

Q1 2009 Results

20 May 2009

ONO

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



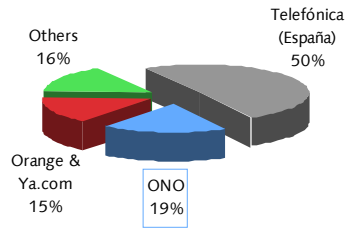
Operating performance

Operating performance

	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	YoY
Homes released to marketing ('000)	6,850	6,915	6,952	6,963	6,969	1.7%
Residential cable customers ('000)	1,878	1,889	1,870	1,853	1,845	(1.8%)
Customer penetration (%)	27.4%	27.3%	26.9%	26.6%	26.5%	(0.9 pp)
Revenue generating units ('000)	3,868	3,954	3,953	3,960	3,958	2.3%
Broadband	1,241	1,272	1,272	1,283	1,295	4.4%
Television	1,011	1,052	1,057	1,039	1,016	0.5%
Telephony	1,616	1,631	1,623	1,638	1,646	1.9%
RGUs per customer (#)	2.06	2.09	2.11	2.14	2.15	4.2%
Triple play (%)	32.0%	32.9%	33.8%	34.1%	34.2%	2.2 pp
Gross churn (%)	19.3%	19.4%	21.9%	20.9%	17.8%	(1.5 pp)
Net churn (%)	17.5%	17.5%	19.6%	18.7%	15.7%	(1.8 pp)
ARPU (€)	52.0	53.3	52.4	53.2	51.9	(0.3%)

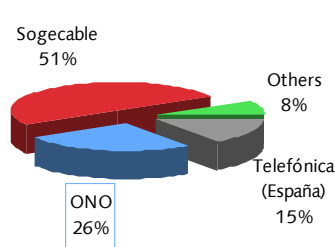
Market segmentation

Broadband



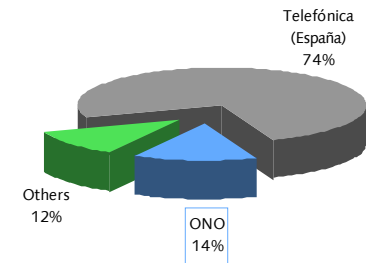
Source: CMT Q4 2008 Report

Pay TV



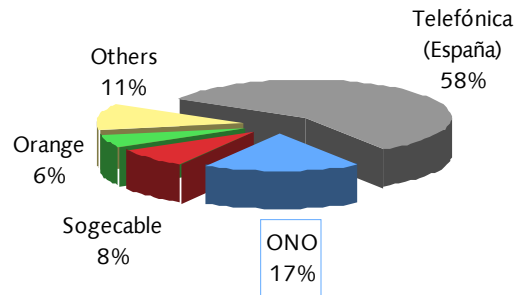
Source: CMT Q4 2008 Report

Telephony



Source: CMT Q4 2008 Report

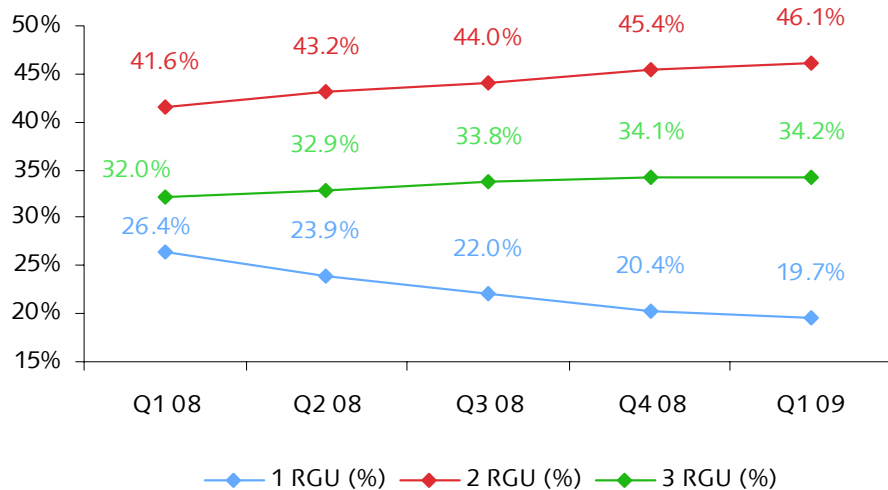
Total retail market share of customers



Source: CMT Q4 08 Report

Success of the bundling strategy

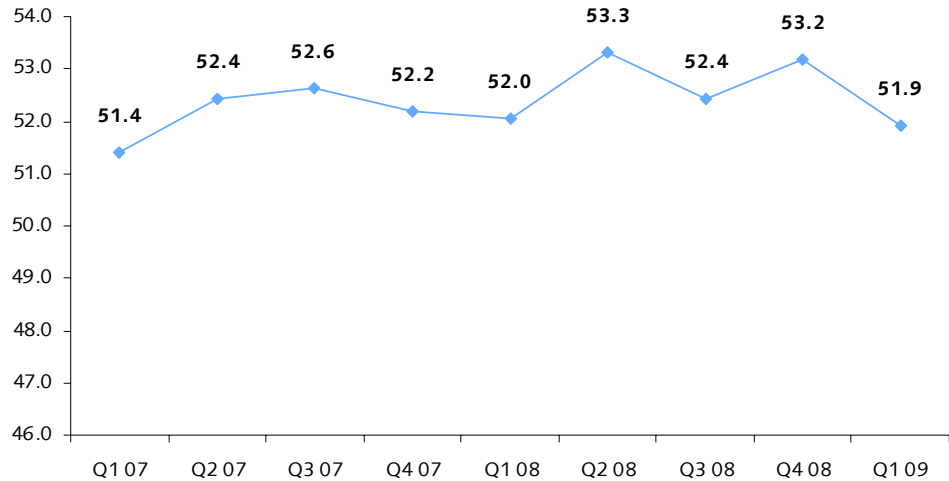
Bundling customers (%)



