



First quarter 2006 results

7 June 2006



Grupo Corporativo ONO, S.A.
Investor Relations



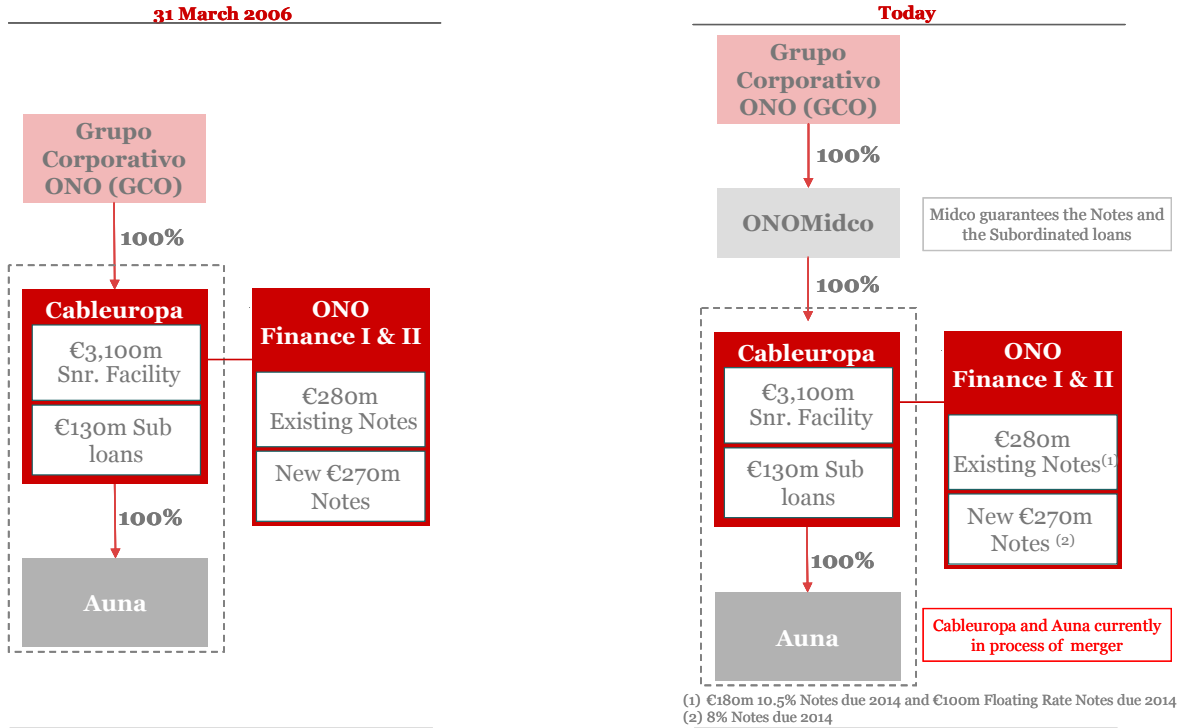
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Group and reporting structure

1. GROUP AND REPORTING STRUCTURE



We are reporting Q1 2006 results of Grupo Corporativo ONO, S.A. (“GCO”).

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, for the quarter ended December 31, 2005, for the convenience of the reader and for comparison purposes with the quarter ended March 31, 2005.

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.

DISCLAIMER: Please see important disclaimer in section 5 of this document



Group and reporting structure

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.

We have recently filed a Form 15 in order to de-register from the SEC and therefore our reporting obligations to the SEC are currently suspended.

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.

Schedule of reported information in this section

		Q1 2006	Q4 2005	Q1 2005
ONO information (GCO)				
Operating data	Combined ⁽¹⁾	√	√	na
	Standalone ⁽²⁾			√
Financial data	Combined ⁽¹⁾	√	√	na
	Statutory ⁽³⁾	√	√	√
Cableuropa information				
Financial data	Combined ⁽⁴⁾	√	√	
	Statutory ⁽⁵⁾	√	√	√

(1) Old ONO (GCO) and Auna data for the whole period. Combined and Statutory information are the same for Q1 2006. For Q4 2005 represents a pro forma of Old ONO (GCO) and Auna data for the whole period

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

(3) Includes for Q4 2005 Old ONO (GCO) results for the whole period and Auna results from November 2005, and for Q1 2006 Old ONO (GCO) and Auna for the whole period

(4) Old ONO (Cableuropa) and Auna data for the whole period. Combined and Statutory information are the same for Q1 2006. For Q4 2005 represents a pro forma of Old ONO (Cableuropa) and Auna data for the whole period

(5) Includes for Q4 2005 Old ONO (Cableuropa) results for the whole period and Auna results from November 2005, and for Q1 2006 Old ONO (Cableuropa) and Auna for the whole period

Segmentation of business lines

We are currently reassessing the segments that we use to report our operating and financial information. Therefore, we might modify the structure of our reporting segmentation in the future and it is possible that comparable data would not be available for previous periods.

