs	4	(990)	-
Exchange differences		667	(385)
Profit/(loss) for the period before income tax		**3,763**	**(6,650)**
Income tax		(32)	(11)
Profit/(loss) for the period from continuing operations		**3,731**	**(6,661)**
Discontinued operation			
Profit for the period from discontinued operation		-	54,564
Profit for the period attributable to equity holders of the parent		**3,731**	**47,903**
		€cents	**€cents**
Earnings per share - total operations			
Basic and diluted earnings per share attributable to ordinary equity holders of the parent		3.0	24.4
Earnings per share - continuing operations			
Basic and diluted earnings/(loss) per share attributable to ordinary equity holders of the parent		3.0	(3.4)

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Zegona Communications plc

Condensed Consolidated Statement of Other Comprehensive Income

	For the nine months ended 30 September	
	2018	**2017**
	Unaudited	
	€000	**€000**
Profit for the period	**3,731**	**47,903**
Other comprehensive income/(loss) - items that will or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(679)	2,179
Change in fair value of available for sale financial assets	-	(19,636)
Total other comprehensive loss	**(679)**	**(17,457)**
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent	**3,052**	**30,446**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Zegona Communications plc

Condensed Consolidated Statement of Financial Position

	Note	As at 30 September 2018	As at 31 December 2017
		Unaudited	
		€000	€000
Assets			
Non-current assets			
Property, plant and equipment		2	4
Intangible assets		1	1
Non-current financial assets	6	181,570	182,856
		181,573	**182,861**
Current assets			
Trade and other receivables		225	457
Other current financial assets	7	4,740	5,060
Cash and cash equivalents		8,133	10,224
		13,098	**15,741**
Total assets		**194,671**	**198,602**
Equity and liabilities			
Equity			
Share capital		1,763	1,763
Other reserves		209,536	215,158
Share-based payment reserve		105	105
Foreign currency translation reserve		(1,570)	(891)
Available for sale reserve		-	(41,360)
Retained (deficit)/earnings		(16,239)	21,390
Total equity attributable to equity holders of the parent		**193,595**	**196,165**
Current liabilities			
Trade and other payables		1,076	2,437
		1,076	**2,437**
Total equity and liabilities		**194,671**	**198,602**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Zegona Communications plc

Condensed Consolidated Statement of Changes in Equity

	Note	Share capital	Other reserves	Share-based payment reserve	Foreign currency translation reserve	Available for sale reserve	Retained (deficit)/earnings	Total equity
		€000	€000	€000	€000	€000	€000	€000
Balance at 31 December 2017		**1,763**	**215,158**	**105**	**(891)**	**(41,360)**	**21,390**	**196,165**
Adjustments on initial application of IFRS 9	2(c)	-	-	-	-	41,360	(41,360)	-
Adjusted balance at 1 January 2018		**1,763**	**215,158**	**105**	**(891)**	**-**	**(19,970)**	**196,165**
Profit for the period		-	-	-	-	-	3,731	3,731
Other comprehensive loss		-	-	-	(679)	-	-	(679)
Dividend paid	8	-	(5,622)	-	-	-	-	(5,622)
Balance at 30 September 2018 (unaudited)		**1,763**	**209,536**	**105**	**(1,570)**	**-**	**(16,239)**	**193,595**
Balance at 1 January 2017		**2,738**	**381,155**	**60**	**(1,088)**	**-**	**(20,380)**	**362,485**
Profit for the period		-	-	-	-	-	47,903	47,903
Other comprehensive income/(loss)		-	-	-	2,179	(19,636)	-	(17,457)
Share-based payments		-	-	36	-	-	-	36
Dividend paid		-	(5,069)	-	-	-	-	(5,069)
Balance at 30 September 2017 (unaudited)		**2,738**	**376,086**	**96**	**1,091**	**(19,636)**	**27,523**	**387,898**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Zegona Communications plc

Condensed Consolidated Statement of Cash Flows

	For the nine months ended 30 September	
	2018	**2017**
	Unaudited	
	€000	**€000**
Operating activities		
Profit/(loss) before income tax from continuing operations	3,763	(6,650)
Profit before income tax from discontinued operation	-	49,955
Profit before income tax	**3,763**	**43,305**
Adjustments to reconcile profit before income tax to operating cash flows:		
Depreciation of property, plant and equipment	2	8,257
Amortisation of intangible assets	-	10,684
Share-based payment expense	-	36
Net foreign exchange differences	(667)	393
Losses on derecognition or disposal of non-current assets	-	2,116
Gain on sale of discontinued operation	-	(59,308)
Finance income	(7,464)	(96)
Finance costs	990	15,404
Working capital adjustments:		
- Decrease in trade and other receivables and prepayments	232	3,736
- Decrease in inventories	-	151
- (Decrease)/increase in trade and other payables	(1,393)	3,441
- Increase in other current financial liabilities	-	12
- Decrease in deferred revenues	-	(178)
Interest received/(paid)	13	(8,455)
Income tax paid	-	(61)
Net cash flows (used in)/from operating activities	**(4,524)**	**19,437**
Investing activities		
Disposal of discontinued operation, net of cash disposed of	-	(26,093)
Purchase of property, plant and equipment	-	(9,886)
Purchase of intangible assets	-	(6,221)
Net proceeds from loans receivable	616	(667)
Dividends received	7,451	-
Net cash flows from/(used in) investing activities	**8,067**	**(42,867)**
Financing activities		
Dividend paid to shareholders	(5,622)	(5,069)
Net proceeds from loans and borrowings	-	182,073
Settlement of derivatives	-	(197)
Net cash flows (used in)/from financing activities	**(5,622)**	**176,807**

	For the nine months ended 30 September	
Net (decrease)/increase in cash and cash equivalents	(2,079)	153,377
Net foreign exchange differences	(12)	1,785
Cash and cash equivalents at 1 January	10,224	22,435
Cash and cash equivalents at 30 September	**8,133**	**177,597**

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Zegona Communications plc

Notes to the Condensed Consolidated Interim Financial Statements

1 General Information

The unaudited condensed consolidated interim financial statements of Zegona Communications plc (the "**Company**" or "**Zegona**") and its subsidiaries (collectively, the "**Zegona Group**") for the nine months ended 30 September 2018 (the "**Interim Financial Statements**") were authorised for issue in accordance with a resolution of the directors of Zegona (the "**Directors**") on 13 January 2019. The Company is incorporated in England and Wales and domiciled in the United Kingdom. It is a public limited company with company number 09395163 and has its registered office at 20 Buckingham Street, London, WC2N 6EF.

2 Significant Accounting Policies

(a) Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and are presented on a condensed basis. The Interim Financial Statements do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006 (the "**Companies Act**").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Zegona Group's annual financial statements as at 31 December 2017 which are available on the Company's website, www.zegona.com. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Zegona Group's financial position and performance since the last annual financial statements.

Information from 31 December 2017 is based on the statutory accounts for the year ended 31 December 2017, which were delivered to the Registrar of Companies and on which the auditor's report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act.

The Interim Financial Statements have been reviewed by the Zegona Group's auditor, but not audited.

(b) Going concern

The Interim Financial Statements have been prepared on the going concern basis, which assumes that the Zegona Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

(c) New standards, interpretations and amendments adopted by the Zegona Group

Except as described below, the accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Zegona Group's annual consolidated financial statements for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Zegona Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The changes in accounting policies are also expected to be reflected in the Zegona Group's consolidated financial statements for the year ended 31 December 2018.

IFRS 9

The Zegona Group has adopted IFRS 9 *Financial Instruments* ("**IFRS 9**") from 1 January 2018.

The Zegona Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

Under IFRS 9, the Zegona Group initially measures a financial asset at its fair value plus, for those financial assets not at fair value through profit or loss, transaction costs.

Under IFRS 9, financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortised cost, or fair value through other comprehensive income ("**FVOCI**"). The classification of financial assets includes assessments of the Zegona Group's business model for managing the assets and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI Criterion**").

The new classification and measurement of the Zegona Group's financial assets are:

- Financial assets at amortised cost comprise assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI Criterion. This category includes the Zegona Group's loans, trade and other receivables and cash and cash equivalents. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- Financial assets at FVPL comprise quoted equity instruments which the Zegona Group had not irrevocably elected, at transition, to classify at FVOCI. This category also includes debt instruments whose cash flow characteristics fail the SPPI Criterion. Under IAS 39, the Zegona Group's investment in Euskaltel and contingent consideration were classified as available for sale financial assets. Upon transition, the available for sale reserve relating to both the investment in Euskaltel and contingent consideration, which had previously been recognised under accumulated OCI, was reclassified to retained earnings. Therefore, the retained earnings at 1 January 2018 has been adjusted by €41,360k compared to the balance at 31 December 2017, comprising a €41,540k decrease in relation to the investment in Euskaltel and a €180k increase in relation to the contingent consideration.

The assessment of the Zegona Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Zegona Group's financial liabilities remains the same as it was under IAS 39.

IFRS 15

The Zegona Group has adopted IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") from 1 January 2018. The adoption of IFRS 15 has not had a material impact on the Zegona Group. A further assessment of the impact of IFRS 15 will be performed as a part of the acquisition process of Zegona's next operating business.

Standards issued but not yet effective

The Zegona Group intends to adopt the following standards, amendments and interpretations, if applicable, when they become effective. Adopting these standards will not have a material impact on the Zegona Group.

Standard	Effective date
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
IFRS 16 *Leases*	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to IFRS 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*	1 January 2019**
Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019**
Amendments to IFRS 3 *Business Combinations*	1 January 2020**
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020**
IFRS 17 *Insurance Contracts*	1 January 2021**

* the EU has decided not to endorse the interim standard and to wait for the final standard

** subject to EU endorsement

(d) **Critical accounting judgements and estimates**

The preparation of the Interim Financial Statements 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 expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

There have been no material changes to the significant judgements and estimates made by the Directors as at and for the year ended 31 December 2017.

3 Segment Information

Nine months to 30 September 2018	**Central costs (continuing)**	**Investment in Euskaltel (continuing)**	**Consolidated**
	€000	**€000**	**€000**
Depreciation and amortisation	(2)	-	(2)
Other operating expenses	(3,376)	-	(3,376)
Operating loss	**(3,378)**	**-**	**(3,378)**
Finance income	13	7,451	7,464
Finance costs	(320)	(670)	(990)
Exchange differences	667	-	667
(Loss)/profit before tax	**(3,018)**	**6,781**	**3,763**
Income tax	(32)	-	(32)
(Loss)/profit for the period	**(3,050)**	**6,781**	**3,731**

Nine months to 30 September 2017	Central costs (continuing)	Telecable group (discontinued)	Consolidated
	€000	€000	€000
External customer revenue	-	84,106	84,106
Other income	-	335	335
Depreciation and amortisation	(1)	(18,940)	(18,941)
Other operating expenses	(6,350)	(59,452)	(65,802)
Operating (loss)/profit	**(6,351)**	**6,049**	**(302)**
External finance income	86	10	96
External finance costs	-	(15,404)	(15,404)
Inter-segment finance income/costs	7,429	(7,429)	-
Exchange differences	(385)	(8)	(393)
Profit/(loss) before tax	**779**	**(16,782)**	**(16,003)**
Income tax	(11)	4,609	4,598
Gain on sale of discontinued operation	-	59,308	59,308
Profit for the period	**768**	**47,135**	**47,903**

4 Finance Income and Costs

		For the nine months ended 30 September	
		2018	2017
	Note	€000	€000
Dividend income		7,451	-
Interest on loans and receivables		10	36
Gain on FX forward		-	21
Bank interest		3	29
Finance income		**7,464**	**86**
Loss on fair value of investment in Euskaltel	6	(670)	-
Loss on fair value of contingent consideration	7	(320)	-
Finance costs		**(990)**	**-**

Dividend income

The Zegona Group received dividends on the following dates from Euskaltel:

(1) 1 February 2018 at a rate of €0.127 per share, totalling €3,404k; and

(2) 5 July 2018 at a rate of €0.151 per share, totalling €4,047k.

5 Financial Instruments

The classification by category of the financial instruments held by the Zegona Group at 30 September 2018 is as follows:

	Note	Current	Non-current
		€000	€000
Financial assets measured at amortised cost			
Trade and other receivables		139	-
Cash and cash equivalents		8,133	-
		8,272	**-**
Financial assets measured at fair value through profit or loss			
Investment in Euskaltel (level 1)	6	-	181,570
Contingent consideration (level 3)	7	4,740	-
		4,740	**181,570**
Total financial assets		**13,012**	**181,570**
Financial liabilities measured at amortised cost			
Trade and other payables		(954)	-
Total financial liabilities		**(954)**	**-**

For the financial assets measured at fair value, the Directors have determined that no transfers have occurred between levels in the fair value hierarchy from 31 December 2017 to 30 September 2018.

The Directors consider that the carrying amounts of the financial instruments measured at amortised cost equate to their fair values.

6 Non-current Financial Assets

	As at 30 September 2018	As at 31 December 2017
	€000	€000
Investment in Euskaltel	181,570	182,240
Loans	-	616
Total	**181,570**	**182,856**

Investment in Euskaltel

The Zegona Group owns 26.8 million shares in Euskaltel SA, a Spanish telecommunications company in the Basque Country and Galicia. This represents c.15% of the ordinary shares and voting rights of Euskaltel, which is listed on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Stock Market Interconnection System (Continuous Market).

As part of the purchase agreement for the Euskaltel shares, the Zegona Group agreed to standard lock-in provisions. Some of these provisions lapsed on 26 July 2018, such that the Zegona Group may sell up to 33% of its shareholding. Notwithstanding the remaining lock-in arrangements, the Company is permitted, on 15 business days' notice to Euskaltel, to distribute Euskaltel shares in specie pro rata to its own shareholders at any time.

The Zegona Group has granted security to Euskaltel by a share pledge over 1,663,158 of its shares in Euskaltel in respect to the tax credits generated in favour of Telecable arising from the distributions of dividends approved and executed by Telecable during the 2013 fiscal year, which enabled the deduction of the financial expenses in the corporate income tax of the 2013 and subsequent fiscal years.

	Note	€000
Balance at 31 December 2017		182,240
Change in unrealised fair value recognised in profit or loss	4	(670)
Balance at 30 September 2018		**181,570**

The change in fair value reflects the decrease in Euskaltel share price from €6.80 at 31 December 2017 to €6.775 at 30 September 2018.

Loans

Loans relate to loans granted on 22 February 2013 and maturing in 2030 to certain members of the Telecable management team, including accrued interest at a rate of 5% per annum. The loans were settled in full on 31 January 2018.

7 Other Current Financial Assets

The other current financial assets balance of €4.7 million (31 December 2017: €5.1 million) comprises solely the contingent consideration receivable from the sale of Telecable. This compares to a base case model present value of €6.6 million (31 December 2017: €7.0 million) and Zegona's best estimate of the undiscounted cash flow that it will receive of €7.1 million (31 December 2017: €7.6 million). The contingent consideration is payable by Euskaltel in cash up to a maximum amount of €15.0 million upon confirmation that a range of net tax assets are available to Euskaltel and may be used to offset its future tax payments.

	Note	€000
Balance at 31 December 2017		5,060
Change in unrealised fair value recognised in profit or loss	4	(320)
Balance at 30 September 2018		**4,740**

The change in fair value reflects revisions to the availability of certain net tax credits on discussions between Telecable and the Spanish tax authorities and a revision to the timing of when the contingent consideration will be received.

The eventual amount to be received depends on several factors that are entirely specific to Euskaltel. These factors include the availability of tax assets, the extent to which there will be sufficient taxable profits to utilise these assets, and assumptions around the outcome of certain open interactions with the Spanish tax authorities. There have been no material updates to these significant unobservable inputs since 31 December 2017.

The fair value of the contingent consideration has been calculated using a probability-weighted discounted cash flow model that calculates the present value of the expected cash flows for 36 different plausible combinations of outcomes. The fair value was determined by calculating a weighted average of those cash flows according to the probability of each scenario occurring. As a result of this analysis, a fair value of €4.7 million (31 December 2017: €5.1 million) was assigned to the contingent consideration. This value recognises the possibility of certain material downside cases that Zegona currently considers to be unlikely to occur (particularly in relation to the merger approval discussed below not being granted) and therefore the eventual amount received could be greater than this fair value.

The significant unobservable inputs used in the base case (which had a present value of €6.6 million (31 December 2017: €7.0 million), being management's assessment of the present value of the most likely outcome) and the impact of each input on the value of the base case at the reporting date, holding the other inputs constant, are shown below:

Availability of recognised tax assets:
The proportion of the net tax assets currently recognised (or to be recognised) in the corporate income tax returns and financial statements of the Telecable entities that will be deemed available according to the terms of the sale and purchase and share exchange agreement between the Zegona Group and

Availability of recognised tax assets:

Euskaltel dated 15 May 2017 (the "**SPA**").

Input used in the base case model:	*Sensitivity of the base case:*
75% available	Availability scenarios ranged from 74% to 76%, causing the present value of the base case to range from €6.5 million to €6.7 million

Merger approval:

The likelihood of receiving a binding ruling by the Spanish General Directorate of Taxation confirming certain tax assets are eligible for use upon a qualifying merger of the Telecable entities.

Input used in the base case model:	*Sensitivity of the base case:*
Successful	If the merger is unsuccessful, the revised base case present value would be €0.9 million

Usability of available assets:

The proportion of the available net tax assets that are deemed to be usable by the Telecable entities in future periods to offset future taxable profits according to the terms of the SPA.

Input used in the base case model:	*Sensitivity of the base case:*
84% usable	Usability scenarios ranged from 48% to 100%, causing the present value of the base case to range from €3.8 million to €7.9 million

Timing of merger approval:

The time it will take to receive a positive tax ruling on the merger described above (which is not relevant for scenarios where the merger is not approved).

Input used in the base case model:	*Sensitivity of the base case:*
12 months	If the timing is increased to 24 months, the revised base case present value would be €6.1 million

8 Dividend Paid

The Company declared a second interim dividend, in lieu of a final dividend for 2017, on 22 March 2018 at a rate of 3.9p per share, totalling €5,622k. The dividend was paid on 24 April 2018.

9 Related Party Transactions

Mark Brangstrup Watts is a designated member of Marwyn Capital LLP ("**Marwyn Capital**"), which provides corporate finance advice and various office services to the Company. During the period, services totalling €51k were received from Marwyn Capital (2017: €52k). In addition, Mark's Non-Executive Director fees are paid to Marwyn Capital. Marwyn Capital was owed a total amount of €12k at 30 September 2018 (2017: €11k), which was unsecured.

Mark Brangstrup Watts is an ultimate beneficial owner of Axio Capital Solutions Limited ("**Axio**"), which provides company secretarial, administrative and accounting services to the Zegona Group. During the period, services totalling €419k were received from Axio (2017: €515k). Axio was owed an amount of €40k at 30 September 2018 (2017: €103k), which was unsecured.

10 Post Balance Sheet Events

Placing and Acquisition of Euskaltel Shares

On 19 October 2018, Zegona announced its intention to make a partial tender offer to acquire up to approximately 14.9% of Euskaltel's outstanding issued ordinary share capital as at the date of the announcement at a price of €7.75 per share (the "**Proposed Tender Offer**"). However, given the deterioration in equity market conditions at the end of 2018, the Directors believe that the terms available to finance the acquisition of the full 14.9% of Euskaltel to be sought in the Proposed Tender Offer would not have been acceptable to Zegona's shareholders, including because the equity funding required would have been overly dilutive. As the Company was informed that it was not permitted under Spanish law to reduce the maximum size of the Proposed Tender Offer, Zegona announced on 21 December 2018 that it no longer intended to proceed with the Proposed Tender Offer.

On 14 January 2019, Zegona entered into a shareholder relationship agreement with Talomon Capital Limited ("**Talomon**"), an experienced TMT and telecommunications sector investor (the "**Shareholder Relationship Agreement**"). Talomon is a current shareholder in both Euskaltel and Zegona and, pursuant to the Shareholder Relationship Agreement, has agreed formally to support Zegona's strategy, being to increase its ownership position in Euskaltel and to use this increased influence to work constructively with the Euskaltel board of directors and management to improve the performance of the business. Under the Shareholder Relationship Agreement, Talomon is permitted to own up to 2.4% of the outstanding issued share capital of Euskaltel but, as of the date of that agreement, owned approximately 1.4%. In order to avoid any mandatory offer requirements under Spanish law, for so long as the agreement is in effect, the Directors believe that the Zegona Group is only permitted to increase its stake in Euskaltel by a further approximately 12.5% (or 22,330,000 Euskaltel shares) from its current 15% shareholding position at the date of approval of the Interim Financial Statements, such that the aggregate shareholding of the Zegona Group and Talomon would not exceed 29.9%.

Instead of the Proposed Tender Offer, Zegona will seek to increase its ownership of Euskaltel through market purchases or privately negotiated transactions up to a maximum of 12.5% of the outstanding issued share capital of Euskaltel at a price it considers attractive for its shareholders based on prevailing market conditions (the "**Euskaltel Share Acquisition**").

To fund the Euskaltel Share Acquisition, Zegona is proposing to raise net proceeds of £95.9 million pursuant to a non pre-emptive institutional placing (the "**Placing**") and entered into the Barclays Facility and the Virgin Funding (both as defined below and, collectively, the "**New Facilities**") on 14 January 2019. Zegona currently anticipates drawing substantially all of the £30 million available to it under the New Facilities if there is sufficient availability in the market for it to purchase Euskaltel shares at a price it considers attractive for its shareholders based on prevailing market conditions. The New Facilities are expected to remain largely undrawn until substantially all of the net proceeds of the Placing have been used, though Zegona may draw down and use a portion of the Barclays Facility to purchase Euskaltel shares prior to completion of the Placing.

New Facilities

On 14 January 2019, Zegona entered into a facility agreement with Virgin (the "**Virgin Funding**"), which will allow Zegona to draw down up to £10 million to partially fund, if required, the Euskaltel Share Acquisition and to pay costs related to the Euskaltel Share Acquisition and the Placing. The Virgin Funding is subject to at least £100 million of gross proceeds being raised in the Placing (and an amount equal to the greater of £90,000,000 and 90% of the net proceeds of the Placing having been applied towards the purchase of Euskaltel shares or the payment of costs) and other customary conditions precedent.

From the date on which funds are drawn down, interest will accrue daily at an annual interest rate of LIBOR plus 5%, payable quarterly in arrears. The Virgin Funding matures on 30 April 2020. The Virgin Funding will also be repayable: if certain events occur with respect to Zegona or Euskaltel (including any significant fundraisings other than the Placing or the Barclays Facility being drawn in an amount greater than £20 million); if there is a drop in the value of Euskaltel shares to €3.42 or below; upon a change in control of Euskaltel or Zegona; in the event that the Zegona Group sells more than 25% of its Euskaltel shares; or upon the occurrence of other customary events of default. The Virgin Funding will also be repayable with the net proceeds of any disposals by the Zegona Group (subject to limited exemptions) and may be repaid early without penalty. Any voluntary prepayment of amounts drawn under the Barclays Facility will require the prepayment in whole of the Virgin Funding.

