



Q4 and full year 2005 results

23 March 2006



Grupo Corporativo ONO, S.A.
Investor Relations



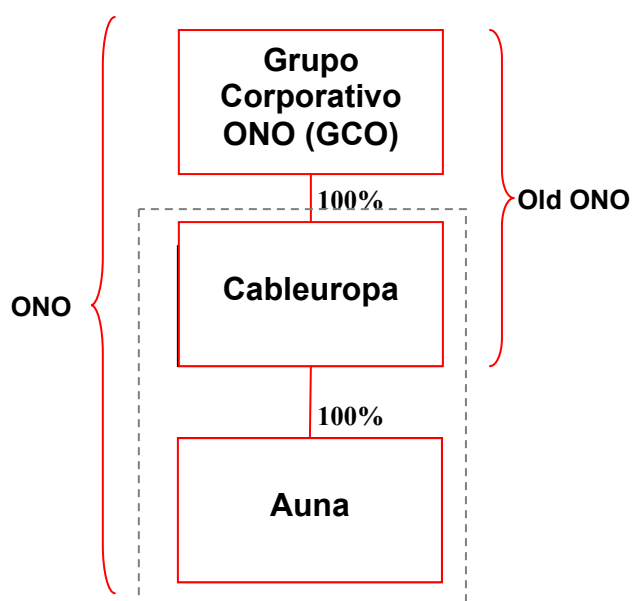
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1. GROUP AND REPORTING STRUCTURE



We are reporting Q4 and full year 2005 results of Grupo Corporativo ONO (“GCO”). We are also reporting the Old ONO and Auna contribution to ONO results. From Q1 2006 we will only report combined results of ONO.

References in this report to **ONO** are to GCO and its subsidiaries after giving effect to the acquisition of Auna and references to **Old ONO** are to GCO and its subsidiaries prior to the acquisition of Auna.

In this document we are reporting financial information pro forma for the acquisition of Auna, including a complete year of results for the combination of Old ONO and Auna.

Pro forma combined operating data presented in this document includes (i) ONO’s historical and actual data and (ii) Auna’s operating data on a pro forma basis to give effect to ONO’s criteria on customer segmentation, ARPU, churn, and other operating data. This pro forma information might be subject to further review in the future. Nevertheless, ONO has no obligation to, and does not intend to, update publicly or revise any of the pro forma operating data included in this document.

Pro forma unaudited financial information included in this document has been prepared for the convenience of the reader. Pro forma unaudited financial information includes the unaudited results of Old ONO and Auna, homogenised to ONO’s accounting policies, for comparable purposes in revenues, direct costs, operating expenses and capex, amongst others.

The financial information contained in this document has been prepared under Spanish GAAP. This financial information is unaudited and, therefore, is subject to potential future modifications.

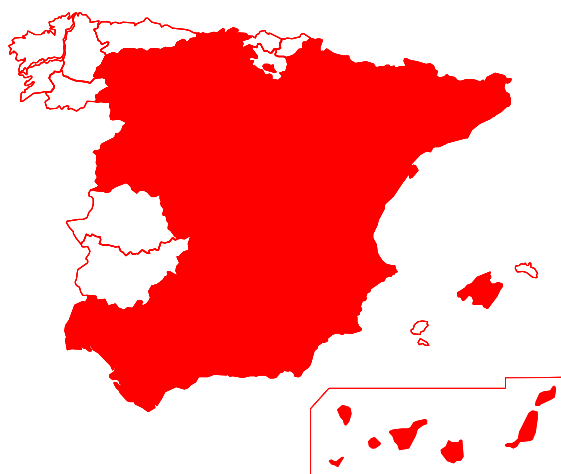
Certain numerical figures included in this document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

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2. OVERVIEW ON GRUPO CORPORATIVO ONO (“GCO”)

ONO is the leading alternative provider of telecommunications, broadband Internet and pay television services in Spain and the only cable operator with national coverage. ONO offers its services to approximately 1.8 million residential and 122,000 business direct access customers as of December 31, 2005, through its own state of the art networks which give direct access to nearly six million homes in franchises which cover the majority of Spain, including the eight largest cities. ONO is the principal competitor to the incumbent telecommunications and pay television operators in Spain. On an annualized pro forma basis for the quarter ended December 31, 2005, ONO generated revenues of €1,700 million and EBITDA of €464 million.



	<i>in thousands</i>
Homes in Spain (*)	17,594
Homes in ONO franchises (*)	14,773
Coverage	84%
Cable homes released to marketing	5,652
Coverage	38%
Residencial direct access customers	1,771
Direct access penetration	31%
Business customers	122

(*) Source: INE

As of December 31, 2005	Grupo Corporativo ONO			Cableuropa		
	€m	% of debt	Debt/ EBITDA	€m	% of debt	Debt/ EBITDA
Short-term debt	79	3%	0.2x	72	3%	0.2x
Senior Facility	1,821	66%	3.9x	1,821	67%	3.9x
Subordinated Facilities	400	15%	0.9x	400	15%	0.9x
Senior subordinated notes	342	12%	0.7x	342	13%	0.7x
State subsidies & other	100	4%	0.2x	86	3%	0.2x
Long-term debt	2,663	97%	5.7x	2,649	97%	5.7x
Total debt	2,742		5.9x	2,721		5.9x
Cash and cash equivalents	43			7		
Total net debt	2,699		5.8x	2,714		5.8x
EBITDA LQA	464			464		

Note: To avoid any double counting, Senior Facility excludes bank guarantees drawn under Tranche S to counter guarantee debt reported under the caption “State subsidies and other”.



2.1 Financial Highlights

<i>Data in €million</i>	Quarter ended	Quarter ended	% change	Year 2005	Year 2004
	31-Dec-05	30-Sep-05		Pro forma	Statutory
	Pro forma	Pro forma		Pro forma	Statutory
Revenues	425	416	2.2%	1,726	502
Gross profit	280	276	1.4%	1,106	357
Gross margin	66.0%	66.5%	(0.5 pp)	64.1%	71.2%
EBITDA	116	121	(4.2%)	458	185
EBITDA margin	27.3%	29.1%	(1.8 pp)	26.5%	36.9%
Total Net debt	2,699	2,600	3.8%	2,699	-
Total Net debt / EBITDA (x)	5.8x	5.4x	0.4x	5.9x	-

2.2 Revenue Split

<i>Data in €million</i>	Quarter ended	Quarter ended	% change	Year 2005	Year 2004
	31-Dec-05	30-Sep-05		Pro forma	Statutory
	Pro forma	Pro forma		Pro forma	Statutory
Residential direct access	266	255	4.6%	1,032	454
Residential indirect access	18	18	2.0%	89	-
Business	86	80	7.4%	347	48
Wholesale & operators	55	64	(13.6%)	258	-
Total revenues	425	416	2.2%	1,726	502

2.3 Key financial events

- Auna acquisition, equity injection and refinancing

On July 29, 2005, we entered into a definitive agreement for the acquisition of Auna Telecomunicaciones, S.A.U., a provider of integrated telephony, broadband Internet, cable television, business and wholesale telecommunications services in Spain. The Auna Acquisition was approved by the Spanish competition authorities on October 10, 2005, with no conditions, and closed on November 4, 2005. The cash consideration for the Auna Acquisition was €2,251.2 million (which included €200 million of acquired debt), of which the payment of €214.4 million is payable on January 15, 2008. The Auna Acquisition was funded by a combination of senior debt, subordinated debt and €1,000 million of new cash equity injected into Grupo Corporativo ONO, S.A. ("GCO").

The Auna Acquisition substantially completed the consolidation of the Spanish cable industry and transformed us into the leading cable operator in Spain. We expect that the implementation of our management practices at Auna, combined with our prior experience in integrating Retecal, acquired in 2004, can result in a significant improvement in Auna's EBITDA margin, which has historically been much lower than that of Old ONO's.

- 2011 14% Notes cancellation

On February 15, 2006 ONO Finance Plc redeemed all of the outstanding bonds issued in February 2001 (which consisted of €8,038,000 and \$58,920,000). The bonds were cancelled at their first call date with a premium of 7%. The redemption was financed through the €3,100 million senior facility.



