

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION. THIS ANNOUNCEMENT DOES NOT CONSTITUTE A TAKEOVER OFFER OR AN OFFER OF SECURITIES. NO OFFER OR SALE OF SECURITIES MAY OCCUR IN THE UNITED STATES UNLESS THE TRANSACTION HAS BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED OR IS EXEMPT FROM REGISTRATION THEREUNDER.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE UK VERSION OF THE MARKET ABUSE REGULATION (EU 596/2014) WHICH IS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018.

31 October 2023

Zegona to acquire Vodafone Spain for €5.0 billion

Zegona announces that it has entered into binding agreements with Vodafone Europe B.V. (“Vodafone”) in relation to the acquisition of 100% of Vodafone Holdings Europe, S.L.U. (“Vodafone Spain”) for €5.0 billion (the “Acquisition”).

- Transaction values Vodafone Spain at an enterprise value of €5.0 billion, representing a multiple of 3.9x EBITDAaL
- Zegona will fund the Acquisition through a combination of new debt, Vodafone Financing and a new equity raise
 - Zegona has entered into committed debt financing of €4.2 billion and a committed revolving credit facility of €0.5 billion. Post equity raise the new debt facility is anticipated to deliver a net debt position at Completion of €3.7 billion, representing 2.9x leverage¹
 - Vodafone will provide up to €900 million financing²
 - Zegona equity raise of up to €600 million from third party investors to be executed before completion³
- Vodafone Group plc will provide a brand licence agreement which permits Zegona to use the Vodafone brand in Spain for up to 10 years post completion. Vodafone and Zegona will enter into other transitional and long-term arrangements for services including access to procurement, IoT, mobile roaming and carrier services.

Eamonn O’Hare, Zegona’s Chairman and CEO, said:

“We are very excited about the opportunity to return to the Spanish telecoms market. This financially attractive acquisition marks our third deal in Spain after successful turnarounds at Telecable and Euskaltel. With our clearly defined strategy and proven track record, we are confident that we can create significant value for shareholders.”

Vodafone Spain is strategically attractive

- Vodafone is the No. 3 player in Spain with significant market shares in mobile, broadband and TV
- Scale business with significant cash flow potential: FY23 €3.9 billion revenue, €1.3 billion EBITDAaL, €0.4 billion Cash Flow
- Leading integrated operator with strong market positions in both consumer and B2B segments
- Three strong brands and a highly converged customer base
- Gigabit capable fixed network passing 10.7 million homes with access to c.95% coverage
- High quality, market leading, mobile network with 4G / 5G spectrum advantage

Opportunity to deliver significant value for Zegona shareholders

- Transform the business to deliver exceptional service to customers and attractive returns for investors
- Inject highly experienced management, including the proposed appointment of José Miguel García as CEO (ex-Jazztel and Euskaltel CEO)
- Improve efficiency by reducing complexity and driving productivity
- Stabilise revenues with new commercial initiatives

Key transaction terms

Vodafone will provide financing of up to €900 million through an investment in preference shares (“Vodafone Financing”) in a newly created entity, EJLSHM Funding Limited (“Newco”), which will use the funds to subscribe for new ordinary shares in Zegona (“Ordinary Shares”). Newco will be responsible for paying the dividends due on the Vodafone Financing and for redeeming the preference shares. Newco will irrevocably undertake not to exercise its voting rights in Zegona (other than in connection with a takeover). The preference shares are transferable and are redeemable by no later than the 6th anniversary of their issue. Once the preference shares have been fully redeemed and Zegona's shareholders have been given six months' notice, Newco's holding of Zegona Ordinary Shares will be deferred, effectively removing them from Zegona's capital structure. Following Newco's deferral of Ordinary Shares, Zegona's other shareholders will receive all incremental equity value created by the business.

To the extent Zegona's equity raise exceeds €400 million, 50% of the equity raised above €400 million shall be paid to Vodafone in cash at completion and the Vodafone Financing and corresponding number of preference shares will be reduced accordingly.

Newco's shares in Zegona will rank *pari passu* with Zegona's existing Ordinary Shares and the Ordinary Shares to be issued pursuant to Zegona's equity raise.