The Virgin Funding will initially be unsecured but will be secured as described below upon (i) any amount being drawn down under the Barclays Facility and (ii) a request for funds being made or any amount drawn down under the Virgin Funding.

On 14 January 2019, Zegona entered into a facility agreement with Barclays (the "**Barclays Facility**"), which will allow Zegona to draw down up to £30 million but which will be reduced to £20 million if and to the extent the Virgin Funding is drawn down. The facility may be drawn down between 14 January 2019 and 15 December 2019. The Barclays Facility may, subject to satisfaction of certain conditions, only be used to fund the Euskaltel Share Acquisition, pay costs related to the Euskaltel Share Acquisition and the Placing and for general corporate purposes. The first drawdown under the Barclays Facility must occur by 28 February 2019, and only £15 million may be drawn down for general corporate purposes. Interest will be payable quarterly in arrears on any drawn amount at a rate of 2.6% per annum above the 3-month LIBOR interest rate. A commitment fee of 0.6% per annum is payable on any undrawn amount. The Company has the right to prepay the loan at any time, but if it does so before the first anniversary of the date of the draw down, it must pay a make whole amount calculated at 2.6% per annum multiplied by the prepaid amount for the period between the date of prepayment and that first anniversary. The Barclays Facility matures 24 months from the date of execution of the facilities agreement and any amounts owed will become immediately repayable on the occurrence of certain events of default including a drop in the value of Euskaltel shares to €3.42 or below, a change of control of Euskaltel and other customary events of default.

The maximum amount that may be drawn down under the Virgin Funding and Barclays Facility in aggregate is limited to £30 million.

The Barclays Facility is secured by a charge over Euskaltel shares held by members of the Zegona Group or acquired by them (though Euskaltel shares acquired in the market only have to be charged after each date that the Zegona Group has acquired Euskaltel shares representing at least 2% of the outstanding issued share capital of Euskaltel). By no later than the date upon which the Barclays Facility is drawn, all of the Euskaltel shares owned by the Zegona Group will be secured (other than certain shares which are already pledged in favour of Euskaltel, and others which are intended to be kept free of security) in favour of Barclays Bank PLC or Virgin Holdings Limited (if a request for funds has been made or any amount has been drawn under the Virgin Funding).

Zegona's intention, which is not impacted by the New Facilities, is to pass through all dividends received from Euskaltel to its shareholders. There are customary dividend restrictions under the Barclays Facility which would prevent any excess funds not utilised for the acquisition of shares in Euskaltel or for general corporate purposes being returned to Zegona shareholders before at least an additional 6% of the share capital of Euskaltel has been acquired, unless the Barclays Facility is repaid in full contemporaneously with such return of capital to Zegona shareholders.

Interim dividend

An interim dividend was declared on 16 November 2018 at a rate of 2.8 pence per share, equivalent to £3,534,145. The dividend was paid on 28 December 2018.

PART C: Selected Historical Financial Information of the Euskaltel Group

The selected financial information for the Euskaltel Group set out below has been extracted without material adjustment from the historical financial information incorporated by reference in this Document as set out in Part D of this Part XI (Historical Financial Information) below. The selected financial information for the Euskaltel Group set out below has not been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, auditors or management, and, so far as Zegona is aware and is able to ascertain from information published by Euskaltel, no facts have been omitted which would render the reproduced information inaccurate or misleading and the source of such information has been disclosed. Zegona does not expect to obtain further access to Euskaltel's non-public information prior to the acquisition of such number of Euskaltel Shares as is required to ensure that the Zegona Group is the largest shareholder in Euskaltel and that places Zegona in a position to seek to implement its strategy as set out in this Document. Nothing in this section limits or qualifies the issuer or the Directors' responsibility under Prospectus Rule 5.5 or Part 6 of FSMA.

Investors should read the whole of this Document before making an investment decision and should not rely solely on the summarised information in this Part C.

Condensed Consolidated Income Statement

	Six months ended 30 June		Year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**			
			(in €000)		
Revenue	340,311	274,138	609,275	561,426	334,375
Operating profit	62,742	51,616	115,224	125,048	66,747
Profit before tax	38,529	28,404	66,343	77,194	10,548
Profit for the period	28,811	21,115	49,562	62,145	7,237
Earnings per share			**(in €cents)**		
Basic and diluted	16	14	30	41	6

Condensed Consolidated Balance Sheet

	As at 30 June		As at 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
	(Unaudited)	**(Unaudited)**			
			(in €000)		
Non-current assets	2,737,072	2,086,090	2,768,346	2,119,220	2,184,772
Current assets	145,336	271,382	136,222	221,118	97,622
Total assets	**2,882,408**	**2,357,472**	**2,904,568**	**2,340,338**	**2,282,394**
Current liabilities	323,712	221,033	246,504	210,104	140,461
Non-current liabilities	1,592,408	1,405,375	1,694,422	1,388,140	1,439,009
Total liabilities	**1,916,120**	**1,626,408**	**1,940,926**	**1,598,244**	**1,579,470**
Net assets	**966,288**	**731,064**	**963,642**	**742,094**	**702,924**

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	(Unaudited)	(Unaudited)			
			(in €000)		
Net cash flows from operating activities	123,476	106,303	217,683	232,417	85,271
Net cash flows used in investing activities	(67,947)	(46,088)	(262,023)	(98,193)	(869,952)
Net cash flows (used in)/from financing activities	(43,278)	(17,323)	(54,298)	(305)	797,402
Net increase/(decrease) in cash and cash equivalents	**12,251**	**42,892**	**(98,638)**	**133,919**	**12,721**

Pro Forma Information of the Euskaltel Group

The information set out below presents pro forma results and KPIs for the Euskaltel Group that have been adjusted to include a full year of performance in 2017 from Telecable, which was acquired by Euskaltel on 26 July 2017, and has been extracted without material adjustment from Appendix II of the Euskaltel 3Q18 Results Presentation published on 5 November 2018. The pro forma information set out below has not been subject to verification or comment by Zegona or its Directors, acting in their capacity as Directors of Zegona. Zegona has not had the co-operation of Euskaltel management or due diligence access to Euskaltel, its business, auditors or management, and, so far as Zegona is aware and is able to ascertain from information published by Euskaltel, no facts have been omitted which would render the reproduced information inaccurate or misleading and the source of such information has been disclosed.

The pro forma information set out below does not and is not intended to comply with the SEC's rules and regulations on pro forma information. The below information is unaudited.

Pro Forma (for full year consolidation of Telecable) - KPIs

Residential		Quarterly (Unaudited)						
KPIs	**Unit**	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**
Homes passed	#	2,160,946	2,162,408	2,163,919	2,166,001	2,222,026	2,230,073	2,306,030
Household coverage	%	70%	70%	70%	70%	70%	70%	70%
Residential subs	#	679,432	675,130	669,591	660,946	660,758	662,501	657,909
o/w fixed services	#	590,764	586,094	581,412	575,354	575,970	578,503	573,648
as % of homes passed	%	27.3%	27.1%	26.9%	26.6%	25.9%	26.7%	26.4%
o/w mobile only subs	#	88,668	89,036	88,179	85,592	84,788	83,998	84,261
o/w 1P (%)	%	19.7%	19.5%	19.8%	19.5%	19.2%	18.7%	19.1%
o/w 2P (%)	%	12.5%	12.6%	12.6%	12.5%	12.2%	12.0%	11.9%
o/w 3P (%)	%	27.4%	27.2%	26.8%	26.3%	25.5%	24.8%	24.0%
o/w 4P (%)	%	40.4%	40.8%	40.8%	41.7%	43.2%	44.5%	45.0%
Total RGUs	#	2,358,696	2,356,503	2,338,345	2,324,640	2,349,101	2,381,419	2,363,292
RGUs / sub	#	3.5	3.5	3.5	3.5	3.6	3.6	3.6
Residential churn fixed customers	%	16.6%	15.9%	17.0%	17.5%	15.6%	14.9%	16.6%
Global ARPU fixed customers	€/month	60.01	60.14	60.55	60.69	60.36	60.02	60.13
Fixed Voice RGUs	#	557,948	550,424	537,982	527,908	524,758	525,459	516,453
as % fixed customers	%	94.4%	93.9%	92.5%	91.8%	91.1%	90.8%	90.0%
BB RGUs	#	498,112	494,209	492,257	488,708	491,786	496,045	492,732
as % fixed customers	%	84.3%	84.3%	84.7%	84.9%	85.4%	85.7%	85.9%
TV RGUs	#	397,641	396,182	393,606	393,356	399,381	408,252	406,911
as % fixed customers	%	67.3%	67.6%	67.7%	68.4%	69.3%	70.6%	70.9%
Postpaid lines	#	904,995	915,688	914,500	914,668	933,176	951,663	947,196
Postpaid customers	#	529,069	533,501	530,783	529,459	539,305	547,636	544,575
as % fixed customers (only mobile excluded)	%	74.5%	75.8%	76.1%	77.1%	78.9%	80.1%	80.2%
Mobile lines / customer	#	1.7	1.7	1.7	1.7	1.7	1.7	1.7

SOHO		Quarterly (Unaudited)						
KPIs	**Unit**	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**
Subs	#	105,281	104,757	103,279	101,378	100,038	99,667	98,754
o/w IP (%)	%	27.8%	27.2%	26.9%	26.7%	26.3%	25.7%	25.8%
o/w 2P (%)	%	15.3%	14.9%	14.9%	14.7%	14.2%	13.4%	13.1%
o/w 3P (%)	%	40.2%	40.5%	39.7%	39.3%	38.8%	38.6%	38.4%
o/w 4P (%)	%	16.7%	17.4%	18.5%	19.4%	20.7%	22.2%	22.7%
Total RGUs	#	361,257	361,797	358,274	353,641	352,206	355,535	352,723
RGUs / sub	#	3.4	3.5	3.5	3.5	3.5	3.6	3.6
Soho churn fixed customers	%	24.2%	22.7%	22.1%	22.3%	22.1%	20.7%	20.1%
Global ARPU fixed customers	€/month	69.3	69.0	69.0	69.1	68.3	68.1	67.9

SMEs and Large Accounts		Quarterly (Unaudited)						
KPIs	**Unit**	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**
Customers	#	14,818	14,762	14,688	14,670	14,728	14,785	14,801

Pro Forma (for full year consolidation of Telecable) - Financials

Selected financial information		Quarterly (Unaudited)						
	Unit	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**
Total revenue	**€m**	**176.0**	**176.2**	**176.6**	**178.2**	**176.6**	**172.7**	**171.9**
Y-o-y change	%	-1.0%	-1.9%	-1.6%	0.0%	0.4%	-2.0%	-2.7%
o/w Residential	€m	119.1	119.5	120.5	119.1	116.3	115.8	116.5
Y-o-y change	%	1.8%	0.2%	0.1%	-0.2%	-2.4%	-3.1%	-3.3%
o/w Business	€m	48.1	47.9	47.0	48.8	49.3	47.9	46.2
Y-o-y change	%	-6.5%	-7.1%	-7.0%	0.4%	2.5%	0.0%	-1.7%
o/w Wholesale and Other	€m	8.7	8.8	9.1	10.3	11.0	8.9	9.2
Y-o-y change	%	-5.0%	-0.3%	5.2%	1.2%	26.5%	1.0%	0.8%
Adjusted EBITDA	**€m**	**84.0**	**85.2**	**84.1**	**87.6**	**84.2**	**84.5**	**84.1**
Y-o-y change	%	-1.8%	-1.9%	-2.3%	0.9%	0.3%	-0.8%	0.0%
Margin	%	47.7%	48.4%	47.6%	49.2%	47.7%	49.0%	48.9%
Capital expenditures	**€m**	**(30.8)**	**(29.0)**	**(26.8)**	**(38.4)**	**(33.9)**	**(34.0)**	**(36.1)**
Y-o-y change	%	4.9%	-0.3%	-5.8%	12.0%	10.1%	17.4%	34.8%
% total revenues	%	-17.5%	-16.4%	-15.2%	-21.5%	-19.2%	-19.7%	-21.0%
Operating Free Cash Flow	**€m**	**53.2**	**56.3**	**57.3**	**49.2**	**50.3**	**50.5**	**48.0**
Y-o-y change	%	-5.4%	-2.7%	-0.6%	-6.4%	-5.4%	-10.3%	-16.3%
% total revenues	%	30.2%	31.9%	32.5%	27.6%	28.5%	29.3%	27.9%

Pro Forma (for full year consolidation of Telecable) - P&L

€ millions	**1Q17**	**2Q17**	**3Q17**	**1Q18**	**2Q18**	**3Q18**	**9M17**	**9M18**	**Change**
					(Unaudited)				
Residential	119.1	119.5	120.5	116.3	115.8	116.5	359.2	348.6	(2.9%)
Business	48.1	47.9	47.0	49.3	47.9	46.2	143.0	143.4	+0.3%
Wholesale & other	8.7	8.8	9.1	11.0	8.9	9.2	26.7	29.2	+9.3%
Revenues	**176.0**	**176.2**	**176.6**	**176.6**	**172.7**	**171.9**	**528.8**	**521.1**	**(1.5%)**
Direct costs	(44.8)	(42.9)	(48.5)	(49.0)	(41.8)	(46.9)	(136.1)	(137.6)	+1.1%
Gross profit	**131.2**	**133.4**	**128.1**	**127.7**	**130.9**	**125.0**	**392.7**	**383.5**	**(2.3%)**
Commercial and fixed costs	(47.2)	(48.1)	(44.0)	(43.4)	(46.4)	(40.9)	(139.3)	(130.6)	(6.2%)
EBITDA	**84.0**	**85.2**	**84.1**	**84.2**	**84.5**	**84.1**	**253.4**	**252.9**	**(0.2%)**
D&A	(51.5)	(51.5)	(51.4)	(48.8)	(50.6)	(48.2)	(154.5)	(147.6)	(4.4%)
EBIT	**32.5**	**33.7**	**32.7**	**35.4**	**33.8**	**35.9**	**98.9**	**105.2**	**+6.4%**
Interest	(18.1)	(18.8)	(21.5)	(12.9)	(11.3)	(11.9)	(58.3)	(36.1)	-
Extraordinary items	(1.2)	(14.7)	(8.0)	(2.9)	(3.6)	(1.4)	(23.9)	(8.0)	-

Taxes	(3.4)	(0.1)	(0.5)	(4.9)	(4.8)	(4.9)	(3.9)	(14.6)	-
Net income	**9.8**	**0.2**	**2.8**	**14.6**	**14.2**	**17.7**	**12.9**	**46.6**	**-**

PART D: Historical Financial Information of the Euskaltel Group

The audited consolidated financial statements of the Euskaltel Group for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015, included in the Euskaltel 2017 Annual Report, the Euskaltel 2016 Annual Report and the Euskaltel 2015 Annual Report, respectively, together with the auditors' reports thereon and notes thereto, are incorporated by reference into this Document as set out in paragraph Part XVI (Documents Incorporated by Reference) and available for inspection as set out in paragraph 23.1 of Part XV (Additional Information). Each of these consolidated financial statements was prepared in accordance with IFRS as adopted by the EU.

The unaudited consolidated financial statements of the Euskaltel Group set out in the interim results for the six months ended 30 June 2018 and the six months ended 30 June 2017, included in the Euskaltel 2018 Interim Results together with the notes thereto, are also incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference) and available for inspection as set out in paragraph 23.1 of Part XV (Additional Information). The Euskaltel 2018 Interim Results were prepared in accordance with IAS 34 as adopted by the EU.

The auditors of Euskaltel, KPMG Auditores, S.L., issued unqualified audit opinions on Euskaltel's consolidated financial statements for each of the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015. KPMG Auditores also issued unqualified review opinions on Euskaltel's consolidated financial statements for the periods ended 30 June 2018 and 30 June 2017.

PART E: Future accounting for the Zegona Group's investment in Euskaltel

In the audited financial statements of the Zegona Group for the year ended 31 December 2017, and in the unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2018, the Zegona Group has concluded that under IAS 28 it did not have significant influence in Euskaltel and has therefore accounted for its approximate 15% investment in the ordinary share capital of Euskaltel as a financial asset in accordance with IAS 39 in 2017 and IFRS 9 in 2018. After initial measurement, the investment in Euskaltel is subsequently measured at fair value with unrealised gains or losses recognised in 2018 (under IFRS 9) within profit and loss and in 2017 (under IAS 39) within other comprehensive income and credited to an available for sale ("**AFS**") reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of comprehensive income in finance costs.

The assessment of whether the Zegona Group has significant influence over Euskaltel requires significant judgement and may change in response to changes in facts and circumstances. While they are not determinative on their own, the size of investment and the level of representation on Euskaltel's board of directors and its committees are important factors in making this judgement.

The anticipated further increase in the Zegona Group's interest in Euskaltel as a result of the proposed Euskaltel Share Acquisition may lead to a change in the level of the Zegona Group's influence in Euskaltel, for example as a result of the Zegona Group becoming clearly the largest shareholder in Euskaltel or from any future increases in board representation.

The Zegona Group will need to revisit its current conclusion on the appropriate accounting treatment in light of the Euskaltel Share Acquisition and it is possible that it will conclude that it will need to change the way it accounts for the investment in periods after 1 October 2018. Given the eventual conclusion will depend on future events, it is not possible at this time to anticipate what the future accounting treatment will be, however, there are broadly two main potential outcomes:

- The Zegona Group may conclude that it continues to have no significant influence and the current classification continues to be appropriate. This conclusion would result in no change to the accounting treatment in future periods; or

- The Zegona Group may conclude that it has significant influence over Euskaltel as defined by IAS 28 but does not control it as defined by IFRS 10. This conclusion would result in the Zegona Group applying equity accounting to Euskaltel from the date on which significant influence is gained. Given the lack of access that Zegona has had to the Euskaltel business, Zegona is unable to confirm that no material adjustments would need to be made to the consolidated financial statements of the Euskaltel Group to achieve consistency with the accounting policies of Zegona as required by IAS 28. The Directors have reviewed the accounting policies of the Euskaltel Group disclosed within its most recent audited consolidated financial statements and have not identified any accounting policy differences that, in their view, would in themselves obviously give rise to material adjustments needing to be made to the consolidated financial statements of Euskaltel to achieve consistency with the accounting policies of Zegona. However, there may be significant differences in the application of these accounting policies and Zegona cannot confirm that any such differences, if identified, may not be material.

- For further details on the financial effects of implementing the Transaction, see paragraph 2 of Part X - Section A (Operating and Financial Review of the Zegona Group).

PART XII - TAXATION

1 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 current 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 Zegona Shares. The summary addresses certain limited aspects of the UK tax position of Zegona Shareholders resident and (in the case of individuals) domiciled for tax purposes in the UK (except where specifically indicated that it is addressing non-UK residents), who are absolute beneficial owners of their Zegona Shares and who hold their Zegona Shares as an investment rather than as trading stock. This summary does not address the position of certain classes of Zegona Shareholders who (alone or together with associates) have a 10% or greater interest in the Company, or Zegona 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 Zegona Shareholders who are officers or employees of the Company is not considered in this section. Such Zegona Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances.

Any Zegona 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 his subscription for, purchase, ownership and disposal of Zegona Shares.

1.1 *Taxation of dividends*

The Company is not required to withhold any UK tax on dividend payments to UK-resident or non-resident shareholders in respect of the Zegona Shares. No tax credits will be attached to any dividend distributions paid by the Company.

UK resident individuals

When the Company pays a dividend to a Zegona Shareholder who is an individual resident (for tax purposes) and domiciled in the UK, the amount of income tax payable on the receipt, if any, will depend on the individual's own tax position. "Dividend income" for these purposes includes UK and non-UK source dividends and certain other dividends in respect of shares.

No UK income tax should be payable by a UK resident shareholder if the amount of dividend income received, when aggregated with the shareholder's other dividend income in the year of assessment, does not exceed the nil rate amount. The nil rate amount is £2,000 for 2018/2019.

Dividend income in excess of the nil rate amount is taxed at the following rates for 2018/2019:

• 7.5% to the extent that it falls within the basic rate band for income tax;

• 32.5% to the extent that it falls within the higher rate band; and

• 38.1% to the extent that it falls within the additional rate band.

For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a shareholder's income. In addition, dividend income which is within the nil rate amount counts towards an individual's basic or higher rate limits and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

UK resident companies

Zegona 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. This is dependent upon the satisfaction of certain conditions set out in Part 9A of the Corporation Tax Act 2009. 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 to a Zegona Shareholder within the charge to UK corporation tax would normally be exempt. However, there is no guarantee that such conditions will be satisfied and it will be necessary for Zegona Shareholders to consider their application in respect of every dividend received.

UK resident exempt funds

Exempt funds, such as UK charities, are generally exempt from tax on dividends they receive.

1.2 ***Taxation of chargeable gains***

Individual Zegona Shareholders who are resident in the UK may be liable to UK taxation on chargeable gains arising from the sale or other disposal of the Zegona Shares. For the purpose of UK tax on chargeable gains, the purchase of Zegona Shares will be regarded as an acquisition of a new holding in the share capital of the Company. The amount paid for the Zegona Shares will usually constitute the base cost of the Zegona Shareholder’s holding. Individuals generally compute their gains by deducting from the net sale proceeds the capital gains base cost in respect of their Zegona Shares. The resulting gains will be taxable at the capital gains tax rate applicable to the individual (currently 10% for basic rate taxpayers and 20% for those whose total income and chargeable gains are above the higher rate threshold), and may be reduced by capital losses brought forward from previous tax years or losses in the year, and by annual exemptions (the annual exemption from capital gains tax for UK resident individuals is £11,700 for 2018/2019).

Zegona Shareholders within the charge to UK corporation tax who are resident in the UK are taxed on the capital gains arising from the sale or other disposal of the Zegona Shares computed by deducting from the net sales proceeds the capital gains base cost in respect of their Zegona Shares. Indexation allowance has been frozen with effect from 31 December 2017, and will not therefore be available in respect of New Zegona Shares. The current rate of UK corporation tax is 19%, expected to reduce to 17% from 1 April 2020.

Subject to the paragraph below (dealing with temporary non-residents), Zegona Shareholders who are not resident in the UK for UK tax purposes will not generally be subject to UK tax on chargeable gains, unless they carry on a trade, profession or vocation in the UK through a branch or agency or (in the case of a company) permanent establishment and the Zegona Shares disposed of are used, held or acquired for the purposes of that branch, agency or permanent establishment. In addition, the UK government is proposing that from April 2019 capital gains realised by non-residents on the disposal of UK land, or assets deriving at least 75% of their value from UK land, will be subject to tax. Zegona Shareholders who are not resident in the UK may be subject to charges to foreign taxation depending on their personal circumstances. It is not expected that the non-resident capital gains tax rules will apply to the Zegona Shares.