- **2014 8% Notes issue**

On February 7, 2006 ONO Finance II Plc (“ONO Finance II”) completed the offering of our €270 million 8% Senior subordinated notes due 2014.

ONO entered into a Note Proceeds Loan with ONO Finance II, pursuant to which the gross proceeds of the Notes were lent to Cableuropa.

The proceeds of the 2014 8% Notes issue were used to repay in full the €270 million Bridge Loan incurred by Cableuropa as part of the Auna acquisition.

- **Credit ratings upgrade**

After the Auna acquisition the rating agencies upgraded ONO’s credit rating. Our credit ratings at the date of this report are:

	Date	Corporate	Bond debt	Bank debt	Outlook
Moody's	Dec 20 2005	B1	B3	B1	Stable
Fitch	Dec 20, 2005	B	B -	BB -	Positive
Standard & Poor's	Nov 29, 2005	B	CCC+	Not rated	Positive

- **Acquisition of Factoría de Canales**

On February 24, 2005, GCO acquired 49% of the shares of Factoría de Canales, a television content aggregator. On December 14, 2005, Cableuropa acquired the remaining 51%. This company was incorporated on January 28, 2005 with the contribution of the channel aggregation, management and commercialization businesses of Mediapark. Factoría de Canales currently produces eight television channels for ONO. We believe that this acquisition will enable us to improve the quality of the content that we offer to our television customers, whilst at the same time providing us with an additional source of revenues through the sale of this content to other pay television platforms in Spain.



2.4 Operating Highlights (GCO)

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Year 2004	% change
	31-Dec-05	30-Sep-05		(1)	
	Combined	Combined		Standalone	
Customers:					
Cable	1,660	1,634	1.6%	784	111.8%
Other direct access	111	119	(6.9%)	-	
Residential direct access	1,771	1,753	1.0%	784	126.0%
Indirect access	376	465	(19.2%)	-	
Business	122	128	(5.2%)	21	na
Other data – Cable:					
Homes released to marketing	5,652	5,418	4.3%	2,550	121.7%
Penetration	29.4%	30.2%	(0.8 pp)	30.7%	(1.4 pp)
ARPU (€) ⁽¹⁾	51.9	-	-	53.3	(2.6%)
RGUs	3,129	3,032	3.2%	1,468	113.2%
RGUs per customer (#)	1.89	1.86	1.6%	1.87	0.7%
Churn ⁽¹⁾	18.6%	-	-	14.2%	4.4 pp
Residential cable customers:					
Telephony	1,446	1,423	1.6%	698	107.2%
Internet	826	766	7.8%	324	154.5%
Television	858	843	1.8%	445	92.5%
Residential cable penetration:					
Telephony	25.6%	26.3%	(0.7 pp)	27.4%	(1.8 pp)
Internet	14.6%	14.1%	0.5 pp	12.7%	1.9 pp
Television	15.2%	15.6%	(0.4 pp)	17.5%	(2.3 pp)

(1) Figures are for the last quarter of the year

2.5 Key operating events

- Unified residential customer bundled offer

Since the Auna Acquisition, Old ONO's bundled services have been marketed to new residential customers in all ONO franchises where technically feasible. The existing Auna customers continue to be provided with the former Auna product portfolio and will be migrated over time to a full ONO portfolio.

- Launch of video-on-demand services (“ojo”)

In December 2005, we launched a full video-on-demand (“VoD”) service, branded “ojo” in Old ONO franchises. We believe that “ojo” will improve the loyalty of our television customers and increase average monthly revenue per user. ojo is available to all Old ONO's digital TV (“DTV”) customers and currently includes free, subscription and transactional levels.

With respect to Auna's franchise areas, capital expenditures will be required to launch VoD. We expect to start the deployment of VoD services in Auna franchises in 2006.



- Transformation process

Prior to the Auna Acquisition we formed a Transformation Committee composed of certain members of our senior management to oversee the integration of Auna and the transformation of our business. A Transformation Department was subsequently established with the sole focus of the transformation initiatives and is composed of individuals working under fixed-term contracts with incentive based compensation.

The Transformation Department has identified approximately 120 specific priority projects to complete the integration and transformation processes. Each project has a detailed implementation plan and is subject to a rigorous cost/benefit analysis. Most projects are focused on transitioning Auna's network (de-duplication of national networks, internet traffic control tools, etc.), IT (convergence of systems) and applying best practices and procedures to the applicable process, mainly applying Old ONO processes (construction, sales model, etc.) to Auna.

We have reviewed staffing levels for all areas of operations in order to eliminate duplication and achieve greater efficiency. Discussions with the relevant unions regarding headcount reductions have commenced and we expect that several hundred employees will be affected by the process.

The integration and transformation process is expected to continue for up to three years. The full benefits of the process are not expected until it has been completed.

2.6 Guidance for 2006 (GCO) (*)

	Guidance low	Guidance high	2005	Annual change	
				Guidance low	Guidance high
<i>Operating data in thousand. Financial data in €million.</i>					
Op.			Combined		
Fin.			Pro forma		
New HRTM	450	475	733	(38.6%)	(35.2%)
Revenues	1,700	1,800	1,726	(1.5%)	4.3%
EBITDA	550	580	458	20.2%	26.7%
Capex	530	565	783	(32.3%)	(27.8%)
Transformation costs	100	150	-	-	-
Operating FCF	(165)	(50)	(325)	(113.3%)	(104.0%)
Leverage (x)	5.25x	5.5x	5.8x	(0.55x)	(0.3x)

(*) Please, see important disclaimer at the end of this document

2.7 Guidance compliance for 2005 (Old ONO standalone)

	2005	Guidance low	Guidance high	Over-performance	
				Guidance low	Guidance high
<i>Operating data in thousand. Financial data in €million.</i>					
Op.	Standalone	Standalone	Standalone		
Fin.	Standalone	Standalone	Standalone		
New HRTM	352	270	300	30.2%	17.2%
Revenues	595	580	600	2.5%	(0.9%)
EBITDA	250	220	240	13.8%	4.3%
Capex	246	220	230	11.9%	7.1%

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3. GRUPO CORPORATIVO ONO

Schedule of reported information in this section

		Q4 2005	Q3 2005	Year 2005	Year 2004
ONO information					
Operating data	Combined ⁽¹⁾	√	√	na	na
	Standalone ⁽²⁾			na	√
Financial data	Combined ⁽¹⁾	√	√	√	na
	Statutory results ⁽³⁾	√		√	√
	Standalone results ⁽⁴⁾	√	√	√	√
Old ONO information					
Operating data	Standalone ⁽⁵⁾	√	√	na	na
Financial data	Standalone ⁽⁵⁾	√	√	√	√
Auna information					
Operating data	Standalone ⁽⁶⁾	√	√	na	na
Financial data	Standalone ⁽⁶⁾	√	√	√	√

(1) Cableuropa and Auna data

(2) Old ONO (GCO) standalone data; thus excluding Auna

(3) Old ONO (GCO) results for the whole period and Auna results from November 2005

(4) Old ONO (GCO) and Auna results for the whole period

(5) Old ONO (GCO) data excluding Auna

(6) Auna group standalone data, as adjusted to conform to ONO accounting policies



3.1 Condensed Consolidated Financial Statements

3.1.1 Condensed Consolidated Balance Sheet

Data in €million

	<u>31-Dec-05</u>	<u>30-Sep-05</u>	<u>31-Dec-04</u>
	Statutory	Statutory	Statutory
ASSETS			
Current assets			
Cash	7	1	5
Short-term investments, net	37	1	22
Accounts receivable & other	268	62	63
Total current assets	312	64	90
Fixed assets			
Start-up costs, net	9	10	13
Intangible assets, net	406	408	191
Tangible assets, net	4,134	1,725	1,659
Financial assets, net	1,204	290	386
Total fixed assets	5,754	2,432	2,249
Goodwill on consolidation	1	1	239
Deferred expenses, net	25	47	35
TOTAL ASSETS	6,092	2,544	2,613
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short term debt	79	74	38
Accrued interest expenses	9	11	15
Accounts payable and other	1,129	285	368
Total current liabilities	1,218	370	422
Long-term debt			
Senior facility	1,821	1,013	789
Subordinated facilities	400	-	-
Senior subordinated notes	342	341	457
Other	100	60	37
Total long-term debt	2,663	1,414	1,282
Other long term liabilities	255	42	162
Commitments and contingencies	419	18	10
Negative goodwill	263	-	-
Minority interests	3	-	-
Shareholders' loan ⁽¹⁾	1,000	3	3
Shareholders' equity			
Common stock	983	979	979
Share Premium	0	0	0
Accumulated deficit	(245)	(245)	(161)
Net loss for period	(466)	(39)	(85)
Total shareholders' equity	272	695	734
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,092	2,544	2,613

⁽¹⁾ €1,000 million contributed to ONO by its new shareholders: JPMorgan Partners, Providence Equity Partners, Quadrangle Capital Partners and Thomas H. Lee Partners at the date of the Auna acquisition. In February 2006, the €1,000 million was capitalized as common stock and share premium.