- High focus on double and triple play
- Increased focus on acquiring customers with telephony and broadband bundle or on a triple play basis
- Increased market segmentation and broad array of offering within each bundle
- Focus on selling lower churn bundles

ARPU

ARPU evolution (€)



- Increase in 3P and 2P helping sustainability of fixed monthly fee
- Monthly fee erosion due to spin-down offset by one-off fees and upsale campaigns
- Q1 reduction driven by lower variable revenues:
 - Telephony MoU growing but fixed-to-mobile calls substituted by fixed-to-fixed calls
 - Reduced TV variable consumption due to football war

Residential broadband



Internet

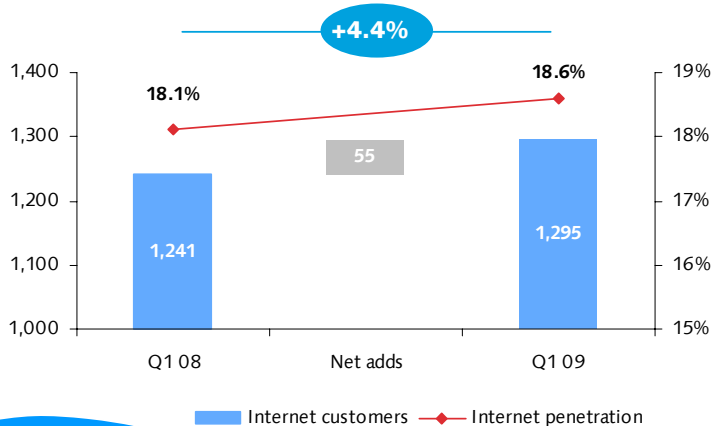


ONO residential broadband

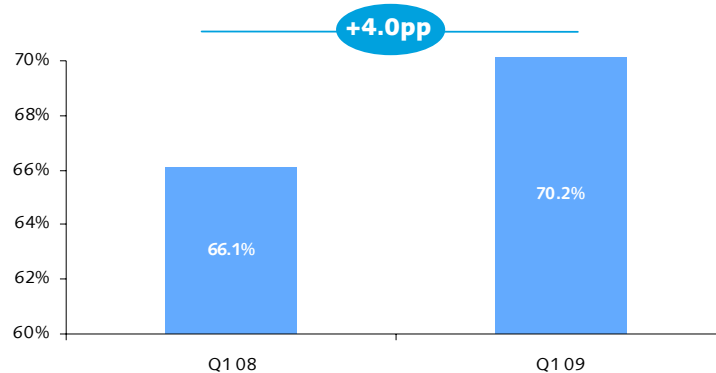
- 1.3 million customers
- 18.6% penetration of homes, 70% penetration of customers
- 50Mb launched in Madrid
- Mobile broadband launched

50Mb
3Mb
6Mb
12Mb

BB Internet customers ('000) & penetration (%)



% of customers taking BB Internet



Television



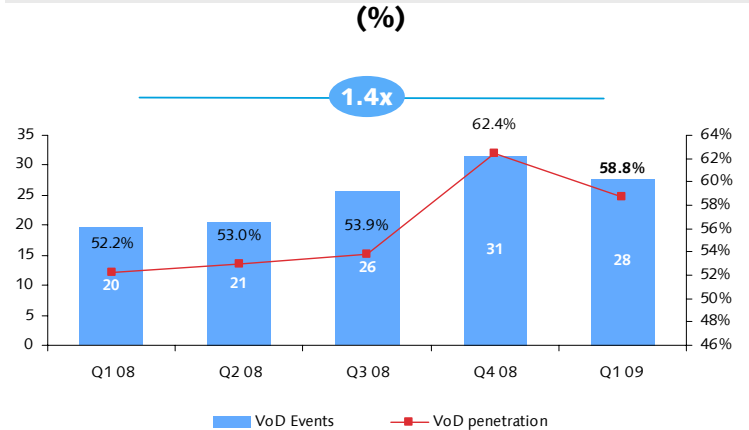
Television

ONO residential television

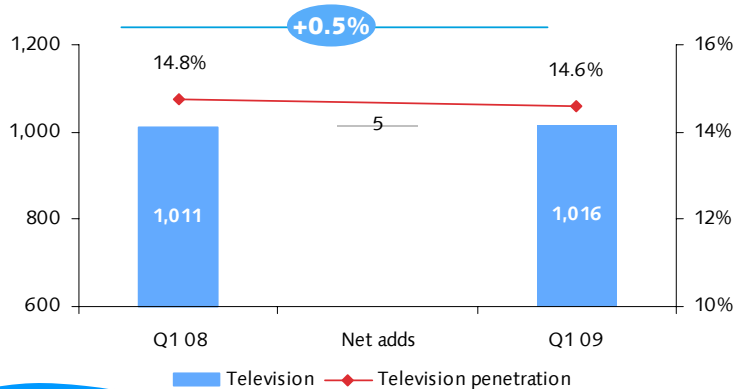
- More than 1 million customers
- Lower TV consumption due to "football war" (many games on "free to air" rather than PPV)
- New EPG being rolled out across base



