Q1 2010 Results

18 May 2010

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.

Quarterly Highlights

Operational

- 36,000 services net adds with a stable customer base
- Success of bundling strategy - Increase in RGUs per customer to 2.19x
- ARPU of €51.5 up from €51,0 in Q4 2009
- Churn of 14.2% a decrease of 1.6pp if compared with Q1 2009
- Best internet product in Spain – National deployment of Docsis 3.0 well on track

Financial

- Successfully competed refinancing with the strong support of Shareholders, and Banks
- EBITDA of €176 and EBITDA margin of 47.1%
- Positive Op FCF of €113m and €23m of FCF
- On the road to achieve market guidance

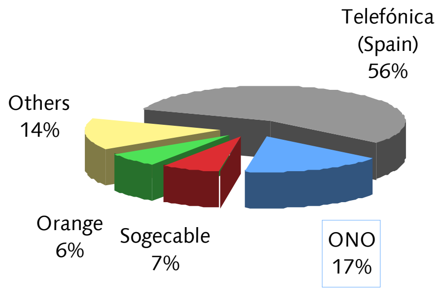
Strategic

- Grow market share of all residential and business services
- Broadband: Continue investing in DOCSIS 3.0 to provide fast and reliable services (plan to migrate customers to higher and "real" speeds)
- TV: Develop the best customer experience offering the most competitive product
- Mobility: Develop BAM and mobile as value added services and loyalty tools

Operating performance

ONO continues to be the leading alternative to the incumbent telecommunication operator in Spain

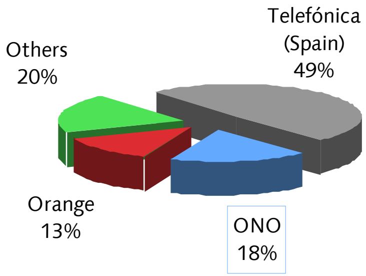
Total retail market share of customers



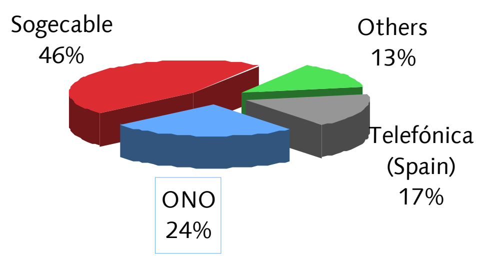
Triple play customers (Q1 2010)