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3.1.2 Quarterly Condensed Consolidated Statements of Operations

<i>Data in €million</i>	Quarter ended	Quarter ended	% change	Quarter ended
	31-Dec-05	30-Sep-05		31-Dec-05
	Pro forma	Pro forma		Statutory
Revenues	425	416	2.2%	335
Cost of services	(145)	(139)	3.8%	(109)
Opex	(164)	(155)	5.9%	(133)
EBITDA	116	121	(4.3%)	94
Depreciation and amortization				(147)
EBIT / Operating profit/(loss)				(53)
Net financial expense				(37)
Amortization of goodwill				1
Net extraordinary expense				(401)
EBT / Loss before tax				(490)
Income tax credit				63
Loss before minority interests				(428)
Minority interests				0
Net loss				(427)

<i>Data in €million</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Revenues	156	147	5.9%	269	268	0.2%
Cost of services	(41)	(37)	10.0%	(104)	(102)	1.5%
Opex	(45)	(45)	0.0%	(119)	(110)	8.3%
EBITDA	70	65	7.6%	46	56	(17.9%)

Pro forma EBITDA decreased in the fourth quarter by €5 million or 4.3% from €121 million in the third quarter. This results from Auna's EBITDA reduction more than offsetting Old ONO's growth of 7.6% to €70 million in the quarter.

EBITDA for Auna decreased by €10 million (17.9%) reflecting (i) flat revenues, with direct access revenue growth being outweighed by wholesale revenue reductions due to the partial conclusion of Auna's service agreement with Wanadoo; and (ii) opex increases mainly due to an increase in its bad debt that reflects the higher churn rates of Auna (and the effect of ONO's more conservative bad debt accounting policies) and to the start of the transformation process and its associated costs.



3.1.3 Annual Condensed Consolidated Statements of Operations

<i>Data in €million</i>	Year 2005	Year 2005	Year 2004	% change
	Pro forma	Statutory	Statutory	
Revenues	1,726	774	502	54.3%
Cost of services	(620)	(226)	(145)	56.2%
Opex	(648)	(274)	(172)	59.1%
EBITDA	458	274	185	48.2%
Depreciation and amortization		(268)	(128)	109.4%
EBIT / Operating profit/(loss)		6	57	(89.5%)
Net financial expense		(133)	(103)	29.8%
Amortization of goodwill		1	(15)	(104.1%)
Net extraordinary expense		(416)	(42)	na
EBT / Loss before tax		(543)	(103)	na
Income tax credit		76	8	na
Loss before minority interests		(466)	(94)	na
Minority interests		0	9	(97.4%)
Net loss		(466)	(85)	na

<i>Data in €million</i>	Old ONO			Auna		
	Year	Year	%	Year	Year	%
	2005	2004	change	2005	2004	change
	Standalone	Standalone		Standalone	Standalone	
Revenues	595	502	18.5%	1,132	1,160	(2.5%)
Cost of services	(158)	(145)	9.1%	(462)	(525)	(12.0%)
Opex	(186)	(172)	8.4%	(462)	(475)	(2.7%)
EBITDA	250	185	35.2%	207	160	29.6%

Pro forma EBITDA for the year amounted to €458 million. Old ONO contributed 54.6% of ONO's EBITDA, with €250 million, an increase of 35.2% or €65 million in the year, following the same trend experienced in previous years and increasing EBITDA margin to 42%.

Auna reached €207 million EBITDA, increasing €47 million or 29.6% as compared to 2004 and evolving its EBITDA margin to 18.3% as compared to the 13.8% achieved in 2004.

Although Auna revenue base is larger than ONO's, its significantly higher cost base leads Auna to lower EBITDA margin and EBITDA growth than ONO. The low EBITDA and EBITDA margin achieved by Auna in 2005 provides us with a significant growth opportunity that we expect to crystallize through our transformation process as explained above.



3.1.4 Quarterly Condensed Consolidated Cash Flow

<i>Data in €million</i>	Quarter ended	Quarter ended
	31-Dec-05	31-Dec-05
	Pro forma	Statutory
EBITDA	116	94
Capex	(231)	(163)
OPERATING FREE CASH FLOW	(115)	(69)
Change in working capital		16
Other		(17)
FREE CASH FLOW		(70)
Shares acquisition ⁽¹⁾		(1,971)
Paid interests, net		(38)
FREE CASH FLOW AFTER DEBT SERVICE		(2,079)
Senior facility		808
Subordinated facilities		400
Contributions from shareholders ⁽²⁾		1,000
Other financing items ⁽³⁾		(123)
CASH FLOW FROM FINANCING		2,085
NET CASH FLOW		6
CASH BEGINNING OF PERIOD		1
CASH END OF PERIOD		7

⁽¹⁾ Includes the acquisition of 100% of Auna TLC shares and Auna loans for €1,837 million and the cancellation of €134 million of debt outstanding in Auna at the date of the acquisition. Additionally, the deferred Auna acquisition payment of €214.4 million will be paid in January 2008.

⁽²⁾ €1,000 million contributed to ONO by its new shareholders: JPMorgan Partners, Providence Equity Partners, Quadrangle Capital Partners and Thomas H. Lee Partners at the date of the Auna acquisition. In February 2006, the €1,000 million was capitalized as common stock and share premium

⁽³⁾ Includes €35m to hedge the EVC liability



3.1.5 Annual Condensed Consolidated Cash Flow

<i>Data in €million</i>	Year 2005	Year 2005	Year 2004	% change
	Pro forma	Statutory	Statutory	
EBITDA	458	274	185	48.2%
Capex	(783)	(334)	(277)	20.6%
OPERATING FREE CASH FLOW	(325)	(60)	(92)	(34.9%)
Change in working capital		(15)	49	(130.5%)
Other		(25)	2	na
FREE CASH FLOW		(100)	(41)	141.1%
Shares acquisition ⁽¹⁾		(2,000)	(29)	na
Paid interests, net		(115)	(118)	(2.5%)
FCF AFTER DEBT SERVICE		(2,215)	(189)	na
Senior facility		1,032	155	na
Subordinated facilities		400	-	-
Senior subordinated notes		(122)	37	-
Contributions from shareholders ⁽²⁾		1,000	6	na
Other financing items ⁽³⁾		(93)	(11)	na
CASH FLOW FROM FINANCING		2,217	187	na
NET CASH FLOW		2	(2)	na
CASH BEGINNING OF PERIOD		5	7	(31.4%)
CASH END OF PERIOD		7	5	56.3%

⁽¹⁾ Includes the acquisition of 100% of Auna TLC shares and Auna loans for €1,837 million and the cancellation of €134 million of debt outstanding in Auna at the date of the acquisition, as well as a deferred payment in connection with the acquisition of Retecal. Additionally, the deferred Auna acquisition payment of €214.4 million will be paid in January 2008.