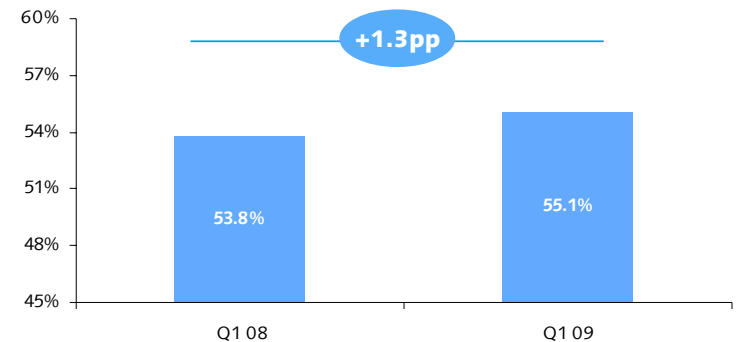
VoD events per quarter (million) & penetration (%)



Television customers ('000) & penetration (%)



% of customers taking TV



Residential telephony



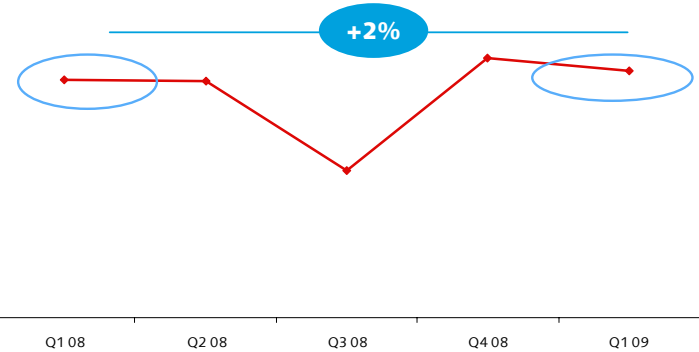
Telephony



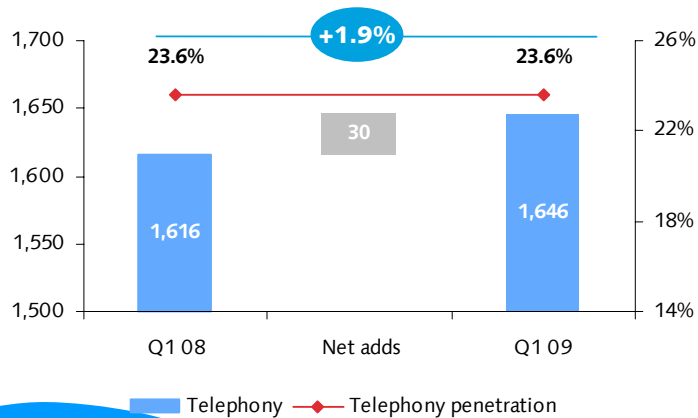
ONO residential telephony

- 1.6 million customers, increase of 8,000 in the first quarter of 2009
- Usage patterns remain strong. Sustained through national flat rate offers (all in)
- Fixed to mobile usage reduced

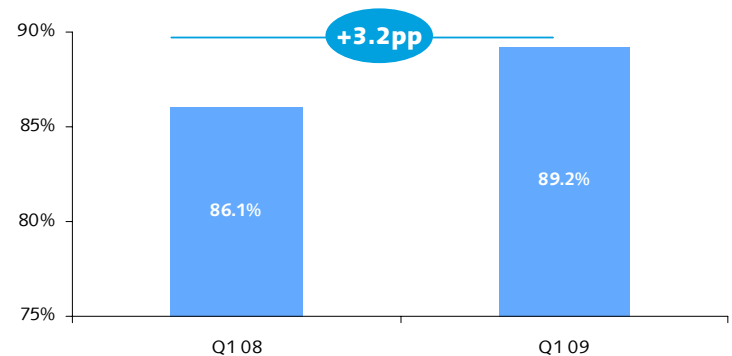
MoU of residential telephony



Telephony customers ('000) & penetration (%)



% of customers taking telephony

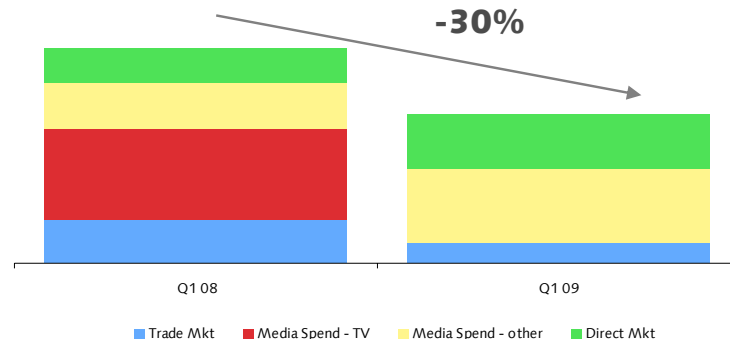


Sales mix evolution and marketing approach

Product sales mix (%)

