

Euskaltel Group carries out the full telecommunications consolidation in the north of Spain

Euskaltel Group agrees with Zegona the acquisition of Telecable

- *As a result of this agreement, the leading telecommunications group in the north of Spain and of reference in Spain and Europe is created.*
- *Euskaltel takes control over Telecable by means of the acquisition of 100% of its share capital to Zegona Limited, which owns all the shares.*
- *The agreed value of Telecable has been EUR 686 million, including 245 million of its estimated debt as of 30 June 2017, that will be refinanced by Euskaltel.*
- *Zegona will become a shareholder of the Euskaltel Group with a 15% stake, with one member in the Board of Directors and will provide its wide experience in the sector.*
- *The transaction has been approved unanimously by the Board of Directors of Euskaltel, and will be completed after the ratification in the next Shareholders' General Meeting of the Group and its clearance from the antitrust authorities.*
- *Euskaltel Group will offer now its services to a 6 million people market, providing 2.4 million daily services to more than 800,000 customers, obtaining a consolidated income of EUR 711 million, an EBITDA of EUR 346 million and a cash flow of EUR 224 million.*
- *The new Group will maintain the local character of Euskaltel, R and Telecable, which entails the continuity of its trademarks and professional teams in the Basque Country, Galicia and Asturias.*
- *Euskaltel, R and Telecable are leaders in fibre optics -Broadband, Telephony and Pay-to-view television and telecommunications (mobile and fixed) in the Basque Country, Galicia and Asturias.*

Bilbao, 16 May 2017. Euskaltel Group and Zegona have reached today an agreement by means of which the Euskaltel Group acquires 100% of Telecable, the leading operator in Asturias, to therefore build the leading telecommunications group in Northern Spain. The transaction has been approved unanimously by the Board of Directors of Euskaltel, and will be completed after the ratification in the next Shareholders' General Meeting of the Group and its clearance by the antitrust authorities.

This transaction represents an important landmark in the history of the companies and the industry itself. It entails the creation of the leading convergent fibre optics operator within the telecommunications market of the State. The transaction provides Euskaltel Group, and each of the trademarks it encompasses, with a greater strength, efficiency and growth potential, in an industry of great competition as telecommunications.

One year and a half after the integration agreement between Euskaltel and R, Telecable becomes part of the leading Telecommunications Group in the North of Spain, which from now on will offer its services to a market of 6 million people, increasing 20% the Group's market, providing 2.4 million of daily services to more than 800,000 customers, with a high penetration ratio (67%) of 3 and 4 products in its customer base.

The addition of the three markets in which the Group operates -the Basque Country, Galicia and Asturias-, represents 12.76% of the population and the 13.34% of the whole State's GDP.

From a financial point of view, the consolidation of the results rises the Group's turnover up to EUR 711 million (+24%), with an EBITDA of EUR 346 (+23%) and a cash flow of EUR 224 million (+21%), maintaining one of the highest cash generating ratios of the industry in Europe.

The resulting group will maintain the local character of Euskaltel, R and Telecable in the Basque Country, Galicia and Asturias, respectively, which entails the continuity of its trademarks and professional teams.

Main features of the Agreement

According to the agreement reached, Euskaltel Group will take control over Telecable by means of the acquisition of 100% of its share capital to Zegona Limited, which is the owner of 100% of the shares of Telecable.

The agreed value for Telecable has been EUR 686 million, including EUR 245 million of its estimated debt at 30 June 2017 (that will be refinanced by Euskaltel), with a consideration of EUR 186.5 million in cash and 26.8 million of newly issued ordinary shares that will be subscribed by Zegona at a price of 9.5 euros per share (254,6 milion), which represent 15% of the share capital of Euskaltel after the share capital increase, which will have to be passed by the next Shareholders' General Meeting.

This valuation represents 8.5 times the Ebitda post synergies, which confirms the interest of the operation in terms of creation of value for the shareholders.

After the transaction, the debt to EBITDA ratio will be 4.5x (synergies included), so the Group will maintain the shareholders' remuneration in the terms announced to

the market. Likewise, Euskaltel foresees that this ratio will decrease to 4 times the EBITDA (synergies included) at the end of 2018, as it announced to the market.

After the share capital increase, Kutxabank will have a 21.3% stake and Corporación Financiera Alba will have a 9.35% stake in the share capital of Euskaltel. The main shareholders, including Zegona, have expressed throughout the talks their commitment to the roots of the Euskaltel Group in its territory.

Kutxabank and Alba, significant shareholders of Euskaltel with representation on its Board of Directors, have expressed their support for the integration of Telecable and favorably value the incorporation of Zegona as a relevant shareholder in the Euskaltel project.

“This transaction completes the full consolidation of the telecommunications in the North of Spain”

The agreement executed completes the conversations initiated between Euskaltel and Zegona, which were notified to the National Commission of the Stock Market on the last 14 March (CNMV).