⁽²⁾ €1,000 million contributed to ONO by its new shareholders: JPMorgan Partners, Providence Equity Partners, Quadrangle Capital Partners and Thomas H. Lee Partners at the date of the Auna acquisition. In February 2006, the €1,000 million was capitalized as common stock and share premium

⁽³⁾ Includes €35m to hedge the EVC liability



3.2 Key factors affecting our business

3.2.1 Customers

<i>Data in thousand</i>	Quarter ended	Quarter ended	% change	Year 2004	% change
	31-Dec-05	30-Sep-05		Standalone	
	Combined	Combined			
Residential direct access:					
Cable	1,660	1,634	1.6%	784	111.8%
Other direct access	111	119	(6.9%)	-	-
Residential direct access	1,771	1,753	1.0%	784	126.0%
Residential indirect access	376	465	(19.2%)	-	-
Business:					
Direct access	77	77	0.5%	21	na
Indirect access	45	52	(13.7%)	-	-
Business customers	122	128	(5.2%)	21	na

<i>Data in thousand</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Residential direct access:						
Cable	883	856	3.1%	777	778	(0.1%)
Other direct access	-	-		111	119	(6.9%)
Residential direct access	883	856	3.1%	888	897	(1.0%)
Resid. indirect access	-	-		376	465	(19.2%)
Business:						
Direct access	26	25	4.0%	51	52	(1.2%)
Indirect access	-	-		45	52	(13.7%)
Business customers	26	25	4.0%	96	103	(7.5%)

Our residential direct access customers increased by 1% during in the quarter reaching 1,771,000 as of December 31, 2005. This is due to the continued deployment of our network and to the increased penetration of our services in areas already built out.

- In the Old ONO franchises, we have experienced an increase of 3.1% as a result of our efficiency releasing to marketing the homes that we pass and of our focus on making our services available to more customers.
- Residential direct access customers in the former Auna franchises slightly decreased in the last three months due to the decrease in Auna's sales productivity and the reduction in the quality of Auna's customer care in the months prior to the acquisition of the company at the beginning of November 2005.

Combined churn for residential direct access cable customers was 18.6% in the last quarter of 2005, reflecting increased competition and the poor performance in Auna's franchises. Customer loyalty and retention is a high priority for ONO.

The acquisition of Auna significantly increased our business customer base.

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- However, Auna's indirect access business customers decreased by 13.7%, as expected from the company's focus on increasing the weight of direct access business. Auna's direct access business customers remained flat due to its sales stagnation explained above.
- Old ONO's focus on marketing to small and medium-sized enterprises ("SMEs") resulted in an organic increase of 4% in our business customer base in the quarter to a total of 26,000 as of December 31, 2005.

3.2.2 Cable ARPU

<i>Data in euro</i>	Quarter ended	Quarter ended	% change	Year 2004	% change
	31-Dec-05	30-Sep-05			
	Combined	Combined		Standalone	
ONO	51.9	nm	nm	53.3	(2.6%)
Old ONO	53.6	51.9	3.3%	-	-
Auna	50.3	49.7	1.2%	-	-

ARPU for residential cable services in ONO was €51.9 in the fourth quarter of 2005.

Old ONO ARPU increased by 3.3% to €53.6 for the fourth quarter of 2005 from €51.9 for the third quarter of 2005 due to the seasonal increase in telephony and PPV usage. As compared to €53.3 in the fourth quarter of 2004, Old ONO's residential cable ARPU increased by 0.5% reflecting the increase in RGUs per customer as an increasing percentage of customers received bundled services. This bundle services increase offsets the price erosion as a result of the higher competition in the telecommunications market resulting from new operators unbundling Telefónica's local loop to provide double play telephony and broadband Internet services.

Auna ARPU increased by 1.2% to €50.3 for the fourth quarter of 2005 from €49.7 for the third quarter of 2005 due to the aforementioned seasonal increase in the fourth quarter.

3.3 Discussion of results of operations (fourth quarter and full year 2005)

In order to facilitate the comparison among reported periods, in this section we refer to "Pro forma" results down to EBITDA and to "Statutory" results thereafter. For further understanding of our results, where appropriate, we provide a detail of the individual contribution of Old ONO and Auna to the combined and pro forma results.

3.3.1 Revenues

ONO's revenues are derived from residential direct access services (which comprise revenue from individual service offerings or a combination of telephony, Internet and cable television services), indirect access services to residential customers, business services (which comprise voice and data services to SME business customers and services provided to large corporations and public entities) and wholesale and operators services (which principally comprise interconnection charges to other telecom operators, carrier services and leased circuits to other operators).

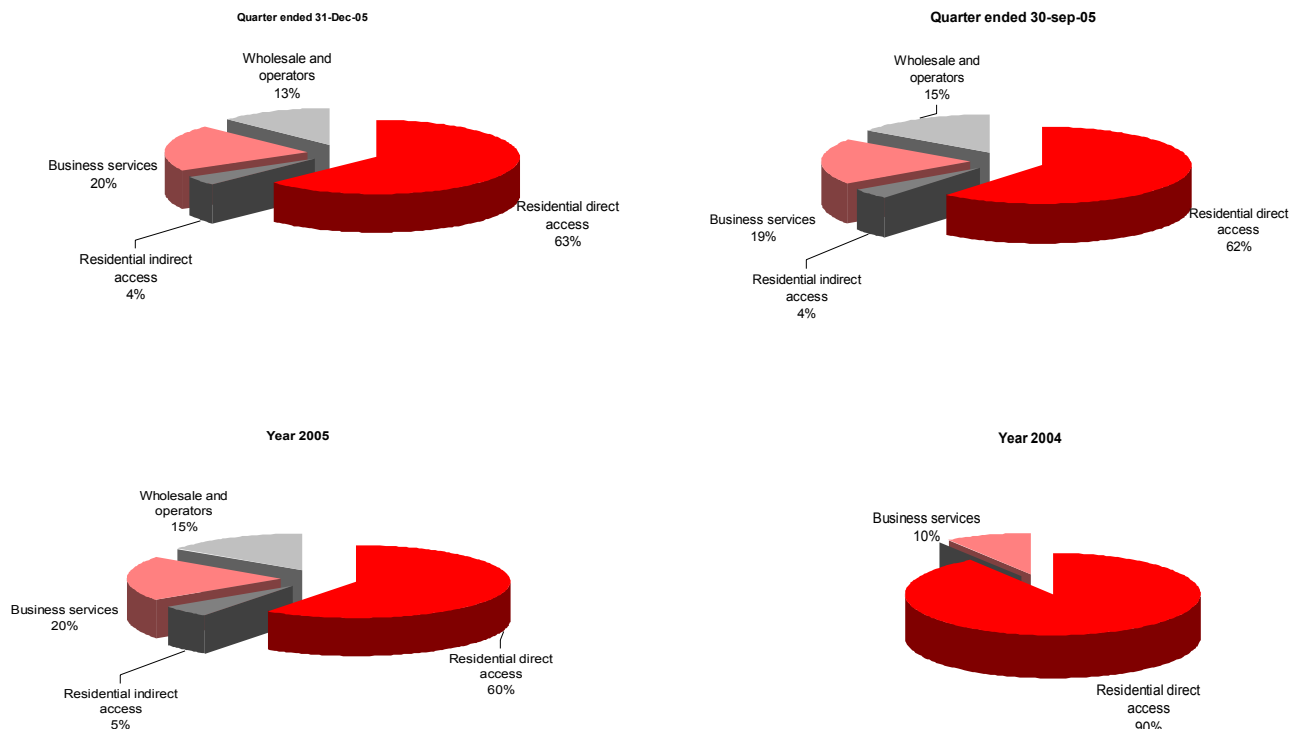


Grupo Corporativo ONO

The following tables set forth ONO's revenues derived from residential direct access, residential indirect access, business and wholesale and operators services and the percentage change from period to period for each of the periods indicated.

<i>Data in €million</i>	Quarter ended	Quarter ended	% change	Year 2005	Year 2004
	31-Dec-05	30-Sep-05		Pro forma	Statutory
	Pro forma	Pro forma		Pro forma	Statutory
Resid. direct access	266	255	4.6%	1,032	454
Resid. indirect access	18	18	2.0%	89	-
Business	86	80	7.4%	347	48
Wholesale & operators	55	64	(13.6%)	258	-
Total revenues	425	416	2.2%	1,726	502

<i>Data in €million</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Resid. direct access	139	132	5.5%	127	123	3.6%
Resid. indirect access	-	-	-	18	18	2.0%
Business	17	15	9.2%	69	64	7.0%
Wholesale & operators	-	-	-	55	64	(13.6%)
Total revenues	156	147	5.9%	269	268	0.2%



The pro forma revenue increase in Q4 2005 mostly comes from Old ONO's continued revenue growth of €9 million, while Auna revenues increased by only €1 million, as

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direct access revenue growth was outweighed by a reduction in wholesale and operators revenue due to the partial conclusion of Auna's service agreement with Wanadoo.

