

ZEGONA – 2016 RESULTS

ROBUST 2016 PERFORMANCE AT TELECABLE WITH CONTINUING GROWTH MOMENTUM

London, England, 6 April, 2017 – Zegona Communications plc (LSE: ZEG) announces results for period ending 31 December 2016.

	Zegona 2016 Consolidated¹	Telecable 2016²
Revenue³	€138.5 million	€138.5 million
EBITDA³	€61.2 million	€65.1 million
Operating profit	€3.4 million	€11.2 million
Cash Flow³	€35.6 million	€39.6 million

Telecable continues to perform strongly, in line with guidance for 2016

- Revenue³ up 3.0% to €138.5 million for full year, driven by both Consumer and Business sectors
- EBITDA³ up 0.2% to €65.1 million for full year, including significant investment in football content
- Cash Flow³ up 9.7% to €39.6 million for full year, reflecting improved cost efficiencies

Significant improvements delivered during the first full year of Telecable ownership

- Enhanced product offers – 500Mbps broadband, increased mobile data allowances, advanced TV services and premium football
- New innovative mobile access agreement with Telefonica, providing 4G services at much improved cost
- Increase in online sales and development of self-install programmes to drive ongoing efficiencies
- Stronger business development pipeline, both within Asturias and nationally across Spain

Sustained growth expected in 2017

- Healthy industry price repair, with all major operators increasing prices in 2016 and further rises announced for 2017
- Spain expected to remain fastest growing Euro economy, GDP growth of 3.2% in 2016
- Telecable focus on driving increased convergence in 2017, leveraging advantageous new mobile access agreement
- Targeting 3-5% Revenue³ growth, with contributions from both the Consumer and Business sectors
- Another year of double digit Cash Flow growth (before a €2-3 million one-off investment in 4G Mobile transition)

Strong cash returns to shareholders

- Dividend of 4.5 pence per ordinary share paid for 2016
- 5.0 pence dividend policy confirmed for 2017, 11% increase
- Incremental capital return potential via share buybacks and/or special distributions

Eamonn O'Hare, Zegona Chairman and CEO commented: "Telecable has continued to deliver under Zegona ownership. We are particularly pleased that the business has grown its revenues and cash flows strongly in 2016 at the same time as delivering improvements that provide a solid platform to ensure this growth is sustained. Telecable's growth has outperformed other players in the Spanish market in recent years, and it is satisfying to see our track record being maintained. As we look forward in 2017, we are encouraged by the increasing momentum in the business and the fact this is underpinned by a strong Spanish economy and further evidence of industry price repair. This momentum gives us confidence that Telecable will sustain growth across its key financial metrics in the coming year. As a result, and underpinned by our confidence in the Cash Flow generation of the business we can now confirm an 11% increase in the dividend to 5.0 pence per ordinary share for 2017.

As we look across the broader European TMT landscape, the dynamic forces of consumer consumption, industry consolidation and convergence are creating significant opportunities for new acquisitions. In fact, since creating Zegona almost two years ago, it is my personal view that the market environment to execute our core Buy-Fix-Sell strategy has never been better. We are seeing a steady increase in the number of new opportunities and are confident that additional acquisitions satisfying our disciplined financial criteria will be identified."

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Notes to Editors:

About Zegona

Zegona was established with the objective of acquiring businesses in the European Telecommunications, Media and Technology (“TMT”) sector with a ‘Buy-Fix-Sell’ strategy to deliver attractive shareholder returns. Zegona is listed on The London Stock Exchange’s Main Market and is led by former Virgin Media executives, Eamonn O’Hare and Robert Samuelson.

Zegona’s first acquisition was the €640 million purchase of Telecable, the leading quad play cable telecommunications operator in the Asturias region of Spain, which completed in August 2015. Zegona believes Telecable represents a compelling investment because of its market leading position in Asturias and strong cash generation, coupled with attractive dynamics in the Spanish telecoms market and Spanish economy. In 2016, Telecable delivered Revenues³ of €138.5 million, EBITDA³ of €65.1 million and Cash Flow of €39.6 million.

Conference Call Details

There will be a conference call for analysts and investors in London at 1:30 p.m. BST. Analysts and investors can dial in to the presentation on +44 (0) 20 3427 1912 - passcode 9489699 for all participants. The associated presentation will be available to download from the results and presentations section of www.zegona.com from 12:00 noon BST.

There will be a live webcast of the conference call available from the following link:

<http://edge.media-server.com/m/p/f29o9z3m>

An on-demand webcast will be available from www.zegona.com

Forward-looking Statements

Certain statements in this announcement are forward-looking statements which are based on Zegona’s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Zegona undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The information contained in this announcement is subject to change without notice and, save as required by the law, Zegona does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein.

¹ From Zegona Communications plc’s 2016 consolidated financial statements. These include the results of Telecable and the central costs incurred by Zegona during the year.

² Audited results for Telecable for the 12 months ended 31 December 2016.

³ All references to Revenue, EBITDA and Cash Flow throughout this announcement are to Adjusted Revenue, Adjusted EBITDA or Adjusted Cash Flow for 2016 or to pro-forma 12 month Adjusted Revenue, pro-forma 12 month Adjusted EBITDA or pro-forma 12 month Adjusted Cash Flow for 2015. Please see the section on non-GAAP measures in Appendix H for further information.

OVERVIEW⁴

It has been an exciting and productive first full year for Zegona. The Company was launched via an IPO in March 2015, with the objective of acquiring businesses in the European TMT sector with a 'Buy-Fix-Sell' strategy to deliver shareholder returns through fundamental business improvements.

Our first acquisition was the purchase of Telecable, the leading telecommunications operator in the Asturias region of Spain. Zegona acquired Telecable for €640 million in August 2015. Our first full year of ownership has confirmed our view that Telecable is a compelling investment driven by the company's market leading position and strong cash generation, coupled with attractive dynamics in the Spanish telecoms market and a recovery in the Spanish economy.

During 2016, Zegona has continued to work closely with the Telecable management team to further develop the business and the services it provides. Building on the early work done in 2015, we have implemented a number of key strategic initiatives, including:

- Driving growth in consumer revenue with broadband speed upgrades and innovative TV services
- Enhancing the mobile experience for all customers by doubling data allowances and expanding the Wifisfera WiFi service
- Renewing the focus on business clients with a comprehensive change in management and product portfolio
- Delivering Capex productivity improvements focused on sales distribution, network maintenance and home installations

Beyond Telecable, we continue to see many attractive investment opportunities in Asturias, nationally in Spain and across the broader European TMT landscape. It is Zegona's view that the market environment to execute our core Buy-Fix-Sell strategy has never been better. We are seeing a steady increase in the number of new opportunities and are confident that additional acquisitions satisfying our disciplined financial criteria will be identified.

TELECABLE 2016 PERFORMANCE

Telecable's results in 2016 were in line with our expectations and represent a strong performance across our key financial metrics of Revenue³ and Cash Flow. Telecable's total Revenue³ for the year was €138.5 million, which represents 3.0% growth compared to 2015. This Revenue³ growth was driven by an impressive performance in the Consumer Mobile and Business sectors with year on year growth of 10.3% and 6.2% 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 has been on upselling products and enhancing the overall value proposition to drive growth in customer lifetime value.

EBITDA³ for the year was €65.1 million, which represents 0.2% growth compared to 2015 because increases in Revenue³ were broadly offset by the combined impact of three factors (1) the first year of a substantial investment in premium football content that we expect will generate returns in future years, (2) higher mobile access costs from our legacy mobile access agreement that we expect will be substantially reduced when Telecable transitions to its new agreement in the first half of 2017, and (3) effective management of other costs such as handsets, networks, operations and headcount that delivered a 5.7% saving across these categories.

Capex for the year decreased by 11.7% to €25.6 million. This was driven by strong cost control and a focus on effective capital expenditure. Key Capex productivity improvements included increased online sales, lower network costs and development of customer self-help and self-install programmes. The combination of higher EBITDA³ and lower Capex delivered Cash Flow generation of €39.6 million, 9.7% growth compared to 2015.