	Q1 08	Q1 09
3- Play	21.1%	29.5%
2- P Telephony + Broadband	29.6%	44.8%
2- P Telephony + TV	19.0%	11.6%
2- P Broadband + TV	22.2%	6.2%
1- P Telephony	5.5%	6.2%
1- P Broadband	2.6%	1.6%
1- P TV	0.0%	0.1%

Marketing expenditure



- 74% of sales in the higher value packages in Q1 09 vs 51% in Q1 08
- Reduction in marketing expenditure by 30%
 - refocusing efforts on direct marketing and segmented activities rather than on broadscale TV

Sales channel mix evolution

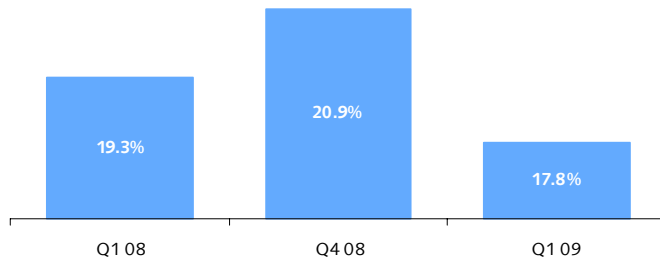
Sales channel mix (%)

	Q1 08	Q1 09
Distributors	4.3%	4.1%
Shops	15.6%	24.1%
Direct sales force	34.1%	10.5%
Sales platform	43.0%	50.0%
On-line Channel	3.0%	11.3%

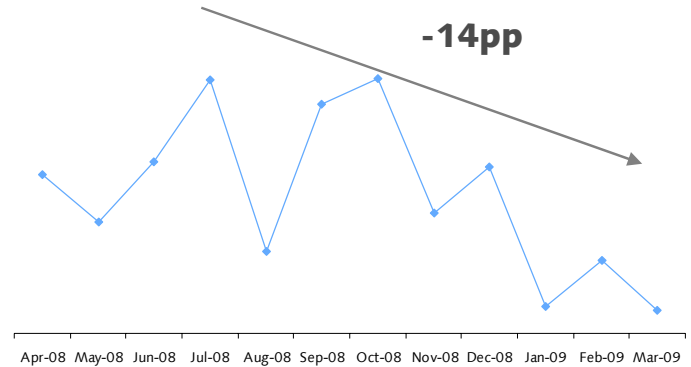
- New strategy focused on the most efficient cost-per-sale channels, delivering a 26% reduction in unitary cost
- Evolution towards more variable cost channels
- Focus on pull channels to improve quality of sales
- Fully automated on-line sales channel growing strongly

Churn evolution

Gross churn - Cable



Early churn



- Churn reduction aided by:
 - reduced sales promotions, higher focus on final price
 - move to pull sales channels
 - credit scoring
 - more targeted marketing spend

Summary

Completed

- New management appointments
- Headcount reduction plan
- Sales channel strategy evolution
- Opex and capex reductions consolidated
- Churn reducing
- Operating and financial performance ahead of 2009 budget
- Liquidity position in line with expectations

Under review

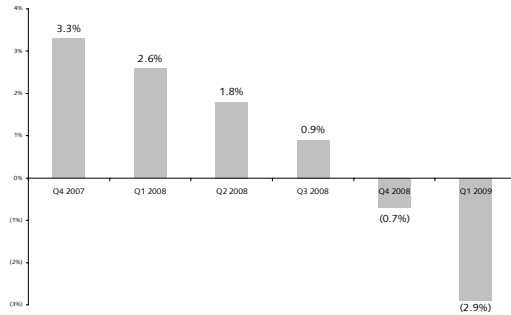
- Strategy review to identify additional growth opportunities (mobility, enterprise division, ...)
- Customer related processes (Sales evolution, customer care,...)
- ARPU maintenance and enhancement



Financial performance

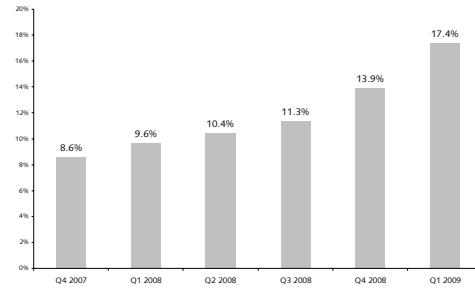
Despite the difficult macroeconomic environment

GDP growth (annual rate)



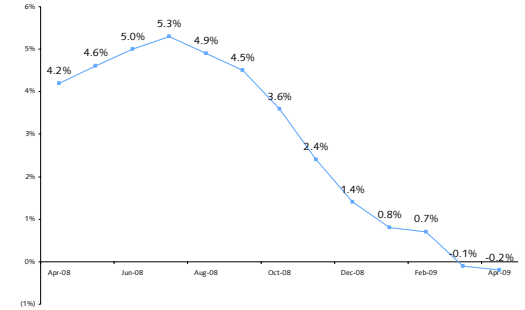
Source: INE

Unemployment



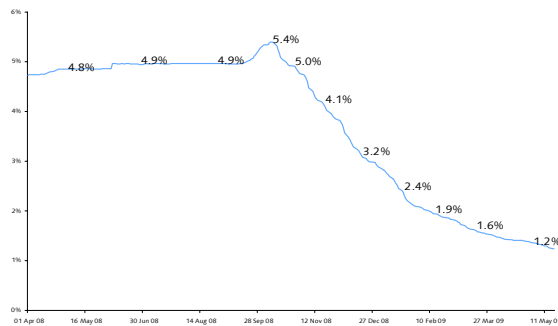
Source: INE

Inflation (annual rate)