3.3.1.1 Residential direct access services

The following tables set forth ONO's revenues derived from residential direct access customers (via cable or other direct access) and the percentage change for the periods indicated.

<i>Data in €million</i>	Quarter ended 31-Dec-05	Quarter ended 30-Sep-05	% change	Year 2005	Year 2004
	Pro forma	Pro forma		Pro forma	Statutory
ONO	266	255	4.6%	1,032	454
Old ONO	139	132	5.5%	-	-
Auna	127	123	3.6%	-	-

Revenues from our residential services increased by 4.6% in the quarter. This is mainly due to the increase in our cable customer base as we continue to build-out our networks.

While telephony customers continued to account for the largest portion of our cable customer base and of our residential revenues, the substantial increase in broadband Internet customers and our digital television services also had a positive impact on our revenues.

a) Cable

Cable services provide us with revenues from monthly fees and initial connection charges from residential bundled and individual services, usage charges from residential telephony services; set top box rental charges; and variable fees for pay-per-view services from cable television services. The following tables set forth information on residential cable services, and the percentage change from period to period:

<i>Data in thousand, except if otherwise stated</i>	Quarter ended 31-Dec-05	Quarter ended 30-Sep-05	% change	Year 2004	% change
	Combined	Combined		Standalone	
Resid. Cable Services:					
HRTM	5,652	5,418	4.3%	2,550	121.6%
Customers	1,660	1,634	1.6%	784	111.7%
Penetration	29.4%	30.2%	(0.8 pp)	30.7%	(1.3 pp)
Churn	18.6%	nm	nm	14.2%	4.4 pp
ARPU (€)	51.9	nm	nm	53.3	(2.7%)
RGUs	3,129	3,032	3.2%	1,468	113.2%
RGUs per customer	1.89	1.86	1.6%	1.87	1.1%



<i>Data in thousand, except if otherwise stated</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Resid. Cable Services:						
HRTM	2,902	2,777	4.5%	2,750	2,641	4.1%
Customers	883	856	3.1%	777	778	(0.1%)
Penetration	30.8%	30.7%	0.1 pp	29.0%	29.9%	(0.9 pp)
Churn	16.6%	16.2%	0.5 pp	20.7%	20.0%	0.7 pp
ARPU (€)	53.6	51.9	3.3%	50.3	49.7	1.2%
RGUs	1,685	1,609	4.7%	1,445	1,423	1.6%
RGUs per customer	1.91	1.88	1.5%	1.86	1.85	0.5%

Total cable customers increased during the last quarter by 1.6% to 1,660,000. Our focus on bundling offers also brought an improvement in RGUs per customer in both Old ONO and Auna, reaching a combined 1,89 as at December 31, 2005. In Old ONO, this ratio reached 1.91.

Despite increased bundling of our offering, churn increased in the last quarter of 2005 reaching 16.6% and 20.7% on an annualized basis in Old ONO and Auna, respectively. This increase reflects the increased competition and especially the problems in Auna's sale and customer service processes explained above.

Homes released to marketing increased significantly during the last quarter. As a result, penetration decreased to 29.4% as of December 31, 2005, as compared with 30.2% as of September 30, 2005. The decrease in penetration is also due to the nil growth of Auna's customer base in the quarter.

- **Telephony**

The following tables set forth certain information with respect to ONO's telephony services and the percentage change from period to period:

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Year 2004	% change
	31-Dec-05	30-Sep-05		Standalone	
	Combined	Combined			
Telephony services:					
Customers	1,446	1,423	1.6%	698	107.2%
<i>Proportion of total customers</i>	87.1%	87.1%	0 pp	89.0%	(1.9 pp)
Penetration	25.6%	26.3%	(0.7 pp)	27.4%	(1.8 pp)

<i>Data in thousand, except if otherwise stated</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Telephony services:						
Customers	770	750	2.7%	676	673	0.5%
<i>Proportion of total customers</i>	87.2%	87.6%	(0.4 pp)	86.9%	86.5%	0.5 pp
Penetration	26.5%	26.9%	(0.4 pp)	24.6%	25.5%	(0.9 pp)

Telephony customers increased by 1.6% in the last quarter to reach 1,446,000 as of December 31, 2005. Telephony continues to account for the largest portion of our

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RGUs, with the proportion of customers taking telephony maintaining the previous quarter's levels on a combined basis.

Telephony customers as a proportion of total customers in Old ONO decreased its share to 87.2% in the last quarter from 87.6% in the previous one. Penetration declined slightly by 0.4 pp in the fourth quarter, following the trend of the overall residential customer base. On an annual basis, the proportion of customers taking telephony decreased by 1.9 pp and penetration over homes released to marketing decreased by 1.8 pp, mainly due to increased levels of competition and churn.

In Auna, telephony customers as a proportion of total customers increased by 0.5 pp to 86.9% while penetration declined slightly by 0.9 pp in the last quarter of the year.

- **Internet**

The following tables set forth certain information with respect to ONO's Internet services and the percentage change from period to period:

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Year 2004	% change
	31-Dec-05	30-Sep-05		Standalone	
	Combined	Combined			
Internet services:					
Customers	826	766	7.8%	324	154.5%
Proportion of total customers	49.7%	46.9%	2.8 pp	41.4%	8.3 pp
Penetration	14.6%	14.1%	0.5 pp	12.7%	1.9 pp

<i>Data in thousand, except if otherwise stated</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Internet services:						
Customers	442	398	10.9%	384	368	4.4%
Proportion of total customers	50.0%	46.5%	3.5 pp	49.4%	47.3%	2.1 pp
Penetration	15.2%	14.3%	0.9 pp	14.0%	13.9%	0.1 pp

Internet customers increased by 7.8% in the fourth quarter to reach 826,000 as of December 31, 2005, including 384,000 customers contributed by Auna. Our residential Internet penetration increased significantly to 14.6% in the fourth quarter of 2005 from 14.1% in the previous quarter.

Internet customers as a proportion of total customers increased, in Old ONO, by 3.5 pp to 50.0% in the fourth quarter and penetration increased significantly by 0.9 pp in the same period. On a year-over-year basis, the proportion of customers taking internet increased by 8.3 pp and penetration over homes released to marketing increased by 1.9 pp.

In Auna, Internet customers as a proportion of total customers increased by 2.1 pp in the last three months of the year to 49.4% and penetration increased slightly by 0.1 pp.

We expect our penetration for this service to continue to increase in the future. We offer our customers in Old ONO franchises speeds of up to 4 Mbps and of up to 2 Mbps in Auna's areas. We are currently in the process of upgrading our network



capabilities in Auna's areas to match the characteristics of the portfolio offered in Old ONO's areas.

- **Television**

The following tables set forth certain information with respect to ONO's television services and the percentage change from period to period:

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Year 2004	% change
	31-Dec-05	30-Sep-05		Standalone	
	Combined	Combined		Standalone	
Television services:					
Customers	858	843	1.8%	445	92.5%
<i>Proportion of total customers</i>	51.7%	51.6%	0.1 pp	56.8%	(5.2 pp)
Penetration	15.2%	15.6%	(0.4 pp)	17.5%	(2.3 pp)

<i>Data in thousand, except if otherwise stated</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Television services:						
Customers	473	461	2.6%	385	382	0.7%
<i>Proportion of total customers</i>	53.5%	53.8%	(0.3 pp)	49.5%	49.1%	0 pp
Penetration	16.3%	16.6%	(0.3 pp)	14.0%	14.5%	(0.5 pp)

Cable television customers increased by 1.8% in the quarter to reach 858,000 as of December 31, 2005. Total penetration of cable television services decreased marginally in the fourth quarter by 0.4 pp to 15.2% penetration.