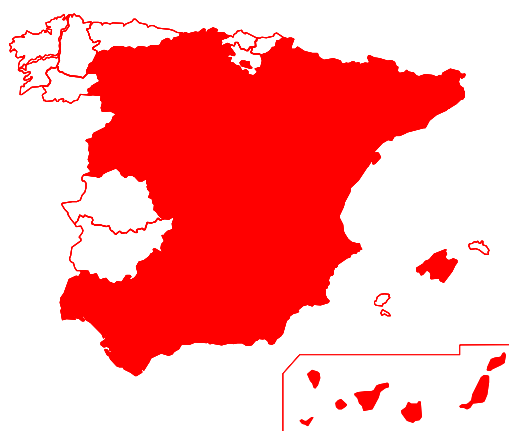
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2. OVERVIEW ON GRUPO CORPORATIVO ONO

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 direct access residential and 115,000 business customers as of March 31, 2006, 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 March 31, 2006, ONO generated revenues of €1,700 million and EBITDA of €532 million.

Cable franchises



	<u>in thousands</u>
Homes in Spain (*)	17,594
Homes in ONO franchises (*)	14,773
Coverage	84%
Cable homes released to marketing	5,756
Coverage	39%
Residencial direct access customers	1,782
Direct access penetration	31%
Business customers	115

(*) Source: INE

Table 1: Capitalization

As of March 31, 2006	Grupo Corporativo ONO			Cableuropa		
	€m	% of debt	Debt/ EBITDA	€m	% of debt	Debt/ EBITDA
Short-term debt	115	3.9%	0.2x	101	3.5%	0.2x
Senior Facility	2,043	69.6%	3.8x	2,043	70.2%	3.8x
Subordinated Facilities	130	4.4%	0.2x	130	4.5%	0.2x
Senior subordinated notes	550	18.7%	1.0x	550	18.9%	1.0x
State subsidies & other	98	3.4%	0.2x	85	2.9%	0.2x
Long-term debt	2,821	96.1%	5.3x	2,808	96.5%	5.3x
Total debt	2,936		5.5x	2,909		5.5x
Cash and cash equivalents	47			21		
Total net debt	2,889		5.4x	2,888		5.4x
EBITDA LQA	532			534		

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



2.1 Financial Overview

Table 2: Financial highlights

Data in €million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Revenues	422	425	(0.7%)	144	193.8%
Gross profit	283	280	1.0%	103	174.2%
Gross margin	67.1%	66.0%	1.1 pp	71.9%	(4.8 pp)
EBITDA	133	116	14.6%	55	143.2%
EBITDA margin	31.5%	27.3%	4.2 pp	38.0%	(6.6 pp)
Total Net debt	2,889	2,699	7.0%	1,383	109.0%
Total Net debt / EBITDA (x)	5.4x	5.8x	(0.4x)	6.3x	(0.9x)

Table 3: Revenue split

Data in €million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Residential direct access	276	266	3.8%	130	112.4%
Residential indirect access	17	18	(8.5%)	-	na
Business (incl. indirect access)	73	86	(14.3%)	14	441.4%
Wholesale & operators & other	56	55	1.3%	-	na
Total revenues	422	425	(0.7%)	144	193.8%

2.2 Key financial events

- 14% Notes due 2011

On February 15, 2006 ONO Finance Plc redeemed all of its 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.

- 8% Notes due 2014

On February 7, 2006, ONO Finance II Plc ("ONO Finance II") completed the offering of €270 million of 8% 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 issue of 8% Notes due 2014 were used to repay in full the €270 million Bridge Loan incurred by Cableuropa as part of the Auna Acquisition.



