

Q3 2009 Results

17 November 2009

ONO

Disclaimer

This document contains statements that constitute forward looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", and similar language or the negative thereof or by forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and other important factors that could cause actual developments or results to differ materially from those expressed in our forward looking statements.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. ONO undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in ONO's business strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's public reports.

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.



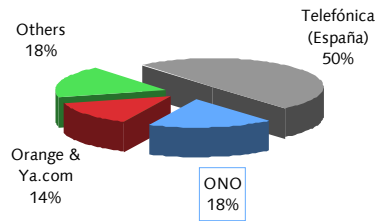
Operating performance

Operating performance

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	YoY
Homes released to marketing ('000)	6,952	6,963	6,969	6,990	6,995	0.6%
Residential cable customers ('000)	1,870	1,853	1,845	1,835	1,819	(2.7%)
Customer penetration (%)	26.9%	26.6%	26.5%	26.2%	26.0%	(0.9 pp)
Revenue generating units ('000)	3,953	3,960	3,958	3,940	3,929	(0.6%)
Broadband	1,272	1,283	1,295	1,302	1,303	2.4%
Television	1,057	1,039	1,016	991	977	(7.6%)
Telephony	1,623	1,638	1,646	1,647	1,648	1.5%
RGUs per customer (#)	2.11	2.14	2.15	2.15	2.16	2.2%
Triple play (%)	33.8%	34.1%	34.2%	34.1%	34.9%	1.1 pp
Gross churn (%)	21.9%	20.9%	17.8%	17.9%	19.4%	(2.4 pp)
Net churn (%)	19.6%	18.7%	15.7%	15.9%	17.3%	(2.3 pp)
ARPU (€)	52.4	53.2	51.9	51.2	50.2	(4.4%)

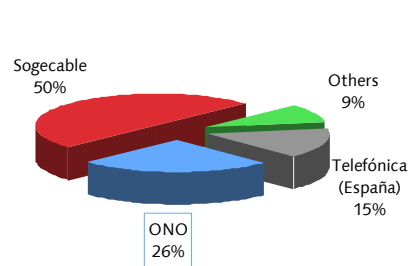
Retail market segmentation

Broadband



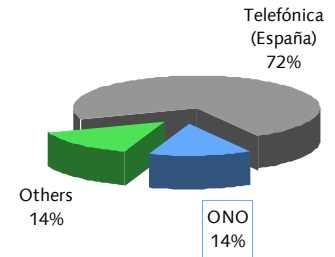
Source: CMT Q2 2009 Report

Pay TV



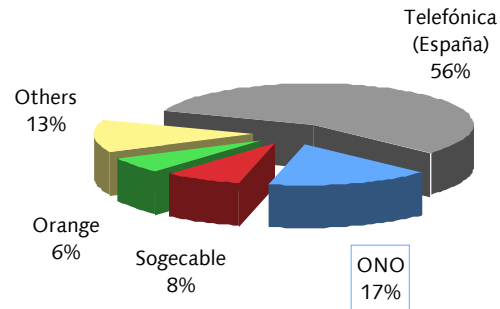
Source: CMT Q2 2009 Report

Telephony



Source: CMT Q2 2009 Report

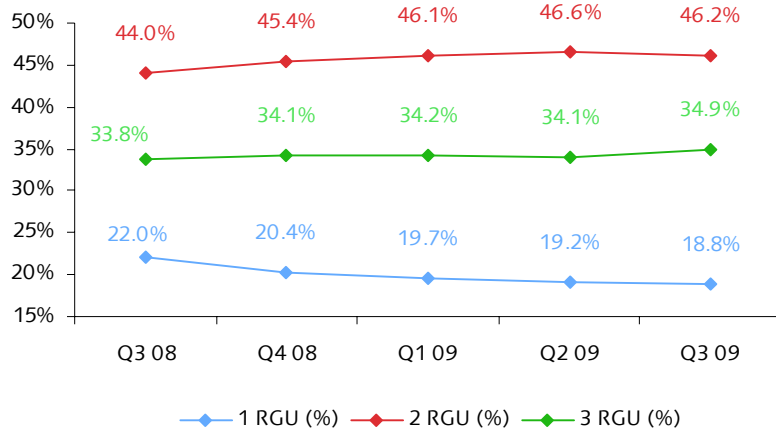
Total retail market share of customers



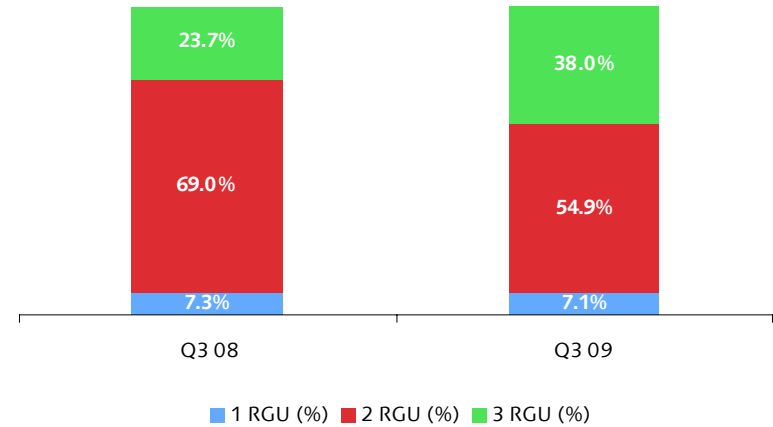
Source: CMT Q2 09 Report

Success of the bundling strategy

Bundling customers base (%)