Cable television customers as a proportion of total customers, in Old ONO, decreased marginally by 0.3 pp to 53.5% and penetration decreased by 0.3 pp to 16.3%. As compared with 2004, the proportion of customers taking cable television decreased by 5.2 pp and the penetration over homes released to marketing decreased by 2.3 pp, mainly due to increased levels of churn.

In Auna, the proportion of television customers over total customers increased by 0.4 pp to 49.5% and the penetration decreased by 0.5 pp.

We believe that the quality of our digital product offering, which includes VoD (marketed under the "ojo" brand), launched in Old ONO's areas in December 2005, is attractive to our customers. Currently 77% of Old ONO's cable television customers enjoy our digital offering and we expect that by the end of 2006 substantially all of Old ONO's cable television customer base will have migrated to digital. As of December 31, 2005, 45% of our TV customers had trialled ojo services. Additionally and to enhance our TV offering, ONO includes the DTT offering within the cable television line-up in order to increase customer loyalty.

b) Other direct access

Other direct access services includes services offered through full or partial unbundling of Telefónica's local loop, power line communications, etc. These services provide us with revenues from monthly fees from telephony and broadband Internet services and

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usage charges from telephony services. The following table sets forth the number of customers subscribing to these services and the percentage change from period to period:

<i>Data in thousand</i>	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05	
	Combined	Combined	
Customers	111	119	(6.9%)

The 6.9% reduction in ULL customers results from the decrease in our partial unbundling customer base which surpasses the increase in full unbundling customers.

We do not currently offer TV services to our ULL customers and most of these customers only subscribe to telephony services. ARPU for ULL customers is, therefore, significantly lower than for cable customers.

3.3.1.2 Residential indirect access services

Residential indirect access revenues mainly comprise usage charges from telephony services. The following table sets forth revenues and customers from residential indirect access services, and the percentage change from period to period:

<i>Operating data in thousand</i>		Quarter ended	Quarter ended	% change	Year 2005
		31-Dec-05	30-Sep-05		
	Op	Combined	Combined		
	Fin	Pro-forma	Pro-forma		Pro-forma
Customers		376	465	(19.2%)	376
Revenues		18	18	(2.0%)	89

Residential indirect access customers decreased from 465,000 as of September 30, 2005 to 376,000 as of December 31, 2005 as a consequence of (i) the competitive environment in the Spanish telephony market, (ii) our focus on our direct access business and (iii) our focus on extracting value from the indirect access business, increasing prices and reducing dedicated resources, in order to improve margins.



3.3.1.3 Business Services

Revenues from business services are derived from (i) fees paid by business customers, principally small and medium sized enterprises, for voice and data services, offered individually or as a bundle, and (ii) customized solutions designed to satisfy the communications needs (voice, internet, data solutions and equipment) of large corporate groups and central and autonomous government agencies, through an integrated range of tailored services.

The following tables set forth revenues and certain other information from business services, and the percentage change from period to period:

	Quarter ended		% change	Year 2005	Year 2004	
	31-Dec-05	30-Sep-05				
Operating data in thousand. Financial data in €million.						
	Op	Combined	Combined		Standalone	
	Fin	Pro-forma	Pro-forma	Pro-forma	Statutory	
Business customers:						
Direct access		77	77	0.5%	77	21
Indirect access		45	52	(13.7%)	45	-
Total customers		122	128	(5.2%)	122	21
Revenues		86	80	7.4%	347	48

	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
Operating data in thousand. Financial data in €million.						
	Op	Standalone	Standalone	Standalone	Standalone	
	Fin	Standalone	Standalone	Standalone	Standalone	
Business customers:						
Direct access		26	25	4.0%	51	52 (1.2%)
Indirect access		-	-	-	45	52 (13.7%)
Total customers		26	25	4.0%	96	103 (7.5%)
Revenues		17	15	9.2%	69	64 7.0%

ONO's business customers and revenues increased substantially in 2005, mainly as a result of the acquisition of Auna. On a combined pro forma basis, business revenues increased in the fourth quarter of 2005 by 7.4%. Business customers, however, decreased by 5.2% in Q4 2005, due to indirect access customers dropping off by 13.7%. This decrease reflects the company's global strategy to focus on direct access customers.

The focus on marketing to small and medium sized enterprises ("SMEs") in Old ONO's franchises resulted in an increase of 4% in the business customer base during the fourth quarter of 2005 and 22.8% in the year to reach 26,000 business customers as of December 31, 2005.



3.3.1.4. Wholesale & operators Services

Revenues from wholesale & operators services are derived from carrier services, voice traffic services, leased and dedicated lines and ISP solutions, provided to other telecommunications operators and from the provision of intelligent network services.

The following table sets forth ONO's revenues from its wholesale and operators services and the percentage change from period to period:

<i>Data in €million</i>	Quarter ended	Quarter ended	% change	Year 2005
	31-Dec-05	30-Sep-05		Pro-forma
Revenues	55	64	(13.6%)	258

Revenues for wholesale & operators decreased 13.6%, from €64 million for the third quarter to €55 million in the last quarter of 2005.

This decrease mainly results from the partial termination in October 2005 of the agreement to provide internet transit to Wanadoo and the consequent migration of Wanadoo's internet customers to France Télécom's own access network.

Concurrently with the termination of this part of the agreement with Wanadoo, the non-competition clauses that prevented Auna to offer broadband Internet services other than within its cable networks came to an end.

Even after taking account of the decrease in revenues from Wanadoo explained above, approximately half of ONO's wholesale revenues are derived from the Wanadoo and Amena contracts. Amena has agreed to remain a customer through 2007 guaranteeing a minimum revenue level, although a portion of the guaranteed revenues may be deferred until 2008.

3.3.2 Cost of Services and Gross Profit

The following tables set forth ONO's gross profit and the percentage change for the periods indicated:

<i>Data in € million</i>	Quarter ended	Quarter ended	% change	Year 2005	Year 2004
	31-Dec-05	30-Sep-05		Pro forma	Statutory
Total revenues	425	416	2.2%	1,726	502
Cost of services	(145)	(139)	3.8%	(620)	(145)
Gross Profit	280	276	1.4%	1,106	357
Gross Margin	66.0%	66.5%	(0.5 pp)	64.1%	71.2%



<i>Data in € million</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Total revenues	156	147	5.9%	269	268	0.2%
Cost of services	(41)	(37)	10.0%	(104)	(102)	1.5%
Gross Profit	115	110	4.5%	165	166	(0.6%)
Gross Margin	73.7%	74.7%	(1.3%)	61.5%	62.0%	(0.8%)

Cost of services principally consists of interconnection and backbone network costs for telecommunications services, Internet connectivity costs, the cost of the cable modems, fiber, circuit and duct renting expenses and programming fees for cable television programming services.

Interconnection costs for telephony services are generated by calls made by our customers that terminate outside our network. Internet connectivity costs mainly consist of fees for the bandwidth used for our Internet transit outside of Spain. Cable television programming fees consist primarily of fees paid to television content owners to distribute their cable television content and fees paid to distribute movies and soccer on a pay-per-view basis.

Our cost of services increased as a percentage of total revenues to 34.0% for the three months ended December 31, 2005 as compared to 33.5% for the previous quarter. This increase is mainly due to seasonality, whereby the third quarter tends to have a slightly higher margin than the fourth.

ONO's overall gross margin is composed of Old ONO's 73.7% margin diluted by Auna's 61.5% margin. As part of our transformation process we have identified specific projects to improve the overall level of gross margin.