- **Capitalization of Shareholders Loan**

The €1,000 million contributed to GCO by our new shareholders: JP Morgan Partners, Providence Equity Partners, Quadrangle Capital Partners and Thomas H. Lee Partners at the date of the Auna Acquisition was capitalized in February 2006 into €647 million of common stock and €353 million share premium.

- **ONOMidco**

In accordance with the indentures for the 10.5% Notes due 2014, the Floating Rate Notes due 2014 and the 8% Notes due 2014, in May 2006 ONO created an intermediate holding company between GCO and Cableuropa called ONOMidco, S.A.U. ("ONOMidco").

- **Merger**

Our board has approved the corporate merger between Cableuropa and Auna. We believe that this merger will simplify the management of the ONO Group and reduce costs. The merger is due to be completed in 2006.

- **Swap agreements**

Under the €3,100 million Senior Bank Facility, we committed to enter into hedging arrangements to fix our variable interest rate exposure,

- within a maximum period of six months from the date of the agreement
- for a minimum term of three years from the closing date
- covering interest rate risk exposure on at least 50% of the drawn amounts under Tranches A,B,D and I

We have contracted a series of a step-up swaps to lock into low levels of EURIBOR. To date, we have covered €1,300 million, hedging our exposure for between 3 and 5 years. The process was carried out in three steps: in July 2005 we covered the interest rate risk exposure for €500 million; in February 2006 we covered €655 million and a further €145 million was completed in April 2006. The average swapped Euribor rate is currently 3.07%.



2.3 Operating Highlights (GCO)

Table 4: Operating highlights

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Standalone	
Customers:					
Cable	1,684	1,660	1.5%	814	107.0%
Other direct access	97	111	(12.2%)	-	na
Residential direct access	1,782	1,771	0.6%	814	119.0%
Indirect access	310	376	(17.5%)	-	na
Business	115	122	(5.4%)	22	411.7%
Other data – Cable:					
Homes released to marketing	5,756	5,652	1.9%	2,658	116.6%
Penetration	29.3%	29.4%	(0.1 pp)	30.6%	(1.4 pp)
ARPU (€)	53.2	51.9	2.5%	54.3	(2.0%)
RGUs	3,218	3,129	2.8%	1,518	112.0%
RGUs per customer	1.91	1.89	1.4%	1.87	2.4%
Churn	18.1%	18.6%	(0.5 pp)	14.4%	3.7 pp
Residential cable customers:					
Telephony	1,461	1,446	1.0%	718	103.4%
Internet	888	826	7.5%	351	152.8%
Television	869	858	1.4%	448	93.9%
Residential cable penetration:					
Telephony	25.4%	25.6%	(0.2 pp)	27.0%	(1.7 pp)
Internet	15.4%	14.6%	0.8 pp	13.2%	2.2 pp
Television	15.1%	15.2%	(0.1 pp)	16.9%	(1.8 pp)

2.4 Key operating events

- 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.

In the first quarter of 2006, as part of the transformation exercise, we launched a number of projects which in total will give rise to savings in 2006 of around €80 million and will cost around €50 million to implement.

We have reviewed staffing levels for all areas of operations in order to eliminate duplication and achieve greater efficiency. We have reached an agreement with the labor unions and the Government regarding headcount reductions and up to 785 people will be affected, during 2006 and 2007.

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.



- **Agreement with Telecinco**

In April 2006, we reached an agreement with Telecinco to provide a number of Telecinco's national series in advance of public broadcasting on our Video on Demand service, "ojo".

- **ONO light**

In May 2006, we launched the "ONO light" brand in order to promote our ULL services. Currently, we have more than 100 unbundled switches through which we offer our ULL services, covering approximately 3 million homes. We consider ULL as a key factor for the extension of our business, complementing our cable core business. Most of our ULL customers are currently telephony only but we are incentivising them to contract internet.

- **4 Mbps**

ONO is increasing the speed offered to all its broadband internet customers in the Auna areas to 4 Mbps. The process began in June in Madrid and will be extended to the other regions in due course.

- **Mobile Virtual Network Operator**

In April 2006, we made an application to the "Comisión del Mercado de las Telecomunicaciones" ("CMT") to become a mobile virtual network operator. We are currently awaiting a response from the CMT. Our application for a licence does not imply that we will necessarily launch an MVNO business. We are currently studying all of the alternatives available to us in this area.