Source: INE

EURIBOR (3-month)



Source: FININFO

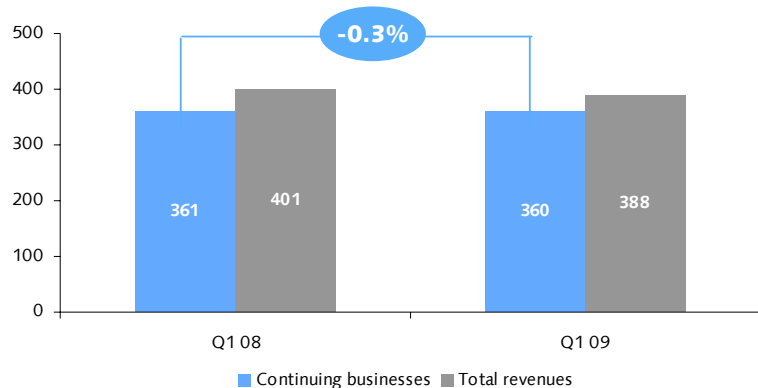
- Spain saw its GDP contract by 2.9% in March (12-month) as the country faces worsening unemployment and continued deterioration in consumer spending and corporate investment
 - The Bank of Spain predicts that the GDP will fall 3.3% in 2009
- CPI dropped to -0.2% in April, down from -0.1% in March
- The 3-month Euribor fell to a new record low, a result of ECB cutting official interest rates and its liquidity taken actions

Financial performance

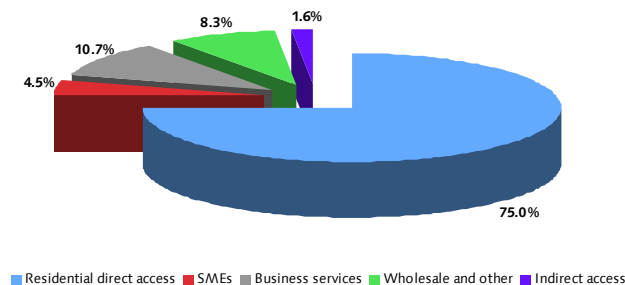
	Q1 08	Q4 08	Q1 09	YoY
Continuing businesses (€m)	361	370	360	(0.3%)
Residential direct access	300	305	296	(1.3%)
SMEs	18	18	18	(1.1%)
Business services	43	47	46	7.3%
Partial continuing businesses-Wholesale (€m)	33	27	26	(22.4%)
Discontinuing businesses-Indirect access (€m)	6	3	3	(56.0%)
Total revenues (€m)	401	401	388	(3.2%)
Gross Profit (€m)	300	308	298	(0.7%)
Gross Margin (%)	74.8%	76.9%	76.7%	1.9pp
Net Opex (€m)	(134)	(127)	(115)	(14.3%)
EBITDA (€m)	166	181	183	10.4%
EBITDA margin (%)	41.3%	45.2%	47.1%	5.8 pp
Capex (€m)	(104)	(78)	(51)	(50.9%)
Op. FCF (€m)	62	103	132	113.4%
FCF after debt service (€m)	(96)	33	(62)	(36.0%)

Diversified revenue streams

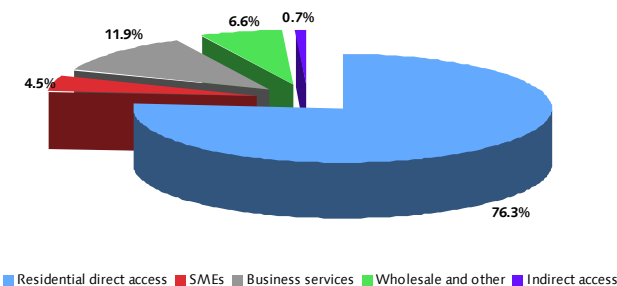
Revenues and Continuing businesses revenues (€m)



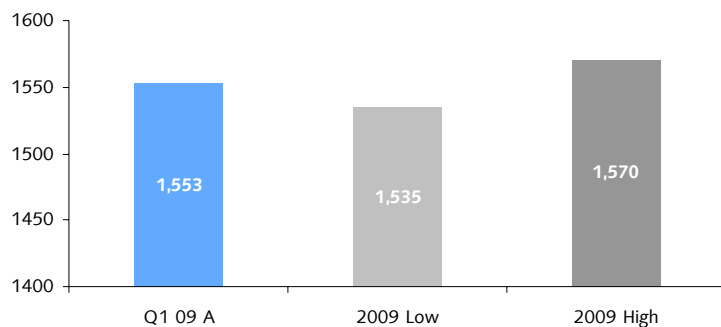
Revenue breakdown Q1 2008 (%)



Revenue breakdown Q1 2009 (%)



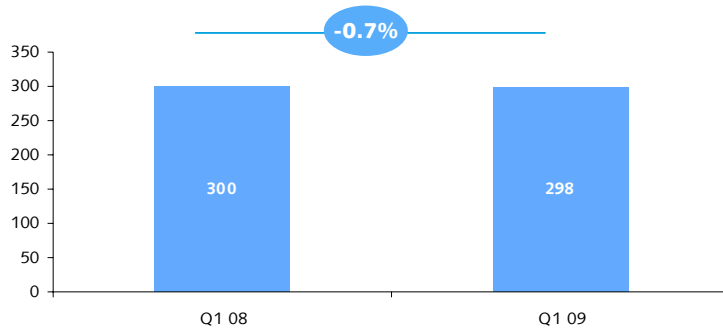
Guidance compliance (€m)