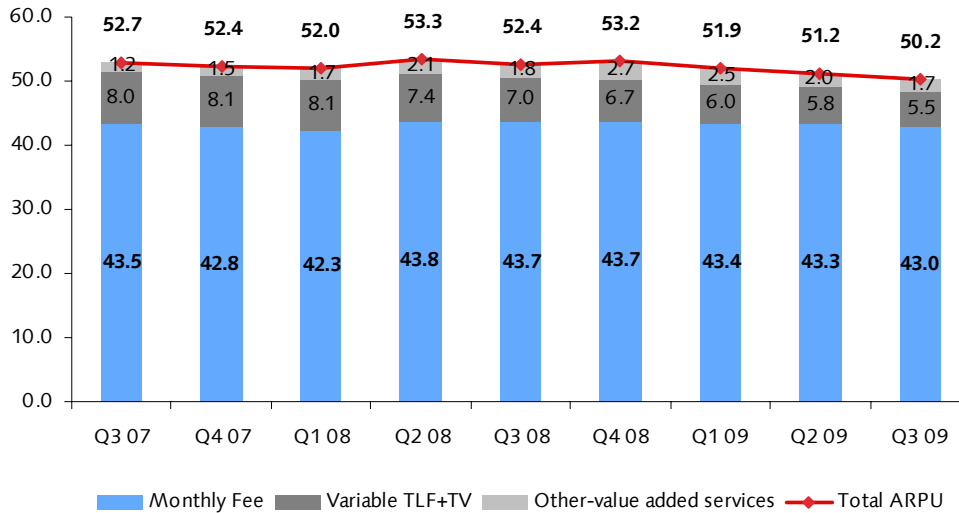
Bundling acquisition mix (%)



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

ARPU

ARPU evolution (€)



- Increase in 3P and 2P bundles sustains fixed monthly fee
- ARPU erosion since Q4 08 mainly driven by:
 - Reduction in fixed-to-mobile and international calls that have been substituted by fixed-to-fixed calls
 - Reduced TV variable consumption due to less PPV and VOD take-up (cinema and football)

Residential broadband



Internet

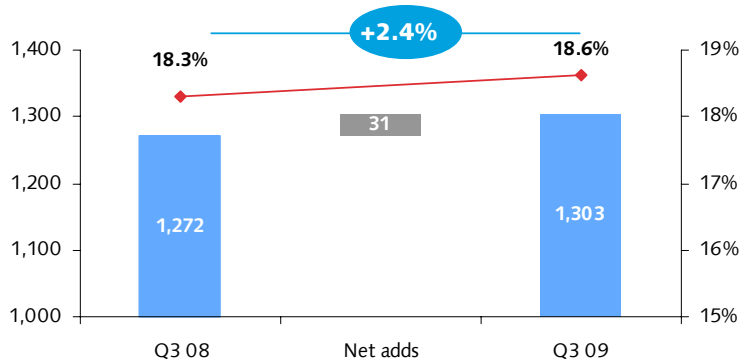


ONO residential broadband

- 1.3 million customers
- 18.6% penetration of homes, 71.6% penetration of customers
- Positive trend in new customers taking high speed internet (50Mb-25Mb-12Mb)
- Competitively priced offer with "real" speeds

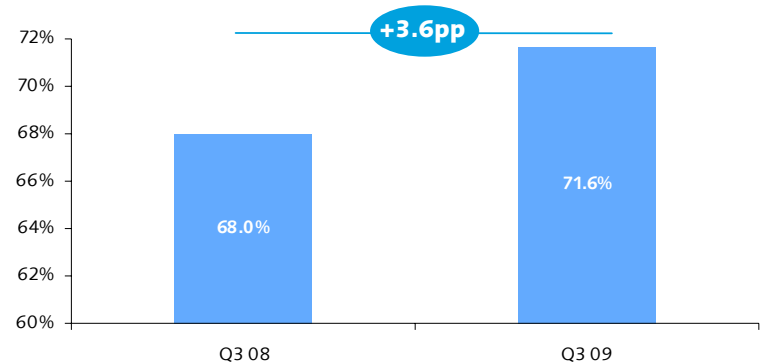


BB Internet customers ('000) & penetration (%)



■ Internet customers ◆ Internet penetration

% of customers taking BB Internet



Television



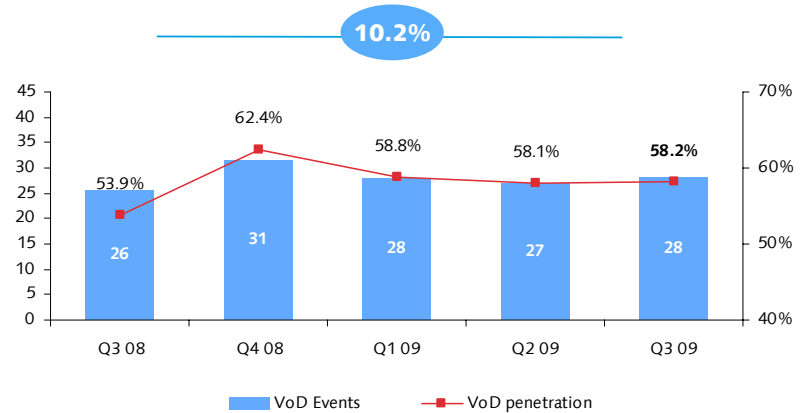
Television



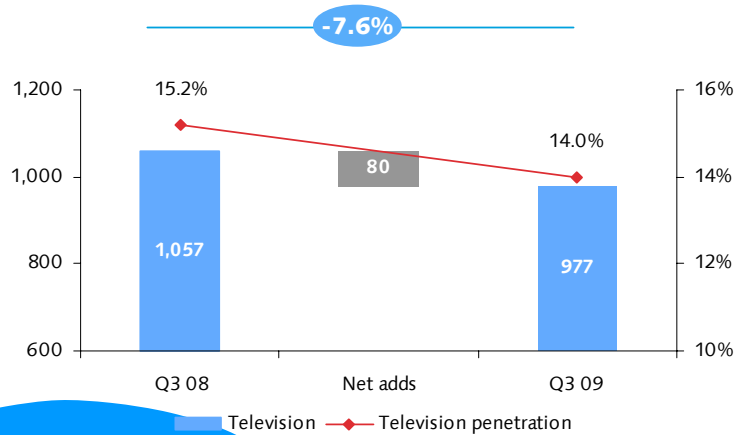
ONO residential television

- Lower TV consumption due to less cinema and Football PPV
- Success of Gol TV channel – over 100,000 customers by November 2009
- Strong and stable usage of VOD