3. GRUPO CORPORATIVO ONO

3.1 Condensed Consolidated Financial Statements

Table 5: Condensed Consolidated Balance Sheet

<i>Data in €million</i>	31-Mar-06	31-Dec-05	31-Mar-05
	Statutory	Statutory	Statutory
ASSETS			
Current assets			
Cash	33	7	1
Short-term investments, net	15	37	11
Accounts receivable & other	309	268	68
Total current assets	356	312	79
Fixed assets			
Start-up costs, net	19	9	12
Intangible assets, net	390	406	189
Tangible assets, net	4,164	4,134	1,687
Financial assets, net	1,220	1,204	279
Total fixed assets	5,793	5,754	2,167
Goodwill on consolidation	-	1	234
Deferred expenses, net	25	25	41
TOTAL ASSETS	6,173	6,092	2,522
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short term debt	115	79	49
Accrued interest expenses	23	9	14
Accounts payable and other	1,059	1,129	345
Total current liabilities	1,197	1,218	408
Long-term debt			
Senior facility	2,043	1,821	850
Subordinated facilities	130	400	-
Senior subordinated notes	550	342	459
Other	98	100	36
Total long-term debt	2,821	2,663	1,345
Other long term liabilities	253	255	46
Commitments and contingencies	391	419	10
Negative goodwill	257	263	-
Minority interests	3	3	-
Shareholders' loan ⁽¹⁾	-	1,000	3
Shareholders' equity			
Common stock	1,630	983	979
Share Premium	353	0	0
Accumulated deficit	(711)	(245)	(245)
Net loss for period	(20)	(466)	(25)
Total shareholders' equity	1,252	272	709
TOTAL LIABILITIES AND SHRS' EQUITY	6,173	6,092	2,522

⁽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.



Table 6: Quarterly Condensed Consolidated Statements of Operations

Data in €million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Revenues	422	425	(0.7%)	144	193.8%
Cost of services	(139)	(145)	(4.0%)	(40)	244.1%
Opex	(150)	(164)	(8.6%)	(49)	209.0%
EBITDA	133	116	14.6%	55	143.2%
Depreciation and amortization	(114)			(34)	231.8%
EBIT / Operating profit/(loss)	19			20	(7.1%)
Net financial expense	(41)			(27)	51.5%
Amortization of goodwill	6			(5)	(212.5%)
Net extraordinary expense	(9)			(18)	(51.3%)
EBT / Loss before tax	(26)			(30)	(13.7%)
Income tax credit	6			5	28.8%
Loss before minority interests	(19)			(25)	(21.9%)
Minority interests	(1)			-	na
Net loss	(20)			(25)	(19.4%)

EBITDA increased in the first quarter by €17 million or 14.6% from €116 million in the fourth quarter of 2005 reflecting our focus on improving the quality of revenues. Revenues fell as our residential and business indirect access businesses continue to be wound down, but our implementation of new processes and procedures in the Auna business have also led to cost reductions.

Table 7: Quarterly Condensed Consolidated Cash Flow

Data in €million	Quarter ended	Quarter ended	% change	Quarter ended
	31-Mar-06	31-Dec-05		31-Mar-05
	Combined	Combined		Statutory
EBITDA	133	116	14.6%	55
Capex	(121)	(231)	(47.7%)	(59)
OPERATING FCF	12	(115)	na	(4)
Change in working capital	(111)			(15)
Other ⁽¹⁾	(54)			(2)
FCF	(153)			(21)
Paid interests, net	(27)			(26)
FCF AFTER DEBT SERVICE	(180)			(47)
Senior facility	222			61
Senior Subordinated Notes	(62)			-
Short term debt	36			10
Short term investments	22			-
Other financing items	(13)			(27)
FINANCING CASH FLOW	205			44
NET CASH FLOW	25			(3)
CASH BEGINNING OF PERIOD	7			5
CASH END OF PERIOD	33			1

⁽¹⁾ Includes €10M of Stamp Duty, €20M of integration costs, Commitment & contingencies and other one off items.