3.3.3 Operating Expenses

The following tables set forth ONO's operating expenses and the percentage change from period to period for each of the periods indicated:

<i>Data in € million</i>	Quarter ended	Quarter ended	% change	Year 2005	Year 2004
	31-Dec-05	30-Sep-05			
	Pro forma	Pro forma		Pro forma	Statutory
Gross Opex	(182)	(173)	5.4%	(719)	(194)
Capitalised Costs	18	18	1.1%	70	22
Net Opex	(164)	(155)	5.9%	(648)	(172)
<i>as % of revenues</i>	38.7%	37.4%	1.3 pp	37.6%	34.3%

<i>Data in € million</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
	31-Dec-05	30-Sep-05		31-Dec-05	30-Sep-05	
	Standalone	Standalone		Standalone	Standalone	
Gross Opex	(51)	(51)	0.4%	(131)	(122)	7.5%
Capitalised Costs	6	6	3.4%	12	12	(0.0%)
Net Opex	(45)	(45)	0.0%	(119)	(110)	8.3%
<i>as % of revenues</i>	29.0%	30.7%	(1.7 pp)	44.3%	41.0%	3.3 pp

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Gross operating expenses consist principally of expenses related to wages and salaries and other operating expenses, including professional services, marketing and selling expenses, network operation and maintenance, information systems, administrative overhead and billing costs. Capitalized costs relate to direct labour costs associated with the development and construction of our network.

In Old ONO, net Opex decreased as a percentage of total revenues to 29.0% for the three months ended December 31, 2005 as compared to 30.7% for the previous quarter. The continued reduction in selling general and administrative expenses as a percentage of revenues reflects our focus on cost management despite the continued expansion of our business during the periods under review.

In Auna, net Opex as a percentage of revenues increased from 41.0% in Q3 2005 to 44.3% in Q4 2005. Our transformation process is designed to reduce Opex in Auna, to enhance its EBITDA margin and, over time, make it converge with Old ONO's historic EBITDA margins.

3.3.4 Depreciation and Amortization

The following table sets forth ONO's depreciation and amortization and the percentage change for each of the periods indicated:

<i>Data in € million</i>	Quarter ended 31-Dec-05	Quarter ended 30-Sep-05	% change	Year 2005	Year 2004	% change
	Statutory	Statutory		Statutory	Statutory	
Depreciation and Amortization	(147)	(52)	185.5%	(268)	(126)	113.5%

Depreciation and amortization is principally related to the depreciation of our network, customer premise equipment and installation costs incurred in connection with the addition of new subscribers, and to the amortization of intangible assets. The increase in depreciation and amortization expense principally reflects the effect of the acquisition of Auna and, to a lesser extent, the increases in our fixed assets as we continue the construction of our network.

3.3.5 Net Financial Expense

The following table sets forth ONO's net financial expense and the percentage change for each of the periods indicated:

<i>Data in € million</i>	Quarter ended 31-Dec-05	Quarter ended 30-Sep-05	% change	Year 2005	Year 2004	% change
	Statutory	Statutory		Statutory	Statutory	
Net financial expense	(37)	(40)	(8.1%)	(133)	(103)	29.8%

Our net financial expense is mainly comprised of interest expense from our financing agreements explained below. Net financial expense increased in 2005, in spite of the enhanced financial terms of our refinancing, due to our negative free cash flow (after debt service) and the consequent increase in our total debt. In addition, our net



financial expense includes financial expenses of Auna from the date of its acquisition in November 2005 and the revaluation of our EVCs (which accrue on a non-cash basis).

3.3.6 Other Income and Expense

The following table sets forth ONO's other income and expense and the percentage change from period to period for each of the periods indicated:

<i>Data in € million</i>	Quarter ended	Quarter ended	% change	Year 2005	Year 2004	% change
	31-Dec-05	30-Sep-05		Statutory	Statutory	
Amortization of goodwill	1	10	(93.4%)	1	(15)	(104.1%)
Net extraordinary expense	(401)	(8)	na	(416)	(42)	na
Income tax	63	15	na	76	8	na

Net Extraordinary Expense

As a result of the acquisition of Auna and of our refinancing, in 2005 we incurred a substantial amount of extraordinary expenses, including the write off of certain assets. Detail of our extraordinary results in 2005 is as follows:

Data in € million

Extraordinary income:	<u>15</u>
Less extraordinary expenses:	
Write-off of tangible assets	60
Write-off of deferred expenses	136
Tax credit adjustment	196
Other	38
	<u>430</u>
Negative extraordinary results	<u>(416)</u>

The most significant extraordinary expenses incurred in 2005 are:

- Write off of tangible assets, with a net book value of €60 million, which are deemed obsolete or excess to future requirement;
- €136 million write-off of deferred expenses in connection with our refinancing and the financing of the acquisition of Auna;
- An adjustment of €196 million resulting from recent announcement by the Spanish Government of an upcoming reduction in the corporate tax rate from the current 35% to 30%.



3.4 Condensed Consolidated Cash Flow

3.4.1 Condensed Consolidated Cash Flow for the fourth quarter of 2005

<i>Data in € million</i>	Quarter ended	Quarter ended	% change	Quarter ended
	31-Dec-05	30-Sep-05		31-Dec-05
	Pro forma	Pro forma		Statutory
EBITDA	116	121	(4.3%)	94
Capex	(231)	(185)	24.4%	(163)
OPERATING FCF	(115)	(64)	78.4%	(69)
Change in working capital				16
Other				(17)
FREE CASH FLOW				(70)

<i>Data in € million</i>	Old ONO			Auna		
	Quarter ended	Quarter ended	% change	Quarter ended	Quarter ended	% change
31-Dec-05	30-Sep-05	31-Dec-05		30-Sep-05	31-Dec-05	
	Standalone	Standalone		Standalone	Standalone	
EBITDA	70	65	7.6%	46	56	(17.9%)
Capex	(75)	(52)	43.0%	(155)	(133)	17.0%
OPERATING FCF	(5)	12	na	(109)	(77)	42.8%

3.4.2 Condensed Consolidated Cash Flow for 2005

<i>Data in € million</i>	Year 2005	Year 2005	Year 2004	% change
	Pro forma	Statutory	Statutory	
EBITDA	458	274	185	48.2%
Capex	(783)	(334)	(277)	20.6%
OPERATING FCF	(325)	(60)	(92)	(34.9%)
Change in working capital		(15)	49	(130.5%)
Other		(25)	2	na
FREE CASH FLOW		(100)	(41)	141.1%

<i>Data in € million</i>	Old ONO			Auna		
	Year	Year	% change	Year	Year	% change
2005	2004	2005		2004	2004	
	Standalone	Standalone		Standalone	Standalone	
EBITDA	250	185	35.2%	207	160	29.5%
Capex	(246)	(277)	(11.2%)	(537)	(471)	14.0%
OPERATING FCF	4	(92)	na	(329)	(311)	6.0%



3.5 Debt and liquidity

As of December 31, 2005

Type of debt	Maximum available	Short term debt	Long term debt	Total debt
Debt with credit entities:				
Senior facility ⁽¹⁾	3,000		1,821	1,821
Subordinated Facility	110		110	110
Participative Loan	20		20	20
Bridge Loan	270		270	270
Other credit facilities	125	68	32	100
Total debt with credit entities	3,525	68	2,253	2,321
Other debt:				
Senior subordinated notes	342		342	342
State subsidies and other	79	11	68	79
Total other debt	421	11	410	421
Total debt	3,946	79	2,663	2,742
Cash and cash equivalents				43
Total net debt				2,699
EBITDA LQA				464
Total debt/EBITDA				5.8x

(1) Excludes €100 million of bank guarantees tranche S to avoid double counting

For a discussion of our main financing arrangements, please see our website or the Offering Memorandum published on February 2, 2006 which is uploaded to our Investor Relations website.

3.6 Acquisition accounting: Negative Goodwill

After the Auna acquisition on November 4, 2005, ONO carried out an assignment of the purchase price to the assets and liabilities of the Auna group. As a result, a difference between the book value of certain of Auna's assets and its net realizable value gave rise to recoverable and unrecoverable losses that have been recorded as an extraordinary expense in Auna. The main reasons for these differences are the different commercial and technological strategies followed by ONO and Auna. These different strategies affect the value of the assets since ONO will, among others, abandon certain lines of activity, replace certain assets due to technological decisions, homogenize accounting policies and restructure Auna processes.

A detail of the reassessment of accounting values of Auna's assets and liabilities is presented below. This analysis gave rise to a Negative Goodwill of €263 million that sits on ONO's balance sheet as of December 31, 2005.