A Zegona Shareholder who is an individual, who has ceased to have sole UK residence for tax purposes in the UK for a period of five years or less and who disposes of Zegona Shares during that period may be liable to UK taxation on capital gains (subject to any available exemption or relief). If applicable, the tax charge will arise in the tax year that the individual returns to the UK.

ISAs

Zegona Shares should qualify as investments which are eligible for inclusion in an Individual Savings Account ("**ISA**"). The opportunity to invest in Zegona Shares through an ISA is restricted to certain UK resident individuals aged 18 and over. Investments held in ISAs are free from UK tax on both capital gains and income. Individuals wishing to invest in Zegona Shares through an ISA should contact their professional advisers regarding their eligibility.

1.3 ***UK stamp duty and Stamp Duty Reserve Tax ("SDRT")***

The statements below are intended as a general guide to the current stamp duty and SDRT 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, or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Neither UK stamp duty nor SDRT should arise on the issue of the Zegona Shares.

Any conveyance or transfer on sale of Zegona Shares outside of CREST will usually be subject to stamp duty on the instrument of transfer at a rate of 0.5% of the amount or value of the consideration (rounded up, if necessary, to the nearest £5). The purchaser normally pays the stamp duty.

However, where the consideration for the transfer is £1,000 or less (and the instrument of transfer is certified that the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000) no stamp duty will be payable.

A charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable will arise in relation to an unconditional agreement to transfer Zegona 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 SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

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% of the value of the consideration given. Such SDRT will generally be collected through the CREST system. Deposits of Zegona Shares into CREST will not generally be subject to SDRT, unless the transfer is itself for consideration.

From 29 October 2018 transfers of listed securities to connected companies are subject to stamp duty or SDRT on no less than their full market value at the time the charge is triggered.

2 US Foreign Account Tax Compliance Act and other tax reporting obligations

On 18 March 2010, the US created an exchange of information, reporting and tax withholding regime under the 'Foreign Account Tax Compliance Act' regime, as modified by US Treasury regulations and subject to any future IRS or US Treasury regulations or official interpretations thereof, any applicable intergovernmental agreement between the United States and a non-US government to implement these rules and improve international tax compliance, or any fiscal or regulatory legislation or rules adopted pursuant to any such agreement (collectively, "**FATCA**"). The aim is to combat tax evasion by preventing US persons using foreign entities to hide assets and income from the IRS. Generally, FATCA requires foreign financial institutions ("**FFIs**") to either comply with an expansive reporting regime on the identity of their direct and indirect account owners or be subject to a 30% withholding tax on certain US source payments and FATCA withholding could apply on the gross proceeds from the sale or other disposal of property which could produce US source dividends or interest payments, although under recently proposed US Treasury regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalisation), no withholding will apply on payments of gross proceeds.

An FFI can comply with FATCA by reporting information about financial accounts and ownership interests held by US taxpayers (or certain entities that are controlled by US taxpayers) to the IRS or to its applicable intergovernmental agreement ("**IGA**") jurisdiction.

The UK has agreed an IGA with the US, and has subsequently enacted implementing legislation (The International Tax Compliance Regulations 2015 (as amended) (the "**FATCA Regulations**")). Pursuant to the FATCA Regulations, UK FFIs are required to register with the IRS in order to obtain a 'Global Intermediary Identification Number' ("**GIIN**"), and undertake due diligence and report certain information to HMRC about their US account holders.

The Company has been advised that it is a FFI within the FATCA definition. The Company will comply with the requirements of the FATCA Regulations 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, Zegona Shareholders) regarding their potential status as US account holders. The Company may also have to comply with certain due diligence, verification and reporting procedures. However, 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.

There can be no assurance that the Zegona Shares will continue to be considered to be "regularly traded on an established securities market" or that it would not in the future be subject to withholding tax under FATCA or the IGA. If the Company becomes subject to a withholding tax as a result of FATCA or the IGA, the return on investment of some or all of the Zegona Shareholders may be materially adversely affected.

Zegona 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.

Since the enactment of FATCA, other jurisdictions have signalled their intention to enter into similar information exchange agreements. The Organisation for Economic Co-operation and Development has developed a global Common Reporting Standard (the "**CRS**") for multilateral exchange of information. The UK has implemented the CRS and so the Company has to provide information about Zegona Shareholders to HMRC under these rules. In December 2014, the EU formally adopted Council Directive 2014/107/EU to assist Member States in combating tax evasion and fraud by extending the scope for the automatic exchange of information ("**DAC**"). Broadly speaking, DAC implements the CRS within the EU. For FATCA and the CRS, the 2018 reporting period will end on 31 December 2018, with reporting to HMRC by financial institutions for that period to take place by 31 May 2019.

As a result of FATCA (and the other FATCA-style agreements noted above), Zegona Shareholders may be required to provide certain information to the Company so that the Company can comply with its reporting obligations. In particular, Zegona Shareholders may be required to provide – and the Company may be obliged to disclose – details and information about Zegona Shareholders (and persons connected or associated with them) as may be required to enable the Company or any of its associates to comply with their obligations to any tax, regulatory or comparable authorities (including pursuant to FATCA or CRS) or where the Company believes such that such disclosure is in the interests of the Company. Any failure to do so may result in such Zegona Shareholder being subject to adverse consequences.

Although the Company intends to comply with the rules imposed by FATCA and other FATCA-style agreements, the Company cannot guarantee that it will be able to satisfy its obligations under FATCA (and other information exchange regimes).

The foregoing is only a general summary of FATCA, the DAC and the CRS. Zegona Shareholders are urged to consult with their own advisers regarding the application of any of these measures to their investment in the Company.

3 Certain US federal income tax considerations

The following summary is intended to apply only as a general guide to United States (US) federal income tax consequences of owning and disposing of Zegona Shares under current law. This discussion is based on the Internal Revenue Code of 1986, as amended (the "**US Tax Code**"), its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently of the date hereof. These laws are subject to change, possibly on a retroactive basis. The statements are not exhaustive and relate only to certain limited aspects of the US federal income tax consequences of holding or disposing of Zegona Shares.

This section applies only to the US shareholders described below acquiring Zegona Shares in this offering and holding their Zegona Shares as capital assets for US federal income tax purposes (generally, property held for investment). This section does not purport to be a comprehensive description of all tax considerations that may be relevant in light of a US shareholder's particular circumstances, including any state, non-US or local tax considerations, any US federal gift, estate or generation skipping transfer tax considerations and tax consequences applicable to special classes of US shareholders, including: financial institutions; brokers or dealers or traders in securities who use a mark to market method of tax accounting; real estate investment trusts or regulated investment companies; tax-exempt entities including any "individual retirement accounts" or "Roth IRAs"; life insurance companies; persons liable for alternative minimum tax; persons that hold Zegona Shares as part of a straddle, wash sale, conversion transaction or integrated transaction; persons that hold Zegona Shares in connection with the conduct of a trade or business; entities classified as partnerships or other pass through entities for US federal income tax purposes, including beneficial owners of such entities; US expatriates; persons who acquired Zegona Shares pursuant to the exercise of an employee stock option or otherwise as compensation for services; US shareholders that will own (directly, indirectly or constructively) in the aggregate 10% or more of Zegona Shares (measured by either voting power or value); or US shareholders whose functional currency is not the US dollar. This section does not address any person that is not a US shareholder.

A US shareholder is a person who, for US federal income tax purposes, is a beneficial owner of Zegona Shares and is:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to US federal income tax purposes regardless of its source.

If an entity classified as a partnership for US federal income tax purposes holds Zegona Shares, the US federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partnerships holding Zegona Shares and their partners should consult their tax advisers as to the particular US federal income tax consequences of holding and disposing of Zegona Shares in their particular circumstances.

The statements set out in the paragraphs below do not constitute tax or legal advice. US shareholders should consult a competent tax advisor with respect to the US federal, state, local and non-US tax consequences to you of acquiring, holding and disposing of Zegona Shares.

3.1 ***Passive foreign investment company ("PFIC") considerations***

As described below, if the Company is considered to be a PFIC at any time during a US shareholder's holding period for the Zegona Shares, such US shareholder may be subject to future certain adverse US federal income tax consequences with respect to distributions and dispositions related to the Zegona Shares. A non-United States corporation will be a PFIC for US federal income tax purposes for any taxable year if either:

(a) 75% or more of its gross income for such year is "passive income", which for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions and gains from assets that produce passive income (the "**Income Test**"); or

(b) 50% or more of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income (the "**Asset Test**").

For this purpose, a corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which the corporation owns, directly or indirectly, at least 25% (by value) of the stock.

Because the Company's current assets consist primarily of the approximately 15% shareholding of Euskaltel (i.e., less than the 25% threshold described in the preceding paragraph), which is treated as an asset that produces passive income, the Company believes that it was a PFIC for the taxable year of 2018 and there is a significant risk that the Company will be a PFIC for the taxable year of 2019. A separate determination with respect to the Asset Test and Income Test must be done with respect to the Company after the close of each taxable year as to whether it was a PFIC for that year and, therefore, the Company's status as a PFIC is subject to change. The Company's PFIC status for future taxable years will depend on whether it will own 25% or more in Euskaltel or other companies, as described below.

If the Euskaltel Share Acquisition results in the Company owning (directly or indirectly) at least 25% (by value) of the outstanding Euskaltel Shares, then generally for each quarter in which the Company owned 25% or more in Euskaltel the Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of Euskaltel under the Asset Test and Income

Test for purposes of making the determination for the 2019 taxable year and subsequent taxable years. Accordingly, the Company's PFIC status for 2019 and the foreseeable future is substantially dependent on its investment in Euskaltel, unless and until the Company diversifies its investments and activities other than its shareholding in Euskaltel. For as long as the Company continues to own less than 25% (by value) of Euskaltel, the Company will generally continue to be a PFIC. Even if the Euskaltel Share Acquisition results in the Company owning at least 25% (by value) of outstanding Euskaltel Shares, there is a significant risk that the Company will be a PFIC for the taxable year of 2019 because the Asset Test is based on the average of the quarterly values of the assets of the Company and, prior to increasing its shareholding in Euskaltel to 25% or more, the assets of the Company will primarily consist of cash from the Placing, which is treated as an asset that produces passive income, and the shareholding of Euskaltel, which is also treated as an asset that produces passive income unless and until the Company's shareholding in Euskaltel is at least 25% (by value) of the outstanding Euskaltel Shares. If the Company increases its ownership in Euskaltel to at least 25% (by value) of the outstanding Euskaltel Shares, the Company would not expect the shareholding of the Euskaltel Shares to be treated as an asset that produces passive income for purposes of the Asset Test and Income Test for each quarter in which the Company's shareholding is equal to or exceeds 25% (by value) of the outstanding Euskaltel Shares based on the Company's understanding of Euskaltel's current composition of income and assets as reflected on its public filings (which have not been independently verified by the Company). However, because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, because the Company's PFIC status may depend to a large extent on Euskaltel's annual PFIC status if the Company owns 25% or more (by value) in Euskaltel and because the Company's assets in 2019 and subsequent taxable years may consist of less than 25% shareholding in other companies and cash, there is a significant risk that the Company will be a PFIC for any taxable year. Prospective US shareholders should therefore be willing to bear the consequences of owning shares in a PFIC in making their investment decision. The Company does not intend to conduct an annual PFIC analysis at the end of each taxable year or notify its US shareholders regarding its PFIC status.

If the Company were a PFIC for any taxable year during which a US shareholder owns Zegona Shares, such US shareholder generally will be subject to special tax rules with respect to any "excess distribution" that it receives and any gain realised from a sale or other disposition (including a pledge) of such Zegona Shares, unless such US shareholder makes a "mark-to-market" election as discussed below. A US shareholder that does not make a mark-to-market election will be referred to in this summary as a "**Non-Electing US Shareholder**".

Under the PFIC rules, distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a US shareholder's holding period for the Zegona Shares will be treated as excess distributions. A Non-Electing US Shareholder will generally be taxed on excess distributions and gains on disposition of Zegona Shares in the following manner:

(a) the excess distribution or gain will be allocated rateably over the Non-Electing US Shareholder's holding period for the Zegona Shares;

(b) the amount allocated to the taxable year of disposition or excess distribution, and any taxable years in a Non-Electing US Shareholder's holding period prior to the first taxable year in which the Company was a PFIC, will be treated as ordinary income; and

(c) the amount allocated to each other taxable year will be subject to the highest tax rate on ordinary income in effect for individuals or corporations, as applicable, for each such year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realised on the sale of the Zegona Shares cannot be treated as capital gains, even if the Zegona Shares are held as capital assets.

If the Company were a PFIC for any taxable year during which a Non-Electing US Shareholder owns Zegona Shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing US

Shareholder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. If the Company ceases to be a PFIC, a Non-Electing US Shareholder may terminate this deemed PFIC status with respect to Zegona Shares by electing to recognise gain (which will be subject to the special tax rules discussed above), but not loss, as if such Zegona Shares were sold on the last day of the last taxable year for which the Company was a PFIC.

To the extent the Company is a PFIC and has any subsidiaries or other entities in which it holds equity interests, and any such entity is also a PFIC (a lower-tier PFIC), a US shareholder will generally be deemed to own its proportionate share in such lower-tier PFIC, and such US shareholder generally will be subject to the adverse tax consequences described above with respect to the shares of any such lower-tier PFIC that the US shareholder would be deemed to own. As a result, if the Company is a PFIC and receives a distribution from any lower-tier PFIC or any shares in a lower-tier PFIC are disposed of (or deemed disposed of), a US shareholder generally will be subject to tax under the PFIC rules described above in the same manner as if the US shareholder had held its proportionate share of the lower-tier PFIC stock directly even though such US shareholder has not received the proceeds of the distribution or disposition directly. US shareholders should consult their tax advisors regarding the application of the PFIC rules to any lower-tier PFIC.

Mark-to-Market Election

A US shareholder of "marketable stock" (as defined below) in a PFIC may avoid taxation under the default rules described above if the US shareholder makes a valid mark-to-market election for such stock. If a US shareholder makes a mark-to-market election for its Zegona Shares, such US shareholder will include as ordinary income for each year that the Company is treated as a PFIC an amount equal to the excess, if any, of the fair market value of the Zegona Shares as of the close of such US shareholder’s taxable year over its adjusted basis in such Zegona Shares. The US shareholder would also include as an ordinary loss an amount equal to the excess, if any, of the adjusted tax basis of such Zegona Shares over the fair market value of the Zegona Shares as of the close of such US shareholder’s taxable year, but only to the extent of the excess of amounts previously included in income over ordinary losses deducted as a result of the mark-to-mark election. An electing US shareholder’s basis in the Zegona Shares will be adjusted to reflect any such income or loss amounts. Any gain from a sale, exchange or other disposition of the Zegona Shares in any taxable year in which the Company is a PFIC (i.e., any year in which the Company meets the Asset Test or Income Test described above), would be treated as ordinary income and any loss from a sale, exchange or other disposition would be treated first as an ordinary loss to the extent of any net mark-to-market gains previously included in income and thereafter as a capital loss. If the Company ceases to be a PFIC, any gain or loss recognised by a US shareholder on the sale, exchange or other disposition of the Zegona Shares would be classified as a capital gain or loss.

Once made, the election cannot be revoked without the consent of the IRS unless the Zegona Shares cease to be "marketable stock". If the Company is a PFIC for any year in which the US shareholder owns the Zegona Shares but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made. The tax rules described below that apply to distributions by corporations which are not PFICs would apply to distributions by the Company, except that the lower capital gains rate applicable to qualified dividend income (as defined in the US Tax Code) would not apply. A mark-to-mark election will not apply to the Zegona Shares for any taxable year during which the Company is not a PFIC, but will remain in effect with respect to any subsequent taxable year in which the Company again becomes a PFIC.

The mark-to-market election is available to a US shareholder only for "marketable stock". Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable US Treasury regulations. A class of stock is "regularly traded" during any calendar year during which such class of stock is traded in more than *de minimis* amounts on a qualified exchange for 15 or more days during each calendar quarter. The Company expects that the Zegona Shares should be marketable stock as long as they are listed on the London Stock Exchange and are regularly traded; however, the Company can give no assurance that its Zegona Shares will be regularly traded. Additionally, as a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that the Company may own, a US shareholder may continue to be subject to the PFIC rules discussed above relating to taxation of Non-Electing US Shareholders with respect to any indirect interest in any investments held by the Company (including stock in a subsidiary of the Company) that are treated as an equity interest in a PFIC for US federal income tax purposes. US shareholders should consult their tax advisors as to the availability and desirability of a mark-to-market election, as well as the impact of such election on interests in any lower-tier PFICs.

QEF Election

A US shareholder may be able to mitigate the adverse US federal income tax consequences of holding stock in a PFIC by making a qualified electing fund (QEF) election to include in income its share of the Company's income on a current basis. However, US shareholders may make a QEF election with respect to their Zegona Shares only if the Company agrees to furnish them annually with certain tax information, and the Company does not intend to prepare or provide the information necessary for a US shareholder to make a QEF election with respect to its Zegona Shares. Therefore, the QEF election will not be available to US shareholders to mitigate the adverse US federal income tax consequences arising under the PFIC rules described above.

PFIC Information Reporting

Holders of PFIC stock are also subject to additional information reporting rules. Generally, each US shareholder of the Company, for any year in which the Company is a PFIC with respect to such US shareholder, is required to file an IRS Form 8621. US shareholders should consult their tax advisors regarding any reporting requirements that may apply to them.

The US federal income tax rules relating to PFICs are very complex. US shareholders are urged to consult their own tax advisors with respect to the purchase, ownership and disposition of Zegona Shares, the consequences to them of an investment in a PFIC, any elections available with respect to shares in a PFIC and the IRS information reporting obligations with respect to the purchase, ownership and disposition of Zegona Shares in the event the Company is a PFIC.

3.2 ***General taxation of dividends***

Subject to the PFIC rules discussed above, the gross amount of any dividend paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) to a US shareholder is subject to US federal income taxation as dividends. Distributions (or portions thereof) from corporations demonstrated to be in excess of current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the receiving shareholder’s basis in its shares and thereafter as capital gain. However, because the Company is not expected to calculate earnings and profits in accordance with US federal income tax principles, the entire amount of any distribution generally will be treated as a dividend. The dividend is taxable when the dividend is received, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other corporations. In addition, the dividend would not be eligible for the preferential tax rate that may apply to dividends paid by a "qualified foreign corporation" to non-corporate US shareholders (qualified dividend income) if the Company were (or treated with respect to the US shareholder as) a PFIC in the taxable year in which the dividend was paid or the preceding taxable year. Because the Company expects that it was a PFIC for the taxable year 2018, dividends paid in taxable year 2019 will not be eligible for the preferential tax rate regardless of the Company’s PFIC status for taxable year 2019. Non-corporate US shareholders should consult their tax advisors regarding the availability of the preferential rate to dividends in their particular circumstances.

Dividends will be income from sources outside the United States. Dividends will, depending on each US shareholder’s circumstances, generally be either "passive" or "general" income for purposes of computing the foreign tax limitations purposes.

The amount of the dividend distribution that must be included in income of a US shareholder will be the US dollar value of the payments made, determined at the spot rate on the date the dividend distribution is includable in income, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in income to the date the US shareholder converts the payment into US dollars will be treated as ordinary income or loss and will not be eligible for the preferential tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

3.3 *Taxation of capital gains*

Subject to the PFIC rules discussed below, a US shareholder that sells or otherwise disposes of Zegona Shares in the Company will recognise capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount realised and such US shareholder’s tax basis, determined in US dollars, in the Zegona Shares sold.

Capital gain of a non-corporate US shareholder generally is taxed at preferential rates where the property is held for more than one year. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

3.4 *Medicare tax*

A non-corporate US shareholder will be subject to a 3.8% tax on the lesser of (1) the US shareholder's "net investment income" for the relevant taxable year and (2) the excess of the US shareholder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be $125,000, $200,000 or $250,000 depending on the individual's circumstances). A US shareholder’s net investment income will generally include its dividend income and its net gains from the disposition of shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

3.5 *Information with respect to foreign financial assets*

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" generally include financial accounts maintained by non-US financial institutions as well as stock issued by a non-US corporation that is not held in an account maintained by a financial institution.

3.6 *Information reporting and backup withholding*

Payments of dividends and sales proceeds that are made within the United States or through certain US-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the US shareholder is a corporation or other exempt recipient or (ii) in the case of backup withholding the US shareholder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a US shareholder’s US federal income tax liability, and such US shareholder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS and furnishing any required information in a timely manner. US shareholders of Zegona Shares should consult their tax advisers regarding the application of the US information reporting and backup withholding rules.

PART XIII - DIRECTORS, CORPORATE GOVERNANCE AND EMPLOYEES

1 ZEGONA DIRECTORS AND SENIOR MANAGERS

The Zegona Group is led and controlled by an effective Board. Biographical details of all Directors and details of their committee membership at the date of this Document are provided below. Consideration of the Board size and composition is kept under regular review by the Nomination and Remuneration Committee.

Name	**Function**
Eamonn O'Hare	*Chairman and CEO*
Robert Samuelson	*Chief Operating Officer*
Mark Brangstrup Watts	*Non-Executive Director*
Murray Scott	*Non-Executive Director*
Richard Williams	*Non-Executive Director*
Ashley Martin	*Non-Executive Director*

Details of the senior managers of the Zegona Group are set out below.

Name	**Function**
Howard Kalika	*Investment Director*
Menno Kremer	*Investment Director*
Dean Checkley	*Chief Financial Officer*

The business address of all of the Directors and senior managers is 20 Buckingham Street, London WC2N 6EF.

1.1 *Profiles of the Directors*

The names, business experience and principal business activities outside the Zegona Group of the Directors, as well as the dates of their initial appointment as Directors, are set out below. The composition of the Board will not change as a result of the Transaction.

Eamonn O'Hare, Chairman and CEO (appointed 19 January 2015)

Eamonn has spent over two decades as a board member and senior executive of some of the world's fastest growing consumer and technology businesses. From 2009 to 2013 he was Chief Financial Officer and main board director of the UK's leading entertainment and communications business, Virgin Media. Eamonn helped lead the successful transformation of this business and its strategic sale to Liberty Global for US$24 billion, crystallising US$14 billion of incremental shareholder value. From 2005 to 2009, he served as the Chief Financial Officer for the UK division of one of the world's largest retailers, Tesco plc. Before joining Tesco, Eamonn was Chief Financial Officer and main board director of Energis Communications Limited and helped lead the turnaround of this high profile UK telecommunications company. Prior to this, he spent 10 years at PepsiCo Inc. in senior executive roles in Europe, Asia and the Middle East. Eamonn's early career was spent in the aerospace industry with companies that included Rolls Royce and British Aerospace.

Eamonn is a non-executive director of Tele2, one of Europe's fastest growing telecommunications operators offering mobile, fixed telephony, broadband and content services. He also serves as a non-executive director on the main board of Dialog Semiconductor Plc, a leading edge consumer technology business that provides critical components for the world's most successful mobile device brands.