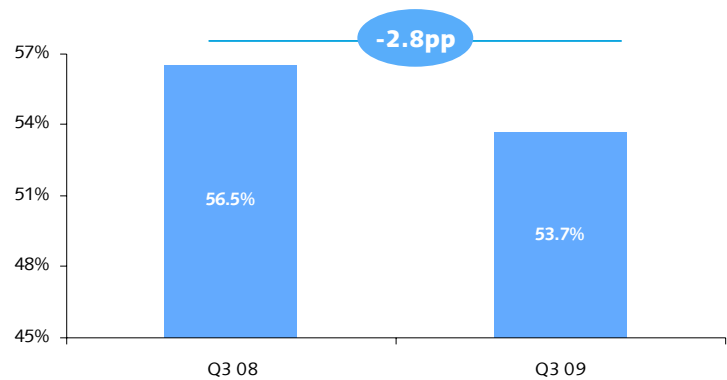
VoD events per quarter (million) & penetration (%)



Television customers ('000) & penetration (%)



% of customers taking TV



Residential telephony



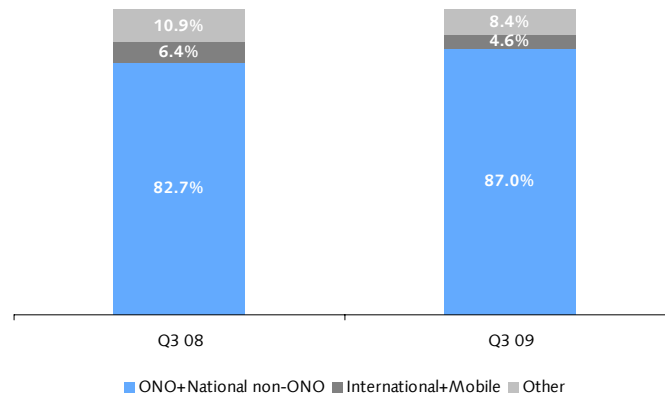
Telephony



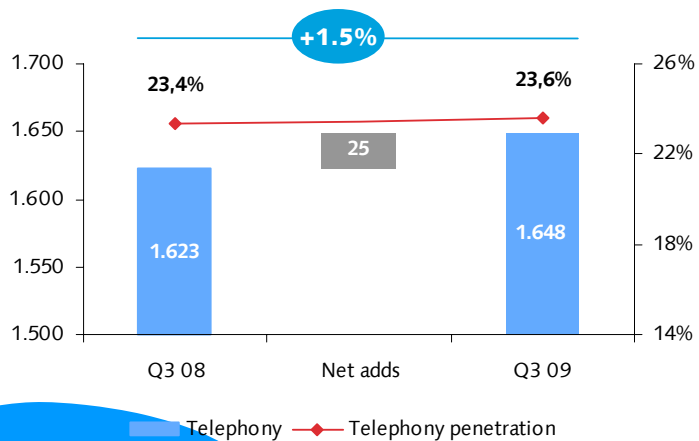
ONO residential telephony

- 1.6 million customers, increase of 1,000 in the third quarter of 2009
- Service enjoying the lowest churn rate
- Local and national usage patterns remain strong -National flat rate offers
- Reduction in fixed to mobile and international usage

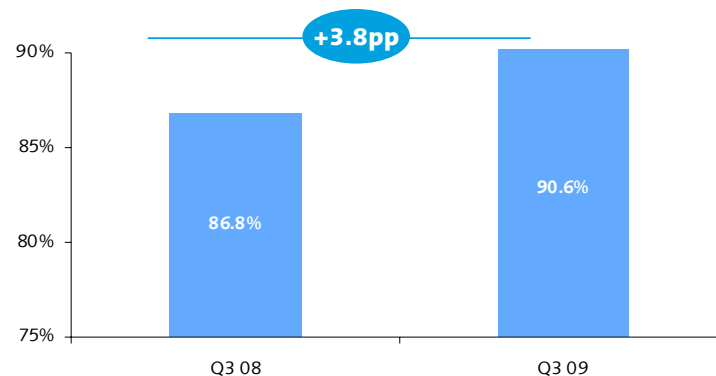
MoU of residential telephony



Telephony customers ('000) & penetration (%)



% of customers taking telephony



Sales and marketing approach

Product sales mix (%)

	Q3 08	Q3 09
3- Play	23.6%	38.2%
2- P Telephony + Broadband	37.7%	46.2%
2- P Telephony + TV	15.6%	6.8%
2- P Broadband + TV	15.7%	1.8%
1- P Telephony	5.2%	6.2%
1- P Broadband	2.1%	0.7%
1- P TV	0.1%	0.1%

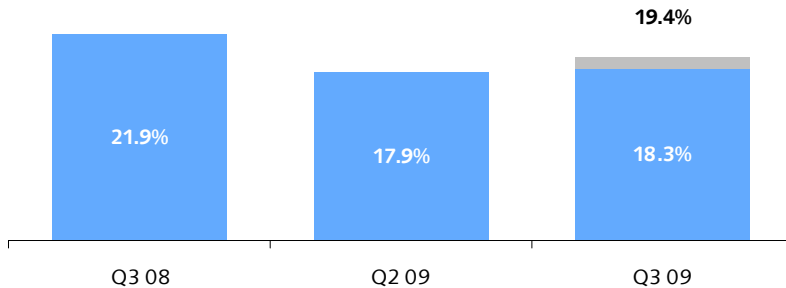
Sales channel mix (%)

	Q3 08	Q3 09
Distributors	5.1%	3.6%
Shops	18.3%	22.5%
Direct sales force	23.3%	7.4%
Telesales platform	45.0%	50.6%
On-line Channel	8.3%	15.9%