⁴ Audited results for Telecable for the twelve months ended 31 December 2016

CONSUMER⁵

Telecable's consumer business generated Revenue³ of €100.8 million in 2016, a 1.9% increase compared to 2015. The growth in Telecable's high value quad-play customers and improved consumer ARPU⁶ (5.9% growth from €57.4 per month in 2015 to a full year record of €60.8 per month in 2016) were important drivers of this Revenue performance. These increases more than offset the impact of a reduction in total customers resulting from short term promotional activity from other operators who have invested in deploying FTTH in Asturias in recent years. This deployment now appears to be largely complete. ARPU growth was driven by a €2 per month price increase for fixed-line and bundled products in January 2016 and a second price increase of €3 per month in September. These price increases were supported by improvements in the consumer proposition including doubling mobile data allowances, doubling the minimum broadband speed to 200 Mbps, launching a high-end 500 Mbps broadband service, and expanding the premium content available to Telecable customers (including significant investments in La Liga and Champions League Football).

CONSUMER MOBILE

Consumer Mobile is a key area of growth for Telecable. Consumer Mobile Revenue³ increased to €28.8 million in 2016, up 10.3% compared to 2015. This significant increase was driven by a 16.6% growth in the number of postpaid lines, offset by a 4.5% reduction in Postpaid ARPU resulting from lower out-of-allowance charges. Mobile penetration within Telecable's fixed consumer customers increased to 56% and quad-play penetration reached a record high of 37% during 2016. In addition, Telecable continues to expand its Wifisfera WiFi service, resulting in 65k connected customers at the end of 2016, up 7.6% compared to 2015. Continuing these positive trends is an important part of Zegona's strategy for Telecable as we drive increased convergence across our customer base. We expect Consumer mobile to continue its strong growth, given Telecable's still relatively low mobile penetration and the transformational effect of Telecable's new mobile access agreement. This agreement will allow us to offer substantially improved converged customer propositions, including 4G data services, at a much lower cost than in 2016 when it becomes effective in the first half of 2017.

BUSINESS⁷

Zegona places a high priority on growing Telecable's SOHO⁸ and Enterprise businesses. Business Revenue³ increased to €37.6 million in 2016, representing growth of 6.2% compared to 2015. This Revenue³ growth was driven by ARPU growth of 4.3% and a 1.7% increase in the number of business customers. RGU growth was 2.1% as each customer subscribed to more products on average. The investment we are making in premium football content is supporting our Business segment growth, in particular in bars and restaurants. We believe there is significant potential to grow Business Revenue³, given Telecable's relatively low market share in Asturias of only 28%⁹.

CAPEX

In 2016, Capex was €25.6 million compared to €28.9 million in 2015 while Capex as a percentage of Revenue³ in 2016 was 18.5% which compares favourably with 21.5% in 2015. This is a trend we expect to continue. While Telecable continues to make significant investments in its business to drive top-line growth it has also succeeded in making substantial improvements in its Capex productivity, focusing more effectively on those higher priority developments which drive sustained business growth. Capex in 2016 included customer premise equipment and installation costs of €6.1 million, sales commission costs of €6.6 million, and network and IT costs of €8.3 million. Other Capex, including OTT, Wifisfera and one-off projects, was €4.5 million.

⁵ Includes Consumer Mobile

⁶ ARPU: Average Revenue Per User, expressed as a monetary amount per month. Business and Consumer ARPU is fixed and mobile revenue (Adjusted Revenue as defined in the section on Non-GAAP measures in Appendix H), divided by the number of customers and divided by twelve. Postpaid ARPU includes all postpaid mobile revenues (also Adjusted Revenue as defined in the section on Non-GAAP measures in Appendix H), divided by the number of customers and divided by twelve).

⁷ Includes Business Mobile.

⁸ Small office, home office.

⁹ Market share in business broadband.

NET DEBT

Telecable's Net Debt¹⁰ was €256.5 million as at 31 December 2016, consisting of a €274.0 million senior credit facility and €0.8 million other debt, offset by a cash balance of €18.3 million. This compares favourably with 2015 where Net Debt was €266.8 million. Zegona held an additional €4.1 million of cash, reducing Zegona's total net debt to €252.4 million as at 31 December 2016. Telecable's senior credit facility is non-amortising, with a bullet repayment due in August 2022. Telecable also has a €20 million revolving credit facility, which has never been drawn.

MOODY'S CREDIT RATING

Telecable's debt was assigned a B1 corporate family rating (CFR) by Moody's¹¹ in January 2016, which was reviewed and reconfirmed in February 2017. This rating continues to be in line with or better than many far larger European cable operators and is the highest rating of any European TMT company of Telecable's size. Moody's in-depth review as part of its rating process confirmed the underlying strength of Telecable's business.

TELECABLE 2017 OUTLOOK

Building on the financial performance and business improvements delivered during 2016, Zegona continues to have great confidence in Telecable's prospects. Telecable posted robust growth in both Revenue³ and Cash Flow during 2016. This performance was driven by a number of underlying factors that we expect will continue through 2017. These include:

- **Robust Spanish economy:** The Spanish economy grew strongly in 2016, with GDP increasing by 3.2%¹². This was well ahead of the Euro area average of 1.7%. Growth is expected to continue at a dynamic pace, with forecasts¹³ projecting growth of 2.4% in 2017.
- **Sustained industry price repair:** All major telecoms operators in Spain began to increase consumer prices in 2015 and price increases have continued through 2016 and into 2017. Telecable successfully increased consumer prices twice during 2016, and again in February 2017. This was executed through our 'more-for-more' strategy whereby an enhanced product is offered for a slightly higher price.
- **Product and service enhancements:** Telecable offers high quality products that have been continually enhanced since acquisition. Improvements delivered during 2016 include increasing the minimum broadband speed to 200Mbps, doubling mobile data allowances, offering the broadest suite of premium football content in the Spanish market, developing a 4K set top box and improving OTT offerings. These improvements have helped Telecable to deliver record high ARPU and increase the number of products supplied per customer in 2016.
- **Innovative new mobile access agreement:** During 2016, Telecable signed an agreement with Telefonica that provides access to the highest quality mobile network in Spain on highly attractive terms. The agreement will enable Telecable to offer customers a market leading mobile service, including high-speed 4G data, while increasing mobile margins. The service and financial advantages gained through this agreement will help Telecable to drive convergence and accelerate the growth in its mobile business.
- **Operational efficiency and cost discipline:** A focus on operational efficiency and cost control across cost of goods, operating expenditure and capital expenses has contributed to a 9.7% increase in Cash Flow during 2016 and sustaining this focus is expected to continue to deliver similar improvements in 2017.

Based on these factors, we anticipate the following financial outlook for Telecable in 2017:

Revenue³

¹⁰ as defined in Telecable's senior credit facility

¹¹ Moody's has assessed the credit rating of Parselaya, S.L., the parent company of Telecable

¹² Source, Instituto Nacional de Estadística

¹³ Source, Trading Economics 2016-2020 outlook

Targeting 3-5% Revenue³ growth.

Cash Flow

Targeting double digit Cash Flow growth (before a €2-3 million one-off investment in 4G mobile transition).

Net Leverage Target

Net Debt to remain within a range of 3-4x EBITDA¹⁴.

ZEGONA'S 2016 CONSOLIDATED FINANCIAL STATEMENTS

Zegona's 2016 consolidated financial statements include the results of Telecable and the central costs incurred by all entities in the Zegona group for the full twelve-month period. However the 2015 comparative information only includes the results of Telecable from its acquisition on 14 August 2015 and the central costs incurred by Zegona in its operations from its incorporation on 19 January 2015.