3.2 Key factors affecting our business

3.2.1. Customers

Table 8: Customer split

Data in thousand	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Standalone	
Customers					
Residential direct access:					
Cable	1,684	1,660	1.5%	814	107.0%
Other direct access	97	111	(12.2%)		na
Residential direct access	1,782	1,771	0.6%	814	119.0%
Residential indirect access	310	376	(17.5%)		na
Business:					
Direct access	76	77	(1.9%)	22	236.1%
Indirect access	40	45	(11.4%)		na
Business customers	115	122	(5.4%)	22	411.7%
Residencial Cable ARPU	53.2	51.9	2.5%	54.3	(2.0%)

Our residential direct access customers increased by 0.6% in the quarter reaching 1,782,000 as of March 31, 2006. This is mainly due to the continued deployment of our network and our ability to maintain our penetration rates.

Direct access business customers remained flat in the quarter, this is mainly the consequence of Auna's commercial slowdown prior to the acquisition and of the necessary timeframe for our commercial efforts to mature.

Indirect access business customers decreased by 17.5%, as expected from our focus on increasing the weight of direct access business.

ARPU for residential cable services in ONO was €53.2 in the first quarter of 2006 compared to €51.9 in the fourth quarter of 2005. Residential cable ARPU increased by 2.5% reflecting the increase in RGUs per customer as an increasing percentage of customers received bundled services. These bundled services increase offsets the price erosion as a result of the higher competition in the telecommunications market resulting from the operators unbundling Telefónica's local loop to mainly provide double play of telephony and broadband Internet services.

3.3 First quarter 2006 results of operations

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

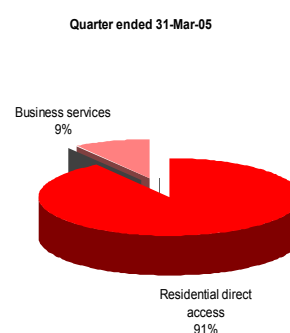
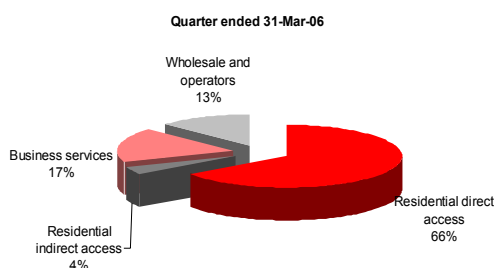


operators services (which principally comprise interconnection charges to other telecom operators, carrier services and leased circuits to other operators).

The following table sets 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.

Table 9: Revenue split

Data in €million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Residential direct access	276	266	3.8%	130	112.4%
Residential indirect access	17	18	(8.5%)	-	na
Business (incl. indirect access)	73	86	(14.3%)	14	441.4%
Wholesale & operators & other	56	55	1.3%	-	na
Total revenues	422	425	(0.7%)	144	193.8%



Revenues decreased in Q1 2006 by 0.7% to reach €422 million, mainly due to a decrease in business revenues (14.3%) as a consequence of the significant indirect access decline business customers decrease (11.4%). This decrease has been partially compensated by the residential direct access revenue increase (3.8%) reaching €276 million in the first quarter of 2006.



3.3.1.1 Residential direct access services

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:

Table 10: Residential cable services

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Standalone	
Resid. Cable Services:					
HRTM	5,756	5,652	1.9%	2,658	116.6%
Customers	1,684	1,660	1.5%	814	107.0%
Penetration	29.3%	29.4%	(0.1 pp)	30.6%	(1.4 pp)
Churn	18.1%	18.6%	(0.5 pp)	14.4%	3.7 pp
ARPU (€)	53.2	51.9	2.5%	54.3	(2.0%)
RGUs	3,218	3,129	2.8%	1,518	112.0%
RGUs per customer	1.91	1.89	1.4%	1.87	2.4%

Total cable customers increased during the last quarter by 1.5% to 1,684,000. Our focus on bundling offers also brought an improvement in RGUs per customer reaching 1,91 as at March 31, 2006.

Despite the increased competition, churn decreased in the first quarter of 2006 to 18.1%, from 18.6% in the previous quarter, due to the convergence of retention and loyalty policies of Old ONO and Auna.

Homes released to marketing increased by 1.9% during the last quarter. The effect of this increase of homes released to marketing being greater than the increase of new customers caused our penetration to decrease to 29.3% as of March 31, 2006, as compared with 29.4% as of December 31, 2005.

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 services and our digital television services also had a positive impact on our revenues.