The chairman of Euskaltel Group, Alberto García Erauzkin, has expressed his satisfaction as *“this transaction completes the full cable consolidation in the north of the State. Euskaltel, and R and Telecable, are leaders in our markets and the addition of the three great north operators makes us leaders in the State. Our intention is to maintain each of the companies’ values, such as the trademarks and the people’s talent, as they are the key of their success. We are a business project that makes its sense in the generation of value for our stakeholders: shareholders, human team and for the Basque, Galician, and now Asturian societies, in which we are integrated”*.

García Erauzkin has emphasised that *“our strategy involves creating and consolidating the leadership in our markets, compatible with the maintenance of the roots and the compromise in the three territories. The integration of Telecable in the Euskaltel Group entails also the incorporation as shareholder of Zegona, which will bring its wide experience in the sector”*.

Francisco Arteche, CEO of the Group, has valued very positively the result of the acquisition of Telecable, as it *“means the addition of a market, team of people, a telecommunications net over which we will design new advanced services. This addition of capacities will add an important growth potential to the Group so as to keep featuring the digital promotion of the Basque, Galician and Asturian societies”*.

Arteche has stressed that *“this merger will benefit customers, employees and providers, as we are companies that share a strong and clear drive for proximity, quality and innovation in products and services”*.

Eamonn O’Hare, Zegona’s Chairman and CEO expressed his support for Euskaltel’s strategy of consolidating the North of Spain: *“When we acquired Telecable in 2015, we identified the potential for substantial value creation through the combination of the 3 independent Northern Spanish Cablecos. This transaction turns that vision into reality and provides the opportunity for significant value gain through delivering the high level of synergies available and from the increased strength of the combined business. Being the leading regional operator in Spain, Euskaltel is very sensitive to the local needs in Asturias and we know will provide great support*

to the Telecable business and team. We look forward to working closely with the Euskaltel Board and the team as we together define the next exciting chapter of Euskaltel's and Telecable's development."

Euskaltel – Comunicación

94-4011229

comunicacion@euskaltel.com



About Telecable

Telecable has a key role in the development of the asturian information society, where it has a strong foothold. It counts with a residential market of 80% of pay-to-view television quota, a 30% in telephony, a 48% in broadband and a 56% mobile penetration in its net customers.

The company was born in 1995 and as from then its commitment with Asturias is shown in the almost EUR 400 million invested in this autonomous community. The Asturian operator is committed to create an integrated network for all the services as from the commencement of its activities. Through the years, Telecable has evolved widening the services it offers based on the technological advantage of the fibre optics, with which it covers close to 3,000 kilometers of the Asturian territory. It has 160,000 customers of the residential and business segment, to which it provides 450,000 services daily. It counts with a high customer penetration ratio with 3 and 4 products (71%).

The income obtained in 2016 reached EUR 138 million, and the EBITDA was EUR 65 million. Telecable provides direct employment to more than 180 people in Asturias. That workforce is composed by a highly qualified professional team, with more than 60% of graduates.

The asturian operator has committed for an integrated network for all its services as from the commencement of its activity and counts also with a WiFi net -Wifisfera- so as to provide connectivity service through WiFi to its customers in a free and safe manner.

About Euskaltel Group

Euskaltel is the leading convergent telecommunications group in Northern Spain and continues strongly committed and deeply rooted in the Basque Country and Galicia, markets where it operates through Euskaltel and R.

The telecommunications group offers its services to a market of 5 million people and serves over 715,000 residential customers and companies. Euskaltel and R are leaders in fibre optics (Broadband, Telephony and Pay-to-view television and telecommunications convergent services) in the Basque Country and Galicia, respectively, with a strong customer base and complementary business models. It is a mobile operator with own 4G licence in the Basque Country and Galicia and has the largest owned fibre optic network deployed on its market.

As from the commencement of their activity, Euskaltel and R have made purchases to local providers from Basque Country and Galicia for more than EUR 3,000 million and have contributed more than EUR 1,300 million in taxes and duties, that have a direct effect in benefit of the Basque and Galician society through social services, education, healthcare and infrastructures or in sport and cultural activities. Furthermore, in the last decade, the group has allocated over EUR 140 million to R+D+i.

The Euskaltel group is proud to have a human team of 542 people, whose average age is around 43 years old, and it generates over 3,500 indirect jobs in the Basque Country and Galicia.

The group is leader in the mobile sector, it offers 350 Mbps. in fixed Broadband to its customers, and all of them have a minimum of 50 Mbps. of speed access to the Internet. Euskaltel and R have the most complete mobile Broadband in the market. It counts with the widest WiFi net in the Basque Country and in Galicia, with 300,000 access points, it has launched the 4G service and deploys its own network thanks to the LTE license, so they have the widest mobile broadband in the market.