Costs are incurred by all Zegona Group entities supporting the corporate activities of the Group, including staff and premises costs related to Zegona's management team, ongoing costs of maintaining the corporate structure, evaluating new acquisitions opportunities and executing acquisition and disposal activities. These central costs totalled €8.2 million in 2016 compared to €13.1 million in 2015 and include (1) €4.0 million recorded within operating profit and EBITDA³ related to Zegona's underlying corporate costs (2015 €3.0 million), (2) €3.8 million recorded within operating profit but outside EBITDA³ of one-off deal and project costs, principally advisory and other professional fees incurred in relation to the potential acquisition of the Yoigo business in Spain which was terminated on 22 June 2016 (2015: €3.0 million) and, (3) €0.4 million recorded within finance costs related to foreign exchange hedging costs to fix the Euro FX rate for the payment of Zegona's 2016 dividend for the period between announcement and payment.

A reconciliation between Telecable's unaudited 2015 Pro Forma results and Zegona's 2015 consolidated financial statements is provided in Appendix H.

ZEGONA SHAREHOLDER REMUNERATION

For 2016, Zegona paid a dividend of 4.5 pence per ordinary share in accordance with the policy stated at the announcement of our 2015 results.

On 3 April 2017 Zegona's board of Directors approved a policy to declare a dividend of 5.0 pence per ordinary share for 2017. This is an 11.1% increase over the 2016 dividend, is in line with Zegona's stated objective to pay a progressive dividend, and reflects the strong growth in Cash Flow in the business. Half of the 5.0 pence dividend is expected to be paid in October 2017 with the balance expected to be paid in March 2018. It is Zegona's intention to pursue a progressive dividend policy.

Zegona anticipates that Telecable will generate significant excess cash in 2017. This excess cash is the cash generated by the business after paying interest, tax and Zegona's dividend. In line with our strategic objectives, Zegona continues to evaluate a number of potentially attractive investment opportunities in the European TMT sector. To the extent the excess cash is not required to investigate or execute these potential new opportunities, it is Zegona's intention to distribute the excess cash to shareholders.

¹⁴ EBITDA for the purposes of Net Debt ratio is Telecable EBITDA for last two quarters annualised, as defined in Telecable's Senior Credit Facility

APPENDICIES

- A – Telecable Summary Financial Results
- B – Telecable Summary Pro Forma Operating Results (unaudited)
- C – Zegona Communications plc Condensed Consolidated Statement of Comprehensive Income
- D – Zegona Communications plc Condensed Consolidated Statement of Financial Position
- E – Zegona Communications plc Condensed Consolidated Statement of Changes in Equity
- F – Zegona Communications plc Condensed Consolidated Statement of Cash Flows
- G – Notes to the Condensed Consolidated Financial Statements
- H – Non-GAAP Measures

A) TELECABLE SUMMARY FINANCIAL RESULTS ¹⁵

Figures in € million	Q4			Full Year		
	2016	2015	Change	2016	2015	Change
Consumer Revenue ³	25.7	25.1	2.5%	100.8	99.0	1.9%
Business Revenue ³	9.3	9.3	-0.3%	37.6	35.5	6.2%
Total Revenue³	35.0	34.4	1.8%	138.5	134.4	3.0%
Direct Costs	8.0	7.5	5.9%	31.0	24.5	26.4%
Gross Profit	27.0	26.9	0.6%	107.5	109.9	-2.2%
Other Costs	11.1	10.7	4.2%	42.3	44.9	-5.7%
EBITDA³	15.9	16.2	-1.8%	65.1	65.0	0.2%
Capex	5.9	7.3	-19.2%	25.6	28.9	-11.7%
Cash Flow	10.0	8.9	12.6%	39.6	36.1	9.7%

Figures in € million	Q4	Q1	Q2	Q3	Q4
	2014	2016	2016	2016	2016
Consumer Revenue ³	25.1	25.3	25.1	24.8	25.7
Business Revenue ³	9.3	9.7	9.2	9.5	9.3
Total Revenue³	34.4	34.9	34.3	34.2	35.0
Direct Costs	7.5	7.9	7.2	8.0	8.0
Gross Profit	26.9	27.1	27.1	26.3	27.0
Other Costs	10.7	10.5	10.4	10.3	11.1
EBITDA³	16.2	16.6	16.7	16.0	15.9
Capex	7.3	7.8	5.1	6.7	5.9
Cash Flow	8.9	8.8	11.6	9.2	10.0

Notes

Consumer includes Consumer Fixed and Consumer Mobile

Business includes SOHO, Enterprise and Other Revenue

EBITDA Adjusted EBITDA as defined in Appendix H

Cash Flow defined as EBITDA minus Capex

All figures are rounded to the nearest 1 decimal place

¹⁵ Amounts for 2016 are audited, amounts for 2015 are pre-forma 12 month amounts and are unaudited. The change between 2016 and 2015 amounts are unaudited. Please see Appendix H for further information.

B) TELECABLE SUMMARY PRO FORMA OPERATING RESULTS (UNAUDITED)

	Q4	Q1	Q2	Q3	Q4	Full Year	Full Year
	2015	2016	2016	2016	2016	2016	2015
Consumer *							
Revenue ³ (€m)	25.1	25.3	25.1	24.8	25.7	100.8	99.0
Customers (AOP K)	142	140	138	137	137	138	144
RGUs (K)	456	453	450	449	451	451	456
RGUs/Customer	3.23	3.25	3.27	3.27	3.31	3.31	3.23
ARPU (€/month)	58.8	60.1	60.5	60.0	62.5	60.8	57.4
Consumer Mobile							
Revenue ³ (€m)	6.7	6.6	7.0	7.3	7.9	28.8	26.1
Postpaid Customers (AOP K)	77	79	80	81	82	80	74
Postpaid Lines (AOP K)	108	114	118	120	121	118	102
Postpaid ARPU (€/month)	20.6	19.3	19.6	20.3	21.7	20.2	21.2
Mobile Penetration (%)	51%	53%	55%	55%	56%	56	51%
Quad Play (%)	35%	36%	36%	36%	37%	37	35%
Business **							
Revenue ³ (€m)	9.3	9.7	9.2	9.5	9.3	37.6	35.5
Customers (AOP K)	21	21	20	20	20	20	20
RGUs (K)	91	92	93	93	93	93	91
RGUs/Customer	4.44	4.48	4.55	4.56	4.60	4.60	4.44
ARPU (€/month)	150	156	149	150	151	152	145

Notes

* Includes Consumer Mobile

** Includes Business Mobile

Consumer Customers: Residential customers with fixed and/or mobile services activated

RGU: Revenue generating unit. This includes all services (fixed voice, fixed broadband, pay-TV and mobile) and is measured at the end of the period

ARPU: Average revenue per user. It includes fixed and mobile revenues per user, with mobile ARPU measured on a per line basis.

Postpaid Customers: Consumer customers with mobile lines activated

Postpaid Lines: Postpaid mobile lines activated

Mobile Penetration: Fixed and mobile customers over fixed customers and is measured at the end of the period

Quad Play: Customers with four services (pay-TV, fixed voice, broadband and mobile) over total customer base and is measured at the end of the period

AOP: Average number over the relevant period

C) ZEGONA COMMUNICATIONS PLC CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2016 €000	Period to 31 December 2015 €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)
Finance costs	(13,942)	(8,803)
Finance income	62	51
Gain/(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 attributable to equity holders of the parent	(5,488)	(14,892)
Other comprehensive income		
Exchange differences on translation of foreign operations	(825)	(263)
Total comprehensive loss for the period, net of tax, attributable to equity holders of the parent	(6,313)	(15,155)