	# customers
Triple play	668,191

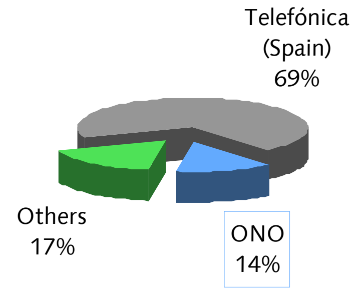
Broadband



Pay TV



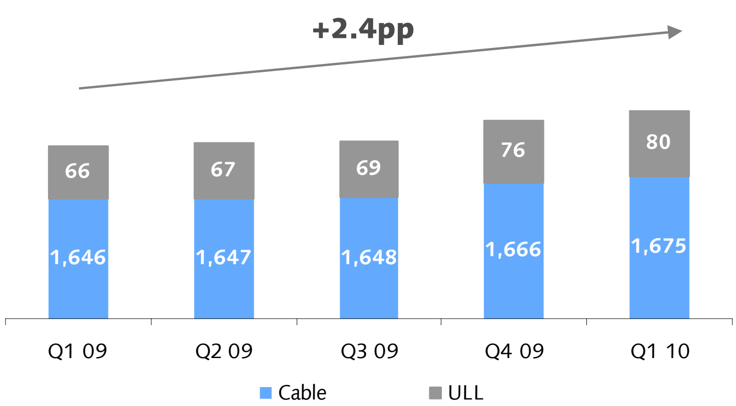
Telephony



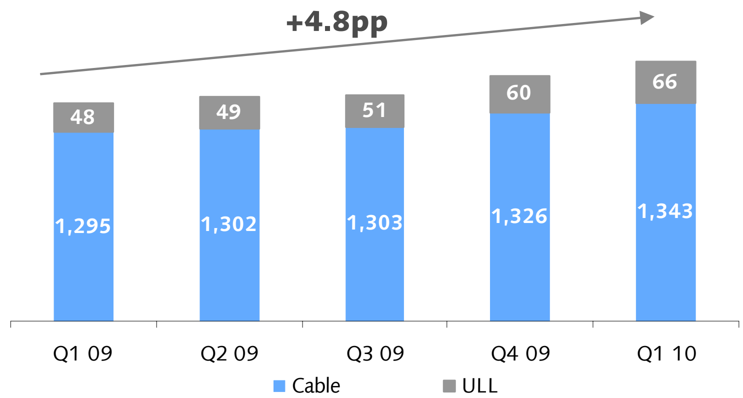
Source: CMT Q4 09 Report

Increase in services strategy starts to get traction

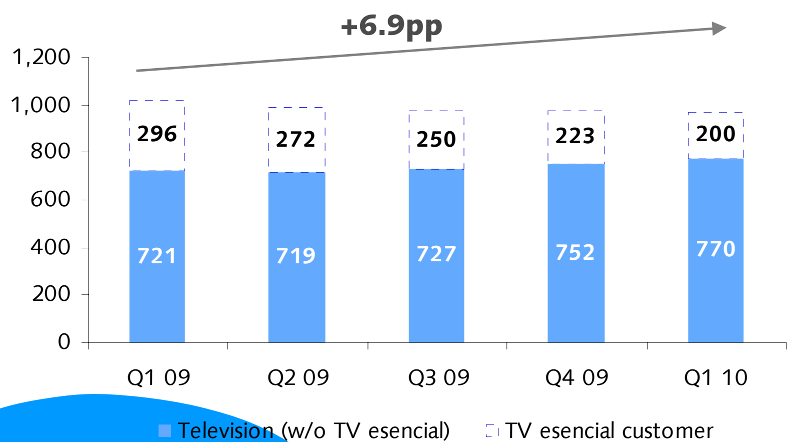
Telephony



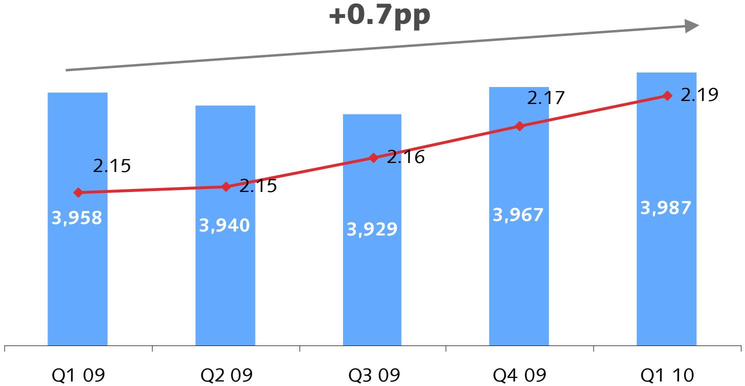
Internet



Television (Cable)



Total RGUs and RGUs per customer (Cable)



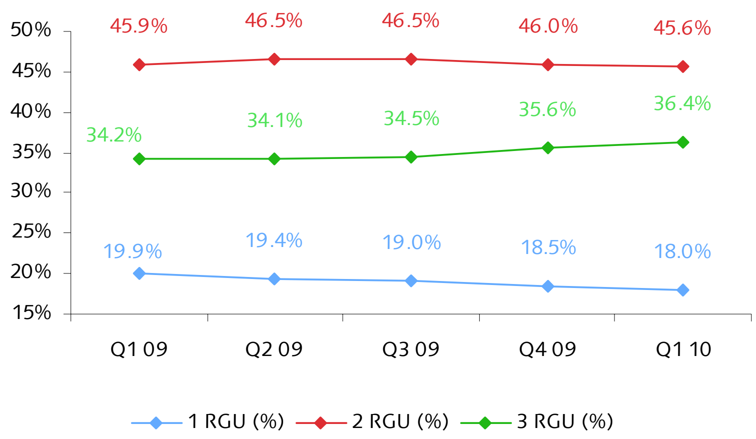
Stable customer base despite negative macroeconomic environment