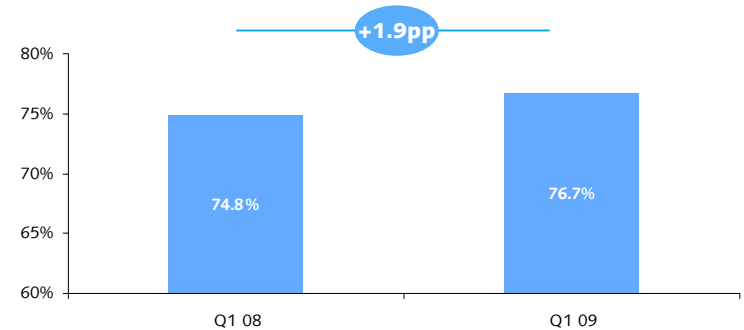
- Residential direct access reached 76.3% of revenues
- Variable related revenues (consumption ARPU) suffering the economic environment. Reduction of fixed to mobile calls and PPV

Good progress on margin

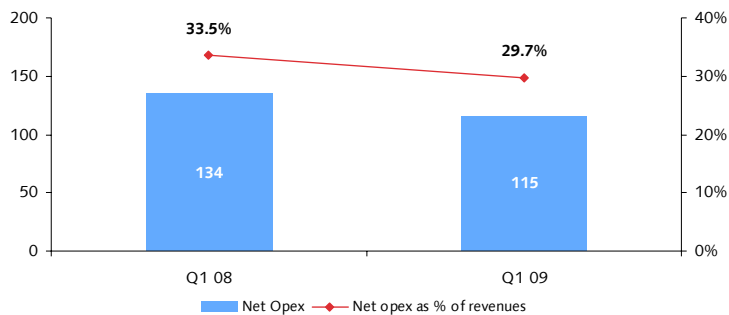
Gross profit (€m)



Gross margin (%)



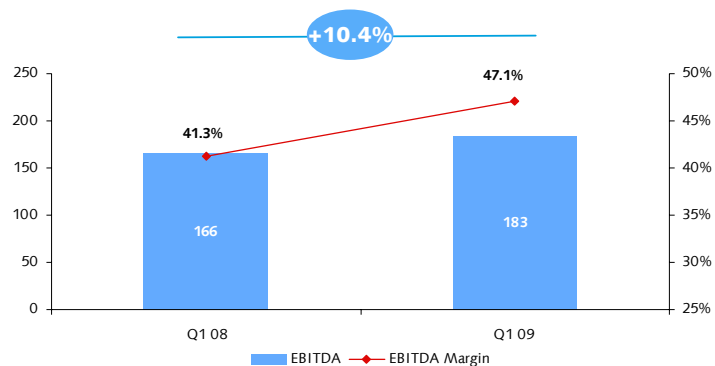
Net opex (€m) and net opex as % of revenues



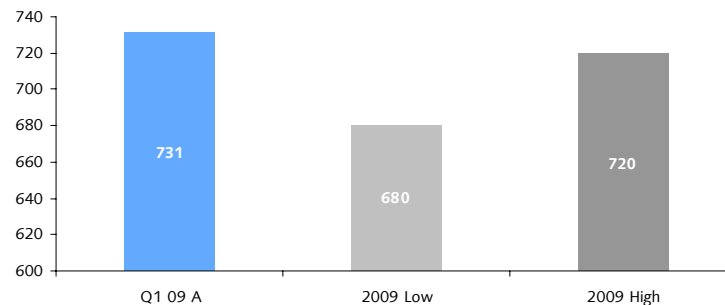
- Gross margin grew to 76.7% in Q1 2009 due to lower TV content cost and lower consumption on telephony and TV
- Net opex decreased 14.3% to reach €115 million following adjustments to marketing spend, sales channel strategy and headcount reduction plan

Sound EBITDA performance

Quarterly EBITDA (€m) and EBITDA margin (%)



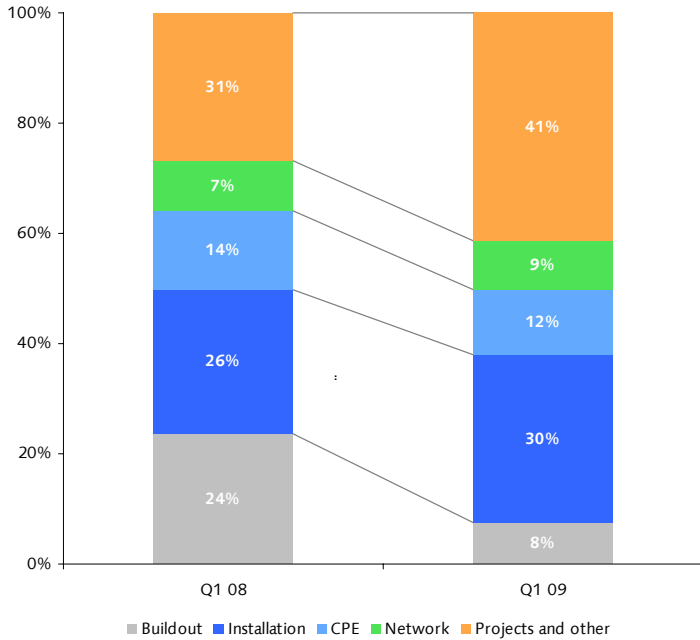
Guidance compliance (€m)