D) ZEGONA COMMUNICATIONS PLC CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	as at 31 December 2016 €000	as at 31 December 2015 €000
Assets		
Non-current assets		
Property, plant and equipment	122,227	134,910
Intangible assets	559,779	575,445
Non-current financial assets	1,927	1,605
	683,933	711,960
Current assets		
Inventories	626	373
Trade and other receivables	17,831	10,148
Cash and cash equivalents	22,435	14,264
	40,892	24,785
Total assets	724,825	736,745
Equity and liabilities		
Equity		
Share capital	2,738	2,738
Share premium	-	386,045
Other reserves	381,155	-
Share based payment reserve	60	25
Foreign currency translation reserve	(1,088)	(263)
Retained earnings	(20,380)	(14,892)
Total equity attributable to equity holders of the parent	362,485	373,653
Current liabilities		
Trade and other payables	31,317	24,352
Current financial liabilities	13,104	16,891
Deferred revenue	701	229
	45,122	41,472
Non-current liabilities		
Non-current financial liabilities	267,045	265,648
Deferred revenue	2,667	2,727
Deferred tax liabilities	47,506	53,245
	317,218	321,620
Total liabilities	362,340	363,092
Total equity and liabilities	724,825	736,745

E) ZEGONA COMMUNICATIONS PLC CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital €000	Share premium €000	Share based payment reserve €000	Other reserves €000	Retained earnings €000	Foreign currency translation reserve €000	Total equity €000
At 1 January 2016	2,738	386,045	25	-	(14,892)	(263)	373,653
Profit/(loss) for the period	-	-	-	-	(5,488)	-	(5,488)
Other comprehensive income/(loss)	-	-	-	-	-	(825)	(825)
Issue of share capital	-	-	-	-	-	-	-
Share-based payments	-	-	35	-	-	-	35
Dividends paid	-	-	-	(4,890)	-	-	(4,890)
Cancellation of share premium account	-	(386,045)	-	386,045	-	-	-
Balance at 31 December 2016	2,738	-	60	381,155	(20,380)	(1,088)	362,485

	Share capital €000	Share premium €000	Share based payment reserve €000	Other reserves €000	Retained earnings €000	Foreign currency translation reserve €000	Total equity €000
At incorporation on 19 January	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	(14,892)	-	(14,892)
Other comprehensive loss	-	-	-	-	-	(263)	(263)
Issue of share capital	2,738	386,045	-	-	-	-	388,783
Share-based payments	-	-	25	-	-	-	25
Balance at 31 December 2015	2,738	386,045	25	-	(14,892)	(263)	373,653

F) ZEGONA COMMUNICATIONS PLC CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2016 €000	Period to 31 December 2015 €000
Operating activities		
Loss before income tax	(10,924)	(16,437)
Reconciliation of loss before income tax to operating cash flows:		
Depreciation and impairment of property, plant and equipment	23,293	10,656
Amortisation of intangible assets	27,068	8,494
Share based payment expense	35	25
Changes in fair value of financial instruments	409	-
Net foreign exchange differences	81	24
Losses on derecognition or disposal of non-current assets	3,552	1,703
Finance income	(62)	(51)
Finance costs	13,942	8,803
Working capital adjustments		
Increase in trade and other receivables and prepayments	(7,683)	(10,148)
Increase in inventories	(254)	(373)
Increase in trade and other payables	6,965	311
Decrease in other current financial liabilities	(4,007)	-
Increase in deferred revenues	411	-
Interest received	23	-
Interest paid	(12,545)	(3,944)
Income tax paid	(303)	-
Net cash flows from/(used in) operating activities	40,001	(937)
Investing activities		
Purchase of property, plant and equipment	(13,715)	(6,598)
Purchase of intangible assets	(11,851)	(5,579)
Acquisition of a subsidiary, net of cash acquired	-	(632,585)
Net cash flows used in investing activities	(25,566)	(644,762)
Financing activities		
Proceeds from issue of share capital	-	392,417
Dividends paid to shareholders	(4,890)	-
Costs directly attributable to equity raise	-	(11,506)
Net proceeds from loans and borrowings	(283)	282,539
Loss on extinguishment of Foreign exchange option	-	(3,340)
Proceeds from settlement of derivatives	(189)	-
Net cash flows (used in)/from financing activities	(5,362)	660,110
Net increase in cash and cash equivalents	9,073	14,411
Net foreign exchange difference	(902)	(147)
Cash and cash equivalents at beginning of the period	14,264	-
Cash and cash equivalents at the end of the period	22,435	14,264

G) NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The consolidated financial statements of Zegona Communications plc (the “Company” or the “Parent”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 5 April 2017. 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 Company was incorporated on 19 January 2015. The Consolidated Financial Statements represent the year ended 31 December 2016 and have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

The Consolidated Financial Statements are prepared in accordance with IFRS under the historical cost convention and are presented in Euros. The functional currency of the Company is British pounds sterling. The Directors have chosen to present the consolidated financial statements of the Group in Euros as the Company’s operational subsidiary, Telecable de Asturias, S.A., has a functional and presentational currency of Euros. All values are rounded to the nearest thousand (€000), except when otherwise indicated.

(b) Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the goods and services they represent occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less any discounts and taxes.

Revenue

Revenue from sales of handsets is recognised when the Group has transferred the significant risks and rewards of ownership of the goods, neither continuing managerial involvement nor effective control is maintained over the handsets and they do not form part of a bundled contract. In the second half of 2016, in the majority of cases this transfer occurred when handsets were delivered to distributors by our logistics operator (previously, no logistics operator was used to manage the distribution of handsets to distributors).

Where a contractual arrangement consists of two or more separate elements that have value to the customer on a stand alone basis the total contract consideration is allocated between those separate elements based on the amounts payable by customers under the terms of the contract. Where handsets are sold as part of a bundled contract, any discounts allowed are recognised immediately with the remaining revenue recognised over the life of the contract as was the case in the majority of cases in the first half of 2016.

Revenue associated with the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date, provided that the outcome of the transaction can be estimated reliably. The stage of completion is determined by the proportion of the minimum contract life that has been fulfilled.

Group revenue is generated from the provision of services in connection with landline phones, television, broadband internet, data and mobile phones for residential and corporate customers, chiefly as bundled sales, and also from phone interconnection services to other operators.

The Group assesses its revenue agreements in line with specific criteria to determine whether it acts as principal or agent. The Group concluded that it acts as principal in all its revenue agreements.

Traffic revenue, both landline and mobile, is recognised in the period during which it is earned.

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

Interconnection revenue is recognised in the period during which phone traffic is generated.

3. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two segments, the Telecable Group which represents the activity of the Telecable business in Spain and a central costs segment which represents costs incurred by all Zegona Group entities supporting the corporate activities of the Group. The results of each segment are reported to the Board which is considered to be the chief operating decision maker (the "CODM"). The information presented to the Board does not include a detailed analysis of the assets and liabilities of each segment and as such this information has not been presented.

The CODM considers an adjusted earnings measure ("Adjusted EBITDA") as the principal measure of profitability of Zegona, which is considered to represent the segment result in accordance with IFRS 8.

Whilst service revenue can be further divided into different revenue streams the key metrics are headline revenue and EBITDA which are KPIs discussed by Zegona management and reported to investors. EBITDA is not disaggregated further and is reported internally and externally on a full Telecable basis. Therefore the Directors consider the Telecable results to represent one segment.

Further information on reportable segments is set out below.

	Telecable Group €000	Central costs €000	Adjustments and eliminations €000	Consolidated €000
For the year to 31 December 2016				
Revenue				
External customers	140,798	-	-	140,798
Total revenue	140,798	-	-	140,798
Revenue by customer				
Handset sales	5,583	-	-	5,583
Residential service revenue	98,213	-	-	98,213
Services provided to business customers	37,002	-	-	37,002
Total revenue	140,798	-	-	140,798
Adjusted EBITDA	63,153	(3,955)	-	61,178
Profit/(loss) for the period	(13,186)	7,698	-	(5,488)
Other income/(expense) items				
Depreciation and amortisation	(50,360)	(1)	-	(50,361)
Interest income	62	13,240	(13,240)	62
Interest expense	(27,182)	-	13,240	(13,942)
Income tax	5,532	(96)	-	5,436
Capex				
Additions of property, plant and equipment	13,717	-	-	13,717
Additions of intangible assets	11,851	-	-	11,851

For the period to 31 December 2015	Telecable Group €000	Central costs €000	Adjustments and eliminations €000	Consolidated €000
Revenue				
External customers	52,966	-	-	52,966
Total revenue	52,966	-	-	52,966
Revenue by customer				
Handset sales	315	-	-	315
Residential service revenue	38,734	-	-	38,734
Services provided to business customers	13,917	-	-	13,917
Total revenue	52,966	-	-	52,966
Adjusted EBITDA	24,470	(2,933)	-	21,537
(Loss) for the period	(6,841)	(8,051)	-	(14,892)
Other income/(expense) items				
Depreciation and amortisation	(19,149)	(1)	-	(19,150)
Interest income	34	5,015	(4,998)	51
Interest expense	(10,461)	-	4,998	(5,463)
Income tax	1,545	-	-	1,545
Capex				
Additions of property, plant and equipment	6,598	-	-	6,598
Additions of intangible assets	5,579	-	-	5,579

All Revenues earned by the Telecable Group were generated in Spain. There are no major customers on which reliance is placed.