Completion of the Acquisition is conditional on certain approvals being obtained from Zegona shareholders as well as regulatory clearances. Zegona is targeting completion in Q1 2024.

Equity fundraising

Zegona expects to launch an equity raise with a target of €300 million to €600 million in gross proceeds via an institutional placing of new Ordinary Shares (“New Zegona Shares”). This is expected to be launched prior to Completion. The Company is proposing to issue New Zegona Ordinary Shares at £1.50 per share. The equity raise is not a condition of the Acquisition. Zegona will make a further announcement in relation to the equity fundraising in due course.

Suspension of listing

Should the Acquisition complete, it will constitute a reverse takeover under the Listing Rules. The Company will need to apply for the re-admission of its shares to the standard listing segment of the Official List and the Main Market of the London Stock Exchange on the basis that the FCA approves the eligibility of the Company, following completion of the Acquisition as a result of the reverse takeover, in accordance with Listing Rule 5.6.21. As the Company is currently unable to provide a full disclosure under Listing Rule 5.6.15, the admission of the existing Zegona Shares to the standard listing segment of the Official List and trading from the London Stock Exchange remains suspended pending the publication of a prospectus providing further detail on Vodafone Spain and the Zegona Group as enlarged by the Acquisition.

General Meeting

Details of the general meeting of Zegona to approve various aspects of the Acquisition and the circular to be sent to shareholders in connection with the general meeting will be available on Zegona's website, www.Zegona.com in due course.

Deutsche Numis is acting as lead financial advisor to Zegona. ING Bank, UBS and UniCredit Bank also advised Zegona. Deutsche Bank Aktiengesellschaft, ING Bank N.V., Sucursal en España and UniCredit Bank AG are leading the financing in connection with the Acquisition and acting as bookrunners and Deutsche Bank AG, Filiale Luxembourg, ING Bank N.V., Sucursal en España and UniCredit Bank AG are acting as underwriters of the debt financing. Deutsche Numis is acting as global co-ordinator and joint bookrunner, with Canaccord, ING and UniCredit acting as joint bookrunners in connection with the planned equity fundraising.

Travers Smith LLP is acting as legal counsel to Zegona in connection with the Acquisition and Milbank LLP is acting as legal counsel to Zegona in connection with the debt funding. Allen & Overy LLP is acting for the bookrunners and underwriters in connection with the debt funding and Simmons & Simmons LLP is acting for the global co-ordinator and joint bookrunners in connection with the planned equity fundraising.

Enquiries:

Tavistock (UK Public Relations adviser)

Lulu Bridges
lulu.bridges@tavistock.co.uk
Tel: 07831 170 364

Jos Simson
jos.simson@tavistock.co.uk

LLYC (Spain Public Relations adviser)

Guillermo Segura
gsegura@llorentycuenca.com

Valvanera Lecha
vlecha@llorentycuenca.com

About 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 led by former Virgin Media executives Eamonn O’Hare and Robert Samuelson and is admitted to the standard listing segment of the Official List and to trading on the Main Market. For more information go to www.zegona.com

About Vodafone

Vodafone is the largest pan-European and African telecoms company. Its purpose is to connect for a better future by using technology to improve lives, digitalise critical sectors and enable inclusive and sustainable digital societies.

It provides mobile and fixed services to over 300 million customers in 17 countries, partners with mobile networks in 46 more and is also a world leader in the Internet of Things (IoT), connecting over 160 million devices and platforms. With Vodacom Financial Services and M-Pesa, the largest financial technology platform in Africa, it serves more than 56 million people across six countries.

It is committed to reducing its environmental impact to reach net zero emissions by 2040, while helping its customers reduce their own carbon emissions by 350 million tonnes by 2030. It is driving action to reduce device waste and achieve its target to reuse, resell or recycle 100% of its network waste.