<i>Data in € million</i>	Net value at 31 October 2005	Net realizable value
Start-up costs	21	14
Intangible assets	453	66
Tangible assets	2,946	2,375
Financial assets	578	1,040
Deferred expenses	135	19
Goodwill	81	-
Accounts receivable and other current assets	271	192
TOTAL ASSETS	4,485	3,705
Participative Loans	1,402	-
Minority interests	3	3
Deferred incomes	3	2
Commitments and contingencies	37	398
Other long term liabilities	972	47
Accounts payable and other current liabilities	888	888
TOTAL LIABILITIES	3,305	1,338
Net assets value	1,180	2,368
Acquisition cost	-	2,105
Negative goodwill	-	263

The adjustment of Auna's assets net realizable value has been accounted for prior to the inclusion of the company in the ONO Group and is therefore included in Auna's balance sheet at the date of its first consolidation within ONO. Thus no profit and loss effect is recorded in ONO's 2005 consolidated statutory financial statements and a Negative Goodwill line item appears in ONO's consolidated balance sheet.

The maximum timeframe to revalue assets and liabilities after an acquisition is, according to accounting standards, four years from the date of the transaction. Therefore, the aforementioned Negative Goodwill is subject to changes and might be reassessed in the future as the revaluation process is still under review.



Cableuropa

4. CABLEEUROPA

Schedule of reported information in this section

		Q4 2005	Q3 2005	Year 2005	Year 2004
Cableuropa information					
Financial data	Standalone (1)	√	√	√	√
	Pro forma results (2)	√	na	√	na

(1) Includes Cableuropa results for the whole period and Auna results from November 2005

(2) Includes Cableuropa and Auna results for the whole period

4.1 Condensed Consolidated Financial Statements

In this section, we are reporting the fourth quarter and the full year 2005 condensed consolidated financial statements of Cableuropa. For a detailed analysis of the trends followed in the periods indicated, please see section 3 of this document.



4.1.1 Condensed Consolidated Balance Sheet

Data in € million

	31-Dec-05	30-Sep-05	31-Dec-04
	Statutory	Statutory	Statutory
ASSETS			
Current assets			
Cash	7	1	4
Short-term investments, net	3	1	9
Accounts receivable and other	267	67	55
Total current assets	277	69	69
Fixed assets			
Start-up costs, net	8	9	10
Intangible assets, net	406	408	171
Tangible assets, net	4,134	1,725	1,414
Financial assets, net	1,211	306	337
Total fixed assets	5,759	2,447	1,932
Goodwill on consolidation	1	1	171
Deferred expenses, net	49	56	33
TOTAL ASSETS	6,086	2,572	2,205
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short term debt to credit entities	72	62	31
Accrued interest expenses	9	11	15
Accounts payable and other	1,143	293	275
Total current liabilities	1,224	366	322
Long-term debt			
Senior facility	1,821	1,013	645
Subordinated facilities	400	-	-
Senior subordinated notes	342	341	457
Other	86	43	32
Total long-term debt	2,649	1,397	1,133
Other long term liabilities	255	42	102
Commitments and contingencies	419	18	9
Negative goodwill	263	-	-
Minority interests	3	-	-
Shareholders' loan	955	-	-
Shareholders' equity			
Common stock	1,088	1,088	891
Share premium	338	338	338
Accumulated deficit	(640)	(640)	(509)
Net loss for period	(467)	(37)	(81)
Total shareholders' equity	319	749	639
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,086	2,572	2,205

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4.1.2 Quarterly Condensed Consolidated Statements of Operations

<i>Data in € million</i>	Quarter ended	Quarter ended
	31-Dec-05	31-Dec-05
	Pro forma	Statutory
Revenues	425	335
Cost of services	(145)	(109)
Opex	(164)	(132)
EBITDA	116	94
Depreciation and amortization		(147)
EBIT / Operating profit/(loss)		(53)
Net financial expense		(37)
Amortization of goodwill		1
Net extraordinary expense		(403)
EBT / Loss before tax		(493)
Income tax credit		63
Loss before minority interests		(430)
Minority interest		0
Net loss		(430)

4.1.3 Annual Condensed Consolidated Statements of Operations

<i>Data in € million</i>	Year 2005	Year 2005	Year	% change
	Pro forma	Statutory	2004	
			Statutory	
Revenues	1,726	774	443	74.5%
Cost of services	(620)	(226)	(127)	78.1%
Opex	(647)	(272)	(144)	88.9%
EBITDA	459	276	172	59.9%
Depreciation and Amortization		(268)	(102)	na
EBIT Operating profit/(loss)		8	71	(88.6%)
Net financial expense		(134)	(104)	29.2%
Amortization of goodwill		1	(10)	na
Net extraordinary expense		(418)	(61)	na
EBT / Loss before tax		(543)	(105)	na
Income tax credit		76	21	na
Loss before minority interests		(467)	(83)	na
Minority interest		0	2	(88.9%)
Net loss		(467)	(81)	na



4.1.4 Quarterly Condensed Consolidated Cash Flow

<i>Data in € million</i>	Quarter ended	Quarter ended
	31-Dec-05	31-Dec-05
	Pro forma	Statutory
EBITDA	116	94
Capex	(229)	(163)
OPERATING FCF	(113)	(69)
Change in working capital		63
Other		(10)
FREE CASH FLOW		(17)
Shares acquisition		(1,970)
Paid interests, net		(38)
FCF AFTER DEBT SERVICE		(2,025)
Senior facility		808
Subordinated facilities		400
Contributions from shareholders		955
Other financing items		(132)
CF FROM FINANCING		2,031
NET CASH FLOW		6
CASH BEGINNING OF PERIOD		1
CASH END OF PERIOD		7

4.1.5 Annual Condensed Consolidated Cash Flow

<i>Data in € million</i>	Year 2005	Year 2005	Year 2004	% change
	Pro forma	Statutory	Statutory	
EBITDA	459	276	172	59.9%
Capex	(783)	(334)	(234)	na
OPERATING FCF	(324)	(59)	(62)	(4.5%)
Change in working capital		(14)	41	(134.0%)
Other		(31)	1	na
FREE CASH FLOW		(104)	(19)	na
Shares acquisition		(1,970)	-	na
Paid interests, net		(114)	(108)	5.5%
FCF AFTER DEBT SERVICE		(2,187)	(127)	na
Senior facility		1,032	130	na
Subordinated facilities		400	-	na
Senior subordinated notes		(122)	(3)	na
Contributions from shareholders		955	1	na
Other financing items		(75)	2	na
CF FROM FINANCING		2,190	130	na
NET CASH FLOW		3	3	19.1%
CASH BEGINNING OF PERIOD		4	1	209.0%
CASH END OF PERIOD		7	4	64.9%

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Disclaimer

5. DISCLAIMER

This document contains forward looking statements. These forward looking statements include all matters that are not historical facts and statements containing the words "believe," "expect," "intend," "anticipate," "will," "positioned," "project," "risk," "plan," "may," "estimate" or, in each case, their negative and words of similar meaning are forward looking statements.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

We caution you that forward looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward looking statements contained in this release as a result of various factors.

Consequently, our current business plan, anticipated actions and future financial condition, results of operations and cash flows, as well as the anticipated development of the industry in which we operate, may differ materially from those expressed in any forward looking statements made by us. These forward looking statements are uncertain and we cannot assure you that any such statements will prove to be correct. Actual results and developments may be materially different from those expressed or implied by such statements. We encourage you to consult the Company's Annual Report.

We have no obligation to, and do not intend to, update publicly or revise any forward looking statements contained in the document, whether as a result of new information, future events or otherwise.

In addition, the financial information contained in this document has been prepared under Spanish GAAP. This financial information is unaudited and, therefore, is subject to potential future modifications.

Pro forma information included in this document has been prepared based on historical operating and unaudited financial information of ONO and Auna. Pro forma financial and operating data is provided for informational purposes only and do not purport to represent what our financial condition or results of operations would actually have been if the Auna acquisition or other transactions had in fact occurred on the dates indicated, nor do they purport to project our financial condition or results of operations as of any future date or for any future period. Readers of this document are cautioned not to place undue reliance on this pro forma operating and unaudited financial information.

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FURTHER INFORMATION

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