Zegona uses Adjusted EBITDA, in conjunction with other GAAP and Non-GAAP financial measures to assess its operating performance. Zegona believes it is both useful and necessary to report Adjusted EBITDA as a performance measure because it enhances the comparability of profit across businesses, it is commonly used as the key metric for valuing TMT businesses in mergers and acquisition transactions, and it is used by management for planning, reporting and incentive purposes.

EBITDA is operating profit excluding depreciation of Property, Plant and Equipment ("PP&E") and amortization of intangible assets (as defined in our financial statements).

Adjusted EBITDA is EBITDA excluding:

- Impairment losses and losses on disposal of assets,
- Long term management incentive compensation and share based payment expenses ("Incentive costs"),
- Significant items that are not considered by management to be reflective of the underlying performance of the Group. These are typically identifiable costs incurred in the course of mergers and acquisition transactions

A reconciliation of EBITDA and Adjusted EBITDA to the closest equivalent GAAP measure, operating profit, is provided below.

For the year to 31 December 2016:	Telecable Group €000	Central Costs €000	Consolidated €000
Operating Profit	11,220	(7,774)	3,446
Depreciation of PP&E	23,293	1	23,294
Amortisation of intangible assets	27,068	-	27,068
EBITDA	61,581	(7,773)	53,808
Impairment losses and losses on disposal of assets	3,552	-	3,552
Significant project costs ⁽¹⁾	-	3,783	3,783
Incentive costs ⁽²⁾	-	35	35
Adjusted EBITDA	65,133	(3,955)	61,178

(1) As defined in note 6 of the 2016 Annual Report

(2) Share based payment expense per the consolidated statement of comprehensive income

For the period to 31 December 2015	Telecable Group €000	Central Costs €000	Consolidated €000
Operating Profit	2,388	(10,049)	(7,661)
Depreciation of PP&E	10,657	-	10,657
Amortisation of intangible assets	8,494	-	8,494
EBITDA	21,539	(10,049)	11,490
Impairment losses and losses on disposal of assets	1,704	-	1,704
Significant project costs ⁽¹⁾	1,227	7,104	8,331
Incentive costs ⁽²⁾	-	12	12
Adjusted EBITDA	24,470	(2,933)	21,537

(1) As defined in note 6 of the 2016 Annual Report

(2) Share based payment expense per the consolidated statement of comprehensive income

4. PROPERTY, PLANT AND EQUIPMENT

2016					
	Land and buildings €000	Plant and equipment €000	Fixtures and fittings €000	Under construction €000	Total €000
Cost					
As at 1 January 2016	3,677	131,357	3,974	1,880	140,888
Additions	–	12,905	297	515	13,717
Disposals	–	(19,408)	(39)	–	(19,447)
At 31 December 2016	3,677	124,854	4,232	2,395	135,158
Accumulated depreciation					
As at 1 January 2016	(43)	(5,560)	(375)	–	(5,978)
Charge for the period	(102)	(22,545)	(646)	–	(23,293)
Disposals	–	16,327	13	–	16,340
Closing balance	(145)	(11,778)	(1,008)	–	(12,931)
Net book value					
At 31 December 2016	3,532	113,076	3,224	2,395	122,227

2015					
	Land and buildings €000	Plant and equipment €000	Fixtures and fittings €000	Under construction €000	Total €000
Cost					
On incorporation	–	–	–	–	–
Business combinations	3,677	130,129	3,826	2,322	139,954
Additions	–	6,891	149	(442)	6,598
Disposals	–	(5,663)	(1)	–	(5,664)
Closing balance	3,677	131,357	3,974	1,880	140,888
Accumulated depreciation					
On incorporation	–	–	–	–	–
Charge for the period	(43)	(10,237)	(376)	–	(10,656)
Disposals	–	4,677	1	–	4,678
Closing balance	(43)	(5,560)	(375)	–	(5,978)
Net book value					
At 31 December 2015	3,634	125,797	3,599	1,880	134,910

5. INTANGIBLE ASSETS AND GOODWILL

2016							
Cost	Goodwill €000	Develop- ment costs €000	Patents, licences, trademarks and similar €000	Customer relation- ships €000	Other intangible assets €000	Under construc- tion €000	Total €000
As at 1 January	345,678	3,498	18,581	208,893	6,645	251	583,546
Additions	–	1,049	9	–	9,768	1,025	11,851
Disposals	–	–	(2)	–	(941)	–	(943)
Impairment	–	–	–	–	–	–	–
Closing balance	345,678	4,547	18,588	208,893	15,472	1,276	594,454
Accumulated amortisation							
As at 1 January	–	(353)	(237)	(6,629)	(882)	–	(8,101)
Amortisation	–	(909)	(624)	(16,140)	(9,395)	–	(27,068)
Disposals	–	–	2	–	492	–	494
	–	(1,262)	(859)	(22,769)	(9,785)	–	(34,675)
Net book value At 31 December 2016	345,678	3,285	17,729	186,124	5,687	1,276	559,779
2015							
Cost	Goodwill €000	Develop- ment costs €000	Patents, licences, trademarks and similar €000	Customer relation- ships €000	Other intangible assets €000	Under construc- tion €000	Total €000
On incorporation	–	–	–	–	–	–	–
Business combinations	345,678	2,232	18,580	208,893	3,058	635	579,076
Additions	–	1,266	1	–	4,696	(384)	5,579
Disposals	–	–	–	–	(785)	–	(785)
Impairment	–	–	–	–	(324)	–	(324)
Closing balance	345,678	3,498	18,581	208,893	6,645	251	583,546
Accumulated amortisation							
On incorporation	–	–	–	–	–	–	–
Amortisation	–	(353)	(237)	(6,629)	(1,275)	–	(8,494)
Impairment	–	–	–	–	–	–	–
Disposals	–	–	–	–	393	–	393
	–	(353)	(237)	(6,629)	(882)	–	(8,101)
Net book value At 31 December 2015	345,678	3,145	18,344	202,264	5,763	251	575,445

The main additions in the period were the cost of acquisition of contracts with customers amounting to €6.6 million (2015: €3.4 million), development of software necessary to Group activity amounting to €3.0 million (2015: €1.3 million) and development costs on TV Everywhere projects amounting to €1.1 million (2015: €1.3 million).

The recognition of patents, trade-marks and development costs and the recognition of customer relationships is included in selling and distribution expenses in the consolidated statement of profit or loss.

Goodwill and intangible assets with indefinite lives have been assessed for impairment as disclosed in the note below.

All material intangible assets with identified useful economic lives (including customer relationships and trademarks) have been reviewed for indicators of impairment. No such indicators were identified as at 31 December 2016.

6. IMPAIRMENT OF GOODWILL AND OTHER ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill acquired through business combinations has been allocated to a single Telecable CGU, which is also an operating and reportable segment, for impairment testing. The Group performed its annual impairment review in December 2016. The Group considers all key performance indicators reported to management when reviewing for indicators of impairment. In 2016, there has been a reduction in the number of Telecable customers, but this has been offset by increases in prices and improvements in product mix such that Telecable has been able to improve its core financial metrics compared to 2015. There are therefore no indicators of impairment of goodwill.