Notes to announcement:

1. Zegona has €4.2 billion committed financing at signing. This will be reduced through proceeds from Zegona’s equity raise which is expected to target between €300 million to €600 million in gross proceeds, with €3.7 billion net debt at Completion assuming a €600 million equity raise. At €300 million equity raise, the Vodafone Financing² will be €900 million, total Zegona equity will be €1.2 billion and net debt at Completion is anticipated to be €3.9 billion (before taking account of other anticipated Vodafone Spain cash balances at Completion).
2. Vodafone Financing to be provided through an investment in preference shares into a new company which will use that financing to subscribe for Zegona shares at €1.50 per share
3. Zegona equity raise target €300 million to €600 million

Defined Terms:

Banks	Deutsche Bank, Deutsche Bank, Filiale Luxembourg, Deutsche Numis, UBS, Canaccord, ING and UniCredit
Canaccord	Canaccord Genuity Limited
Cash Flow	Cash Flow defined as EBITDAaL – Capex (excluding license and spectrum fees)
Completion	completion of the Acquisition
Deutsche Bank	Deutsche Bank AG
Deutsche Numis	Deutsche Bank AG, acting through its London branch (which is trading for these purposes as Deutsche Numis)
EBITDAaL	EBITDAaL is a non-IFRS measure and is defined as Vodafone Group plc Spain segment Adjusted EBITDAaL adjusted to be in line with Zegona’s accounting policy relating to subscriber acquisition costs
Enlarged Group	the Zegona Group, as at and from Completion, as enlarged by Vodafone Spain
ING	ING Bank N.V. and ING Bank N.V., Sucursal en España
Newco	EJLSHM Funding Limited
UBS	UBS AG, London Branch
UniCredit	UniCredit Bank AG, Milan Branch
Vodafone Financing	the financing to be provided by Vodafone through an investment in preference shares in Newco, the proceeds of which will be used to subscribe for new ordinary shares in Zegona at €1.50 per share;
Vodafone Spain	Vodafone Holdings Europe, S.L.U. and its consolidated subsidiaries
Zegona Group	the Company and its subsidiaries

IMPORTANT INFORMATION

This Announcement is an announcement and not a circular or prospectus or equivalent document and prospective investors should not make any investment decision on the basis of its contents. A shareholder circular containing the resolutions relating to the Transaction to be voted on by Zegona Shareholders and a notice of General Meeting is expected to be sent to Zegona Shareholders today.

Neither this Announcement nor any copy of it may be taken or transmitted directly or indirectly into or from any jurisdiction where to do so would constitute a violation of the relevant laws or regulations of such jurisdiction. Any failure to comply with this restriction may constitute a violation of such laws or regulations. Persons into whose possession this Announcement or other information referred to herein should inform themselves about, and observe, any restrictions in such laws or regulations.

Nothing in this Announcement constitutes an offer of securities for sale in any jurisdiction. Neither this Announcement nor any part of it constitutes or forms part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any of the Company's securities in the United States, Canada, Australia, Japan or South Africa or any other jurisdiction in which the same would be unlawful. The securities of the Company may not be offered or sold in the United States absent registration under the US Securities Act, or an exemption therefrom. The securities referred to herein have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, taken up, resold, transferred or delivered in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. There has not been and will be no public offer of the Company's securities in the United States.

'Deutsche Numis' is a trading name used by certain investment banking businesses of Deutsche Bank AG ("**Deutsche Bank**"), Numis Securities Limited and Numis Europe Limited in the United Kingdom and Ireland, Numis Securities Limited and Numis Europe Limited are members of the group of companies controlled by Deutsche Bank AG. Deutsche Bank AG is a stock corporation (Aktiengesellschaft) incorporated under the laws of the Federal Republic of Germany, with its principal office in Frankfurt. It is registered with the district court (Amtsgericht) in Frankfurt am Main under No HRB 30 000 and licensed to carry on banking business and to provide financial services. The London branch of Deutsche Bank AG is registered in the register of companies for England and Wales (registration number BR000005) with its registered address and principal place of business at Winchester House, 1 Great Winchester Street, London EC2N 2DB. Deutsche Bank AG subject to supervision by the European Central Bank (ECB), Sonnemannstrasse 22, 60314, Frankfurt am Main, Germany, and the German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht or BaFin), Graurheindorfer Strasse 108, 53117 Bonn and Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany. With respect to activities undertaken in the United Kingdom, Deutsche Bank AG is authorised by the Prudential Regulatory Authority (the "**PRA**"). It is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of Deutsche Bank AG's authorisation and regulation by the PRA are available from Deutsche Bank AG on request. Numis Securities Limited is authorised and regulated by the Financial Conduct Authority (the "**FCA**") in the United Kingdom. Numis Europe Limited trading as Numis is regulated by the Central Bank of Ireland.