- Simplified product offer with 84% of sales in the higher value packages in Q3 09 vs. 61% in Q3 08
- Redefinition of the sale strategy:
 - Focus on most efficient cost-per-sale channels (i.e. on-line channel), delivering a 34.3% reduction in unit cost
 - Evolution towards more variable cost channels
 - Focus on pull channels to improve quality of sales
 - Fully automated on-line sales channel growing strongly
- Optimization of marketing expenditure with focus on:
 - High impact TV campaigns targeted to selective and ONO style TV channels
 - Direct marketing
 - Segmented and regional activities
 - Churn reduction

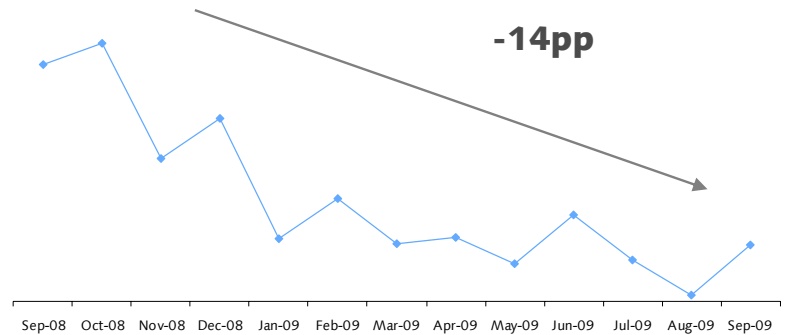
Churn evolution

Gross churn - Cable



■ Effect on churn of the implementation of the new directive on users' rights

Early churn



- Churn reduction driven by:
 - Credit scoring and barriers to entry (connection / installation fees)
 - Targeted marketing spend
 - Focus on low churn packages
 - Increase in sales through pull channels
- New regulatory directive: all customers wishing to leave the Company will be disconnected in 2 days

Financial performance

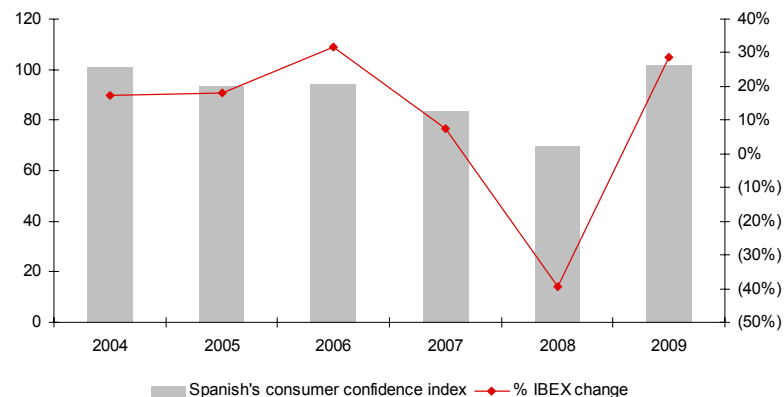


2010 to be challenging, with recovery in 2011?

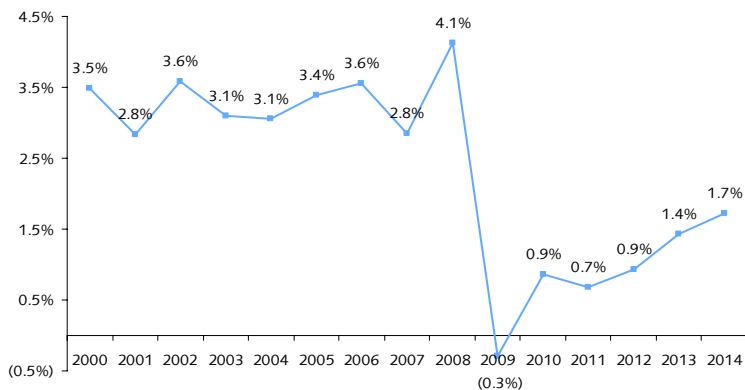
GDP growth (annual rate)



Market sentiment indicators



Inflation

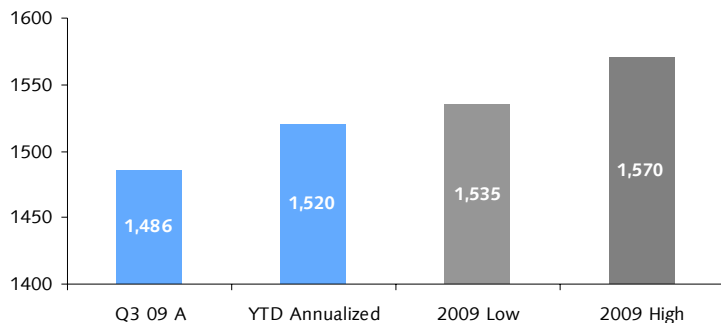


- IMF forecasts a general improvement of Spanish economy from 2010 onwards despite difficult environment in 2008-2009
- The good performance of indicators such as consumer confidence index and stocks recovery reinforce this positive forecast
- Inflation under control in 2010-2014 anticipates limited pressure on prices and low interest rates in the mid term

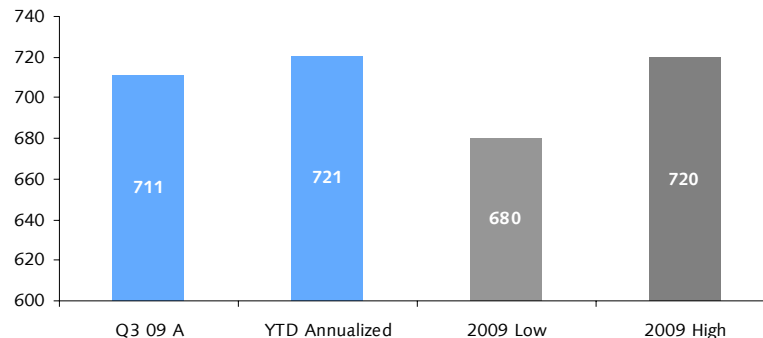
Sources: IMF, ICO and BME

Guidance compliance despite macroeconomic environment

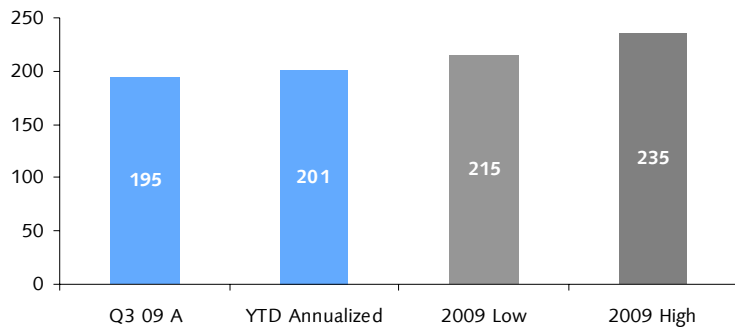
Revenue Guidance (€m)