IAS 36 requires that an annual impairment review be conducted regardless of whether there are any indicators of impairment.

The recoverable amount of the Telecable CGU, has been determined based on a value in use calculation using cash flow projections from financial budgets and forecasts approved by the Board and Senior Management covering a five year period. The projected cash flows have been updated to exclude the impact of any expansionary capital expenditure. The pre-tax discount rate applied to cash flow projections is 8.4% and the cash flows beyond the five year period are extrapolated using a 1.5% growth rate. This growth rate is in line with the long-term average growth rate for the Spanish telecommunications industry. As a result of the analysis, there is substantial headroom and management did not identify any impairment.

Key assumptions used in value in use calculations

The value in use calculation for the Telecable GCU is most sensitive to the following assumptions:

- Rates used as direct inputs to the value in use calculation:
 - Discount rates
 - Growth rates used to extrapolate cash forecasts beyond the forecast period
- Assumptions and conditions impacting of forecast cash flows:
 - Revenue growth over the forecast period as impacted by general economic conditions
 - Revenue growth over the forecast period as impacted by the actions of competitors
 - Cost and availability of football offerings

Rates used as direct inputs

Discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying individual beta factors. The beta factors are

evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate to 8.9% (i.e. +0.5%) would result in the headroom reducing to €95.1 million. A rise in the pre-tax discount rate to 10.0% (i.e. +1.61%) would result in the headroom reducing to zero.

Growth rate estimates – the growth rate applied to cash flows after the five-year period represents the midpoint of the general Spanish telecommunication sector growth rates of 1% - 2%. A decrease in the growth rate to 1.0% (i.e. -0.5%) would result in the headroom reducing to €108.0 million. A decrease in the growth rate to -0.8% (i.e. a decrease of 2.3% from base case) would result in the headroom reducing to zero.

Assumptions and conditions impacting of forecast cash flows

Revenue growth over the forecast period as impacted by general economic conditions – Revenues in the cash flow projections are based on management's assessment of future revenues in 'normal' economic conditions. Management acknowledges that revenue growth would be impacted in the event of a downturn in the general Spanish economy. To assess the impact on the calculated value in use, revenues have been re-forecast using various progressively more severe economic environments. In all but the most extremely pessimistic forecasts, no impairment is identified, whilst the likelihood of the most pessimistic forecast is considered very remote.

Revenue growth over the forecast period as impacted by actions of competitors – Management have considered the impact of actions by competitors on forecast revenues. For each reasonably plausible forecast, no impairment has been identified.

Cost and availability of key premium content – Premium content are a significant part of the forecast cash flows. Management have considered both the impact of increasing costs of obtaining premium content rights with no corresponding increase in revenues and a scenario where broadcasting rights are not renewed. The effect of re-forecasting cash flows under these scenarios does not result in any impairment being identified.

7. INVENTORIES

Inventories are chiefly composed of mobile handsets, SIM cards and accessories for the mobile business. The carrying amount is €626k (2015: €373k).

8. INVESTMENTS

The consolidated financial statements of the Group include:

Subsidiary	Nature of business	Country of incorporation	Ordinary shares held directly by Parent	Ordinary shares held indirectly by Parent
Zegona Limited	Incentive company	Jersey	100%	–
Zegona (Lux) S.A.R.L.	Financing company	Luxembourg	–	100%
Zegona (Ireland) Limited	Financing company	Ireland	–	100%
Zegona Spanish Holdco Limited	Dormant	UK	–	100%
Zegona Borrower Limited	Dormant	UK	–	100%
Zegona Holdco Limited	Dormant	UK	–	100%
Zegona Lux Finco S.A.R.L.	Dormant	UK	–	100%
*Parselaya S.L.	Holding company	Spain	–	100%
*Telecable Capital Holding, S.L.U.	Holding company	Spain	–	100%
*Telecable de Asturias, S.A.	Telecommunications services	Spain	–	100%

* Together "Telecable", "Telecable Group" or "Spanish Group"

There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiaries.

9. FINANCIAL INSTRUMENTS

The Group's activities expose it to market risk, principally interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Interest rate 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 rates, the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In the opinion of the Directors, a significant movement in EURIBOR would be required to have a material impact on the cash flow of the Group. Whilst considered unlikely, should a significant negative impact arise, sufficient working capital is provided through the Group's access to a revolving credit facility of up to €20 million which is currently undrawn. Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business. The Directors regularly review the placing of cash balances.

Foreign currency risk

Foreign currency risk exists due to the Company operating with a different functional currency (GBP) to that of its subsidiaries (EUR).

The Chief Financial Officer, the Board and the finance department of the Telecable Group controls and monitors financial risk management in accordance with the internal policy and the strategic plan defined by the Board.

The monetary assets and monetary liabilities denominated in a currency different to the presentational currency relate to carrying amounts of balances in Zegona Communications plc and Zegona Limited which are denominated in Sterling. Details of such monetary assets and monetary liabilities at the reporting date are as follows:

	Year ending 31 December 2016	Period ending 31 December 2015
	£000	£000
Financial assets (denominated in GBP)	3,500	5,041
Financial liabilities (denominated in GBP)	(404)	(219)
Net monetary assets	3,096	4,822

Foreign currency sensitivity analysis

The sensitivity analysis below details the impact of a 10% movement in Sterling against the Euro applied to the net monetary assets of the Group:

	+/- 10% movement
Currency impact	€000
Profit before tax gain/loss	+/- 516
Equity gain/loss	+/- 153

Credit risk

Credit risk arises from cash and cash equivalents, deposits at banks and financial institutions and trade receivables. The Group uses the ratings awarded by independent agencies with regard to banks and financial institutions. If customers have been rated independently, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the customer's credit rating taking into account its financial situation, past experience and other factors. Individual credit limits are set on the basis of the external and internal credit ratings, and the use of these limits is monitored regularly.

There are no material financial assets that are past due or impaired as at 31 December 2016, and there is no collateral or other credit enhancement feature on the Group financial assets.

The amount of the write-downs on trade receivables recognised by the Group at 31 December 2016 was €2,019,305. These referred mainly to the trade receivables past due by more than 180 days at period-end for which the Group has doubts as to their collectability.

The relative weight that these write-downs represent as a percentage of the Group's sales in the period is 1%.

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. Management monitors the Group's liquidity reserve forecasts based on expected cash flows.

At 31 December 2015, the Group had cash and cash equivalents amounting to €22.4 millions (2015: €14.3 million) which were cash balances held with banks.

Financial instrument categories

The classification by category of the financial instruments held by the Group as at 31 December is as follows:

	Group Current 2016 €000	Group Current 2015 €000
Loans and receivables		
Other financial assets	53	52
Trade and other receivables	7,256	7,174
Cash and cash equivalents	22,435	14,264
Financial assets	29,744	21,490

Bank borrowings	325	1,519
Trade and other payables	31,317	24,352
Other borrowings	12,560	15,372
Financial liabilities	44,202	41,243

	Group – Non Current 2016 €000	Group – Non current 2015 €000
Loan and receivables		
Loans	1,880	1,557
Other financial assets	45	46
	1,925	1,603

Available for sale

Investments	2	2
Financial assets	1,927	1,605

Other financial liabilities

Bank borrowings	266,519	265,017
Guarantees	-	19
Other borrowings	526	612
Financial liabilities	267,045	265,648

The Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the consolidated financial statements equate to their fair values.

The Group assets and liabilities carried at fair value above at 31 December 2016 are categorised as Level 2 fair value measurement.

10. BORROWINGS

Carrying value of Group's short and long-term borrowings are as follows:

	Consolidated as at 31 December 2016 €000	Consolidated as at 31 December 2015 €000
Short term borrowings		
Bank borrowings	325	1,519
Advances refundable to the Spanish Ministry of Industry	139	139
Other borrowings	12,421	15,233
	<u>12,885</u>	<u>16,891</u>
Long term borrowings		
Bank borrowings	266,519	265,017
Advances refundable to the Spanish Ministry of Industry	526	612
	<u>267,045</u>	<u>265,629</u>
Total borrowings	<u>279,930</u>	<u>282,520</u>

The book value approximates the fair value of financial liabilities.

