



EUSKALTEL, S.A. (Euskaltel), in accordance with article 17 of Regulation (EU) No. 596/2014 on market abuse and article 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre) and related provisions, hereby announces the following

RELEVANT FACT

Further to the relevant fact filed with the CNMV on 14 March 2017 (number 249,522), Euskaltel, Zegona Limited as seller and Zegona Communications, Plc. as guarantor (both indistinctly “Zegona”) have entered into an agreement (the “Transaction”) whereby Euskaltel will acquire full control over Telecable de Asturias, S.A.U. (“Telecable”).

As a result of this agreement, Euskaltel will acquire control of Telecable through the purchase of 100% of the share capital of Parselaya, S.L.U. (“Parselaya”) from Zegona Limited. The Transaction is subject to the satisfaction of customary conditions precedent, as described below.

The value of Telecable has been agreed at €686 million, including €245 million of estimated net debt as of 30 June 2017, with an aggregate consideration consisting of €186.5 million payable in cash and 26.8 million newly issued ordinary shares of Euskaltel to be subscribed by Zegona at a price of €9.50 per share and representing 15% of the share capital of Euskaltel after the capital increase. The cash consideration will be subject to customary net debt and working capital adjustments and the new shares issued will not be entitled to receive any dividends declared and pending to be paid out of Euskaltel’s 2016 net income. Likewise, Zegona could be entitled to a contingent consideration up to a maximum of €15 million, equal to 35% of the value of certain assets that may arise in determined conditions, Euskaltel receiving 65% of such value.

As part of the Transaction, Zegona has committed to customary standstill and lock-up undertakings in order to maintain its shareholding in Euskaltel within the agreed levels for a period of time. In particular, the lock-up undertaking would allow Zegona to distribute its shares in Euskaltel directly to its shareholders subject to certain limitations, but it will otherwise prevent Zegona from disposing its shares in the market for 12, 18 and 24 months after the closing of the Transaction for each respective third of its shareholding in Euskaltel.

The Transaction remains subject to customary conditions precedent including: i) the approval by the General Shareholders’ Meeting of Euskaltel; ii) the clearance by the Spanish Competition Authority (“CNMC”); iii) the increase of directors at the Board of Directors of Euskaltel; iv) the issuance of a favourable independent expert report in accordance with the provisions of Article 67 of the Capital Companies Law in relation with the contribution in kind of Parselaya shares in consideration for newly issued shares of Euskaltel; and v) the absence of any material adverse change between signing and closing.



For further information, Euskaltel will hold a conference call for analysts and investors today, May 16th at 16:00 hours CET to discuss the Transaction in greater detail.

All interested parties are invited to dial:

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In Derio, 16 May 2017.

EUSKALTEL, S.A.

Francisco Javier Allende Arias

Secretary to the Board of Directors



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Forward-looking statements

This communication contains forward-looking statements (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995) and information relating to Euskaltel that are based on the beliefs of its management as well as assumptions made and information currently available to Euskaltel, S.A. Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "plan", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. Such statements reflect the current views of Euskaltel with respect to future events and are subject to risks, uncertainties and assumptions about Euskaltel and its subsidiaries and investments, including, among other things, the development of its business, trends in its operating industry, and future capital expenditures. In light of these risks, uncertainties and assumptions, the events or circumstances referred to in the forward-looking statements may not occur. None of the future projections, expectations, estimates or prospects in this communication should be taken as



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Euskaltel undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, new events or any other type of development.