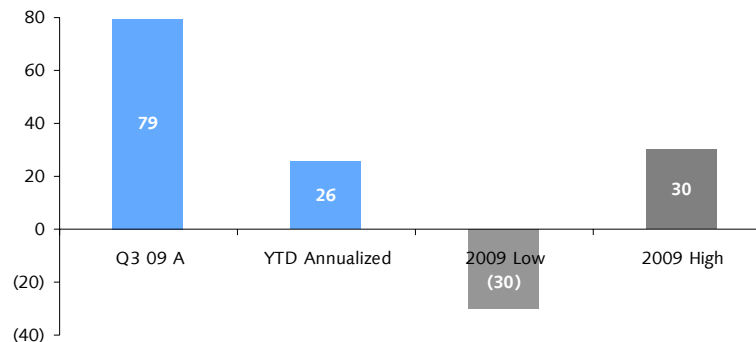
EBITDA Guidance (€m)



Capex Guidance (€m)



FCF after debt service Guidance (€m)

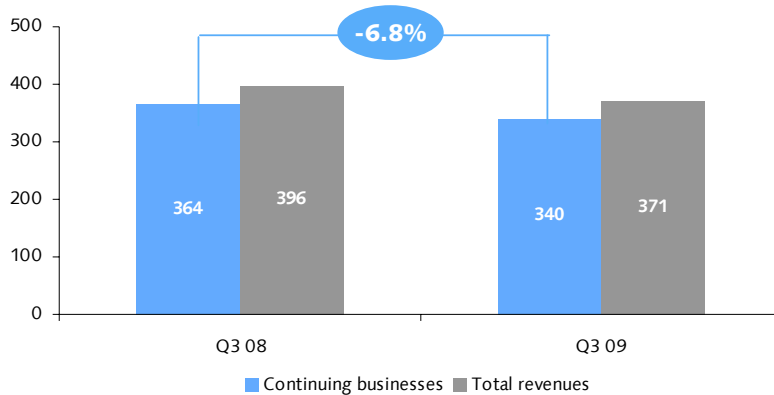


Financial performance

	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	YoY
Continuing businesses (€m)	364	370	360	351	340	(6.8%)
Residential direct access	304	305	296	291	283	(6.8%)
SMEs	18	18	18	17	17	(6.0%)
Business services	43	47	46	43	40	(7.4%)
Partial continuing businesses-Wholesale (€m)	28	27	26	27	30	6.6%
Discontinuing businesses-Indirect access (€m)	4	3	3	3	2	(44.3%)
Total revenues (€m)	396	401	388	380	371	(6.2%)
Gross Profit (€m)	304	308	298	293	290	(4.7%)
Gross Margin (%)	76.7%	76.9%	76.7%	77.0%	78.0%	1.2pp
Net Opex (€m)	(124)	(127)	(115)	(113)	(112)	(10.2%)
EBITDA (€m)	179	181	183	180	178	(0.9%)
EBITDA margin (%)	45.3%	45.2%	47.1%	47.3%	47.9%	2.6 pp
Capex (€m)	(82)	(78)	(51)	(51)	(49)	(40.9%)
Op. FCF (€m)	97	103	132	129	129	32.9%
Op. FCF over revenues (%)	24.5%	25.7%	33.9%	34.0%	34.8%	10.2pp
FCF (pre-interest) (€m)	69	66	36	89	117	69.3%
FCF (€m)	(24)	33	(62)	61	20	(183.7%)

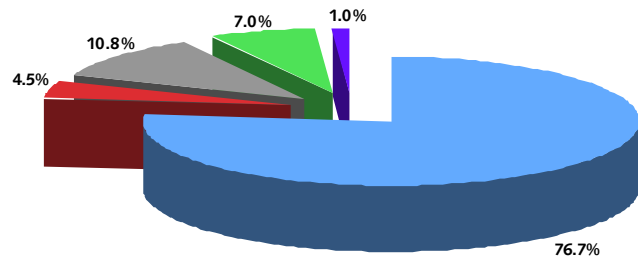
Diversified revenue streams

Revenues and Continuing businesses revenues (€m)

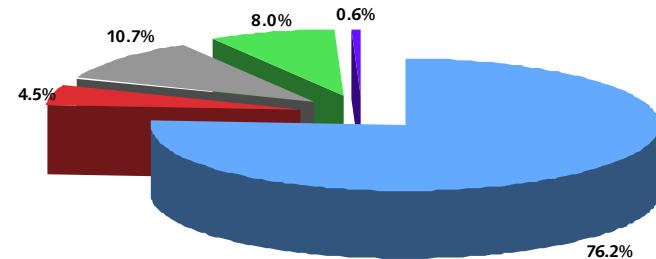


- Revenue erosion as a consequence of the difficult macroeconomic environment in line with the downtrend in revenues reported by main telecommunication operators
- ONO continues to evolve and analyze new revenue streams while reinforcing its Value Added Services offer (TV options, service maintenance, Internet firewall, broadband speeds upgrades etc...)

