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## **JAZZTEL PLC ANNOUNCES THAT THE SPANISH SECURITIES COMMISSION (CNMV) HAS APPROVED THE COMPANY'S RIGHTS ISSUE PROSPECTUS**

JAZZTEL p.l.c. (hereinafter "JAZZTEL" or the "Company"), in accordance with the provisions of Article 82 of the "Mercado de Valores" Law 24/1988 of 28th July, hereby makes the following

### **ANNOUNCEMENT:**

JAZZTEL announces that the Board of Directors of the Company, at a meeting held on 15<sup>th</sup> June 2009, approved a capital increase by means of a pre-emptive rights issue (the "**Rights Issue**") through an issue of an initial amount of 683,449,600 new ordinary shares of the Company with a nominal value of €0.08 per share, of the same class as the ordinary shares currently in circulation, to be issued with a premium of €0.04 per share (making a total issue price of €0.12 per share), resulting in an initial aggregate nominal value for the entire issue of €56,675,968 and initial total maximum proceeds for the issue of €82,013,952, a 44.3% of its actual share capital. The potential Rights Issue was part of the proposals approved at the Annual General Meeting of the Company held on 5<sup>th</sup> June 2009. Existing shareholders will have a preferential right to subscribe 4 new shares for every 9 old shares at the abovementioned subscription price of €0.12 per share. The period during which shareholders will be entitled to exercise their preferential subscription right will be 18 working days, from 22<sup>nd</sup> June until 9<sup>th</sup> July, inclusive.

Furthermore, JAZZTEL announces that on 18<sup>th</sup> June 2009, the Spanish Securities Commission (the "**CNMV**" or "*Comisión Nacional del Mercado de Valores*") approved the Rights Issue prospectus. The prospectus consisting of a Summary, a Securities Note and a Registration Document is available to investors on JAZZTEL's and the CNMV's webpage ([www.jazztel.com](http://www.jazztel.com) and [www.cnmv.es](http://www.cnmv.es) respectively). Prior to making any investment decisions, shareholders and investors should consult the Rights Issue prospectus, which contains the terms and conditions of the public offer, a description of the risk factors that affect the business and financial situation of the Company, together with a detailed description of the Company's business and financial statements.

The purpose of the Rights Issue is to assist the Company in complying with its obligations towards the holders of the Convertible Bonds issued in 2005 as established in the restructuring agreement signed on 5<sup>th</sup> May 2009, and the Extraordinary Resolution passed at the Bondholder Meeting held on 29<sup>th</sup> May 2009. As established in the aforementioned agreements, the proceeds from the Rights Issue will be used as follows: the first €10 million to finance the Company's ordinary activities and its investment plan; the following €70 million to buy back and cancel Convertible Bonds at a 50% discount on their nominal value. Any proceeds in excess of €80 million, up to €82,013,952 (or €2,013,952), will be used for the same purposes as the first €10 million.

The Rights Issue, for operative reasons, will be directed solely towards those shareholders with shares currently traded on the Spanish stock market and who are

registered as shareholders with the "*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores*" (IBERCLEAR) and its participating entities at 23:59 on the trading day prior to the commencement of the preferential subscription period (19<sup>th</sup> June 2009) or towards those investors that acquire preferential subscription rights in the market. Note that prior to the commencement of the preferential subscription period, shareholders that did not hold their shares in IBERCLEAR were given a window ending 12<sup>th</sup> June 2009 to transfer their shares to any of the participating entities of IBERCLEAR, in order to be able to participate in the Rights Issue.

JAZZTEL's Board of Directors has determined that the following shareholders will be excluded from the Rights Issue: (i) those shareholders with shares that are not traded on the Spanish stock market and therefore are not included in the registers of IBERCLEAR and its participating entities before 23:59 of the trading day prior to the commencement of the preferential subscription period (19<sup>th</sup> June 2009); (ii) those shareholders holding non-voting shares in the Company, and the holders of convertible bonds or warrants issued by the Company; (iii) those holding ordinary shares as a result of the conversion of convertible bonds, stock options or the exercise of options over shares that have not been registered with IBERCLEAR and any of its participating entities before 23:59 on the trading day prior to the commencement of the preferential subscription period (19<sup>th</sup> June 2009); and (iv) holders of JAZZTEL ordinary shares or subscribers resident in the United Kingdom or the United States of America that have not accredited themselves as "qualified investors" or "Qualified Institutional Buyers" (as defined in section 86 (7) of the "Financial Services and Markets Act 2000" or in rule 144A of the "US Securities Act" of 1933, respectively).

JAZZTEL informs you that, in order to guarantee the success of the restructuring, bondholders have committed, in case the Rights Issue is not fully subscribed by investors, to subscribe shares in exchange for bonds. The agreed conditions for the exchange of bonds for shares provide that bonds will be valued at their nominal value minus a discount of between 0 and 25% depending on the subscription level of the Rights Issue, for which purposes the shares will be valued at €0.12 per share. In the event of an exchange of bonds for shares, the shareholding of existing shareholders shall be diluted in the terms set out in the prospectus. In the case of the execution of the equity shortfall, total shares issued could represent up to 77.5% of the actual share capital.

JAZZTEL's Board of Directors has also considered that, depending on the demand for the Rights Issue, it may decide either to increase the size of the Rights Issue or offer additional shares directed exclusively to qualified investors at a price higher than the Rights Issue price, in either such circumstances for a maximum amount of €7,986,048, in which case total shares issued would represent a 48.6% of the actual share capital. Accordingly, the Board of Directors may approve at the relevant time, being no later than 13 July 2009, on the basis of expert advice and depending on market conditions and demand, one of the following two options: (i) to increase the size of the Rights Issue up to €90 million at the same subscription price. The additional shares issued will be used firstly to satisfy excess demand from existing shareholders [and investors that may have acquired preferential subscription rights in the market} (the "Initial Subscribers") for additional shares. In the case of such excess demand by Initial Subscribers, allocations will be made on a pro-rata basis taking into account the prior exercise of subscription rights and the number of additional shares requested. Only in the case that after the allocation there remain additional unallocated shares will these be placed with qualified investors; or (ii) to carry out an additional share issue with a disapplication of pre-emption rights, for an amount of up to €7,986,048 (increasing capital up to €90 million), placed with qualified investors at a price higher than the Rights Issue price (in this case, the allocation of shares will be carried out through a

book-building process). The increase of the Rights Issue above €82,013,952 is at the option of the Board of Directors.

For the purposes of the Rights Issue and possible additional share issue, JAZZTEL has been advised by Caja Madrid Bolsa, BNP Paribas and Jefferies International as placing agents and Caja Madrid Bolsa as agent bank.

Leopoldo Fernández Pujals (through his investment vehicle Prepsa Traders, S.A.) has committed to subscribe the Rights Issue proportionately to his shareholding (direct or indirect) in the Company. At the date of this announcement, this shareholding amounts to 20.042% of the share capital of the Company.

Alcobendas (Madrid), 18 June 2009

Jose Ortiz Martinez  
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