Eamonn has a degree in Aerospace Engineering from the Queen's University Belfast and an MBA from the London Business School.

Robert Samuelson, Executive Director and Chief Operating Officer (appointed 19 January 2015)

Robert was Executive Director Group Strategy of Virgin Media from 2011 to 2014, during which time he was centrally involved in the sale of the business to Liberty Global and in the post-merger integration process. Robert is a proprietary director of Euskaltel.

Prior to this, Robert was a managing partner at Virgin Group with global responsibility for developing and realising returns from Virgin's telecommunications and media businesses. Before joining Virgin Group, Robert was a director at Arthur D Little Ltd, where he co-led the European corporate finance practice, providing strategic advice to major European telecommunications operators. His early career was spent with British Aerospace and Royal Ordnance in engineering and production management roles.

Robert studied Natural Sciences at Cambridge University and has an MBA from Cranfield School of Management.

Mark Brangstrup Watts, Non-Executive Director (appointed 19 January 2015)

Mark co-founded the Marwyn asset management group in 2002 and has many years of experience deploying private equity investment strategies in the public markets. The Marwyn funds' highly acquisitive portfolio companies have delivered approximately 100 bolt-on acquisitions with Mark offering significant M&A, ECM and corporate finance experience.

Mark brings his background in strategic consultancy to the management team having been responsible for strategic development projects for international clients including Ford Motor Company (US), Cummins (Japan) and 3M (Europe).

Mark is a managing partner in Marwyn Capital LLP and Marwyn Investment Management LLP. Mark is currently an executive director of Le Chameau Group Plc, Safe Harbour Holdings Plc and Wilmcote Holdings Plc. Mark is also a non-executive director of Marwyn (which, as at 11 January 2019 (being the latest practicable date prior to the publication of this Document), held 25.78% of the share capital of the Company in its capacity as agent for and on behalf of its discretionary managed clients) and was previously a non-executive director of BCA Marketplace Plc, Advanced Computer Software Plc, Entertainment One Ltd, Melorio Plc, Inspicio Plc and Talarius Plc, amongst others.

Mark is a member of the Nomination and Remuneration Committee.

Murray Scott, independent Non-Executive Director (appointed 31 July 2015)

Murray has almost 20 years of experience in the international telecommunications sector, ranging from the then start-ups Equant and Interoute, to BT plc, where he served as Chief Financial Officer for the UK products sub-division of BT Global Services which had revenues of £1.6bn. Since leaving BT, Murray has pursued his career as an interim director and consultant, including his current position as the Interim Director of Finance and Resources at the Stroke Association.

Murray studied Natural Sciences at Cambridge University and qualified as a Chartered Accountant with KPMG in London.

Murray is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

Richard Williams, independent Non-Executive Director (appointed 9 November 2015)

Richard has spent most of his career in European telecommunications, most recently as a Director of Investor Relations at Altice and, prior to that, Virgin Media. Richard is a qualified Chartered Accountant and has held financial planning roles at Walt Disney and ITV Digital. He joined Telewest Communications in 1999 in an investor relations role. Telewest later merged with NTL and was rebranded to Virgin Media. Richard led Virgin Media's investor relations activity through to the acquisition of the company by Liberty Global in 2013. Richard then joined Altice, where he supported the company's IPO and Altice's acquisition of SFR and Portugal Telecom, before eventually leaving the company.

Richard is Chair of the Nomination and Remuneration Committee and is a member of the Audit and Risk Committee.

Ashley Martin, independent Non-Executive Director (appointed 6 February 2017)

Ashley brings a wealth of complementary experience to the Zegona Board. Ashley was Audit Committee Chair at Rightmove plc from 2009 to 2018 and, in that role, gained valuable insight into an entrepreneurial, high-growth consumer technology business. On 1 September 2018, Ashley was appointed as a non-executive director of the international research data and analytics group YouGov plc. Ashley has also enjoyed a successful executive career spanning 35 years in larger listed companies, with a particular focus on mergers and acquisitions. Ashley was most recently Global Chief Financial Officer of private equity-backed Engine Holding LLC, and was previously the Group Finance Director of Rok plc, the building services group, and Group Finance Director of the media services company, Tempus plc.

Ashley qualified as a Chartered Accountant with Armitage & Norton (now part of KPMG).

Ashley is Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

1.2 ***Profiles of other senior managers***

Howard Kalika, Investment Director

Howard was Director, Strategy at Virgin Media 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 US$24 billion sale to Liberty Global in 2013, and was the finance lead in the sale of VMTV Limited 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 (the 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 from the University of Chicago.

Menno Kremer, Investment Director

Menno was an executive director in the TMT investment banking group at Goldman Sachs, and has more than 12 years of experience in investment banking. During this period, he worked on a broad range of M&A transactions and debt and equity financings for leading European TMT companies.

Menno received a Masters degree in International Relations from the University of Groningen, The Netherlands.

Dean Checkley, Chief Financial Officer

Dean has served in senior finance roles in large TMT and international companies for almost 20 years. Most recently, Dean was Group Financial Controller at AB Mauri, a division of Associated British Foods. Prior to this role, he worked at Virgin Media as the Director of Financial Control, where he oversaw the company's external reporting and accounting policy programs, followed by the post of Group Risk Director, where he led Virgin Media's operating and financial risk management function and helped develop the integration programme with Liberty Global.

Before Virgin Media, Dean was the Finance Director of the production division of Central European Media Enterprises (CME), a NASDAQ-listed broadcaster, and held senior roles at PricewaterhouseCoopers.

Dean received a Bachelor of Arts Degree in History from the London School of Economics and qualified as a Chartered Accountant with PricewaterhouseCoopers.

1.3 ***Interests of the Directors and senior managers***

As at 11 January 2019 (being the latest practicable date prior to the publication of this Document), the aggregate interests (all of which are beneficial) of the Directors, senior managers and persons closely associated with them in the share capital of the Company, and which have been notified by each Director or senior manager to the Company pursuant to Article 19 of the Market Abuse Regulation and its predecessor legislation (in the case of persons closely associated, so far as is known to the relevant Director or senior manager or could with reasonable diligence be ascertained by them), together with such interests as are expected to subsist immediately following Admission, are set out below:

	Interests as at 11 January 2019		Interests immediately following Admission[1]	
Director/senior manager[2]	**Number of Existing Zegona Shares**	**Percentage of issued share capital**	**Number of Zegona Shares**	**Percentage of issued share capital**
Eamonn O'Hare[3]	1,365,519	1.08%	2,032,185	0.92%
Robert Samuelson[3]	514,996	0.41%	657,853	0.30%
Murray Scott	32,147	0.03%	66,147	0.03%
Richard Williams[4]	25,287	0.02%	25,287	0.01%
Ashley Martin	10,479	0.01%	10,479	0.00%
Mark Brangstrup Watts[5]	-	0.00%	-	0.00%
Howard Kalika	177,034	0.14%	319,892	0.14%
Dean Checkley	4,216	0.00%	4,216	0.00%
Menno Kremer	-	0.00%	-	0.00%

Note:

(1) Assuming no Zegona Shares are issued prior to Admission other than the New Zegona Shares and there are no buy-backs of Zegona Shares prior to Admission.

(2) None of the Directors and senior managers are a Euskaltel shareholder.

(3) Eamonn O'Hare and Robert Samuelson also have interests in Management Shares, details of which are set out in paragraph 4 of Part XV (Additional Information).

(4) Richard Williams also holds a long position equivalent to 36,006 shares through a contract for difference.

(5) As at 11 January 2019, Marwyn, of which Mark Brangstrup Watts is a Non-Executive Director, held 25.78% of the share capital of the Company in its capacity as agent for and on behalf of its discretionary managed clients.

Taken together, the combined percentage interest of the Zegona Directors and senior managers in the issued ordinary share capital of Zegona as at 11 January 2019 (being the latest practicable date prior to the publication of this Document) was approximately 1.7%. Taken together, the Zegona Directors and senior managers will have a combined percentage interest of approximately 1.40% in the share capital of Zegona immediately following completion of the Placing.

2 CORPORATE GOVERNANCE

The Board of Directors

The Chairman and CEO is primarily responsible for the running of the Board and for the day to day running of the Zegona Group. All Board members have full access to the Zegona Group's advisers for seeking professional advice at Zegona's expense and the Zegona Group's culture is to openly discuss any important issues and frequently engage with Board members outside of formal meetings. The Zegona Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies is the responsibility of the Board.

The Board meets formally at least six times a year but also often meets additionally on an ad hoc basis where necessary. Meetings are prepared for using a standing agenda which is updated to incorporate any ad hoc business or matters of interest. The Board is presented with papers from management to support its discussions including financial information, information on investor relations, subsidiary management reporting and details of acquisition targets and deal progress.

The Executive Directors actively and constructively encourage challenge and seek input from the Non-Executive Directors to draw on their extensive experience and knowledge. They believe that the role of the Non-Executive Directors in providing independent challenge is a vital component of an effective board.

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code (the "**Code**") sets out a number of principles in relation to board leadership, effectiveness, accountability, remuneration and relations with shareholders. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

Following the original admission of the Zegona Shares to the Standard Listing on the Official List and to trading on the Main Market, save as set out below, the Board has voluntarily (as the Company has a Standard Listing) complied with the Code applicable to non-FTSE 350 companies, so far as practicable. Details and explanations of non-compliance with the July 2018 version of the Code (which came into force on 1 January 2019) are set out below.

Employee engagement

Provisions 2, 5 and 6 provide guidance for the implementation of procedures meant to ensure the Company engages with and monitors its workforce. Given the small team of employees in the Zegona Group, the Board believes the implementation of any formal steps or procedures to engage with the workforce are not required.

Combined Chairman and CEO

- Provision 9 of the Code recommends that the roles of Chairman and the Chief Executive Officer should not be occupied by the same person and that the Chairman should be independent on appointment; the Company does not comply with this requirement. The Board believes that Eamonn O'Hare's skills, knowledge and leadership enable him to effectively perform both roles and that, at this time, distinguishing between these roles would be of no additional benefit to the Zegona Group.
- There have been no concerns raised through the board effectiveness reviews in this regard and separation of the roles was determined to be a low priority in a corporate governance review performed by an external party (Ernst and Young, "EY"). However, the Board remains cognisant of this area of non-compliance and considers the continued appropriateness of these two roles remaining combined on a regular basis giving due regard to shareholder concerns and the time commitment required for each role as the business evolves.
- In particular, the Board considers that, notwithstanding his role as CEO, Eamonn is capable of promoting a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between the Executive and Non-Executive members of the Board.
- The Board believes that it remains effective with sufficient challenge being provided both at formal Board meetings and through informal interactions with members of the Board. In addition, the Company maintains a schedule of matters reserved for the Board which prevents Eamonn from authorising certain corporate actions without a formal resolution of the Board.

Appointment of a Senior Independent Director

Provision 12 of the Code provides that one Non-Executive Director should be appointed as a Senior Independent Director ("**SID**") to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. As at the date of this Document, the Company does not have a SID. During 2017 and 2018, extensive consideration has been given to such an appointment, including as part of an independent corporate governance review and the formation of the Company's Board Charter. The Board fully recognises the value that can be provided by a SID and currently intends to appoint a SID to the Board by no later than the date of the 2019 AGM.

Publication of internal policy documents

Provision 14 of the Code recommends that the responsibilities of the chair, chief executive, senior independent director, board and committees be set out in writing, agreed by the Board and made publicly available.

The Company has clear terms of reference for each of its committees and a set of matters reserved for the Board, each of which is publicly available on the Company's website. As the Company has no SID and a combined CEO and Chairman (as described above), the Company has not felt the need to delineate these roles in further detail. The Board will keep this decision under review, particularly following the appointment of a SID, and may publish the Company's Board Charter once approved by the Board.

Independence of Board committees

The Nomination and Remuneration Committee is comprised solely of Non-Executive Directors, however Provision 32 of the Code recommends remuneration committees to be comprised of independent Non-Executive Directors. Whilst Mark Brangstrup Watts has the characteristics of an independent Non-Executive Director, he represents a Significant Shareholder, is interested in Core Investor Shares and is a beneficial owner of Axio, which provides certain company secretarial & administration services and financial & accounting services to the Group.

3 BOARD COMMITTEES

The Board has established two principal committees, the Audit and Risk Committee and the Nomination and Remuneration Committee, to assist it in the execution of its duties. If the need should arise, the Board may set up additional committees as appropriate. The committees' terms of reference are available on the Company's corporate website, www.zegona.com, or by request from the Company Secretary. Each of the committees is authorised, at the Company's expense, to obtain legal or other professional advice to assist in carrying out its duties. No person other than a committee member is entitled to attend the meetings of these committees, except by invitation of the chairman of that committee.

Audit and Risk Committee

The Audit and Risk Committee currently comprises of three independent Non-Executive Directors, Ashley Martin, Murray Scott and Richard Williams. Ashley Martin chairs the Audit and Risk Committee. Each member of the Audit and Risk Committee brings relevant financial experience from senior executive and non-executive positions as described in their biographies at paragraph 1.1 (Profiles of the Directors) of this Part XIII.

The key responsibilities of the Audit and Risk Committee are as follows:

- Reviewing and monitoring the integrity of the financial statements of the Zegona Group, including the annual report and interim report.
- Reviewing and challenging the consistency of and any changes to significant accounting policies, the appropriateness of estimates and judgements, the methods used to account for significant or unusual transactions and compliance with accounting standards.
- Reviewing and considering the annual report to ensure that it is fair, balanced and understandable and advising the Board on whether it can state that this is the case.
- Reviewing and challenging the going concern assumption and the assessment forming the basis of the longer-term viability statement.
- Keeping under review the effectiveness of the Zegona Group's financial reporting, risk management and internal control systems and compliance controls, including the need for an internal audit function.
- Reviewing the Zegona Group's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters, in accordance with the Company's whistleblowing policy.
- Reviewing the Zegona Group's procedures for detecting fraud and the systems and controls for the prevention of bribery.
- Making recommendations to the Board on the appointment of the external auditor and its

remuneration for audit and non-audit services, overseeing the relationship, assessing the effectiveness of the external audit process and monitoring the independence of the external auditor.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises of four Non-Executive Directors, Mark Brangstrup Watts, Ashley Martin, Murray Scott and Richard Williams. Richard Williams chairs the Nomination and Remuneration Committee.

The key responsibilities of the Nomination and Remuneration Committee are as follows:

- regularly reviewing the size, structure and composition of the Board and by providing recommendations to the Board of any changes that may be necessary from time to time;
- giving full consideration to succession planning and the leadership needs of Zegona in order to ensure an optimum balance of Executive and Non-Executive Directors in terms of skills, expertise and diversity;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the markets within which it operates;
- managing the process for director appointments, including the engagement of an external search agency, as may be deemed appropriate, and the oversight of director induction;
- evaluating the performance of the Board, its committees and its individual Directors and reporting its findings to the Board;
- recommending the policy that the Company should adopt on remuneration of the Executive Directors and members of senior management, including the engagement of an external remuneration consultant as may be deemed appropriate;
- attracting, retaining and motivating Executive Directors and senior management to encourage commitment to the development of the Zegona Group and for long term enhancement of shareholder value;
- determining the levels of remuneration for each of the Executive Directors and members of senior management; and
- producing the annual remuneration report to be approved by the members of the Company at annual general meetings.

4 EMPLOYEES

The number of persons employed by the Zegona Group at 31 December 2017, 2016 and 2015 are set out in the table below. These numbers are subject to fluctuations based on acquisitions and disposals of businesses in the Zegona Group in accordance with Zegona's strategy:

	2017	**2016**	**2015**
Zegona Board Directors	6	5	5
Subsidiary Board Directors	5	5	5
Zegona senior management (excluding those counted as Subsidiary Board Directors)	2	2	-
Other staff of Zegona	1	1	1
Telecable senior management	-	7	3
Staff of Telecable	-	177	179
Total	**14**	**197**	**193**

PART XIV - THE PLACING

The Placing

The Company is proposing to issue 95,715,728 New Zegona Shares under the Placing at a price equal to 105 pence per New Zegona Share in order to raise net proceeds of £95.9 million.

The Placing is being fully underwritten by Barclays which, with Oakley, acting severally, have each agreed to use their reasonable endeavours to procure Placees to subscribe for New Zegona Shares in the Placing on the terms and subject to the conditions set out in the Placing Agreement. Details of the Placing Agreement are set out in paragraph 18 of Part XV (Additional Information) of this Document.

Each Placee will be required to enter into an irrevocable legally binding placing letter in favour of the Banks to subscribe for the number of New Zegona Shares set out in such letter and to pay the price for each such New Zegona Share in accordance with the terms and conditions of the Placing set out in the placing letter and the Placing Announcement.

Conditions

The Placing is conditional, inter alia, on:

(i) the Placing Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to Admission; and

(ii) the passing of the resolutions (without amendment) at the General Meeting.

General Meeting

The notice convening the General Meeting is set out in a shareholder circular published by the Company on 15 January 2019. The purpose of the General Meeting is to consider, and if thought fit, pass the resolutions to enable the Company to proceed with the Placing.

These resolutions propose that Zegona Shareholders approve: (i) granting the Directors authority to allot and issue the New Zegona Shares; and (ii) the disapplication of pre-emption rights in respect of the allotment of the New Zegona Shares.

Subscriber warranties

Each subscriber of New Zegona Shares in the Placing and any subsequent purchasers of the New Zegona Shares will be deemed to have represented, warranted, acknowledged and agreed to the representations, warranties, acknowledgments and agreements set out in the Placing Announcement and placing letter.

If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company and Barclays.

Allocation

The Company will notify investors of the number of New Zegona Shares in respect of which their application has been successful.

Placing arrangements

The Placing Agreement contains provisions entitling Barclays to terminate the Placing (and the arrangements associated with them) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to applicants without interest.

The Placing Agreement provides for the Banks to be paid commissions in respect of the New Zegona Shares to be allotted pursuant to the Placing. Any commissions received by the Banks may be retained, and any New Zegona Shares subscribed for by Barclays may be retained, or dealt in, by them for their own benefit.

Further details of the terms of the Placing Agreement are set out in paragraph 18 of Part XV (Additional Information) of this Document.

Use of proceeds

The net proceeds to the Company will amount to approximately £95.9 million, assuming gross proceeds of £100.5 million and after the deduction of commissions relating to the Placing and the other fees and expenses payable by the Company which are related to the Transaction which are expected to amount to approximately £4.6 million in aggregate.

The Directors intend to use the net proceeds of the Placing to fund the Euskaltel Share Acquisition. To the extent that the Company has not used all or substantially all of the Available Funds to acquire Euskaltel Shares as described above over a time period considered reasonable by the Directors, or if the Company has chosen not to acquire further Euskaltel Shares (for example, as a result of a significant increase in Euskaltel's share price), subject to retaining any amounts required for general corporate and working capital purposes, any voluntary or mandatory repayment of the New Facilities, Zegona currently intends to return any excess to Zegona Shareholders through an appropriate and equitable mechanism, including through a potential buyback of Zegona Shares in the market, which could have adverse tax consequences for Zegona Shareholders.

Supplementary prospectus

In the event that there are any significant changes affecting any of the matters described in this Document or where any significant new matters have arisen after the publication of this Document and prior to Admission, the Company will publish a supplementary prospectus.

Placees will be deemed to acknowledge that their respective agreement to subscribe for the number of New Zegona Shares will not be by way of acceptance of a public offer made or to be made in this Document but is by way of a collateral contract and, accordingly, section 87Q of FSMA does not entitle Placees to withdraw their acceptance in the event that the Company publishes a supplementary prospectus in connection with the Placing and/or Admission. Without prejudice to such acknowledgement, if Placees are so entitled to withdraw, by accepting the offer of their respective New Zegona Shares contained in a placing letter, they will irrevocably agree not to exercise any such rights and to confirm their acceptance of the offer on the same terms immediately after any such right to withdraw arises.

Admission and dealings

Admission is expected to take place and unconditional dealings in the New Zegona Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 11 February 2019 in respect of the Placing. There will be no conditional dealings in the New Zegona Shares.

Payment for the New Zegona Shares, in the case of the Placing, should be made in accordance with settlement instructions to be provided to Placees by Barclays.

Application has been made to the FCA for the New Zegona Shares to be admitted to the Standard Listing segment of the Official List. Application has also been made to the London Stock Exchange for the New Zegona Shares to be admitted to trading on its Main Market for listed securities. The New Zegona Shares are not listed or traded on, and no application has been or is being made for the admission of the New Zegona Shares to listing or trading on, any other stock exchange or securities market.

It is expected that New Zegona Shares allocated to investors in the Placing will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

CREST

CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Company's Articles permit the holding of Zegona Shares under the CREST system.

The records in respect of New Zegona Shares held in uncertificated form will be maintained by Euroclear and the Company's Registrar. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

The transfer of New Zegona Shares out of the CREST system following Admission should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form.

CREST is a voluntary system and Zegona Shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for Zegona Shares in the Placing may elect to receive New Zegona Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST. If a Zegona Shareholder or transferee requests New Zegona Shares to be issued in certificated form and is holding such New Zegona Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the New Zegona Shares. Zegona Shareholders holding definitive certificates may elect at a later date to hold such New Zegona Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

Dilution

The issue of 95,715,728 New Zegona Shares will result in Zegona’s issued ordinary share capital increasing to 221,935,177 (on the basis of 126,219,449 Zegona Shares being in issue as at 11 January 2019 and assuming no further Zegona Shares are issued prior to Admission and no buy-backs of Zegona Shares prior to Admission). Immediately following Admission, holders of the New Zegona Shares will hold approximately 43.13% of Zegona’s issued ordinary share capital (assuming Zegona does not issue any further Zegona Shares or buy back any Zegona Shares from the date of this Document until Admission). As a result, the voting rights of Existing Zegona Shareholders would be diluted, such that an Existing Zegona Shareholder would, immediately following Admission, hold voting rights of approximately 56.87% of the total voting rights that they had held immediately prior to Admission (on the basis that such Existing Zegona Shareholder did not participate in the Placing, no further Zegona Shares are issued and there are no buy-backs of Zegona Shares prior to Admission).

Selling restrictions and notice to investors

The distribution of this Document and the offer of Zegona Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the New Zegona Shares, or possession or distribution of this Document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the New Zegona Shares may not be offered or sold, directly or indirectly, and neither this Document nor any other offering material or advertisement in connection with the New Zegona Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Document comes should inform themselves about and observe any restrictions on the distribution of this Document and the offer of New Zegona Shares contained in this Document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Document does not constitute an offer to subscribe for or purchase any of the New Zegona Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each EEA Member State which has implemented the Prospectus Directive (each, a "**Relevant**

Member State"), no New Zegona Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the New Zegona Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of New Zegona Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State subject to obtaining the prior consent of Barclays; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Zegona Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purpose of this provision, the expression an "offer to the public" in relation to any New Zegona Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and the New Zegona Shares to be offered so as to enable an investor to decide to purchase the New Zegona Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any New Zegona Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented that the New Zegona Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Zegona Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of Barclays has been obtained to each such proposed offer or resale. The Company, Barclays and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Barclays of such fact in writing may, with the prior consent of Barclays, be permitted to acquire New Zegona Shares in the Placing.