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	YoY
Homes released to marketing ('000)	6,969	6,990	6,995	7,004	7,012	0.6%
Residential RGUs ('000)	4,072	4,057	4,049	4,103	4,132	1.5%
SME RGUs ('000)	114	113	111	111	118	3.2%
Residential ('000)	1,912	1,903	1,888	1,902	1,904	(0.4%)
Residential cable customers ('000)	1,845	1,835	1,819	1,825	1,824	(1.2%)
Customer penetration (%)	26.5%	26.2%	26.0%	26.1%	26.0%	(0.5 pp)
Revenue generating units - Cable ('000)	3,958	3,940	3,929	3,967	3,987	0.7%
Broadband	1,295	1,302	1,303	1,326	1,343	3.6%
Television	1,016	991	977	975	970	(4.6%)
Telephony	1,646	1,647	1,648	1,666	1,675	1.7%
RGUs per customer (#)	2.15	2.15	2.16	2.17	2.19	1.9%
Triple play (%)	34.2%	34.1%	34.5%	35.6%	36.4%	2.2 pp
Net churn (%) (*)	15.7%	15.9%	17.3%	13.9%	14.2%	(1.6 pp)
ARPU (€)	51.9	51.2	50.2	51.0	51.5	(0.8%)
Residential ULL customers ('000)	67	68	70	77	80	20.2%
SME customers ('000)	68	67	67	67	67	(1.2%)

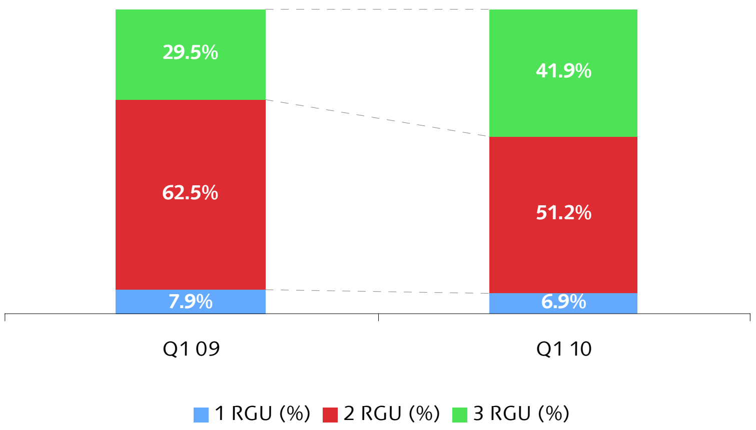
(*) Net churn is presented net of customers moving into a new home that continue to subscribe to ONO's services

Leading triple play operator – Success of bundling strategy

Bundling customers base (%)



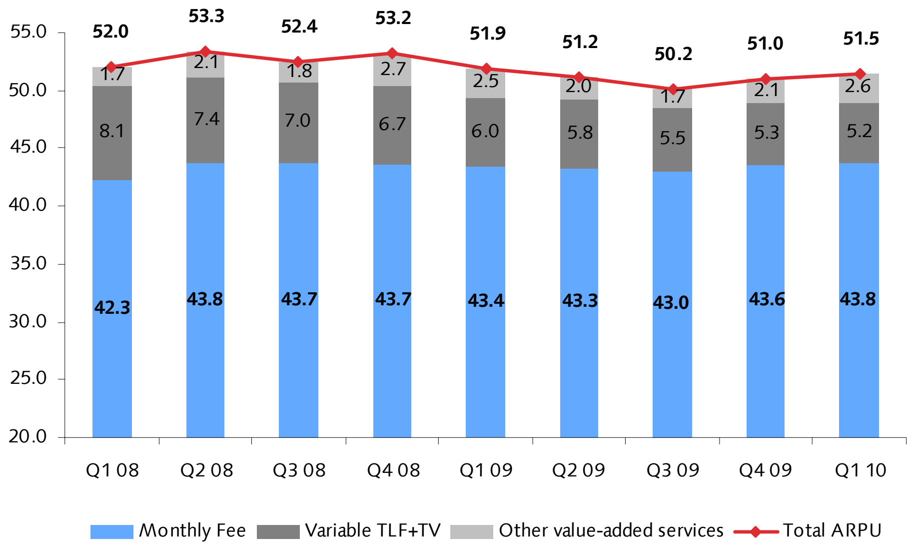
Bundling acquisition mix (%)



- Strong focus on double and triple play
- In Q1 2010, triple play customer ratio was the highest ever
- Good market segmentation and broad array of offering within each bundle
- Increased emphasis on acquiring customers with telephony and broadband services
- Focus on selling lower churn bundles including telephony