Bank loans include a Senior Secured Facility Agreement signed on 27 July 2016 by Parselaya, S.L (Spanish Group holding company), effective on the acquisition of Telecable on 14 August 2015, which includes a facility of €274 million which matures in August 2022 and a revolving credit facility up to €20 million which was undrawn as at 31 December 2016 and remains undrawn at the date of this report. This revolving credit facility is available until 2021.

This facility bears a market interest rate plus a spread that varies depending on the achievement of certain ratios.

Weighted average interest rate for the period

Senior Secured Facility Agreement	4.45%
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The Senior Secured Facility Agreement is guaranteed by a pledge over Telecable's shares and certain receivables and would be executed should Parselaya not meet its payment commitments and /or financial performance ratios. All ratios were adhered to during the period.

Other borrowings relate to amounts payable to the Group's fixed asset suppliers.

Maturity of borrowings

Maturity profile in relation to the Group's financial liabilities is as follows:

	€000		
	Bank loans	Other financial borrowings	Total
Within one year	325	12,561	12,886
In one or two years	127	139	266
In two or three years	-	104	104
In three or four years	-	103	103
In four or five years	-	103	103
More than 5 five years	274,000	157	274,157
	274,452	13,166	287,618
Effect of discount/financing rates	(7,608)	(80)	(7,688)
	266,844	13,086	279,930

The Directors consider that the carrying amounts, mainly calculated at amortised cost, of the financial assets and liabilities recognised in the consolidated financial statements equate to their fair values.

11. CALLED UP SHARE CAPITAL

	As at 31 December 2016 €000	As at 31 December 2015 €000
Allotted, called up and fully paid		
196,044,960 Ordinary Shares of £0.01 each (in € at historic rate)	2,738	2,738
	2,738	2,738

The nominal value of the total Ordinary Shares allotted, called up and fully paid above equates to £1,960,450.

No shares were issued during the year ended 31 December 2016.

All issued shares are fully paid. The holders of Ordinary Shares are entitled to receive dividends as declared and are entitled to one vote per share at general meetings of the Company.

On 8 June 2016, following approval by special resolution of the shareholders at the Annual General Meeting of the Company on 15 April 2016, the share premium account of the Company was cancelled, as confirmed by an Order of High Court of Justice, Chancery Division. Upon the cancellation of the share premium account, the balance was transferred to other reserves. Other reserves form part of the distributable reserves of the Company.

On 14 October 2016, an interim dividend of £4,411,012 was paid to shareholders, representing 2.25p per share. This was recognised in the distributable reserves account. A further 2016 interim dividend, of the same amount, was paid on 17 March 2017.

Share premium – for the period to 31 December 2016

Opening balance (€000)	386,045
Share premium account cancellation (converted into distributable reserves)	(386,045)
Total share premium as at 31 December 2016	-

Share premium – for the period to 31 December 2015

25,000,000 Ordinary Shares issued at a premium of £1.19 (€000)	29,750
171,044,960 Ordinary Shares issued at a premium of £1.49 (€000)	254,857
Total share premium (€000)	284,607
Less directly attributable costs (€000)	(8,238)
Total share premium as at 31 December 2015(€000)	276,369
Converted into € at historic rate (€000)	386,045

12. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

Share premium

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares. Share premium has been translated into € at the historic rate prevailing on 14 August 2015, the date of the acquisition of Telecable. The share premium account was cancelled on 8 June 2016.

Share based payment reserve

The share based payment reserve is the cumulative amount recognised in relation to the equity settled share based payment scheme.

Other reserves

Upon the cancellation of the share premium account, the balance was transferred to other reserves. Other reserves form part of the distributable reserves of the Company.

Retained earnings

Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Foreign currency translation reserve

The foreign currency translation reserve includes the foreign exchange differences arising from the translation of the Company's accounts from functional currency to presentational currency, and the consolidation of subsidiaries.

13. LOSS PER ORDINARY SHARE

Basic earnings per Ordinary Share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all potentially dilutive Ordinary Shares. Management Shares and Core Investor Shares have not been included in the calculation of diluted earnings per share because they are not dilutive for the period presented.

	For the year ended 31 December 2016	For the period to 31 December 2015
Loss attributable to the owners of the parent	(5,487,998)	(14,891,659)
Weighted average number of Ordinary Shares in issue	196,044,960	89,455,159
Basic and diluted earnings per share	(2.80 cents)	(16.65 cents)

Management Shares in the share capital of the Company's subsidiary Zegona Limited have been issued during the current and period. On exercise, the value of these shares is expected to be delivered by the Company issuing new Ordinary Shares although the Company has the right at all times to settle such value in cash. Should the value be satisfied by the issue of Ordinary Shares, this will have a dilutive effect in the future.

14. DEFERRED REVENUE

Deferred revenue includes a twenty-year optical fibre lease agreement for which the total lease fee has been received in advance. Deferred revenue relating to this agreement has been split between current and non-current as follows:

	Consolidated as at 31 December 2016 €000	Consolidated as at 31 December 2015 €000
Current	701	229
Non-current	2,667	2,727
Total	3,368	2,956

15. COMMITMENTS AND CONTINGENT LIABILITIES

Telecable has raised an access conflict with the Comisión Nacional de los Mercados y la Competencia (“CNMC”), requesting it amends statistics it has published on Telecable’s Pay TV customer number. Since the fourth quarter of 2014, the CNMC has reported that Telecable has 129,000 Pay TV customers, which was the total of all Telecable’s TV customers at that date. Telecable believes the correct number is the number of customers with set top boxes able to receive premium content, which total approximately 52,000 throughout the period. Telecable has engaged extensively with stakeholders, including the CNMC, rights holders and other operators and, in the course of these discussions, has reached an agreement that a correction should be made, and is confident that the CNMC will issue an amended report in due course.

Under the regulatory framework covering the distribution of certain premium content established by the CNMC, the number of Pay TV customers is used to allocate the cost of this content amongst all operators in Spain. As agreed in discussions with parties subject to the cost sharing agreement, amending these statistics would result in amounts currently allocated and billed to Telecable being allocated and billed to other operators (the “amended basis”). Some participants have already made payments on this amended basis in line with the above discussions.

In reporting the costs of this content in its financial statements, Telecable has assumed that the statistics will be corrected in accordance with the discussions held. No additional liability was recorded in the financial statements as at 31 December 2016. To ensure continuity of service in the period before the expected reallocation is made, since 1 January 2017 Telecable has paid approximately €1.5 million in excess of the amount it owes on the amended basis, which is the amount that is expected to be reallocated to those operators who have not yet made payments on the amended basis in line with the agreement. These payments have been recorded as an amount receivable from the rights holder, since Telecable expects to recover them following the issuance of an amended report by the CNMC and a reallocation of amounts to other operators by the rights holder.

Telecable believes it is highly probable that the CNMC will issue an amended report, and amounts will be reallocated to other operators by the rights holder with the €1.5 million paid since 1 January 2017 will be recovered. If the CNMC does not issue an amended report, Telecable has estimated that this €1.5 million would be the maximum possible obligation.

16. POST BALANCE SHEET EVENTS

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements other than the payment of the second interim dividend, in lieu of a final dividend for 2016, which was declared on 16 February 2017 and paid on 17 March 2017 at a rate of 2.25p per share, totaling £4,411,012.