Spain

The New Zegona Shares may only be offered or sold in Spain to professional clients (*clientes profesionales*) as defined in Article 205 of the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) (the "**Spanish Securities Market Law**") and eligible counterparties (contrapartes elegibles) as defined in Article 207 of the Spanish Securities Market Law, as amended, and in accordance with the provisions of the Spanish Securities Market Law and further developing legislation. This Document has not been registered with the CNMV and is not therefore intended to be used for any public offer of the New Zegona Shares in Spain.

Italy

No prospectus or any other documents or materials relating to the Placing has been or will be registered with the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa* or "**Consob**") and will not be subject to formal review or clearance by Consob. The New Zegona Shares may not be offered, sold or delivered, directly or indirectly, in Italy or to a resident of the Republic of Italy unless such offer, sale or delivery of New Zegona Shares or distribution of this Document is made:

(a) to Italian qualified investors (*investitori qualificati*) as defined in Article 34-ter, para. 1, let. b) of Consob Regulation No. 11971/1999, as amended (the "**Issuers Regulation**"), implementing Article 100 of Legislative Decree No. 58/1998, as amended (the "**Consolidated Financial Act**"); or

(b) in any other circumstance where an express exemption from compliance with the regulations on offers to the public applies, including, without limitation, as provided under Article 100 of the Consolidated Financial Act and Article 34-ter of the Issuers Regulation.

Any offer, sale or delivery of the New Zegona Shares or any distribution in Italy of copies of this Document or any other document relating to the Placing in the circumstances described in (a) and (b) above must be made:

(1) through authorised persons (such as investment firms, banks or financial intermediaries as defined by Article 1, para.1, let. r), of the Consolidated Financial Act) to the extent duly authorised to engage in the placement and/or underwriting and/or purchase of financial instruments in Italy in accordance with the relevant provisions of the Consolidated Financial Act, Legislative Decree No. 385 of 1 September 1993, as amended (the "**Italian Banking Act**") and in compliance with any other applicable laws and regulations; and

(2) in accordance with any other applicable Italian laws and regulations, or any other requirement or limitation that may be imposed by Consob, the Bank of Italy or any other regulatory authority from time to time.

Any investor purchasing the New Zegona Shares is solely responsible for ensuring that any offer or resale of the New Zegona Shares it purchases occurs in compliance with applicable laws and regulations.

In accordance with Article 100-bis, para. 1, of the Consolidated Financial Act, the subsequent resale on the secondary market in Italy of the New Zegona Shares (which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus) constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Consolidated Financial Act and the Issuers Regulation unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such New Zegona Shares being declared null and void and the intermediary transferring the New Zegona Shares may be liable for any damage suffered by the investors.

The Netherlands

In addition to the restrictions described in the paragraph "European Economic Area" above, no offer of New Zegona Shares which are the subject of the offering contemplated by this Document, has been made or will be made in the Netherlands, unless (i) such offer is made exclusively to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in Article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**DFSA**"); or (ii) standard exemption logo and wording are disclosed if required by Article 5:20(5) of the DFSA, or such offer is otherwise made in circumstances in which Article 5:20(5) of the DFSA is not applicable, and in each case provided that no such offer of New Zegona Shares shall require the Company or any bank to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

United States

The New Zegona Shares have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state or local securities laws and in a transaction that is subject to the Company's reliance on section 3(c)(7) of the US Investment Company Act that does not cause any requirement to register the Company under the US Investment Company Act. The Company has not been and will not be registered under the US Investment Company Act pursuant to the exemption provided by Section 3(c)(7) thereof, and investors will not be entitled to the benefits of the US Investment Company Act. The Company proposes to place the New Zegona Shares outside the United States to non-US Persons in offshore transactions in accordance with Regulation S and in the United States to, or for the account or benefit of, US Persons by broker-dealers registered as such under the US Exchange Act to QIBs that are also QPs under the US Investment Company Act who have each executed and delivered to the Company a US Qualified Purchaser's Letter.

The New Zegona Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under applicable US federal securities laws and as permitted as set forth below.

In addition, until 40 days after the commencement of the Placing, an offer or sale of the New Zegona Shares within the United States by a dealer (whether or not participating in the Placing) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in compliance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Each person in the United States or US Person outside the United States to whom New Zegona Shares are offered or who accesses this Document will be deemed to have represented and agreed, on its own behalf and on behalf of any beneficial owner for whose account it is acting for in connection with the Placing, that it is a QIB and a QP, and if it purchases New Zegona Shares during the 40-day period after the New Zegona Shares are listed on the London Stock Exchange, then: (i) at the time of such purchase it either (x) will not be a US Person and will be located outside of the United States (within the meaning of Regulation S), or (y) will be a QIB that is also a QP as to which the purchaser exercises sole investment discretion and (ii) such New Zegona Shares so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by it to be a US Person (by pre-arrangement or otherwise) and in an offshore transaction complying with the provisions of Rule 904 of the Regulation S (including, for the avoidance of doubt, a bona fide sale on the London Stock Exchange). Any offer or sale of New Zegona Shares in reliance on an exemption from the registration requirements under the US Securities Act will be made only by broker-dealers who are registered as such under the US Exchange Act.

The New Zegona Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this Document. Any representation to the contrary is a criminal offence in the United States.

If you purchase New Zegona Shares in the Placing, you will be deemed to have made the representations and agreements described below with respect to that purchase.

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the New Zegona Shares. These restrictions include, among others, (i) prohibitions on participation in the Placing by persons in circumstances which might cause us to be required to be registered as an investment company under the US Investment Company Act, and (ii) restrictions on the ownership and transfer of the New Zegona Shares by such persons following the Placing. Terms that are defined in Rule 144A or Regulation S are used herein as defined therein.

The New Zegona Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold or otherwise transferred or delivered within the United States to, or for the account or benefit of, US Persons as defined in Regulation S except to QIBs that are also QPs as defined in Section 2(a)(51) of the US Investment Company Act and the rules thereunder (each a "**QIB/QP**"). The New Zegona Shares may be offered and sold outside the United States to non-US Persons in accordance with Regulation S.

International offering in the United States

If you are a US Person or purchase the New Zegona Shares in the United States in reliance on an exemption from the registration requirements under the US Securities Act, you will be required to deliver to the Company the US Qualified Purchaser's Letter.

International offering outside the United States

If you purchase the New Zegona Shares outside the United States in reliance on Regulation S, you and each subsequent purchaser of those New Zegona Shares in resales prior to the expiration of 40 days after the later of the commencement of this Placing and the closing date, by accepting delivery of this Document, will be deemed to have represented and agreed as follows:

- you are not a US Person and you and the person, if any, for whose account you are acquiring the

New Zegona Shares, are, or at the time the New Zegona Shares are offered or purchased pursuant to Regulation S, will be the beneficial owner of such New Zegona Shares and (A) you were located outside the United States at the time the buy order for the New Zegona Shares was originated and continue to be located outside the United States and have not purchased the New Zegona Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such New Zegona Shares or any economic interest therein to any person in the United States and are acquiring the New Zegona Shares in an offshore transaction (within the meaning of Regulation S) in reliance on Regulation S; and (B) you are not an affiliate of the Company or a person acting on its behalf or such an affiliate;

- you and the person, if any, for whose account you are acquiring the New Zegona Shares, understand that the New Zegona Shares have not been and will not be registered under the US Securities Act and that you will not offer, sell, pledge or otherwise transfer such New Zegona Shares except to a non-US Person in an offshore transaction complying with the provisions of Rule 904 of Regulation S;

- you have not been offered the New Zegona Shares by means of any "directed selling efforts" as defined under Regulation S and that neither you, nor any of your affiliates, nor any person acting on your behalf or on behalf of any of your affiliates, will make any "directed selling efforts" as defined under Regulation S in the United States with respect to the New Zegona Shares;

- any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Company in respect of the New Zegona Shares; and

- you agree to notify and will be deemed to have notified, and each subsequent holder is required to notify and will be deemed to have notified, any purchaser of the New Zegona Shares from you or such subsequent holder of the resale restrictions referred to herein.

Deemed representations from investors

Whether you are purchasing the New Zegona Shares pursuant to Regulation S or another available exemption from the registration requirements under the US Securities Act, you will, in addition, be deemed to have represented to and agreed with the Company and the Banks that:

- you are not an affiliate of the Company or a person acting on behalf of the Company or such an affiliate;

- you are independent of, and not connected or acting in concert with, any directors, chief executives, supervisors, promoters or substantial shareholders of the Company or of any of its subsidiaries;

- you are not a Director or existing shareholder of the Company or an affiliate of any Director or existing shareholder of the Company;

- you are not directly or indirectly funded or backed by the Company, any of its subsidiaries, any directors, supervisors, promoters, substantial shareholders, chief executives of the Company or of any of its subsidiaries or of Barclays;

- you will require any person for whose accounts you are purchasing New Zegona Shares and any person to whom you may offer or sell any of the New Zegona Shares to comply with the provisions of this section;

- whether you acquire New Zegona Shares on your own behalf or as a fiduciary or agent, you acquire New Zegona Shares only for the purposes of investment and not with a view to distribution;

- you and the person, if any, for whose account you are acquiring the New Zegona Shares, are not a US Benefit Plan Investor;

- you have received a copy of this Document and have not relied on any information, representation or warranty provided or made by or on behalf of the Company, Barclays, or any other party involved in this Placing other than information contained in this Document, and none of Barclays, its affiliates, and their respective officers, agents and employees will be liable for any information or omission in this Document. You are responsible for making your own examination of Company and your own assessment of the merits and risks of investing in New Zegona Shares;

- you will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Document) which may be applicable in your jurisdiction and you have obtained or will obtain any consent, approval or authorisation required for you to subscribe for and accept delivery of New Zegona Shares and you acknowledge and agree that none of the Company, its affiliates and Barclays and its affiliates shall have any responsibility in this regard;

- you will comply with all guidelines issued by, and all requirements of, the FCA and the London Stock Exchange in relation to placings and will provide all information as may be required by the regulatory bodies, including, without limitation, the FCA and the London Stock Exchange. You acknowledge that failure to provide information required by the regulatory bodies may subject you to prosecution and you undertake to fully indemnify the Company and Barclays for any non-compliance by you of the Listing Rules and applicable laws;

- you will on demand indemnify and keep indemnified the Company, its affiliates, officers, agents and employees and Barclays and its respective affiliates, officers, agents and employees for losses or liabilities incurred by any of the foregoing arising out of or in connection with any breach of either the selling restrictions contained in this Document, or your agreement to subscribe for or acquire the New Zegona Shares, or any other breach of your obligations hereunder;

- you had at all material times and still have full power and authority to enter into the contract to subscribe for or purchase New Zegona Shares for your own account or for the account of one or more persons for whom you exercise investment discretion and your agreement to do so constitutes your valid and legally binding obligation and is enforceable in accordance with its terms;

- you have not relied on any of the Banks or any person affiliated with any of the Banks in connection with any investigation of the accuracy of any information contained in this Document or your investment decision;

- you have relied only on the information contained in this Document;

- no person has been authorised to give any information or to make any representation other than those contained in this Document and, if given or made, such other information or representation must not be relied upon as having been authorised by the Company or the Banks; and

- you will not copy or otherwise distribute this Document to any third party.

Whether you are purchasing the New Zegona Shares pursuant to Regulation S or another available exemption from the registration requirements under the US Securities Act, you will, in addition, be deemed to have represented and agreed that (A) the Company and Barclays and others will rely upon the truth and accuracy of your acknowledgments, representations, warranties and agreements set forth above; (B) if any of the representations or warranties deemed herein to have been made by you by virtue of your purchase of New Zegona Shares are no longer accurate, you should promptly notify the Company; and (C) if you are acquiring any of the New Zegona Shares as a fiduciary or agent for one or more accounts, you have sole investment discretion with respect to each such account and have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each such account.

Other overseas territories

Investors in jurisdictions other than the EEA and the United States should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to purchase any New Zegona Shares under the Placing.

The Company, Barclays and their respective affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

PART XV - ADDITIONAL INFORMATION

1 RESPONSIBILITY

1.1 The Directors, whose names and functions appear in paragraph 1 of Part XIII (Directors, Corporate Governance and Employees) 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.

2 CORPORATE HISTORY

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 7004 2700.

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 Zegona Group is investing in businesses in the European TMT sector and improving their performance to deliver attractive shareholder returns.

2.8 The ISIN of the Zegona Shares is GB00BVGBY890 and the SEDOL code is BVGBY89.

3 SHARE CAPITAL

3.1 The following is a summary of the changes in the issued ordinary share capital of the Company from incorporation to 11 January 2019 (being the latest practicable date prior to the publication of this Document). All Zegona Shares have a nominal value of £0.01 each.

Date of issue	Number of Zegona Shares issued/(redeemed)	Price	Nature of issue
19 January 2015	10	£1.20	Incorporation
21 January 2015	21,665	£1.20	Increase share capital post incorporation
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
9 October 2017	(69,825,511)	£2.00	Capital return by tender offer
	126,219,449		

3.2 On 22 September 2017, a general meeting of the Company was held at which it was resolved to authorise the Company generally and unconditionally, pursuant to section 701 of the Act, to make one or more market purchases (as defined by section 693(4) of the Act) of Zegona Shares, in connection with the tender offer as described in the circular to the Company's shareholders dated 30 August 2017 provided that:

3.2.1 the maximum aggregate number of Zegona Shares that may be purchased under this authority is 70 million;

3.2.2 the Zegona Shares would be purchased at a maximum price of £4 per share; and

3.2.3 the authority conferred by this resolution expired at the close of business on 21 September 2018.

3.3 On 2 May 2018, a general meeting of the Company was held at which it was resolved to:

3.3.1 authorise the Directors generally and unconditionally, for the purposes of section 551 of the Act, to allot:

3.3.1.1 Zegona Shares and to grant rights to subscribe for or to convert any security into Zegona Shares up to a maximum nominal amount of £420,731.50; and

3.3.1.2 equity securities (as defined in section 560 of the Act) in connection with an offer of such securities by way of a rights issue up to a maximum nominal amount of £420,731.50.

The authority will expire on the earlier of the end of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed, but the Company may, before such expiry, make an offer or agreement which would or might require such shares or rights to be allotted or granted after such expiry and the Directors may allot shares or grant rights under any such offer or agreement as if the authority had not expired.

3.3.2 authorise the Directors to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority described in paragraph 3.3.1 and/or sell Zegona Shares as treasury shares for cash as if section 561 of the Act did not apply to such allotment or sale:

3.3.2.1 in connection with an offer of such securities by way of a rights issue; and

3.3.2.2 (otherwise than pursuant to paragraph 3.3.2.1) up to a nominal amount of £63,109.72.

The authority will expire at the earlier of the conclusion of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed, but the Company may, before such expiry, make offers or enter into agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

3.3.3 authorise the Directors to allot equity securities (as defined in section 560 of the Act) for cash under the authority granted under paragraph 3.3.2 and/or to sell Zegona Shares as treasury shares for cash as if section 561 of the Act did not apply to such allotment, such authority to be:

3.3.3.1 limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £63,109.72; and

3.3.3.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment.

The authority will expire on the earlier of the conclusion of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed, but the Company may, before such expiry, make offers or enter into agreements which would or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

3.3.4 authorise the Company generally and unconditionally, for the purpose of section 701 of the Act, to make market purchases (as defined in section 693 of the Act) of Zegona Shares provided that:

3.3.4.1 the maximum number of Zegona Shares to be purchased is 12,621,945;

3.3.4.2 the minimum price (exclusive of expenses) which may be paid for such Zegona Shares is £0.01 per share;

3.3.4.3 the maximum price (exclusive of expenses) which may be paid for such Zegona Shares is an amount equal to the higher of (i) 5% above the average of the middle market quotations for such shares taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (ii) the higher of the price of the last independent trade of a Zegona Share and the highest current independent bid for a Zegona Share as derived from the London Stock Exchange Trading System;

3.3.4.4 the authority will expire on the earlier of the end of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution was passed; and

3.3.4.5 the Company may make a contract to purchase its own Zegona Shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own Zegona Shares in pursuance of any such contract.

3.4 At the General Meeting, Zegona Shareholders will be asked to consider and, if thought fit, to pass the following resolutions:

3.4.1 Subject to and conditional upon Admission:

(1) the Directors be generally and unconditionally authorised in accordance with section 551 of the Act to allot the New Zegona Shares at a price of 105 pence per New Zegona Shares up to an aggregate nominal amount of £957,157.28 such authority to expire on 31 May 2019; and

(2) the Directors be empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by resolution 1 above, as if sub-section (1) of section 561 of the Act did not apply to any such allotment

such authority to expire on 31 May 2019.

3.5 In connection with the Placing Agreement, the Company has undertaken that it will not issue, offer or sell any Zegona Shares from the date of the Placing Agreement until 90 days following Admission, save for the issue and allotment of the New Zegona Shares, as described in further detail in paragraph 18.3(i) of Part XV (Additional Information).

3.6 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.

3.7 Subject to the Act, any equity shares issued by the Company for cash must first be offered to existing Zegona Shareholders in proportion to their holdings of Zegona 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 Zegona Shareholders, either generally or specifically, for a maximum period not exceeding five years. Pre-emption rights have been disapplied by the Company pursuant to the resolutions described in paragraphs 3.3 and 3.4 above.

3.8 Save as set out in this paragraph 3, there have been no movements in the Zegona Shares since incorporation on 19 January 2015 to the date of this Document.

3.9 The Zegona 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 Zegona Shares held in uncertified form, the Articles permit the holding and transfer of Zegona 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 Zegona Shares held in uncertificated form will be maintained by Euroclear and the Company's Registrar.

3.10 The ISIN number of the Zegona Shares is GB00BVGBY890 and the SEDOL code is BVGBY89.

3.11 There are no shares in the Company which are held by, or on behalf of, the Company.

3.12 The Zegona Shares are not redeemable.

3.13 The Zegona Shares are denominated in Sterling.

3.14 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 EMPLOYMENT AND REMUNERATION ARRANGEMENTS FOR THE DIRECTORS AND SENIOR MANAGERS

Set out below is information on the current employment and remuneration arrangements for the Zegona Directors and senior managers and the arrangements in place for the year ended 31 December 2017.

Directors' Service Agreements and Letters of Appointment

Details of the terms of each Executive Director's service agreement are set out below.

Name	Date of Initial Appointment	Date of Expiry of Current Office(1)	Salary per annum (£000)	Leave (days)(2)	Benefits on Termination	Notice Period (months)	Confidentiality Obligations
Eamonn O'Hare	19 January 2015	End of 2019 AGM	500	25	None other than payment in lieu of notice	12	During and after employment
Robert Samuelson	19 January 2015	End of 2019 AGM	350	25	None other than payment in lieu of notice	12	During and after employment

Notes:

(1) Each of the Executive Directors was elected at the 2018 AGM and will stand for re-election at the 2019 AGM.

(2) In addition to UK public holidays.

Details of the terms of each Non-Executive Director's appointment with Zegona are set out below.

Name	Date of Initial Appointment	Date of Expiry of Current Office(1)	Fee per annum (£000)	Expenses	Confidentiality Obligations	Termination Provisions(4)
Mark Brangstrup Watts	19 January 2015	End of 2019 AGM	50	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/ or compensation if removed from office by shareholders in general meeting
Murray Scott	31 July 2015	End of 2019 AGM	50	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/ or compensation if removed from office by shareholders in general meeting
Richard Williams	9 November 2015	End of 2019 AGM	60(2)	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/ or compensation if removed from office by shareholders in general meeting
Ashley Martin	6 February 2017	End of 2019 AGM	60(3)	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/ or compensation if removed from office by shareholders in general meeting

Notes:

(1) Each of the Non-Executive Directors was elected at the 2018 AGM and will stand for re-election at the 2019 AGM.

(2) Includes £10,000 in recognition of chairmanship of the Nomination and Remuneration Committee.

(3) Includes £10,000 in recognition of chairmanship of the Audit and Risk Committee.

(4) In addition, at the end of any annual general meeting if not re-elected.

Save as set out above, there are no existing or proposed service agreements between any Director and any member of the Zegona Group providing for benefits upon termination of employment (other than those during the notice period under the relevant contract).

In the financial year ended 31 December 2017, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors by the Zegona Group for services in all capacities to the Zegona Group were as follows:

£000	Eamonn O'Hare	Robert Samuelson	Mark Brangstrup Watts	Murray Scott	Richard Williams	Ashley Martin
Total basic salary and fees	500	350	40	40	60	54
Taxable benefits	21	21	-	-	-	-
Annual cash bonus	500	350	-	-	-	-
Pension contributions	100	70	-	-	-	-
Company health insurance scheme	5	5	-	-	-	-
Total	**1,126**	**796**	**40**	**40**	**60**	**54**

In the financial year ended 31 December 2017, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the other senior managers of the Zegona Group for services in all capacities to the Zegona Group was £1.0 million, in aggregate.

Pension arrangements of the Executive Directors and senior managers of Zegona

No Director or senior manager is a member of any Zegona Group pension arrangement. The Executive Directors and senior managers may elect to receive a contribution by the Zegona Group to their individual pension arrangements, or a supplement to base salary in lieu of a pension arrangement. Contributions by the Zegona Group are calculated on base salary only.

Directors' and senior managers' interests in share based long-term incentive plans

Eamonn O'Hare, Robert Samuelson, Howard Kalika and Menno Kremer have been issued Management Shares pursuant to their employee arrangements with the Group, further details of which are set out in paragraph 9 of Part XV (Additional Information) of this Document. Details of the Management Shares held by each individual are set out below:

	Participation in Growth in Value	Award value	Number of Management Shares	Nominal value of Management Shares
Eamonn O'Hare	8.88%	£16,165	3,050,000,000	£305
Robert Samuelson	4.44%	£8,083	1,525,000,000	£153
Howard Kalika	1.23%	£2,252	425,000,000	£43
Menno Kremer	0.45%	£820	154,639,176	£15
	15.00%	**£27,320**	**5,154,639,176**	**£516**

The Placing will not have any effect on the terms of the Management Incentive Scheme. The gross proceeds of the Placing will increase the amount of invested capital for the purposes of the Management Incentive Scheme.

Other interests

Except as set out in paragraph 20 (Related Party Transactions) of this Part XV (Additional Information), no Director or senior manager 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 Zegona 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.

There are no outstanding loans granted by any member of the Company to the Directors or senior managers or any guarantees provided by any member of the Company for the benefit of the Directors or senior managers.

There are no arrangements or understandings between the Directors and senior managers and any major shareholder, customer or supplier of the Company pursuant to which any Director or senior manager was selected or will be selected as a member of the administrative, management or supervisory bodies or member of senior management of the Company.