UBS is authorised and regulated by the Financial Market Supervisory Authority in Switzerland and authorised by the PRA and subject to regulation by the FCA and limited regulation by the PRA in the United Kingdom.

Canaccord is authorised and regulated by the FCA in the United Kingdom.

ING is supervised by the European Central Bank (ECB), The Dutch Central Bank (De Nederlandsche Bank) and the Netherlands Authority for the Financial Markets (AFM). UniCredit is a universal bank with its registered office and principal place of business in Arabellastrasse 12, Munich, Germany. It is entered under HRB 42148 in the B section of the Commercial Register Maintained by Munich Local Court.

UniCredit Bank AG is an affiliate of UniCredit S.p.A., Milan, Italy (ultimate parent company). UniCredit Bank AG is subject to regulation by the European Central Bank and Federal Financial Supervisory Authority (BaFin). UniCredit Bank AG, Milan Branch is regulated by Banca d'Italia, the Commissione Nazionale per le Società e la Borsa (CONSOB) and the Federal Financial Supervisory Authority (BaFin). Details about the extent of UniCredit Bank AG's regulation are available on request.

Each of the Banks is acting exclusively for the Company and no one else in connection with the Acquisition, the contents of this Announcement or any other matters described in this Announcement. None of the Banks will regard any other person as its client in relation to the Acquisition, the content of this Announcement or any other matters described in this Announcement and nor will any of them be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice to any other person in relation to the Acquisition, the content of this Announcement or any other matters referred to in this Announcement.

Certain statements contained in this Announcement are forward-looking statements and are based on current expectations, estimates and projections about the expected effects of the Acquisition on the Zegona Group, Vodafone Spain and the Enlarged Group, the anticipated timing and benefits of the Acquisition, the Zegona Group's and Vodafone Spain's anticipated standalone or combined financial results and outlook, the industry and markets in which the Zegona Group, Vodafone Spain and, the Enlarged Group operate and the 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 based on the current expectations of the management of the Company, Vodafone Spain or Vodafone Group (as the case may be) and are subject to uncertainty and changes in circumstances and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. As such, forward-looking statements should be construed in light of such factors. Neither the Company, Vodafone Spain, nor any of their respective associates or directors, proposed directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur or that if any of the events occur, that the effect on the operations or financial condition of the Company, Vodafone Spain or the Enlarged Group will be as expressed or implied in such forward-looking statements. Forward-looking statements contained in this Announcement based on past trends or activities should not be taken as a representation that such trends or activities will necessarily continue in the future. In addition, these statements are based on a number of assumptions that are subject to change. The forward-looking statements contained in this Announcement speak only as of the date of this Announcement. The Company, its directors, the Banks, their respective affiliates and any person acting on its or their behalf each expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law or regulation, the FCA or the London Stock Exchange.

This Announcement refers to "EBITDAaL" and "Cash Flow" as calculated by Zegona, the calculation of which will differ from the methodology of calculating EBITDAaL and Cash Flow used by other firms of companies in the Zegona Group's and Vodafone Spain's industry.

No statement in this Announcement is intended to be a profit forecast or profit estimate for any period, and no statement in this Announcement should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the Company or Vodafone Spain for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the Company or Vodafone Spain.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.

This Announcement has been issued by and is the sole responsibility of the Company. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by any of the Banks or by any of their respective affiliates or any person acting on its or their behalf as to, or in relation to, the accuracy or completeness of this Announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

The contents of this Announcement are not to be construed as legal, business, financial or tax advice. Each investor or prospective investor should consult their or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice.

Completion of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of conditions as referenced elsewhere in the Announcement, Consequently, there can be no certainty that Completion will be forthcoming.

This Announcement has been prepared for the purposes of complying with applicable law and regulation in the United Kingdom and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside the United Kingdom.