Revenue breakdown Q3 2008 (%)



Revenue breakdown Q3 2009 (%)

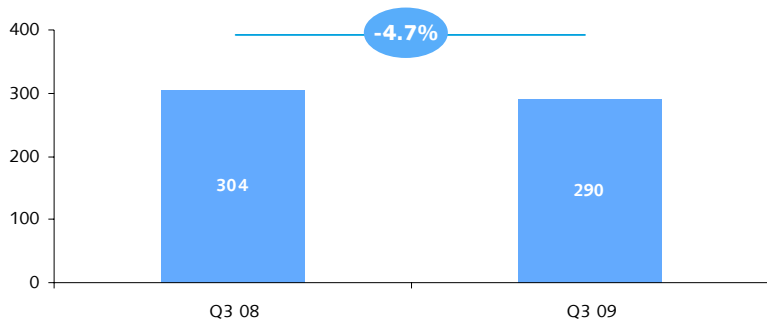


■ Residential direct access ■ SMEs ■ Business services ■ Wholesale and other ■ Indirect access

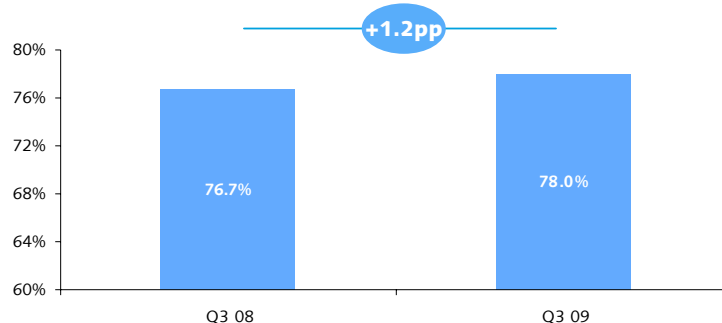
■ Residential direct access ■ SMEs ■ Business services ■ Wholesale and other ■ Indirect access

Good progress on margin

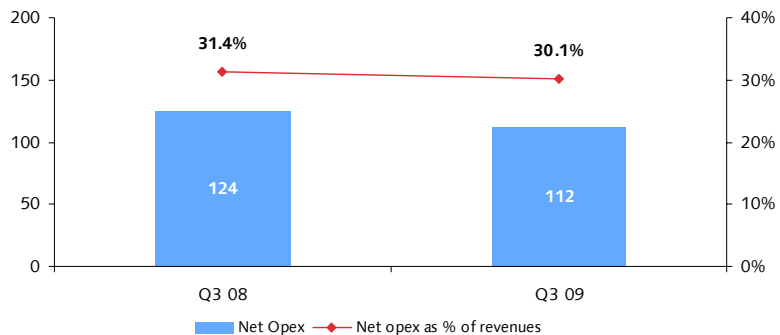
Gross profit (€m)



Gross margin (%)



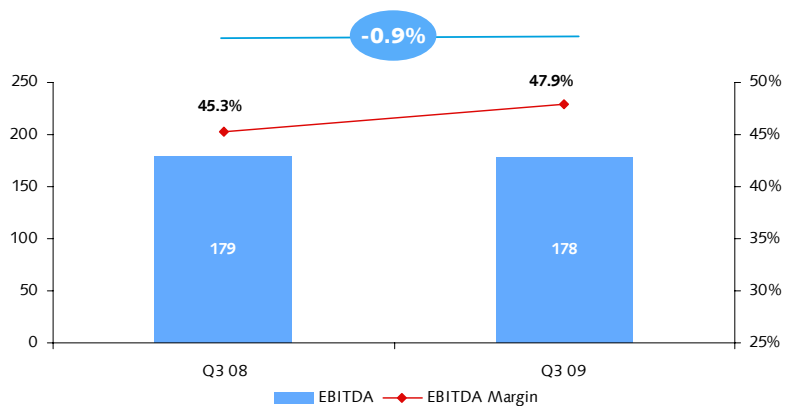
Net opex (€m) and net opex as % of revenues



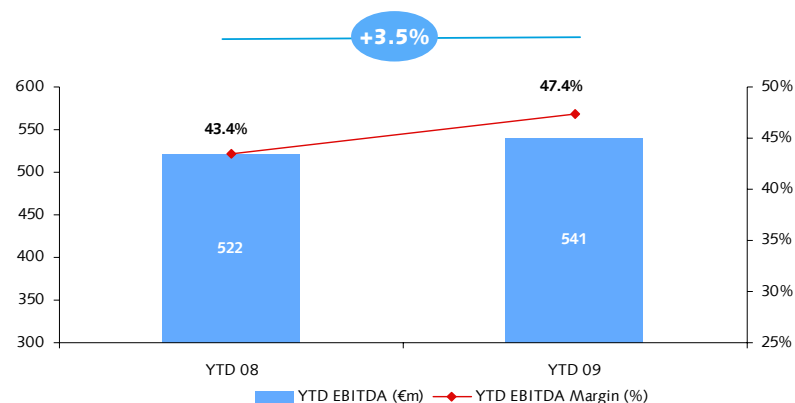
- Gross margin reached 78% in Q3 2009 mainly due to TV content contract renegotiations and lower consumption of fixed-mobile and international telephony calls
- Net opex decreased by 10.2% to reach €112 million following adjustments to marketing spend, sales channel strategy, headcount reduction plan and rationalization of resources amongst the different areas