5 DIRECTORS' AND SENIOR MANAGERS' CONFIRMATIONS

Save as disclosed below, during the last five years, no Director or senior manager has:

(a) been convicted in relation to a fraudulent offence;

(b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;

(c) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);

(d) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;

(e) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;

(f) had a receiver appointed with respect to any assets belonging to him; or

(g) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

Mark Brangstrup Watts was appointed as a director of Silverdell Plc on 24 March 2006 and resigned on 10 December 2013. On 28 January 2014, Silverdell plc was put into administration and was subsequently placed into voluntary creditors' liquidation on 22 January 2015. Completion of the liquidation process is pending.

Mark Brangstrup Watts resigned as a member of Luxup UK LLP on 13 June 2012. Luxup UK LLP was put into voluntary liquidation on 18 March 2013. Mark Brangstrup Watts was appointed as a director of Luxup UK Member Limited on its incorporation on 13 June 2012 and was a director at the time it was put into voluntary liquidation on 18 March 2013. Luxup UK Member Limited was dissolved on 14 January 2014 and Luxup UK LLP was subsequently dissolved on 4 June 2014. In addition, on 1 September 2011, Mark Brangstrup Watts was appointed as a director of Luxup UK Business Limited, which was put into voluntary liquidation and dissolved on 31 December 2013.

On 19 May 2004, Mark Brangstrup Watts was appointed as a director of Orpheus Capital Limited, which was dissolved on 12 September 2017.

On 3 March 2014, Mark Brangstrup Watts was appointed as a member of Marwyn General Partner LLP, which was dissolved on 25 November 2014.

On 29 November 2006, Mark Brangstrup Watts was appointed as a member of Marwyn 10 Buckingham Street LLP, which was put into voluntary liquidation on 17 November 2014 and was dissolved on 24 March 2015.

On 21 September 2009, Mark Brangstrup Watts was appointed as a member of Marwyn Investment Partners LLP, which was put into voluntary liquidation on 17 November 2014 and dissolved on 24 March 2015.

On 22 November 2010, Mark Brangstrup Watts was appointed as a member of Marwyn Operating Partners LLP, which was dissolved on 16 February 2016.

On 16 February 2015, Mark Brangstrup Watts was appointed as a director of Gloo Networks plc, which was put into voluntary liquidation on 4 June 2018.

On 24 February 2017, Mark Brangstrup Watts was appointed as a director of WHUK plc. The company was put into voluntary liquidation on 5 October 2017 and dissolved on 16 January 2018.

On 1 April 2016, Richard Williams was appointed as a director of Centralis Transformations Limited. The company was put into administration on 15 March 2018.

6 CONFLICTS OF INTEREST

In respect of the Directors and senior managers, 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:

(1) Mark Brangstrup Watts is a designated member of Marwyn Capital LLP which provides office accommodation, services and supplies to the Company.

(2) As at 11 January 2019, Marwyn, in its capacity as agent for and on behalf of its discretionary managed clients, holds 25.78% of the share capital of the Company. Mark Brangstrup Watts is a non-executive director of Marwyn, and he also has an indirect interest in Marwyn's clients through certain incentive arrangements. Marwyn has appointed Marwyn Investment Management LLP, of which Mark is a designated member, to provide investment advice to Marwyn.

(3) Mark Brangstup Watts has an indirect ownership interest in Axio, which is acting as Company Secretary to the Company. He also has an indirect interest, through his interests in MLTI, in the Core Investor Shares, further details of which are set out in paragraph 9 below.

(4) Robert Samuelson is a proprietary director of Euskaltel.

No Director or senior manager has, or had during the year ended 31 December 2017, a material interest in any significant contract with Zegona or any member of the Zegona Group.

No Director or senior manager was selected to be a Director or senior manager, respectively, pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with the Zegona Group.

There are no family relationships between any of the Directors and senior managers.

7 DIRECTORSHIPS AND PARTNERSHIPS

Save as set out below, no Director or senior manager has held any directorships of any company, other than in relation to companies within the Zegona Group, or been a partner in a partnership at any time, in each case in the five years prior to the date of this Document.

Name	Current	Past
Eamonn O'Hare	Dialog Semiconductor plc Tele2 AB	-
Robert Samuelson	Euskaltel SA Kew Property Ltd	Samuelson Consultancy Ltd (dissolved)
Mark Brangstrup Watts	Gloo UK Holdings Limited Le Chameau Holdings Limited Le Chameau Holdings SAS Le Chameau Group plc 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 LTIP LP Marwyn Management Partners LP Safe Harbour Holdings plc Safe Harbour Holdings Jersey Limited Safe Harbour Holdings UK Limited	BCA Marketplace plc Fulcrum Connections Limited Fulcrum Gas Services Limited (dissolved) Fulcrum Group Holdings Limited Fulcrum Pipelines Limited Fulcrum Utility Investments Limited Fulcrum Utility Services Limited Fulcrum Infrastructure Services Limited Gloo Networks Jersey Limited (dissolved) Gloo Networks plc (in liquidation) H.I.J. Limited Marwyn 10 Buckingham Street LLP Marwyn General Partner LLP Marwyn Investment Partners LLP Marwyn Management Partners Subsidiary Limited Marwyn Operating Partners LLP

Name	Current	Past
	Silvercloud Investments Limited Silvercloud Management Holdings Limited The Marwyn Trust WCH Group Limited WHJ Limited Wilmcote Group Limited Wilmcote Holdings plc	(dissolved) Orpheus Capital Limited (dissolved) Paragon Entertainment Investments Limited Paragon Entertainment Limited Parselaya, S.L (Sociedad Unipersonal) Romana Capital LLP Silverdell plc WHUK plc (dissolved)
Murray Scott	Chalfont Park Sports Association Limited Muzman Limited	-
Richard Williams	Datamaran Limited Gobsmack Holdings Limited Instinct Studios Limited Intelligere Limited Make Positive Limited	Centralis Transformations Limited Gobsmack Limited
Ashley Martin	Ashridge Golf Club Limited Perpetual Properties Limited YouGov plc	Advocacy International Partners Limited (dissolved) Advocacy Limited (dissolved) Altogether Digital Limited (dissolved) Andrews Aldridge Holdings Limited (dissolved) Arnold Worldwide Partners Limited (dissolved) Calling Brands Limited (dissolved) Creator Visions Limited DC Interact Limited (dissolved) Deep Focus Inc Digital Public Limited Liability Partnership (dissolved) Digital Public UK Limited (dissolved) Drury Lane Films Limited (dissolved) Edwards Groom & Saunders Limited (dissolved) Emborough Limited (dissolved) Engine Asia Holding Limited Engine Asia Limited Engine Business Limited (dissolved) Engine Holding LLC Engine Partners UK LLP Engine People UK Limited Engine USA Corporation Inc Engine USA Holdings LLC Engine USA LLC Fuel Data Strategies Limited Hogarth Partnership Limited (dissolved)

Name	Current	Past
		Huge Entertainment Limited (dissolved) Huge Music Limited (dissolved) Liquid Communications Limited (dissolved) MHP Communications Limited Mischief PR Limited Old GBA Limited (dissolved) ORC Intermediate Holding Corporation ORC International Inc Partners Andrews Aldridge Limited (dissolved) Penrose Financial Limited (dissolved) Perception Digital Media Limited (dissolved) Republic Communications Limited (dissolved) Rightmove plc Simple Thinking Limited (dissolved) Slice Promotions Limited (dissolved) Synergy Sponsorship (Motorsport) Limited (dissolved) Synergy Sponsorship Limited (dissolved) The Engine Group Limited The Engine Group Trustees Limited (dissolved) Totem Agency Limited (dissolved) Trailer Park Holdings Inc Trailer Park Inc Transform Innovation Limited (dissolved) WCRS Group Limited (dissolved) WCRS&Co Limited Wet Paint Limited (dissolved) Woo Communications Limited (dissolved)
Howard Kalika	-	-
Menno Kremer	-	-
Dean Checkley	83 Tyrwhitt Road Management Company Limited	AB (Harbin) Food Ingredients Company Limited AB Mauri (Beijing) Food Sales and Marketing Company Limited AB Mauri Foods (Shanghai) Company Limited AB Mauri Overseas Holdings Limited AB Mauri Pakistan Pty Limited AB Mauri ROW Holdings Pty Limited AB Mauri South America Pty

Name	Current	Past
		Limited AB Mauri South West Asia Pty Limited AB Mauri Technology & Development Pty Limited AB Mauri Technology Pty Limited AB Tip Top (Wuhan) Baking Co Ltd Hebei Mauri Food Co., Ltd. Indonesian Yeast Company Pty Limited Mauri Fermentation Argentina Pty Limited Mauri Fermentation Brazil Pty Limited Mauri Fermentation Chile Pty Limited Mauri Fermentation China Pty Limited Mauri Fermentation India Pty Limited Mauri Fermentation Indonesia Pty Limited Mauri Fermentation Malaysia Pty Limited Mauri Fermentation Philippines Pty Limited Mauri Fermentation Vietnam Pty Limited Mauri Yeast Australia Pty Limited Panyu Mauri Food Co., Ltd. Serrol Ingredients Pty Limited Xinjiang Mauri Food Co., Ltd. Yantai Mauri Yeast Co., Ltd.

8 ARTICLES OF ASSOCIATION

8.1 The Articles contain (amongst others) provisions to the following:

8.1.1 *Variation of rights*

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 every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company (the "**Statutes**"), be varied or abrogated in such a manner as those rights may provide for or, where no such provision is made:

(a) with the consent of the holders of not less than three fourths in the nominal value of the issued shares of that class; or

(b) (excluding any shares of that class held as treasury shares) with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

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.

8.1.2 *Transfers of shares*

Each member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual or common form or in any form approved by the Directors. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

The Directors may, in their absolute discretion, refuse to register any transfer of a share in certificated form (or renunciation of a renounceable letter of allotment) if:

(a) the transferee is or may be a Prohibited Person, or is or may be holding such Zegona Shares on behalf of a beneficial owner who is or may be a Prohibited Person;

(b) the share is not fully paid up;

(c) the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;

(d) 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;

(e) the transfer is in respect of more than one class of shares; or

(f) the transfer is in favour of more than four transferees.

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 Zegona Shares in uncertificated form (including in the form of depositary interests or similar interests, instruments or securities).

8.1.3 *Alteration of share capital*

The Company may by ordinary resolution:

(a) consolidate or consolidate then divide all or any of its share capital into shares of larger amounts than its existing shares;

(b) 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

(c) 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 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.

Subject to the Statutes and any rights attaching to any class of shares, the Company may purchase its own shares (including any redeemable shares).

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.

8.1.4 *General meetings*

All general meetings other than the AGM shall be called general meetings.

All general meetings (other than AGMs) shall be called by at least 14 clear days' notice and an AGM shall be called by at least 21 clear days' notice, unless a longer period of notice is required in accordance with the law.

Notwithstanding the notice period specified in the previous paragraph, a general meeting (including an AGM) can be held on short notice, if so agreed by a majority of members who hold at least 95% in the nominal value of the issued shares.

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.

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.

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.

8.1.5 *Directors' interests in contracts with the Company*

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.

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.

Subject to the Statutes, the Company may by ordinary resolution suspend or relax the restrictions set out in the previous paragraph.

These restrictions 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:

(a) the giving of any guarantee, security or indemnity in respect of:

  (i) 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;

  (ii) 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;

(b) the giving of any indemnity where all other directors are offered indemnities on substantially the same term;

(c) 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;

(d) 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;

(e) 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;

(f) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which only gives him benefits which are also generally given to employees to whom the arrangement relates;

(g) 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 1% or more of any class of the equity share capital of such company;

(h) any contract concerning the purchase or maintenance of insurance either or for the benefit of any director or for persons who include directors;

(i) 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

(j) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees’ share scheme which gives the director benefits which are also generally given to the employees to whom the scheme relates.

8.1.6 *Directors – general*

Unless otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternate directors) shall be at least two but shall not be subject to any maximum number.

Each director shall be entitled to one vote and decisions arising at any Board meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of that meeting shall have a second or casting vote.

The directors shall not be required to hold any share of the Company by way of qualification.

The aggregate of all fees payable to the directors shall not exceed £3 million per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company.

Each director may be paid his reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

The directors may provide pensions, annuities or other retirement or superannuation benefits and provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a director and for any member of his family (including a spouse or former spouse, civil partner, widows, widowers, children and dependants of any such persons) and any person who is or was dependent on him.

At every AGM of the Company, each director shall retire from office and may offer himself for re-appointment by the members.

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.

8.1.7 *Directors' borrowing powers*

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.

8.1.8 *Disclosure of interests in shares*

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).

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice under section 793 of the Act (a "**Section 793 Notice**") and has failed in relation to any Default Shares to give the Company the information required by the Section 793 Notice within the prescribed period from the service of the notice, the following sanctions shall apply unless the directors determine otherwise:

(a) the member shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the Default Shares in which one person is interested or appears to the Company to be interested, represent 0.25% 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.

8.1.9 *Share rights*

(A) Dividends

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.

Insofar as it appears to the Board that they are justified by the financial position of the Company, the directors may pay interim dividends.

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.

The Board may retain any dividend or other money 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.

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.

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, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

Notwithstanding the previous paragraph, to the extent that a distribution consists solely of shares held by the Company in Euskaltel, the Board shall have the power to direct that payment may be satisfied wholly or partly by the distribution of non-cash assets of equivalent value, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

The Company may by ordinary resolution in a general meeting offer to any Zegona Shareholders the right to elect to receive Zegona Shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

(B) Voting rights

All 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.

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

The directors may, with the authority of an ordinary resolution of the Company:

(a) 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

(b) 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

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:

(a) 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

(b) 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.

8.1.10 *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.

9 TERMS OF THE MANAGEMENT AND CORE INVESTOR INCENTIVE SCHEME

9.1 *Management incentive arrangements*

9.1.1 *General*

Management has been issued Management Shares in Zegona Limited pursuant to their employee arrangements with the Zegona Group. These shares give Management the right, subject to certain provisions, to receive upon Exercise up to a maximum of 15% of the Growth in Value of the Company, subject to Zegona Shareholders achieving a Preferred Return of 5% per annum on a compounded basis on their Net Invested Capital.

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 Zegona Shareholders during the relevant period. The aggregate value of all of the Management Shares will only be reduced to less than 15% of the Growth in Value if required to ensure Zegona Shareholders achieve the Preferred Return once the Exercise of the Management Shares and, if applicable, the Core Investor Shares, is taken into account.

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 is required to Exercise all their rights at a single time during this period. No Management Shares have been exercised as at 11 January 2019 (being the latest practicable date prior to the publication of this Document).

9.1.2 *Renewal of incentive arrangements*

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% of the future Growth in Value of the Company, subject to Zegona Shareholders achieving their Preferred Return of 5% per annum. On renewal, 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 Zegona Shareholder approval. At the AGM immediately following a Calculation Date, the Company will propose a resolution to continue the incentive arrangements in Zegona Limited on the above terms. If Zegona Shareholders holding 75% or more of the Zegona 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.

9.1.3 *Operation of the Management Shares*

The Management Shares' value is expected to be delivered by the Company issuing new Zegona 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 Zegona Limited's articles of association, the Company will have a right to exchange the Management Shares into Zegona Shares of the same Value and the holders of Management Shares will have a similar right to exchange their Management Shares for Zegona Shares, failing which such Management Shares will be redeemed for their value in cash.

9.1.4 *Exercise dates*

Management will have the right to serve an exercise notice on Zegona Limited 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.

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 Zegona Shareholders have voted not to renew the incentive arrangements as described in paragraph 9.1.2 above. The Management Shares are subject to typical drag along and tag along provisions on a Takeover.

In the event of a Board Change of Control, the Management Shares will be entitled to 15% 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.

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.

9.1.5 *Forfeiture*

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.

9.1.6 *Award of Management Shares*

Further allocations of Management Shares may be made on an entirely discretionary basis to employees of the Zegona Group by the board of directors of Zegona Limited with the consent of holders of the Management Shares representing more than 50% of the Management Shares then outstanding (including at least two members of Management each holding at least 5% 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%.

9.2 *Core Investor incentive arrangements*

MLTI has been issued Core Investor Shares in Zegona Limited. The Core Investor Shares give MLTI the right, subject to certain provisions, to receive upon exercise up to a maximum of 5% of the Growth in Value of the Company. The Core Investor incentive arrangements are subject to Zegona Shareholders achieving a Preferred Return (calculated as for the Management Shares) of 5% 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 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.

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% of the Growth in Value.

The Core Investor Shares' value is expected to be delivered by the Company issuing new Zegona 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 Zegona Limited's articles of association, the Company will have a right to exchange the Core Investor Shares into Zegona Shares of the same Value within ten business days of receipt by Zegona Limited of such exercise notice, failing which the holders of Core Investor Shares will have a similar right to exchange their Core Investor Shares for Zegona Shares within the next five business days, failing which such Core Investor Shares will be redeemed for their value in cash.

The Core Investor Shares are subject to typical drag along and tag along provisions upon a Takeover.

9.3 *Effect of the Placing on the Management Incentive Scheme and the Core Investor Incentive Scheme*

The Placing will not have any effect on the terms of the Management Incentive Scheme or the Core Investor Incentive Scheme. The gross proceeds of the Placing will increase the amount of invested capital for the purposes of the Management Incentive Scheme and the Core Investor Incentive Scheme.

10 SIGNIFICANT SHAREHOLDERS

10.1 The Company is only aware of the following persons who, immediately following Admission, will represent an interest (within the meaning of DTR Chapter 5) directly or indirectly, jointly or severally in 3% or more of the Company's share capital or could exercise control over the Company:

Shareholder	Interests as at 11 January 2019		Interests immediately following Admission(1)	
	Number of Existing Zegona Shares	**Percentage of issued share capital**	**Number of Zegona Shares**	**Percentage of issued share capital**
Marwyn(2)	32,538,225	25.78%	42,062,035	18.95%
Artemis Investment Management LLP	-	0.00%	36,190,476	16.31%
Invesco Asset Management	21,492,686	17.03%	30,064,114	13.55%
Fidelity Investments Limited	12,621,944	10.00%	19,362,940	8.72%
Capital Research & Management Company	9,892,689	7.84%	17,705,431	7.98%
Legal & General Investment Management	9,001,149	7.13%	16,429,720	7.40%
AXA Investment Managers	8,694,970	6.89%	11,094,970	5.00%
Canaccord Genuity Group Inc	7,710,190	6.11%	20,670,043	9.31%
Taconic Capital Advisers	6,134,710	4.86%	6,134,710	2.76%
Tekne Capital Management LLC	4,322,123	3.42%	4,322,123	1.95%

Note:

(1) Assuming no further Zegona Shares are issued from the date of this Document until Admission (other than the New Zegona Shares) and there are no buy-backs of Zegona Shares prior to Admission.

(2) In its capacity as agent for and on behalf of its discretionary managed clients. Mark Brangstrup Watts is a Non-Executive Director of both the Company and Marwyn.

10.2 None of the holders of Zegona Shares listed above has voting rights different from the other holders of Zegona Shares.

10.3 Save as disclosed in this paragraph 10, 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.

10.4 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.

11 ZEGONA PROPERTIES

11.1 The Zegona Group occupies part of each of the following properties, all of which are leased:

11.1.1 United Kingdom: 20 Buckingham Street, London, WC2N 6EF; and

11.1.2 Ireland: 118 Lower Baggot Street, Dublin 2, Ireland.

12 PLANT, PROPERTY AND EQUIPMENT

12.1 A description of the Zegona Group's investments in property, plant and equipment is given on page 78 of the Zegona 2017 Annual Report, which is incorporated into this Document by reference. The Zegona Group currently has no planned material capital expenditure.

13 SUBSIDIARIES

13.1 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 Zegona Group's assets and liabilities, financial position or profit and losses:

Name	Country of incorporation/ residence	Proportion of ownership interest	Principal activity
Zegona Limited	Jersey	100[1]	Incentive and holding company

[1] Zegona Limited's Management Shares and Core Investor Shares are not classified as non-controlling interests under IFRS 10 based on the rights attaching to these share classes, and are accounted for in Zegona's consolidated financial statements as share-based payments under IFRS 2.

14 TAKEOVER BIDS

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 Zegona Shares. The Company is subject to the City Code and therefore the Zegona Shareholders are entitled to the protections afforded by the City Code.

14.1 *Mandatory bids*

Under the City Code, if an acquisition of Zegona Shares were to increase the aggregate holding of an acquirer and its concert parties to Zegona Shares carrying 30% 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 Zegona Shares at a price not less than the highest price paid for the Zegona 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 Zegona Shares by a person holding (together with its concert parties) Zegona Shares carrying between 30 and 50% 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 Zegona Shares which in aggregate carry more than 50% 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. Control means holding, or having aggregate holdings, of an interest in shares carrying 30% or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

14.2 *Squeeze out*

Under the Act, if an offeror were to make a takeover offer for the Zegona Shares and were to acquire or unconditionally contract to acquire 90% of the shares to which the offer relates, and 90% 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%. It would do so by sending a notice to outstanding Zegona 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 Zegona Shareholders. The consideration offered to the Zegona 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.

14.3 *Sell out*

The Act would also give minority Zegona 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 Zegona 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% of the Zegona Shares to which the offer relates, any holder of Zegona 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 Zegona Shares.

The offeror would be required to give any Zegona 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 Zegona Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Zegona Shareholder exercises his or her rights, the offeror is bound to acquire those Zegona Shares on the terms of the offer or on such other terms as may be agreed.

15 WORKING CAPITAL

Zegona is of the opinion that, after taking into account the net proceeds of the Placing and funds available under the New Facilities, the Zegona Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Document.

16 SIGNIFICANT CHANGE

The Zegona Group

Save for the declaration of an interim dividend on 16 November 2018 at a rate of 2.8 pence per Zegona Share paid on 28 December 2018 and the New Facilities entered into on 14 January 2019, there has been no significant change in the financial or trading position of the Zegona Group since 30 September 2018, the date to which Zegona's last published unaudited consolidated interim financial statements were prepared.

The Euskaltel Group

So far as Zegona is aware having regard to publicly available information, there has been no significant change in the financial or trading position of the Euskaltel Group since 30 September 2018, the date to which Euskaltel's last published unaudited consolidated quarterly results were prepared.

17 LITIGATION

The Zegona Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) during the last twelve months prior to the date of this Document which may have, or during the recent past have had, a significant effect on the Company's and/or the Zegona Group's financial position or profitability.

The Euskaltel Group

So far as Zegona is aware having regard to publicly available information, there are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) during the last twelve months prior to the date of this Document which may have, or during the recent past have had, a significant effect on Euskaltel's and/or the Euskaltel Group's financial position or profitability.