- EBITDA growth of 10.4% in Q1 2009 vs Q1 2008
- EBITDA margin up to 47.1% in Q1 2009
- €183m of EBITDA in the first quarter 2009 vs €181m in the fourth quarter 2008 (growth of 0.9%)

Capex

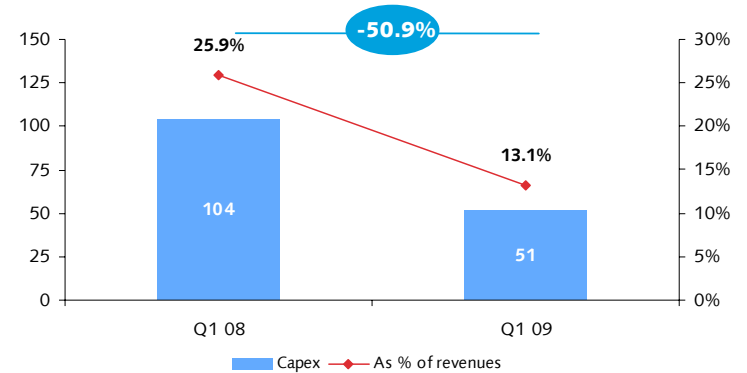
Capex breakdown (%)



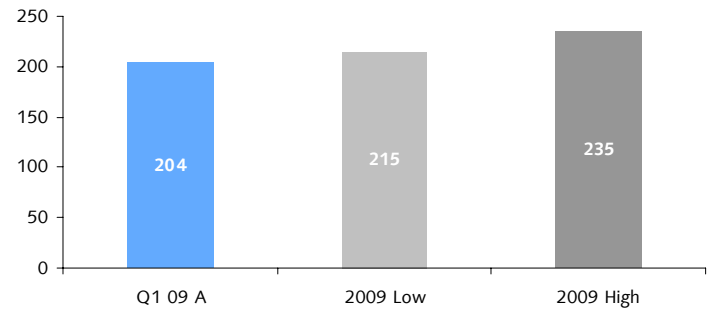
Note: "Projects and other" includes development projects, capitalized costs, IT costs and other fixed costs

- €53m less Capex in Q1 2009 due to the decision to stop network extension and reduce sales, installations and CPE
- Continued strong focus on liquidity and optimisation of capital usage

Capex (€m) and Capex as % of revenues

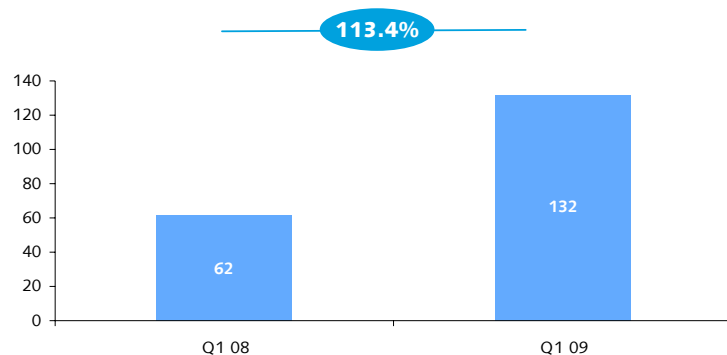


Guidance compliance (€m)

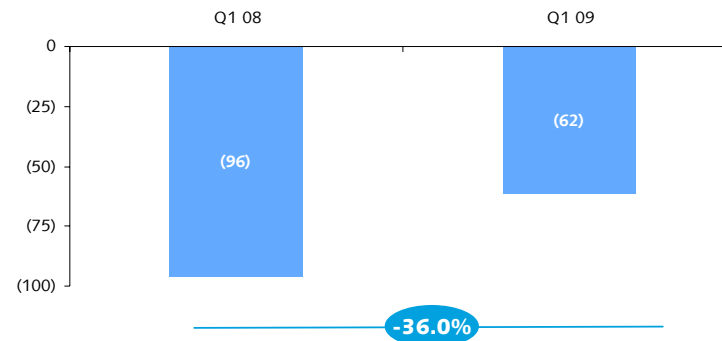


Operating Free Cash Flow

YTD Op. FCF (€m)



YTD FCF after debt service (€m)



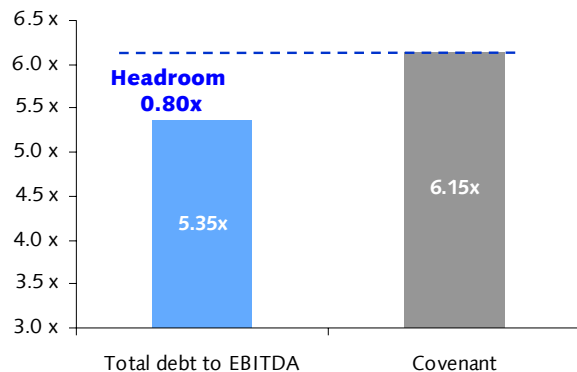
- €132m of Op.FCF in Q1 2009 vs €62m in Q1 2008
- €62m negative of FCF after debt service in Q1 2009 vs €96m negative in Q1 2008
- Significant one-off cash payments made in Q1:
 - redundancy costs related to headcount reduction plan – approx. €30mm
 - Auna deferred purchase consideration – approx. €72mm