H) NON-GAAP MEASURES

Certain discussions and analyses set out in this announcement include measures which are not defined by generally accepted accounting principles (GAAP) such as IFRS. This information, along with comparable GAAP measurements, is useful to investors because it provides a basis for measuring operating performance, ability to retire debt and invest in new business opportunities. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating operating performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Non-GAAP financial measures as reported may not be comparable with similarly titled amounts reported by other companies. In the following sections we set out our definitions of the following Non-GAAP measures and provide reconciliations to relevant GAAP measures:

- Adjusted Revenue
- EBITDA and Adjusted EBITDA
- Capex
- Adjusted Cash Flow

Zegona believes that in order to provide users of this report with a meaningful understanding of Telecable's performance, the full year of 2016 should be compared with the full year of 2015. In addition to a reconciliation to the nearest GAAP equivalent for the full year 2015 we also provide the same reconciliation for the relevant measures for the performance of the Telecable business both for the full year as discussed in this document and the amounts for the post-acquisition period that were reported in our Annual Report for 2015.

Adjusted Revenue

Adjusted Revenue is statutory Revenue after adjusting for certain items that together, in the opinion of Zegona, result in a more meaningful understanding of underlying performance that properly reflects those items that are within the control of the business:

- **Interconnection and portability revenues.** These are required to be included within revenue under IFRS, with an offsetting cost recorded within cost of sales, however they are not within the control of the business. Interconnection rates are set by the relevant regulatory body and revenues earned are ultimately a function of the level of inbound and outbound activity on Telecable's networks compared to other networks.
- **Certain marketing campaign related revenues.** These are included within other income under IFRS, however they are within the control of the business.

A reconciliation of Adjusted Revenue to the closest equivalent GAAP measure, statutory revenue, is provided below:

€m	2016	2015		
		Telecable		Group Consolidated ⁽¹⁾
		Full year	Pre acquisition ⁽¹⁾	
Adjusted Revenue	138.5	134.4	82.3	52.2
Interconnection revenue	2.7	2.5	1.6	1.0
Other revenue	(0.4)	(0.4)	(0.2)	(0.2)
Statutory revenue	140.8	136.6	83.6	53.0

(1) The pre-acquisition period is 1 January 2015 to 14 August 2015. The post-acquisition period is 15 August 2015 to 31 December 2015.

EBITDA and Adjusted EBITDA

Zegona uses Adjusted EBITDA, in conjunction with other GAAP and Non-GAAP financial measures to assess its operating performance. Zegona believes it is both useful and necessary to report Adjusted EBITDA as a performance measure because it enhances the comparability of profit across businesses, it is commonly used as the key metric for valuing TMT businesses in mergers and acquisition transactions, and it is used by management for planning, reporting and incentive purposes.

EBITDA is operating profit excluding depreciation of Property, Plant and Equipment ("PP&E") and amortisation of intangible assets (as defined in our financial statements).

Adjusted EBITDA is EBITDA excluding:

- Impairment losses and losses on the disposal of assets ("Loss on disposal of PP&E"),
- Long term management incentive compensation and share based payment expenses ("Incentive costs"),
- Significant items that are not considered by management to be reflective of the underlying performance of the Group ("Significant project costs" as disclosed in note 6 of the 2016 Annual Report). These are typically identifiable costs incurred in the course of mergers and acquisition transactions.

Because Adjusted EBITDA does not take into account certain items that affect operations and performance, it has inherent limitations as a performance measure. To compensate for these limitations, we present Adjusted EBITDA in conjunction with other GAAP and Non-GAAP performance measures. Adjusted EBITDA should not be considered in isolation or as a substitute for a GAAP measure of operating performance. A reconciliation of EBITDA and Adjusted EBITDA to the closest equivalent GAAP measure, operating profit, is provided below. Rounded to the nearest € million, Incentive costs were zero in both 2016 and 2015:

€m	2016		
	Telecable	Central costs	Group consolidated
Operating profit/(loss)	11.2	(7.8)	3.4
Depreciation of PP&E	23.3	-	23.3
Amortisation of intangible assets	27.1	-	27.1
EBITDA	61.6	(7.8)	53.8
Loss on disposal of PP&E	3.6	-	3.6
Significant project costs ⁽¹⁾	-	3.8	3.8
Adjusted EBITDA	65.1	(4.0)	61.2

(1) As defined in note 6 of the 2016 Annual Report

	Telecable			Central costs	Group consolidated
€m	Full year	Pre-acquisition ⁽¹⁾	Post acquisition ⁽¹⁾		
Operating profit/(loss)	12.5	10.1	2.4	(10.1)	(7.7)
Depreciation of PP&E	24.9	14.2	10.7	-	10.7
Amortisation of intangible assets	16.1	7.7	8.5	-	8.5
EBITDA	53.5	32.0	21.6	(10.1)	11.5
Loss on disposal of PP&E	3.2	1.5	1.7	-	1.7
Significant non-recurring items ⁽²⁾	8.4	7.1	1.2	7.1	8.3
Adjusted EBITDA	65.0	40.5	24.5	(3.0)	21.5

(1) The pre-acquisition period is 1 January 2015 to 14 August 2015. The post-acquisition period is 15 August 2015 to 31 December 2015.

(2) As defined in note 6 of the 2016 Annual Report

Capex

Capex refers to additions of property, plant and equipment and intangible assets and is considered to be a good proxy for cash capital expenditure during the year. Zegona believes it is both useful and necessary to report Capex as it is a key metric used in valuing TMT businesses and, in conjunction with other measures, provides a good understanding of operating efficiency and cash generation. A computation of Capex is provided below. Rounded to the nearest € million, Central Cost capex was zero in both 2016 and 2015:

€m	2016	2015		
		Telecable		Group consolidated ⁽¹⁾
		Full year	Pre acquisition ⁽¹⁾	
Additions of PP&E	13.7	17.3	10.7	6.6
Additions of intangible assets	11.9	11.6	6.0	5.6
Capex	25.6	28.9	16.6	12.3

(1) The pre-acquisition period is 1 January 2015 to 14 August 2015. The post-acquisition period is 15 August 2015 to 31 December 2015.

Adjusted Cash Flow

Adjusted Cash Flow is considered the best proxy for the cash flow generated by the trading activities of the business and is calculated as Adjusted EBITDA minus Capex (both as defined above). Zegona believes it is both useful and necessary to report Adjusted Cash Flow as it is a key metric for understanding the impact of Zegona's Buy-Fix-Sell strategy on the ability of operating businesses to generate enhanced cash returns to shareholders. Adjusted Cash Flow is calculated as follows:

€m	2016		
	Telecable	Central Costs	Group consolidated
Adjusted EBITDA	65.1	(4.0)	61.2
Capex	25.6	-	25.6
Adjusted Cash Flow	39.6	(4.0)	35.6
Additions of PP&E			13.7
Additions of intangible assets			11.9
Significant project costs ⁽¹⁾			(3.8)
Net working capital adjustments ⁽²⁾			(4.6)
Net interest paid ⁽³⁾			(12.5)
Income tax paid			(0.3)
Net cash flows from operating activities			40.0

(1) As defined in note 6 of the 2016 Annual Report

(2) Net increase or decrease in receivables, prepayments, inventories, payables, financial liabilities and deferred revenues per the Consolidated Statement of Cash Flows.

(3) Interest paid net of interest received per the Consolidated Statement of Cash Flows.

€m	2015				
	Telecable			Central Costs	Group consolidated
	Full year	Pre-acquisition ⁽¹⁾	Post acquisition ⁽¹⁾		
Adjusted EBITDA	65.0	40.5	24.5	(3.0)	21.5
Capex	28.9	16.6	12.3	-	12.3
Adjusted Cash Flow	36.1	23.9	12.2	(3.0)	9.2
Additions of PP&E					6.6
Additions of intangible assets					5.6
Significant project costs ⁽²⁾					(8.3)
Net working capital adjustments ⁽³⁾					(10.2)
Interest paid					(3.9)
Net cash used in operating activities					(0.9)

(1) The pre-acquisition period is 1 January 2015 to 14 August 2015. The post-acquisition period is 15 August 2015 to 31 December 2015.

(2) As defined in note 6 of the 2016 Annual Report

(3) Net increase or decrease in receivables, prepayments, inventories, payables, financial liabilities and deferred revenues per the Consolidated Statement of Cash Flows.