18 MATERIAL CONTRACTS

The Zegona Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by the Company and/or any member of Zegona Group either (i) within the period of two years immediately preceding the date of this Document which are or may be material to the Company and/or any member of the Zegona Group; or (ii) which, regardless of when entered into, contain any provisions under which the Company and/or any member of the Zegona Group has any obligation or entitlement which is, or may be, material to Zegona and/or the Zegona Group as at the date of this Document, save as disclosed below:

18.1 *Agreements in the ordinary course of business*

(i) the agreement dated 19 December 2016 between Axio and the Company pursuant to which Axio provides certain company secretarial & administration services and financial & accounting services to the Zegona Group. A minimum fee of £1,300 per month is payable monthly in arrears and is due in respect of the company secretarial & administration services provided to the Company and Zegona Limited. 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 financial & accounting services is charged at their prevailing charge out rates. In addition, Axio charges an annual responsibility fee of £4,200 payable annually in advance in respect of the Company and Zegona Limited. Either party may terminate the agreement upon the giving of three months' written notice;

(ii) the service contracts referred to in paragraph 4 of this Part XV (Additional Information); and

(iii) the agreement dated 14 March 2016 between Marwyn Capital LLP and the Company pursuant to which Marwyn Capital LLP provides office accommodation, services and supplies to the Company. A monthly fee of £5,021.62 (excluding VAT) is payable monthly in arrears. Either party may terminate the agreement upon the giving of three months' written notice.

18.2 *Agreements relating to the sale of Telecable to Euskaltel*

Each of the agreements described in this paragraph 18.2 is governed by Spanish law and the parties thereto have submitted to the jurisdiction of the courts of the city of Madrid.

(i) *SPA*

The Company and its wholly-owned subsidiary, Zegona Limited, entered into a conditional sale and purchase and share exchange agreement with Euskaltel dated 15 May 2017 (the "**SPA**") and a share transfer deed dated 26 July 2017 to effect the sale by Zegona Limited of Parselaya, S.L.U., the holding company of the Telecable group. The Company guaranteed the obligations of Zegona Limited under the SPA. The sale was subject to certain conditions which were satisfied or waived and it completed on 26 July 2017. Cash consideration of €176.7 million was paid by Euskaltel at completion with €1.5 million repaid in December 2017 as a working capital and net debt adjustment. Up to a further €15 million of contingent cash consideration is payable by Euskaltel to Zegona Limited upon certain tax credits arising and being proven to be useable (the "**Tax Credits**"). In relation to certain of those Tax Credits, the parties have agreed to jointly apply for a ruling from the tax authorities. Zegona Limited has agreed to indemnify Euskaltel for its losses up to the level of the contingent cash consideration to the extent such Tax Credits are later declared void or incapable of being used for any purpose. In addition to the cash consideration paid by Euskaltel:

(a) Zegona Limited also received 26.8 million Euskaltel Shares (representing approximately 15% of the enlarged issued share capital of Euskaltel); and

(b) prior to completion of the SPA, Zegona Limited was assigned the benefit of loans made to certain members of Telecable's management team of a total amount of principal and accrued interest of €1.6 million. These loans were fully repaid by 31 January 2018.

The SPA contained representations, warranties and indemnities from all parties given at signing and repeated at completion, including in relation to the information provided by each party to the other during the negotiation of the transaction. The SPA also contains restrictive covenants which restrict the Company's potential to operate in Spain currently and for a period of twelve months from the date on which Zegona Limited's holding in Euskaltel represents less than 8.3% of Euskaltel's issued ordinary share capital. Pursuant to a condition precedent of the SPA, Robert Samuelson was appointed director of Euskaltel and Euskaltel has committed not to propose his removal as long as Zegona Limited holds, at least, 8.3% of Euskaltel's issued share capital and voting rights. Zegona Limited has agreed to lock-in provisions preventing it from selling 8.94 million of its shares in Euskaltel (33.3% of Zegona's total holding) before 27 January 2019 and a further 8.94 million shares (33.3% of Zegona's total holding) before 26 July 2019. Notwithstanding such lock-in arrangements, the Company is permitted, on 15 Business Days' notice to Euskaltel, to distribute Euskaltel Shares in specie pro rata to its own Zegona Shareholders at any time.

(ii) *Indemnity and share pledge agreements*

The Company, Zegona Limited and Euskaltel entered into a tax indemnity agreement dated 15 May 2017 (the "**Tax Indemnity Agreement**") pursuant to which Zegona Limited agreed to indemnify Euskaltel in respect of any losses arising from the Spanish tax authorities declaring the Tax Credits void or unusable, whether in whole or in part. The Company has been advised that the risk in relation to the vast majority of such Tax Credits being void or unusable is low. Zegona Limited's liabilities under the Tax Indemnity Agreement are capped in respect of one set of Tax Credits (which has been fully insured by Zegona Limited) and in respect of the other set of Tax Credits, Zegona Limited has granted security to Euskaltel by a share pledge over 1,663,158 Euskaltel Shares (representing approximately 6.2% of the Euskaltel Shares owned by Zegona Limited), none of which has been released as at the date of this Document. Zegona Limited's obligations under the Tax Indemnity Agreement are guaranteed by the Company. The obligation of Zegona to compensate Euskaltel for tax losses in compliance with the Tax Indemnity Agreement will remain valid until the expiration of the statute of limitations period of the Tax Credits and Zegona will be released from its obligations (including the share pledge) if it has not received notice from Euskaltel of a claim filed, a requirement, inspection, resolution, audit or action initiated by the Spanish tax authorities or any other third party in connection to the Tax Credits within 10 business days following the date of expiration of the statute of limitation of the Tax Credits.

The Company, Zegona Limited and Euskaltel entered into a MIP indemnity agreement dated 26 July 2017 pursuant to which Zegona Limited agreed to indemnify Euskaltel in respect of any losses of Telecable or any member of the Euskaltel Group resulting from or based on certain management incentive agreements with members of Telecable management. The obligations were secured by Zegona Limited granting security to Euskaltel by a share pledge over 526,316 Euskaltel Shares, which has since been released in full.

18.3 ***Agreements relating to the proposed Transaction***

(i) *Placing Agreement*

On 14 January 2019, the Company entered into a Placing Agreement with the Banks.

Pursuant to the Placing Agreement, the Banks have severally agreed to use reasonable endeavours to procure Placees for New Zegona Shares at a price of 105 pence per share (the Issue Price). To the extent the Banks are unable to place any New Zegona Shares in the Placing, Barclays has agreed to subscribe for any such New Zegona Shares at the Issue Price.

In connection with the Placing, the Company has agreed to pay: (i) Barclays on Admission an underwriting commission of 2.0% of the product of the New Zegona Shares and the Issue Price, plus an additional commission in the sole discretion of the Company of 0.25% of the product of the New Zegona Shares and the Issue Price; and (ii) Oakley on Admission a commission of 0.6% of the product of the New Zegona Shares and the Issue Price. Whether or not the Banks' obligations under the Placing Agreement become unconditional or are terminated, the Company has also agreed to pay all fees, expenses, disbursements and other costs of, or incidental to, the entry into of the Placing Agreement, the Placing, Admission and the Euskaltel Share Acquisition.

The Banks' obligations under the Placing Agreement and the other transactions contemplated therein are subject to certain conditions having been satisfied or waived by Admission, including, among others:

(1) the Company having complied with its obligations and undertakings under the Placing Agreement; and

(2) the passing of the resolutions (without amendment) at the General Meeting.

Barclays may in its sole discretion waive compliance with the whole or any part of certain of the conditions by notice in writing to the Company. If any of the conditions are not fulfilled or waived by Barclays by the time and date specified or referred to in the Placing Agreement (or such later time and/or date as Barclays may agree with the Company), the obligations of the parties under the Placing Agreement shall cease and terminate save for certain provisions regarding the Company's withdrawal of any applications for Admission.

The Company has given certain customary representations, warranties and undertakings to the Banks including, among other things, warranties in relation to the business of the Company and Euskaltel and the information contained in this Document.

The Company has undertaken that, from the date of the Placing Agreement until 90 days following Admission, save for the issue and allotment of the New Zegona Shares, neither it nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, without the prior written consent of Barclays, directly or indirectly, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any shares of the Company or securities convertible or exchangeable into or exercisable for shares of the Company or warrants or other rights to purchase shares of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options.

(ii) *Standby underwriting letter*

On 19 October 2018, the Company entered into a standby underwriting letter (the "**Standby Underwriting Letter**") with Barclays, pursuant to which Barclays agreed to underwrite a capital raising by the Company to raise aggregate gross proceeds of up to £225.0 million, on the terms of the Placing Agreement to be agreed between the Company and Barclays. The Standby Underwriting Letter automatically terminated in accordance with its terms upon the Placing Agreement becoming effective.

(iii) *Barclays stakebuild instruction letter*

The Company intends to enter into a stakebuild instruction letter with Barclays (the

"**Barclays Stakebuild Instruction Letter**") whereby Barclays will be appointed to assist the Company in executing the Euskaltel Share Acquisition. The Barclays Stakebuild Instruction Letter is expected to continue in effect until 6 months from the date of the letter and may be terminated by either party at any time by written notice.

(iv) *Virgin Funding*

Under the Virgin Funding, the Company has been provided with access to a loan of up to £10 million. The Virgin Funding may, subject to at least £100 million of gross proceeds being raised in the Placing (and an amount equal to the greater of £90,000,000 and 90% of the net proceeds of the Placing having been applied towards the purchase of Euskaltel Shares or the payment of costs) and satisfaction of other customary conditions precedent, only be used to fund the acquisition of Euskaltel Shares in the Euskaltel Share Acquisition and to pay related costs.

From the date on which funds are drawn down, interest will accrue daily at an annual interest rate of LIBOR plus 5%, payable quarterly in arrears. The Virgin Funding matures on 30 April 2020. The Virgin Funding will also be repayable: if certain events occur with respect to Zegona or Euskaltel (including any significant fundraisings other than the Placing or the Barclays Facility being drawn at any time in an amount greater than £20 million); if there is a drop in the value of Euskaltel Shares to €3.42 or below; upon a change in control of Euskaltel or Zegona; in the event that the Zegona Group sells more than 25% of its Euskaltel shares; or upon the occurrence of other customary events of default. The Virgin Funding will also be repayable with the net proceeds of any disposals by the Zegona Group (subject to limited exemptions) and may be repaid early without penalty. Any voluntary prepayment of amounts drawn under the Barclays Facility will require the prepayment in whole of the Virgin Funding.

The Virgin Funding will initially be unsecured but will be secured as described below upon (i) any amount being drawn down under the Barclays Facility and (ii) a request for funds being made or any amount drawn down under the Virgin Funding.

(v) *Barclays Facility*

Under the Barclays Facility, the Company has been provided with a facility of up to £30 million, which will be reduced to £20 million if and to the extent the Virgin Funding is drawn down. The facility may be drawn down between 14 January 2019 and 15 December 2019. The Barclays Facility may, subject to satisfaction of certain conditions, only be used to fund the Euskaltel Share Acquisition, pay costs related to the Euskaltel Share Acquisition and for general corporate purposes. The first drawdown under the Barclays Facility must occur by 28 February 2019, and only £15 million may be drawn down for general corporate purposes. Interest will be payable quarterly in arrears on any drawn amount at a rate of 2.6% per annum above the 3-month LIBOR interest rate. A commitment fee of 0.6% per annum is payable on any undrawn amount. The Company has the right to prepay the loan at any time, but if it does so before the first anniversary of the date of the draw down, it must pay a make whole amount calculated at 2.6% per annum multiplied by the prepaid amount for the period between the date of prepayment and that first anniversary. The Barclays Facility matures 24 months from the date of execution of the facilities agreement and any amounts owed will become immediately repayable on the occurrence of certain events of default including a drop in the value of Euskaltel Shares to €3.42 or below, a change of control of Euskaltel or Zegona and other customary events of default.

The Barclays Facility is secured by a charge over some Euskaltel Shares held by members of the Zegona Group or acquired by them (though such Euskaltel Shares only have to be charged after each date that the Zegona Group has acquired Euskaltel Shares representing at least 2% of the outstanding issued share capital of Euskaltel). By no later than the date upon which the Barclays Facility is drawn, all of the Euskaltel Shares owned by the Zegona Group will be secured (other than certain shares which are already pledged in favour of Euskaltel, and others which are intended to be kept free of security) in favour of Barclays or Virgin Holdings Limited (if a request for funds has been made or any amount has been drawn under the Virgin Funding).

The New Facilities do not impact Zegona's intention to pass through all dividends received from Euskaltel to Zegona Shareholders. There are customary dividend restrictions under the Barclays Facility which would prevent any excess funds not utilised for the acquisition of Euskaltel Shares or for general corporate purposes being returned to Zegona Shareholders before at least an additional 6% of the share capital of Euskaltel has been acquired, unless the Barclays Facility is repaid in full contemporaneously with such return of capital to Zegona Shareholders.

(vi) *Shareholder Relationship Agreement*

On 14 January 2019, the Company and Zegona Limited entered into the Shareholder Relationship Agreement with Talomon. Pursuant to the Shareholder Relationship Agreement, the parties have agreed not to vote, or deliver a proxy form to vote, at any meeting of Euskaltel shareholders without consulting in advance to agree a mutual strategy for voting on any resolutions proposed at such meeting. In addition, Talomon has undertaken to vote in favour of any resolution put to Euskaltel shareholders: (i) to reappoint Robert Samuelson to the board of directors of Euskaltel or to appoint any other director nominated by the Company or Zegona Limited; and (ii) that has been proposed by the Zegona Group and which is not inconsistent with Zegona's strategy for Euskaltel as set out in this Document. The Company and Zegona Limited have also undertaken to (i) propose one new non-executive director endorsed by Talomon to the board of Euskaltel at the next general meeting of Euskaltel; and (ii) vote in favour of such resolution provided that the candidate is a senior executive with telecommunications experience and suitable to be a director of a significant public company.

Each of the parties to the Shareholder Relationship Agreement have represented and undertaken, amongst other things, that (i) neither it nor any of its connected persons are acting, or will act, in concert with any other person in connection with its holding of Euskaltel Shares; and (ii) neither it nor any of its connected persons will acquire any additional interest in Euskaltel Shares without the prior written consent of the other parties, save that Talomon has an entitlement to increase its beneficial ownership of Euskaltel Shares to up to 2.4% of the outstanding issued ordinary share capital of Euskaltel and the Zegona Group has an entitlement to increase its ownership of Euskaltel Shares to up to 27.5% of the outstanding issued ordinary share capital of Euskaltel. As at the date of the agreement, Talomon owned approximately 1.4% of the outstanding issued ordinary share capital of Euskaltel.

The Shareholder Relationship Agreement shall terminate on the date 12 months following its execution or, if earlier, upon either (i) a determination by the CNMV that none of the parties are acting in concert with each other; or (ii) notice being delivered by any party to the others after the date which is 6 months following the execution of the Shareholder Relationship Agreement; or (iii) if either party increases its ownership in breach of the agreement such that the combined ownership of the parties is over 29.9% of the outstanding issued ordinary share capital of Euskaltel.

(vii) *WHI Engagement Letter*

On 26 November 2018, the Company entered into an agreement with WH Ireland Limited ("**WHI**") whereby WHI was appointed to act as placing agent in connection with the Placing and agreed to arrange for a limited number of identified investors (the "**Identified Investors**") to participate in the Placing. In connection with the WHI Engagement Letter, the Company has agreed to pay WHI a commission of 1.6% of the product of the number of New Zegona Shares taken up by the Identified Investors and the Issue Price. The WHI Engagement Letter shall continue in effect until Admission and may be terminated at any time by written notice by either party.

18.4 ***Relationship Agreement with Kutxabank***

Zegona entered into a relationship agreement with Kutxabank on 18 May 2017 as principal shareholders of Euskaltel (the "**Relationship Agreement**"). The Relationship Agreement has the following objectives:

- To create a communication channel between Kutxabank and Zegona for exchanging opinions on substantive issues affecting the Spanish Telecommunications Market in general and, in particular, the market in which the Euskaltel Group operates, and with respect to issues affecting its business.
- To increase the knowledge and awareness of the representatives of Kutxabank and Zegona regarding developments in the telecommunications markets in which the Euskaltel Group operates, and regarding the opinions of each of those parties on said developments.
- To create a confidential forum for understanding and resolving any differences which may arise between Kutxabank and Zegona, helping to maintain the good relations between the parties and their representatives.

To achieve those objectives, the Relationship Agreement provides a procedure for requesting a meeting between the two parties and for discussing any issues and objectives that need to be addressed.

To the knowledge of Zegona, neither Kutxabank nor any member of its administrative, management and supervisory bodies holds any security or voting right in Zegona.

The Euskaltel Group

So far as Zegona is aware having regard to publicly available information, Zegona is not aware of any material contracts which may have been entered into (other than contracts entered into in the ordinary course of business) by Euskaltel and/or any member of the Euskaltel Group either (i) within the period of two years immediately preceding the date of this Document which are or may be material to Euskaltel and/or any member of the Euskaltel Group; or (ii) which, regardless of when entered into, contain any provisions under which Euskaltel and/or any member of the Euskaltel Group has any obligation or entitlement which is, or may be, material to Euskaltel and/or the Euskaltel Group as at the date of this Document, save for the agreements relating to the sale of Telecable to Euskaltel disclosed above in paragraph 18.2 of Part XV (Additional Information).

19 SIGNIFICANT JUDGEMENTS AND ESTIMATES RELATED TO POSSIBLE FUTURE BENEFITS OF AN INCREASED INVESTMENT IN EUSKALTEL

In evaluating whether to increase its investment in Euskaltel, Zegona has considered a number of possible areas in which it could work with the Euskaltel board to improve the performance of the business and the extent to which this could deliver benefits to the business. In doing this, Zegona has not had access to Euskaltel's management or internal Euskaltel data and therefore has only been able to undertake due diligence based on industry information and publicly available data. Accordingly, Zegona has not been able to undertake any substantial analysis in order to formulate detailed plans or intentions regarding the impact of the Transaction on the Euskaltel Group's business. This notwithstanding, in making its evaluation, Zegona has made a number of judgements, estimates and assumptions.

Zegona considers the most significant judgements, estimates and assumptions to include: (i) (a) a €25-30 million efficiency improvement opportunity from creating a single operating platform for the Euskaltel Group's three regional brands, derived from benchmark synergies achieved in comparable European business combinations, (b) potential for savings on MVNO costs in the medium term based on analysis of the scale of mobile services provided by the Euskaltel Group and Zegona's understanding of the market for MVNO arrangements in Spain and (c) further cost savings at the Euskaltel Group level, which taken together with (a) and (b), Zegona estimates can deliver up to a total of €40 million of annual costs savings; (ii) the opportunity to expand the network to up to 200,000 new homes, which is based on Zegona's analysis of the Euskaltel Group's current footprint, and the €125 average cost per new home added and 3-year payback, which is based on Zegona's analysis of comparable transactions and other market data; and (iii) the possible impact of any new entrant capturing additional market share across Spain, where Zegona estimates based on publicly available market data that a 3% national market share would equate to revenues of approximately €300 million. Zegona does not believe that it will be necessary to materially change the current level of leverage of Euskaltel nor does it believe it will be necessary to materially change the dividend policy of Euskaltel in order for the Euskaltel Group to achieve the above improvements. Additionally, Zegona believes that the availability of wholesale access arrangements to FTTH networks, both through regulated access and commercial agreements, provides the opportunity for the Euskaltel Group to grow with relatively limited upfront investment, with the opportunity to then convert to a co-investment model on a success driven basis.

By their nature, these judgements, estimates and assumptions involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by judgements, estimates and assumptions and the risk inherent in these judgements, estimates and assumptions has been increased by the lack of access to Euskaltel's management.

20 RELATED PARTY TRANSACTIONS

Save as disclosed in each of the financial statements of Zegona for the financial years ended 31 December 2017 (note 25), 31 December 2016 (note 26) and 31 December 2015 (note 25), each of which are incorporated by reference into this Document, and in the unaudited consolidated condensed interim financial statements for the nine months ended 30 September 2018 (note 9), Zegona has not entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation(EC) No 1606/2002) during the period covered by the historical financial information and up to the date of this Document.

21 CONSENTS

KPMG LLP of 15 Canada Square, London E14 5GL, and who is regulated by the ICAEW, has given and not withdrawn its consent to the inclusion of its report on the unaudited interim financial statements for the nine months ended 30 September 2018 set out in Part B of Part XI (Historical Financial Information) of this Document in the form and context in which it appears and has authorised the contents of that part of this Document which comprises its report for the purposes of Prospectus Rule 5.5.3R (2)(f).

For the purposes of Prospectus Rule 5.5.3(2)(f), KPMG LLP is responsible for its report as part of this Document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in its report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its imports.

As the New Zegona Shares have not been and will not be registered under the US Securities Act, KPMG LLP has not filed and will not file a consent under the US Securities Act.

22 GENERAL

22.1 There have been no interruptions in the business of the Zegona Group, which may have or have had a significant effect on the financial position of the Zegona Group or which are likely to have a material effect on the prospects of the Zegona Group for the next 12 months.

22.2 No admission to listing or trading of the New Zegona Shares is being sought on any stock exchange other than the Main Market of the London Stock Exchange.

22.3 Save as described in this Document, there are no investments in progress which are significant to the Zegona Group and there are no principal future investments on which any member of the

Zegona Group has at the date hereof made firm commitments.

22.4 It is estimated that the total expenses payable by the Company in connection with the Transaction will amount to approximately £4.6 million (excluding VAT).

22.5 Save as described in this Document, neither the Company nor any member of the Zegona 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.

22.6 Save as described in this Document, the Directors are not aware of any environmental issues that may affect the Zegona Group's utilisation of its tangible fixed assets.

22.7 Save as described in this Document, the Zegona 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.

22.8 There are no arrangements in existence under which future dividends of the Company are to be waived or agreed to be waived.

22.9 Pursuant to Chapter 5 of the Disclosure Guidance 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%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% 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 Guidance 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% and 10% and above.

22.10 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 Zegona Shares who wish to have them held outside of CREST will have their details recorded on the Company's register maintained by the Registrar. 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 Zegona Shares following Admission may continue to take place within the CREST system if Zegona Shareholders so wish.

23 DOCUMENTS AVAILABLE FOR INSPECTION

23.1 Copies of the following documents will be available for inspection during normal business hours on any business day at: (i) the registered office of the Company (being 20 Buckingham Street, London WC2N 6EF); and (ii) the offices of Travers Smith LLP (being 10 Snow Hill, London EC1A 2AL) from the date of this Document and, in respect of the circular, including the notice of General Meeting, from the date it is posted, up to and including the date of Admission:

(a) the Articles;

(b) the RIS announcements;

(c) this Document;

(d) the form of acceptance;

(e) the circular, including the notice of General Meeting;

(f) the Zegona 2017 Annual Report;

(g) the Zegona 2016 Annual Report;

(h) the Zegona 2015 Annual Report;

(i) the Euskaltel 2017 Annual Report;

(j) the Euskaltel 2016 Annual Report;

(k) the Euskaltel 2015 Annual Report;

(l) the Euskaltel 2018 Interim Results; and

(m) the consent letters referred to in paragraph 21 of Part XV (Additional Information) above.