Current financial structure - Cableuropa

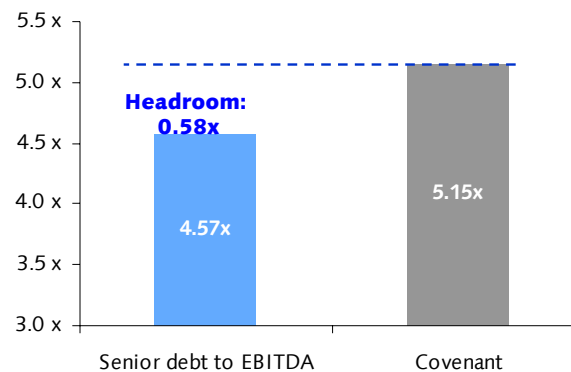
Type of debt	Max available (€m)	Drawn @ 31/03/09 (€m)	Availability	Average Interest rate	Leverage (Cableuropa)
Senior facility	3,500	3,500	0	4.66%	
Tranche A, B, C & I	2,800	2,800	0	4.47%	
Tranche D	700	700	-	5.44%	
State subsidies and other	51	51	-	1.75%	
Other credit facilities	138	128	10	4.36%	
Senior subordinated notes:	450	450	-	9.00%	
10.5% Fixed Rate Notes 2014	180	180	-	10.50%	
8% Fixed Rate Notes 2014	270	270	-	8.00%	
Participative loan	10	10	-	8.00%	
Total	4,149	4,139	10	5.13%	
Total (Hedging included)				6.07%	
Cash and cash equivalents		184		1.69%	
Total Net debt / EBITDA LQA		3,955		6.37%	5.35x
EBITDA LQA Q1 2009		739			

Q4 2008 Covenants compliance - Cableuropa (Unaudited)

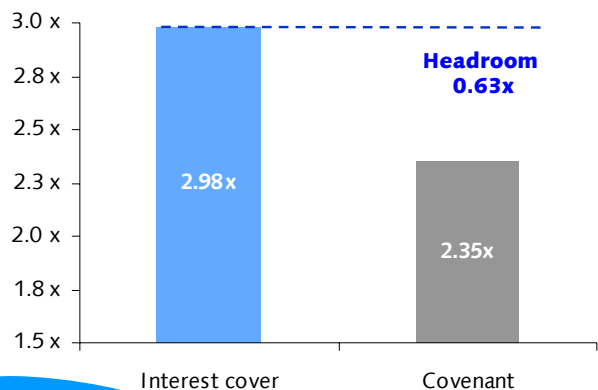
Total debt to EBITDA (x)



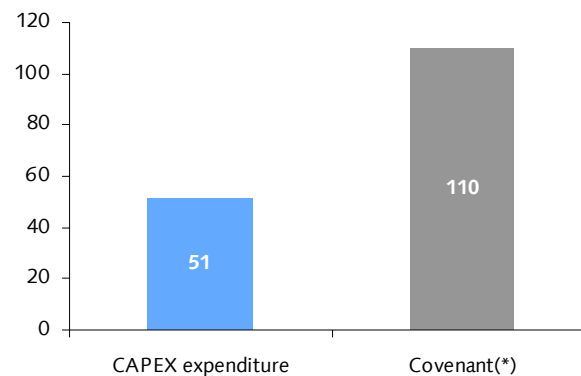
Senior debt to EBITDA (x)



Interest cover (x)



CAPEX expenditure (€m)



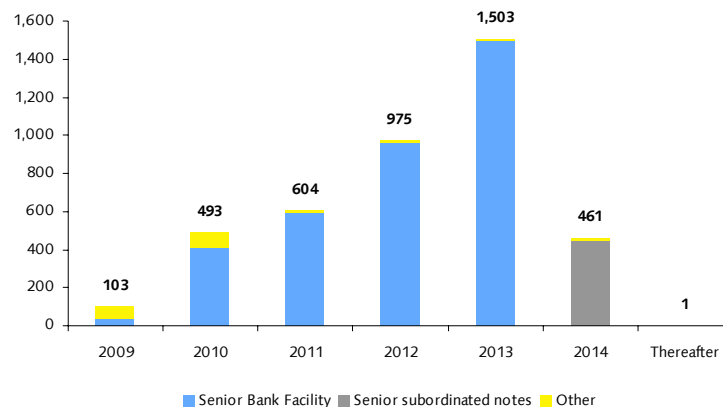
Debt maturities - Cableuropa

As of 31 March 2009

Data in €million

	Maturity							Total
	2009	2010	2011	2012	2013	2014	Thereafter	
Type of debt								
Debt with credit entities:								
Senior facility	36	414	590	960	1,500	-	-	3,500
Participative loan	-	-	-	-	-	10	-	10
Other credit facilities	52	66	3	7	1	0	0	128
Total debt with credit entities	88	480	593	967	1,501	10	0	3,638
Other debt:								
Senior subordinated notes	-	-	-	-	-	450	-	450
State subsidies and other	15	13	11	8	2	1	1	51
Total other debt	15	13	11	8	2	451	1	501
Total	103	493	604	975	1,503	461	1	4,139

Debt by maturity (€ million)





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***For additional information, please contact
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