Sound EBITDA performance

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



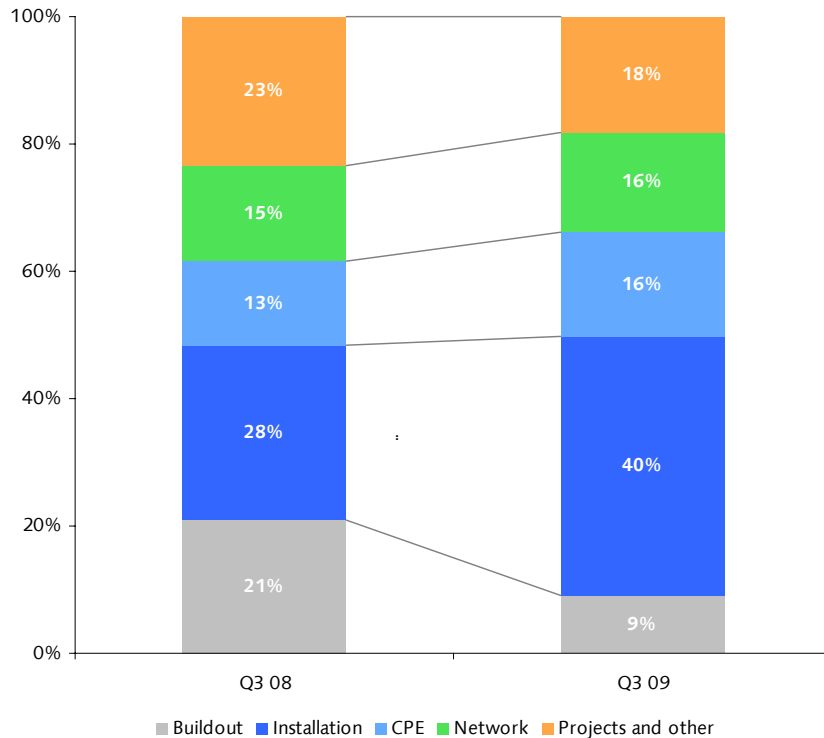
YTD EBITDA (€m)



- EBITDA margin place ONO amongst the most efficient telecommunication operators in Europe
- EBITDA margin up to 47.9% in Q3 2009
- €178m of EBITDA in the third quarter 2009 vs. €179m in the same period of 2008

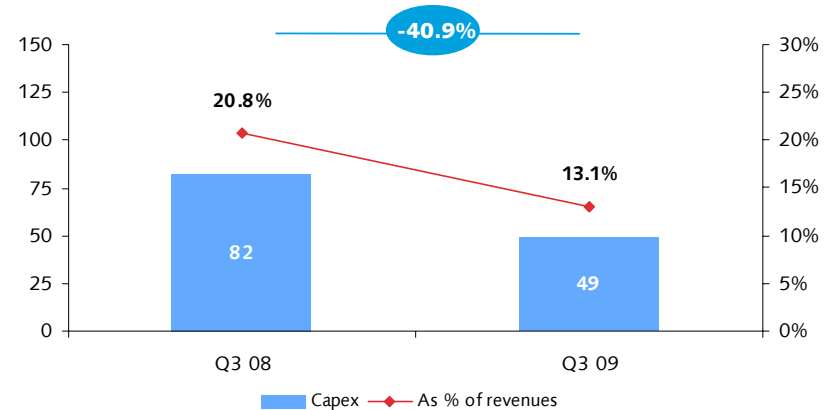
Capex

Capex breakdown (%)



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

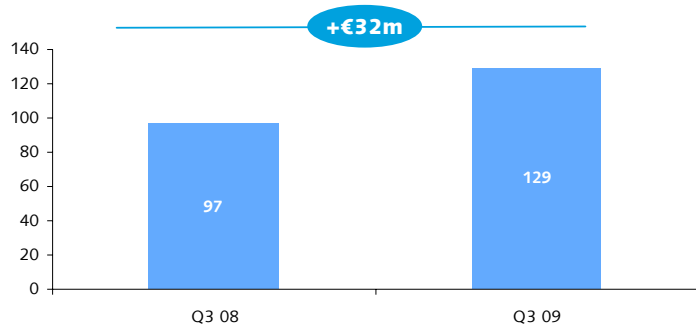
Capex (€m) and Capex as % of revenues



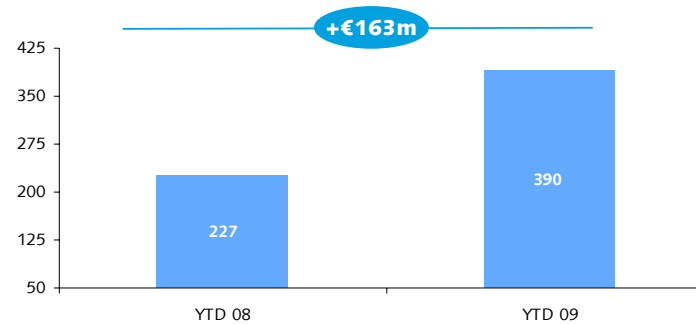
- Capex as a % of revenues decreased to 13.1% in Q3 2009 in line with the decision to apply stringent return requirements for new investments with short payback periods
- The reduction of €34m in Capex in Q3 2009 is mainly driven by the stoppage of network extension and reduce sales, installations and CPEs

Free Cash Flow

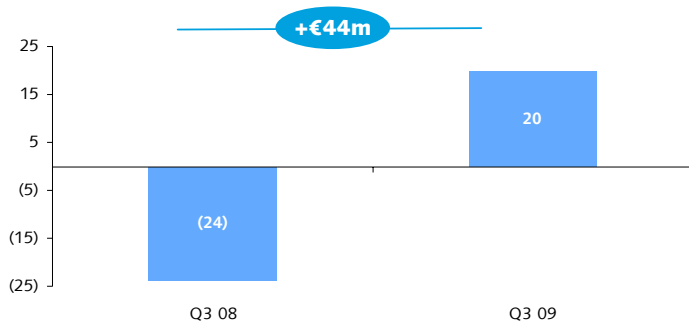
Quarterly Op. Free Cash Flow (€m)



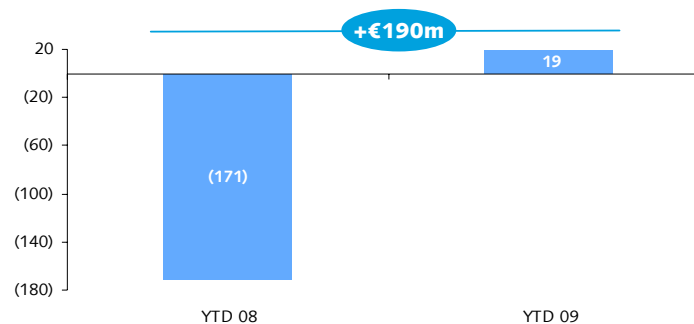
YTD Op. Free Cash Flow (€m)