23.2 These documents will also be available for inspection for at least 15 minutes before and during the General Meeting. This Document and the information incorporated by reference into this Document (as set out on Part XVI *(*Documents Incorporated by Reference)) may also be viewed via the National Storage Mechanism, save for the Euskaltel documents in items (i) - (l) above which may be viewed on Euskaltel's website, www.euskaltel.com.

24 FURTHER ANNOUNCEMENTS

On Admission, the Company will make an announcement to an RIS notifying that Admission has occurred.

Dated:15 January 2019

PART XVI - DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the documents which are incorporated by reference into this Document, to ensure that Zegona Shareholders and others are aware of all information which, according to the particular nature of the Company, Euskaltel and of the New Zegona Shares, is necessary to enable Zegona Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Zegona Group, the Euskaltel Group and of the rights attaching to the New Zegona Shares.

Document incorporated by reference	Section of referenced document	Page number(s) in reference document
Zegona 2017 Annual Report	Chairman's statement	1 to 2
	Business and financial review	5 to 7
	Independent auditor's report	44 to 49
	Consolidated statement of comprehensive income	50
	Consolidated statement of other comprehensive income	51
	Consolidated statement of financial position	52
	Company statement of financial position	53
	Consolidated statement of changes in equity	54
	Company statement of changes in equity	55
	Consolidated statement of cash flows	56
	Company statement of cash flows	57
	Notes to the financial statements	58 to 94
Zegona 2016 Annual Report	Chairman's statement	1
	Independent auditor's report	50 to 53
	Consolidated statement of comprehensive income	54
	Consolidated statement of other comprehensive income	55
	Consolidated statement of financial position	56
	Company statement of financial position	57
	Consolidated statement of changes in equity	58
	Company statement of changes in equity	59
	Consolidated statement of cash flows	60
	Company statement of cash flows	61
	Notes to the financial statements	62 to 96
Zegona 2015 Annual Report	Chairman's statement	1
	Overview of the period	2
	Independent auditor's report	29 to 33
	Consolidated statement of profit or loss	34
	Consolidated statement of other comprehensive income	35
	Consolidated and company statement of financial position	36
	Consolidated statement of changes in equity	37
	Company statement of changes in equity	38
	Consolidated and company statement of cash flows	39
	Notes to the financial statements	40 to 69

Euskaltel 2017 Independent Auditor's Report		1 to 8
Euskaltel 2017 Consolidated Annual Accounts		1 to 43
Euskaltel 2017 Consolidated Directors' Report	Introduction	1
	Business overview	1 to 3
	Corporate structure	3 to 4
	Commercial activity and customer relations	13 to 16
	Operations activity (network and technology)	19 to 22
	Economic-financial activity and key business indicators	27 to 30
Euskaltel 2017 Corporate Responsibility Report	Letter from the Chairman & CEO	2 to 5
	Euskaltel Group in 2017	6 to 11
Euskaltel 2016 Independent Auditor's Report		1 to 2
Euskaltel 2016 Consolidated Annual Accounts		1 to 44
Euskaltel 2016 Consolidated Directors' Report	Introduction	1
	Business overview	1 to 3
	Corporate Structure	3
	Commercial activity and customer relations	12 to 15
	Operations activity (network and technology)	19 to 21
	Economic financial activity and key business indicators	28 to 30
Euskaltel 2016 Corporate Responsibility Report	Letter from the Chairman and the CEO	3 to 4
	The Euskaltel Group at a glance	5 to 10
Euskaltel 2015 Independent Auditor's Report		1 to 2
Euskaltel 2015 Consolidated Annual Accounts		1 to 38
Euskaltel 2015 Consolidated Directors' Report	Business and economic environment and regulatory framework	1 to 5
	Commercial activity and customer relations	5 to 9
	Operations	9 to 10
	Economic-financial situation and key business indicators	13 to 21
Euskaltel 2018 limited review report on the condensed consolidated		1 to 2

interim financial statements		
Euskaltel 2018 Condensed Consolidated Interim Financial Statements		1 to 21
Euskaltel 2018 Consolidated Interim Directors' Report	Introduction	1
	Commercial activity and customer relations	1 to 3
	Economic-financial activity and key business indicators	4 to 8

To the extent that any document or information incorporated by reference or attached to this Document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this Document for the purposes of the Prospectus Rules, except where such information or documents are stated within this Document as specifically being incorporated by reference or where this Document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this Document shall be deemed to be modified or superseded for the purpose of this Document to the extent that a statement contained in this Document (or in a later document which is incorporated by reference into this Document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Document.

Where certain parts only of a document have been incorporated by reference into this Document, the other parts of those documents which have not been expressly stated to be incorporated are either not relevant to investors or are covered elsewhere in this Document.

PART XVII - 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;
"Admission"	means the admission of the New Zegona Shares to the Official List and to trading on the London Stock Exchange's Main Market for listed securities;
"AGM"	means annual general meeting;
"Articles"	means the articles of association of the Company;
"Available Funds"	means £125.0 million representing the net proceeds of the Placing and funds expected to be drawn down under the New Facilities less amounts required for general corporate purposes;
"Axio" or "Company Secretary"	means Axio Capital Solutions Limited, which is regulated by the Jersey Financial Services Commission;
"Banks"	means Barclays and Oakley;
"Barclays"	means Barclays Bank PLC, acting through its Investment Bank;
"Barclays Facility"	means the £30 million term loan facility with Barclays as further described in Part XV (Additional Information) of this Document;
"BBK"	means Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea, now part of Kutxabank;
"Board Change of Control"	means the date upon which the board of directors of either the Company or Zegona Limited includes a majority of individuals to whose appointment holders of more than 50% of the Management Shares in issue at the date of appointment (including at least two members of Management each holding at least 5% 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;
"CEO"	means chief executive officer;
"certificated" or in "certificated form"	means a share or security which is not in uncertificated form;
"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 Panel, as amended, modified or supplemented from time to time;
"CNMV"	means the Comisión Nacional del Mercado de Valores;
"Com Hem"	means Com Hem Holding AB;
"Company" or "Zegona"	means Zegona Communications plc, a public limited company incorporated in England and Wales with registration number 09395163;
"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% 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% 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 Zegona 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 Incentive Scheme"	means the core investor incentive arrangements described in paragraph 9.2 of Part XV (Additional Information);
"Core Investor Shares"	means B ordinary shares of 0.00001p each in the capital of Zegona Limited;
"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;
"Data Protection Legislation"	means The Data Protection Act 2018;
"Directors" or "Board"	means the board of directors of the Company as at the date of this Document, whose names are set out in paragraph 1 of Part XIII (Directors, Corporate Governance and Employees) of this Document;
"Disclosure Guidance and Transparency Rules" or "DTRs"	means the Disclosure Guidance 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;
"Document"	means this prospectus;
"DTS"	means Distribuidora de Television Digital, S.A;
"EBITDA"	means operating profit excluding depreciation of property, plant and equipment and amortisation of intangible assets;
"EEA"	means the European Economic Area;
"Equity Interest"	means a holding of Zegona Shares, a contract for difference or other derivative which itself results in having a long position in Zegona Shares;
"ERISA"	means the US 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.;
"European Commission"	means the EU's politically independent executive arm;
"European Council"	means the institution which defines the general political direction and priorities of the EU;
"Euskaltel"	means Euskaltel, S.A.;
"Euskaltel 2015 Annual Report"	means Euskaltel's annual report and accounts for the year ended 31 December 2015, including those sections of the Consolidated Directors' Report incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference);
"Euskaltel 2016 Annual Report"	means Euskaltel's annual report and accounts for the year ended 31 December 2016, including those sections of the Consolidated Directors' Report and Corporate Responsibility Report incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference);
"Euskaltel 2017 Annual Report"	means Euskaltel's annual report and accounts for the year ended 31 December 2017, including those sections of the Consolidated Directors' Report and Corporate Responsibility Report incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference);
"Euskaltel 2017	means Euskaltel's annual corporate governance report of listed companies for

Corporate Governance Report"	the year ended 31 December 2017;
"Euskaltel 2018 Interim Results"	means Euskaltel's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018, including those sections of the Consolidated Interim Directors' Report incorporated by reference into this Document as set out in Part XVI (Documents Incorporated by Reference);
"Euskaltel 3Q18 Results Presentation"	means the results presentation published by Euskaltel on 5 November 2018 setting out its results for the nine months ended 30 September 2018;
"Euskaltel Group"	means Euskaltel and its subsidiaries from time to time;
"Euskaltel Share"	means an ordinary share in the capital of Euskaltel;
"Euskaltel Share Acquisition"	the acquisition of Euskaltel Shares through market purchases or privately negotiated transactions up to a maximum of 12.5% of the outstanding issued ordinary share capital of Euskaltel;
"Executive Directors"	means Eamonn O'Hare and Robert Samuelson;
"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;
"Existing Zegona Shareholder"	means a holder of Existing Zegona Shares;
"Existing Zegona Shares"	means the 126,219,449 existing Zegona Shares in issue as at the date of this Document;
"FCA"	means the Financial Conduct Authority of the United Kingdom or any successor body;
"Founder Director"	means each of Eamonn O'Hare and Robert Samuelson;
"FSMA"	means the Financial Services and Markets Act 2000, as amended, modified or supplemented from time to time;
"FX"	means foreign exchange;
"GDP"	means gross domestic product;
"General Data Protection Regulation"	means Regulation (EU) 2016/679 of the European Parliament and of the European Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data;
"General Meeting"	means the general meeting of the Company expected to be held at 10.00 a.m. on 7 February 2019;
"GET"	means Get AS;
"Growth in Value"	means (i) on or prior to the first Calculation Date, the Company's growth calculated on the first Measurement Date by deducting the Zegona 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 Zegona 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;
"ICAEW"	means the Institute of Chartered Accountants in England and Wales;
"IFRS"	means the International Financial Reporting Standards;
"INE"	means the Instituto Nacional de Estadística;
"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;
"IRS"	means the US Internal Revenue Service;
"Issue Price"	means 105 pence per New Zegona Share;
"Jazztel"	means Orange Participations UK Limited (formerly Jazztel P.L.C.);
"KPIs"	means key performance indicators;
"Kutxa"	means Gipuzkoa Donostia Kutxa, now part of Kutxabank;
"Kutxabank"	means Kutxabank, S.A.;
"Liberty Global"	means Liberty Global plc, Liberty Global, Inc. and Liberty Global B.V.;
"LIBOR"	means the London Inter-bank Offered Rate, a benchmark rate that represents the interest rate at which banks offer to lend funds to one another in the international interbank market for short-term loans;
"Listing Rules"	means (in accordance with section 79(2) of FSMA), rules relating to admission to the Official List;
"London Stock Exchange"	means London Stock Exchange plc;
"Management"	means the holders of the Management Shares from time to time, being at the date of this Document Eamonn O'Hare, Robert Samuelson, Howard Kalika and Menno Kremer;
"Management Incentive Scheme"	means the management incentive arrangements described in paragraph 9.1 of Part XV (Additional Information);
"Management Shares"	means A ordinary shares of 0.00001p each in the capital of Zegona Limited;
"Market Abuse Regulation"	means Regulation (EU) No 596/2014 of the European Parliament and of the European Council of 16 April 2014 on market abuse;
"Market Capitalisation"	means (i) on any date, the volume weighted average mid-market price of the Zegona Shares for the previous 30 trading days multiplied by the number of Zegona Shares in issue on such date or (ii) following a Takeover, the Takeover Consideration multiplied by the number of Zegona Shares in issue on the Takeover or (iii) if Zegona Limited is wound up, the cash sum which remains to be distributed after all of Zegona Limited's liabilities (excluding any amounts due to Zegona Shareholders and the Management incentive arrangements) have been paid and its assets have been realised;
"Marwyn"	means Marwyn Asset Management Limited, which is regulated by the Jersey Financial Services Commission;
"MásMóvil"	means Másmóvil Ibercom, S.A.;
"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;
"MLTI"	means Marwyn Long Term Incentive LP, the holder of the Core Investor Shares;
"Morgan Stanley Report"	means the research report prepared by Morgan Stanley dated 16 January 2018;
"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;
"New Facilities"	means the Barclays Facility and the Virgin Funding;
"New Zegona Shares"	means the 95,715,728 new Zegona Shares to be issued in connection with

	the Placing;
"Non-Executive Directors"	means Mark Brangstrup Watts, Murray Scott, Richard Williams and Ashley Martin;
"Oakley"	means Oakley Advisory Limited;
"OEIC"	means an open-ended investment company;
"Official List"	means the Official List of the UKLA;
"ONO"	means Grupo Corporativo Ono, S.A.;
"OpFCF"	means operating free cash flow, being EBITDA minus capital expenditure and change in working capital;
"Orange Spain"	means Orange Espagne S.A.U.;
"Panel"	means the UK Panel on Takeovers and Mergers, the body which regulates takeovers of companies subject to the City Code;
"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 Zegona Shares issued for non-cash consideration at the value determined by the Board);
"Pepephone"	means Pepe World SL, Pepe Mobile SL and Pepe Energy SL;
"PFIC"	means a passive foreign investment company;
"Placee"	means a person subscribing for New Zegona Shares under the Placing;
"Placing"	means the placing of New Zegona Shares at a price of 105 pence each pursuant to the Placing Agreement;
"Placing Agreement"	means the placing agreement entered into between the Company and the Banks relating to the Placing and further described in Part XV (Additional Information) of this Document;
"Placing Announcement"	means the announcement published by Zegona on 14 January 2019 setting out details of the Placing;
"Placing Results Announcement"	means the announcement published by Zegona following the completion of the bookbuild setting out the final number of New Zegona Shares to be issued in connection with the Placing;
"Preferred Return"	means that at the relevant Measurement Date the Market Capitalisation represents a "compound annual growth rate" (as defined in Zegona Limited's articles of association) of the Net Invested Capital as it varies over time equal to or greater than 5% 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 US Investment Company Act; (ii) give rise to an obligation on the Company to register under the US Exchange Act or result in the Company not being considered a "foreign private issuer" as such term is defined in Rule 3b-4(c) under the US Exchange Act ; or (iii) result in a US Benefit Plan Investor holding shares in the Company;
"Proposed Tender Offer"	means the proposed tender offer announced by Zegona on 19 October 2018 to acquire up to 14.9% of the outstanding issued ordinary share capital of Euskaltel (equal to 26,620,000 shares at the date of the announcement) at a price of €7.75 per share;
"Prospectus Directive"	means Directive 2003/71/EC (as amended), to the extent implemented in the relevant Member State and includes any relevant implementing measure in each relevant Member State;

"Prospectus Rules"	means the prospectus rules of the UKLA made in accordance with section 73A of FSMA, as amended from time to time;
"QEF"	means a qualified electing fund;
"QIB"	means a qualified institutional buyer as defined in Rule 144A;
"QP"	means a qualified purchaser as defined in section 2(a)(51) of the US Investment Company Act;
"R Cable"	means R Cable y Telecomunicaciones Galicia, S.A.;
"Registrar"	means Link Market Services Limited;
"Regulation S"	means Regulation S under the US Securities Act;
"RIS"	means a Regulatory Information Service;
"Rule 144A"	means Rule 144A under the US Securities Act;
"SEC"	means the US Securities and Exchange Commission;
"Shareholder Relationship Agreement"	means the concert parties agreement entered into between the Company, Zegona Limited and Talomon and further described in Part XV (Additional Information) of this Document;
"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;
"Significant Shareholder"	means a Zegona Shareholder who holds 3% or more of the Zegona Shares, current details of whom are set out in paragraph 10 of Part XV (Additional Information) 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 Zegona Group combined with a return of the net proceeds of such sale, after satisfying any other creditors of the Company, to the Zegona 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 Zegona Share or, if the consideration is otherwise than in cash, the anticipated market price of the non-cash consideration per Zegona 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 Zegona Group, the total consideration received for such business or assets, after all of Zegona Limited's other liabilities have been paid (excluding any amounts due to Zegona Shareholders and the Management incentive arrangements) divided by the number of Zegona Shares in issue;
"Talomon"	means Talomon Capital Limited on behalf of its clients and funds it manages;
"TDC"	means TDC A/S;
"Tele2"	means Tele2 AB;
"Telecable"	means Parselaya, S.L.U. and its subsidiaries;
"Telefónica"	means Telefónica de España, S.A.U. and its subsidiaries;
"Telia"	means Telia Company AB;
"Total Shareholder Return"	has the meaning set out in the paragraph entitled "Zegona non-IFRS financial information" in Part III (Important Information) of this Document;
"Transaction"	means the Euskaltel Share Acquisition and the Placing;
"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"	means recorded on the register of Zegona 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;
"United States" or "US"	has the meaning given to the term "United States" in Regulation S;
"US 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 US 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);
"US Exchange Act"	means the US Securities Exchange Act of 1934, as amended;
"US Investment Company Act"	means the US Investment Company Act of 1940, as amended, and related rules;
"US Person"	means a "US Person" as defined in Regulation S;
"US Qualified Purchaser's Letter"	means the form of US qualified purchaser's letter;
"US Securities Act"	means the US Securities Act of 1933, as amended;
"US Tax Code"	means the Internal Revenue Code of 1986, as amended;
"US Treasury"	means the US Department of the Treasury, an executive department and the treasury of the US federal government;
"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 Zegona Shares as consideration, the volume weighted average mid-market price of the Zegona Shares for the previous 30 trading days;
"VAT"	means UK value added tax;
"Vital"	means Caja Vital Kutxa, now part of Kutxabank;
"Virgin Funding"	means the £10 million term loan facility with the Virgin Group as further described in Part XV (Additional Information) of this Document;
"Virgin Group"	means the Virgin Group founded by Sir Richard Branson;
"Virgin Media"	means Virgin Media Inc and its subsidiaries, which merged into Liberty Global;
"Vodafone Spain"	means Vodafone España, S.A.U.,
"WHI"	means WH Ireland Limited;
"WHI Engagement Letter"	means the agreement entered into between the Company and WHI and further described in Part XV (Additional Information) of this Document;
"Winding Up"	means the winding up of Zegona Limited;
"Yoigo"	means Xfera Moviles SA;
"Zegona 2015 Annual Report"	means Zegona's annual report and accounts for the period ended 31 December 2015;
"Zegona 2016 Annual Report"	means Zegona's annual report and accounts for the year ended 31 December 2016;
"Zegona 2017 Annual Report"	means Zegona's annual report and accounts for the year ended 31 December 2017;
"Zegona 2018 Interim Results"	means Zegona's unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2018;
"Zegona Group"	means the Company and its subsidiaries from time to time;
"Zegona Limited"	means a subsidiary of the Company, incorporated in Jersey with registered number 117602, but resident in England and Wales;
"Zegona Shareholder"	means a holder of Zegona Shares; and
"Zegona Shares"	means ordinary shares of £0.01 each in the capital of the Company.

Part B – Glossary

"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 TV"	Television with a display format in which the horizontal screen resolution is approximately 4,000 pixels and which has resolution approximately four times that of HD television.
"5G"	Fifth Generation Mobile System.
"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.
"ATM"	Asynchronous Transfer Mode, a telecommunications concept for carriage of a complete range of user traffic, including voice, data, and video signals.
"BSS"	Business Support Systems.
"bundles"	The products considered when referring to bundles as fixed-line phones, 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.
"CNMC"	The Spanish Markets and Competition Commission (Comisión Nacional de los Mercados y la Competencia).
"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 system. It is employed by many cable television operators to provide internet access over their existing hybrid fibre-coaxial infrastructure.
"DOCSIS 3.1"	A DOCSIS suite of specifications supporting capacities of up to 10 Gbps downstream and 1 Gbps upstream.
"Double-play" or "2P"	Double-play is the bundling of two telecommunications services (mobile, fixed-line phones, Pay TV or broadband) into one contract.
"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.
"Ethernet"	Ethernet is the most widely-installed standard local area network technology.
"Fixed services"	Fixed services includes fibre, ADSL and indirect access.
"FMC"	Fixed-line/mobile convergence.
"FTTH" or "FTTB"	Fibre to the Home or Fibre to the Building are generic terms for a broadband network architecture that uses optical fibre to replace all or part of the usual metal loop used for last mile communications.
"Gbps"	A gigabit per second.
"HD"	High Definition.
"High-speed broadband"	Broadband using download speeds higher than 30Mbps.
"Homes passed"	Homes passed are homes, residential multiple dwelling units or commercial

	units that are covered by an active node.
"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.
"IP Switch"	A methodology for routing data packets over a network.
"IPTV"	IPTV is a system through which television services are delivered using the internet protocol suite over a packet-switched network such as the internet.
"Kbps"	A kilobit per second.
"Large Accounts"	Large companies demanding complex and tailored telecommunication services.
"leased line"	A 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.
"MNO"	Mobile Network Operator.
"Mobile Core Network"	A telecommunication network's core part, which offers numerous services to the customers who are interconnected by the mobile access network.
"MPLS"	Multiprotocol Label Switching, a method used to speed up data communication over combined IP / ATM networks.
"MVNO"	Mobile Virtual Network Operator is a company providing mobile phone services directly to its 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.
"OTT"	Over-the-top.
"Pay TV" or "pay television"	Subscription-based television services.
"penetration"	Percentage of customers over homes passed in the Euskaltel Group'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 "4P"	Quadruple play is the bundling of four telecommunications services (mobile, fixed-line phones, broadband and Pay TV) into one contract.
"RGU"	Revenue Generating Unit, where each customer is counted as a revenue generating unit for each service for which such customer subscribes, regardless of the number of services that customer receives.
"SDH"	Synchronous Digital Hierarchy, a standardised protocol that transfers multiple digital bit streams over optical fibre using lasers or highly coherent light from light-emitting diodes (LEDs).
"SIP Trunking"	Session Initiation Protocol trunking enables the end point's phone exchange system to send and receive calls via the internet.
"Smart City"	An urban area that uses different types of electronic data collection sensors to supply information which is used to manage assets and resources efficiently.

"SMEs"	Small and medium-sized enterprises. SMEs are ranked a notch above SOHOs.
"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 less than ten employees. SOHOs are categorised one notch below SMEs.
"Spanish Telecommunications Market"	Comprises the markets in which the Euskaltel Group operates and which includes the following segments as defined by the CNMC: wholesale, fixed-line phones, fixed broadband, business communications, telecommunications information services, mobile telecommunications, mobile broadband, audiovisual services, sale and lease of equipment and others.
"TMT"	Telecommunications, media and technology.
"triple play" or "3P"	Triple play is the bundling of three telecommunications services (mobile, fixed-line phones, Pay TV or broadband services) into one contract.
"TV Everywhere"	A system whereby TV content is accessible online via a variety of display devices, including PC, mobile phones, tablets or laptops.
"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.
"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 the Euskaltel Group'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 VoIP.
"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.
"Voice over LTE"	The practice of packetising VoIP and transporting both the signalling and media components over a 4G LTE packet switched data path.
"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.