- **Telephony**

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

Table 11: Telephony services

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Standalone	
Telephony customers	1,461	1,446	1.0%	718	103.4%
Proportion of total customers	86.7%	87.1%	(0.4 pp)	88.3%	(1.6 pp)
Penetration	25.4%	25.6%	(0.2 pp)	27.0%	(1.7 pp)

Telephony customers increased by 1.0% in the first quarter of 2006 to reach 1,461,000 as of March 31, 2006. Telephony continues to account for the largest portion of our RGUs. Penetration over homes released to marketing decreased by 0.2 pp, mainly due to increased levels of competition and churn.

- **Internet**

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

Table 12: Internet services

<i>Data in thousand, except if otherwise stated</i>	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Standalone	
Internet customers	888	826	7.5%	351	152.8%
Proportion of total customers	52.7%	49.7%	2.9 pp	43.1%	9.5 pp
Penetration	15.4%	14.6%	0.8 pp	13.2%	2.2 pp

Internet customers increased by 7.5% in the first quarter of 2006 to reach 888,000 as of March 31, 2006. Our residential Internet penetration increased significantly to 15.4% in the first quarter of 2006 from 14.6% in the previous quarter. Internet customers as a proportion of total customers increased by 2.9 pp to 52.7% in the first quarter of 2006 from 49.7% in the previous quarter.

We have recently started the commercialization of our 4 Mbps broadband internet service in Auna areas without any price increase. The process began in Madrid in June and will be extended to the other regions in due course.



- **Television**

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

Table 13: Television services

Data in thousand, except if otherwise stated	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined	Standalone		
Television customers	869	858	1.4%	448	93.9%
Proportion of total customers	51.6%	51.7%	(0.1 pp)	55.1%	(3.5 pp)
Penetration	15.1%	15.2%	(0.1 pp)	16.9%	(1.8 pp)

Cable television customers increased by 1.4% in the quarter to reach 869,000 as of March 31, 2006. Total penetration of cable television services over homes released to marketing decreased marginally in the first quarter by 0.1 pp to 15.1% penetration. Cable television customers as a proportion of total customers remained stable at 51.6%, confirming for the second quarter in a row a good level of stability.

We believe that the quality of our digital product offering, which includes full Video on Demand ("VoD") (marketed under the "ojo" brand), launched in Old ONO's areas in December 2005, is attractive to our customers. At the end of the first quarter of 2006, 84% 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 March 31, 2005, more than 72% of our Old ONO TV customers had used the "ojo" service.

b) Other direct access

Other direct access services includes services offered mainly through full or partial unbundling of Telefónica's local loop. These services provide us with revenues from monthly fees from telephony and broadband Internet services and usage charges from telephony services. Our ULL customers decreased in the first quarter of 2006 from 111 thousand to 97 thousand. The 12.2% reduction in ULL customers results from the decrease in our partial unbundling customer base which surpasses the increase in full unbundling customers.

We are concentrating this business on the higher value "fully" unbundled customers. It is likely that we will lose additional "partially" unbundled customers in the future.

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:

Table 14: Residential indirect access

Operating data in thousand Financial data in millions	Quarter ended 31-Mar-06	Quarter ended 31-Dec-05	% change	Quarter ended 31-Mar-05	% change
	Combined	Combined			
Customers	310	376	(17,5%)	-	na
Revenues	17	18	(8,5%)	-	na

Residential indirect access customers decreased by 17.5% from 376,000 as of December 31, 2005 to 310,000 as of March 31, 2006 as a consequence of (i) the competitive environment in the Spanish telephony market and (ii) our focus on our direct access business. We expect this trend of reducing customers and revenues to continue in the future.

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 table sets forth revenues and certain other information from business services, and the percentage change from period to period:

Table 15: Business services

Operating data in thousand. Financial data in €million.		Quarter ended 31-Mar-06	Quarter ended 31-Dec-05	% change	Quarter ended 31-Mar-05	% change
		Combined	Combined		Standalone	
	Op	Combined	Combined		Standalone	
	Fin	Combined	Combined		Statutory	
Business customers:						
		76	77	(1.9%)	22	236.1%
	Direct access					
	Indirect access	40	45	(11.4%)	-	na
	Total customers	115	122	(5.4%)	22	411.7%
	Revenues	73	86	(14.3%)	14	441.4%

ONO's business customers decreased by 5.4% in Q1 2006, due to indirect access customers dropping off by 11.4%. This decrease reflects the company's global strategy of focusing on direct access customers. Nevertheless, direct access business customers decreased slightly by 1.9% in Q1 2006, again as a consequence of our focus on higher margin business. As a consequence of customers decrease, business revenues dropped off by 14.3% to €73 million in the first quarter of 2006, from €86 million in the previous quarter.