Quarterly Free Cash Flow (€m)



YTD Free Cash Flow (€m)

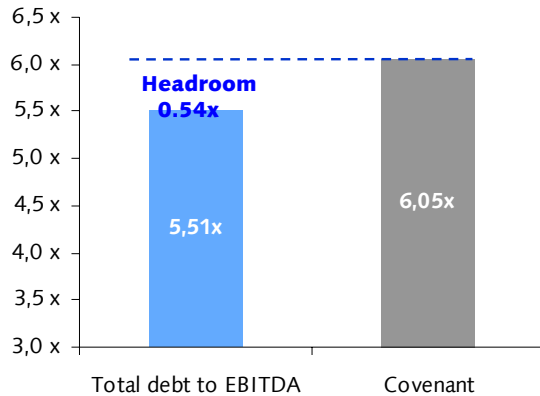


Current financial structure - Cableuropa

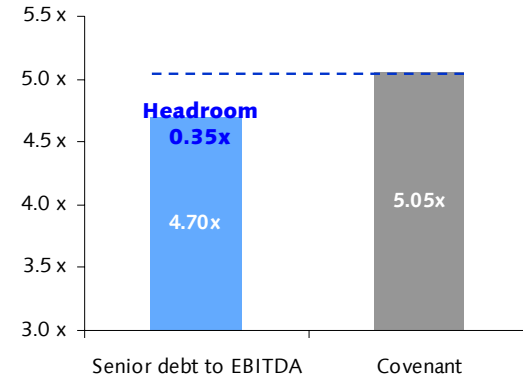
Type of debt	Max available (€m)	Drawn @ 30/09/09 (€m)	Availability	Average Interest rate	Leverage (Cableuropa)
Senior facility	3,500	3,500	-	2.90%	
Tranche A, B, C & I	2,800	2,800	-	2.77%	
Tranche D	700	700	-	3.42%	
State subsidies and other	36	36	0	1.75%	
Other credit facilities	128	116	12	2.87%	
Senior 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	-	3.43%	
Total	4,124	4,112	12	3.57%	
Total (Hedging included)				5.28%	
Cash and cash equivalents		239		0.72%	
Total Net debt / EBITDA LQA		3,874		5.55%	5.49x
EBITDA LQA Q3 2009		705			

Q3 2009 Covenants compliance - Cableuropa (Unaudited)

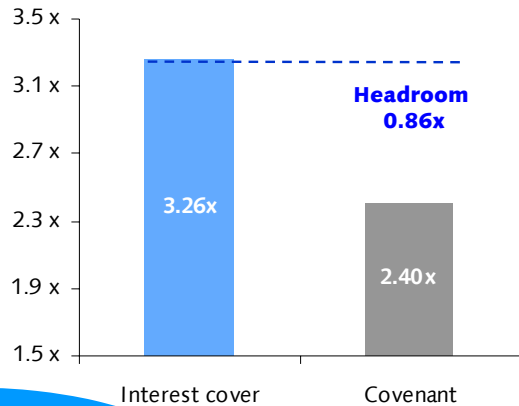
Total debt to EBITDA (x)



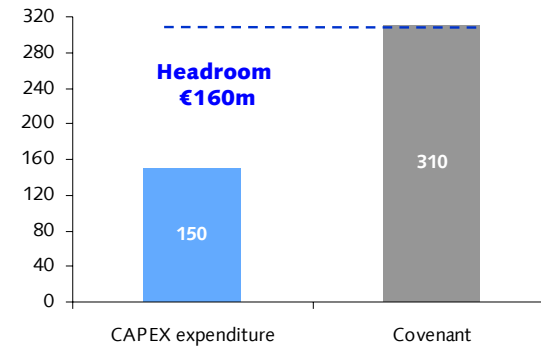
Senior debt to EBITDA (x)



Interest cover (x)



CAPEX expenditure (€m)



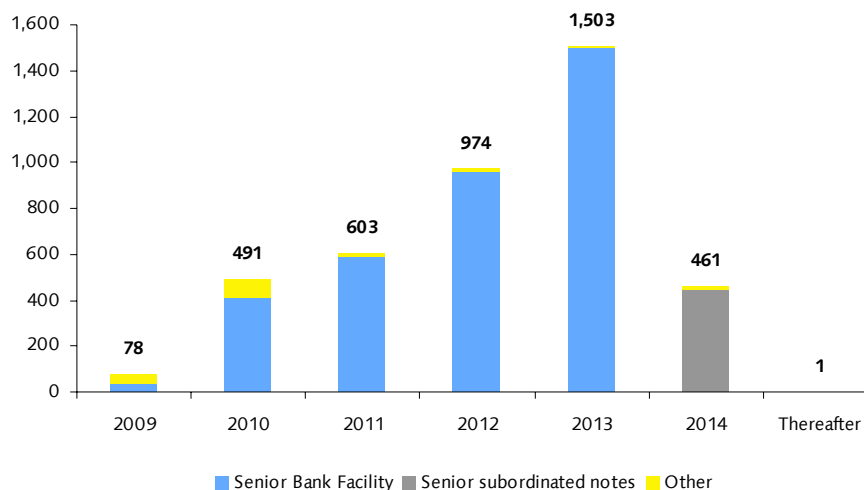
Debt maturities - Cableuropa

As of 30 Sep 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	42	64	3	6	1	0	0	116
Total debt with credit entities	78	478	593	966	1,501	10	0	3,626
Other debt:								
Senior subordinated notes	-	-	-	-	-	450	-	450
State subsidies and other	0	13	11	8	2	1	1	36
Total other debt	0	13	11	8	2	451	1	486
Total	78	491	603	974	1,503	461	1	4,112

Debt by maturity (€ million)





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***For additional information, please contact
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