3.3.1.4. Wholesale and Operators & Other Services

Revenues from wholesale and 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:

Revenues for wholesale and operators increased by 1.3%, from €55 million for the fourth quarter of 2005 to €56 million in the first quarter of 2006, mainly due to an increase in additional tariff services and interconnection revenues.

3.3.2. Cost of Services and Gross Profit

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

Table 16: Cost of services and Gross Profit

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Total revenues	422	425	(0.7%)	144	193.8%
Cost of services	(139)	(145)	(4.0%)	(40)	244.1%
Gross Profit	283	280	1.0%	103	174.2%
Gross Margin	67.1%	66.0%	1.7%	71.9%	(6.7%)

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 decreased as a percentage of total revenues to 32.9% for the three months ended March 31, 2006 as compared to 34.1% for the previous quarter. Gross margin increased by 1.7% to 67.1% in the first quarter of 2006. As part of our transformation process we have identified specific projects to improve the level of gross margin, which include the reduced focus on non-strategic areas of business.



3.3.3. Operating Expenses

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

Table 17: Opex

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Gross Opex	164	182	(10.0%)	54	202.1%
Capitalised Costs	(14)	(18)	(21.1%)	(6)	143.0%
Net Opex	150	164	(8.6%)	49	209.0%
as % of revenues	35.5%	38.7%	(8.1%)	33.9%	5.2%

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.

Net Opex decreased as a percentage of total revenues to 35.5% for the three months ended March 31, 2006 as compared to 38.7% 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 and the aim to converge with the efficiency ratios obtained by Old ONO before the Auna acquisition.

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:

Table 18: Depreciation and Amortization

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Statutory		Statutory	
Depreciation and Amortization	(114)	(147)	(22.5%)	(34)	231.8%

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 decrease in depreciation and amortization expense principally reflects the asset's write off carried out as part of Auna's purchase price acquisition accounting.



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:

Table 19: Net Financial Expense

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Statutory		Statutory	
Net financial expense	(41)	(37)	12.6%	(27)	51.5%

Our net financial expense is mainly comprised of interest expense from our financing agreements. Net financial expense increased by 12.6% in the first quarter of 2006, 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.

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:

Table 20: Other income and Expense

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Statutory		Statutory	
Amortization of goodwill	6	1	na	(5)	na
Net extraordinary expense	(9)	(401)	na	(18)	na
Income tax	6	63	na	5	28.8%



3.4 Debt and liquidity

Table 21: Debt and liquidity

As of March 31, 2006	Maximum available	Short term debt	Long term debt	Total debt
Type of debt				
Debt with credit entities:				
Senior facility ⁽¹⁾	3,000		2,043	2,043
Subordinated Facility	110		110	110
Participative Loan	20		20	20
Other credit facilities	155	94	13	107
Total debt with credit entities	3,285	94	2,186	2,280
Other debt:				
Senior subordinated notes	550		550	550
State subsidies and other	107	21	85	107
Total other debt	650	21	635	656
Total debt	3,935	115	2,821	2,936
Cash and cash equivalents				(47)
Total net debt				2,889
EBITDA LQA				532
Total net debt/EBITDA				5.4x

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

For a discussion of our main financing arrangements, please see our Investor Relations website or the Offering Memorandum published on our 8% Notes due 2014, issued in February 2006, which is on our Investor Relations website.



4. CABLEUROPA

4.1 Condensed Consolidated Financial Statements

In this section, we are reporting the first quarter 2006 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.

Table 22: Condensed Consolidated Balance Sheet (Cableuropa)

Data in € million

	31-Mar-06	31-Dec-05	31-Mar-05
	Statutory	Statutory	Statutory
ASSETS			
Current assets			
Cash	21	7	1
Short-term investments, net	4	3	11
Accounts receivable and other	288	267	69
Total current assets	313	277	80
Fixed assets			
Start-up costs, net	8	8	10
Intangible assets, net	389	406	189
Tangible assets, net	4,163	4,134	1,687
Financial assets, net	1,218	1,211	297
Total fixed assets	5,778	5,759	2,183
Goodwill on consolidation	-	1	234
Deferred expenses, net	47	49	51
TOTAL ASSETS	6,138	6,086	2,549
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short term debt to credit entities	101	72	47
Accrued interest expenses	23	9	13
Accounts payable and other	1,049	1,143	326
Total current liabilities	1,172	1,224	386
Long-term debt			
Senior facility	2,043	1,821	850
Subordinated facilities	130	400	-
Senior subordinated notes	550	342	459
Other	85	86	36
Total long-term debt	2,808	2,649	1,345
Other long term liabilities	253	255	46
Commitments and contingencies	391	419	10
Negative goodwill	257	263	-
Minority interests	3	3	-
Shareholders' loan	955	955	-
Shareholders' equity			
Common stock	1,088	1,088	1,088
Share premium	338	338	338
Accumulated deficit	(1,107)	(640)	(640)
Net loss for period	(20)	(467)	(25)
Total shareholders' equity	299	319	761
TOTAL LIABILITIES AND SHRS' EQUITY	6,138	6,086	2,549

DISCLAIMER: Please see important disclaimer in section 5 of this document



Table 23: Quarterly Condensed Consolidated Statement of Operations (Cableuropa)

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
Revenues	421	425	(1.0%)	144	192.9%
Cost of services	(140)	(145)	(3.7%)	(40)	246.2%
Opex	(148)	(164)	(10.0%)	(48)	204.4%
EBITDA	133	116	15.0%	55	143.5%
Depreciation and amortization	(113)			(34)	231.5%
EBIT / Operating profit/(loss)	20			21	(2.3%)
Net financial expense	(42)			(28)	49.6%
Amortization of goodwill	6			(5)	(212.5%)
Net extraordinary expense	(9)			(18)	(50.6%)
EBT / Loss before tax	(25)			(30)	(16.4%)
Income tax credit	6			5	22.0%
Loss before minority interests	(19)			(25)	(24.0%)
Minority interest	(1)			-	na
Net loss	(20)			(25)	(21.4%)

Table 24: Quarterly Condensed Consolidated Cash Flow (Cableuropa)

Data in € million	Quarter ended	Quarter ended	% change	Quarter ended	% change
	31-Mar-06	31-Dec-05		31-Mar-05	
	Combined	Combined		Statutory	
EBITDA	133	116	15.0%	55	143.5%
Capex	(121)	(229)	(47.4%)	(59)	104.4%
OPERATING FCF	13	(113)	na	(4)	na
Change in working capital	(115)				
Other ⁽¹⁾	(41)				
FREE CASH FLOW	(143)				
Paid interests, net	(27)				
FCF AFTER DEBT SERVICE	(171)				
Senior facility	222				
Senior Subordinated Notes	(62)				
Short term debt	29				
Short term investment	(1)				
Other financing items	(4)				
FINANCING CASH FLOW	185				
NET CASH FLOW	14				
CASH BEGINNING OF PERIOD	7				
CASH END OF PERIOD	21				

(1) Includes €20M of integration costs, Commitment & contingencies and other one off items.



4.2 Debt and Liquidity

Table 25: Debt and Liquidity (Cableuropa)

As of March 31, 2006	Maximum available	Short term debt	Long term debt	Total debt
Type of debt				
Debt with credit entities:				
Senior facility ⁽¹⁾	3,000		2,043	2,043
Subordinated Facility	110		110	110
Participative Loan	20		20	20
Other credit facilities	125	79		79
Total debt with credit entities	3,255	79	2,173	2,252
Other debt:				
Senior subordinated notes	550		550	550
State subsidies and other	107	21	85	107
Total other debt	657	21	635	657
Total debt	3,912	101	2,808	2,909
Cash and cash equivalents				(21)
Total net debt				2,888
 EBITDA LQA				 534
Total net debt/EBITDA				5.4x

(1) To avoid any double counting, the caption Senior Facility excludes bank guarantees drawn under Tranche S to counter guarantee debt reported under the caption "State subsidies and other".



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.



FURTHER INFORMATION

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