Stable ARPU despite negative macroeconomic environment

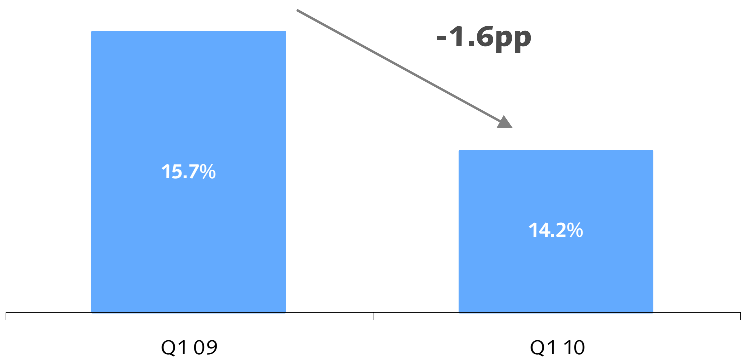
ARPU evolution (€)



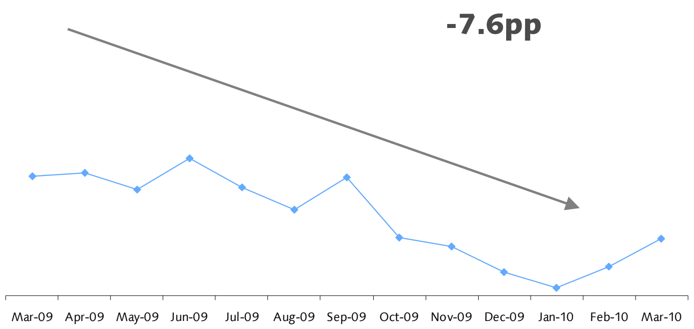
- In Q1 2010, the increase in 3P bundles improved fixed monthly fee coupled with impact of GOL TV and BAM
- ARPU erosion since Q4 08 mainly driven by:
  - Reduction in fixed-to-mobile which have been substituted by fixed-to-fixed calls
  - Reduced TV variable consumption due to less PPV and pay VOD take-up

Significant improvement in churn

Net churn - Cable

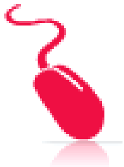


Early churn



- Net churn reduction driven by:
  - Credit scoring and barriers to entry (connection / installation fees)
  - Targeted marketing expense
  - Focus on low churn packages
  - Increase in sales through pull channels
  - Improved customer service metrics

Residential broadband – Best internet product in the Spanish market

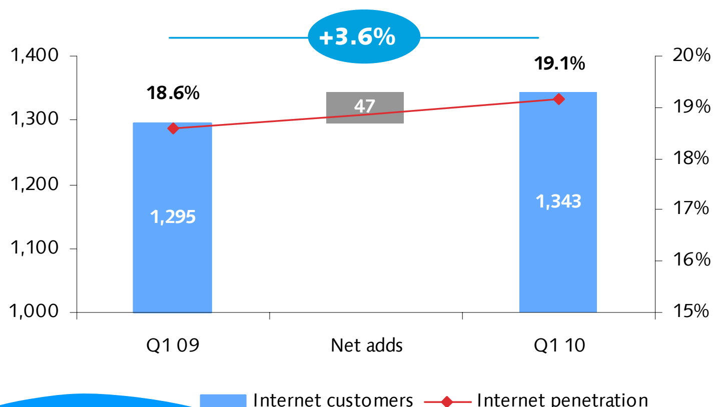


Internet

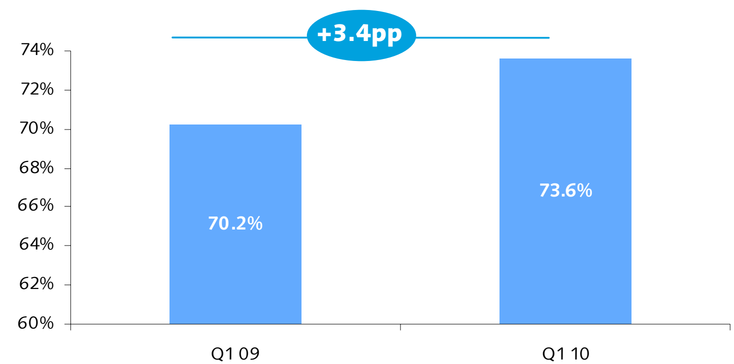
ONO residential broadband

- 1.3 million customers
- 19.1% penetration of homes, 73.6% penetration of customers
- Positive trend in new customers taking high speed internet (50Mb & 12Mb)
- Competitively priced offer with "real" speeds
- Mobile broadband growing steadily

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



% of customers taking BB Internet



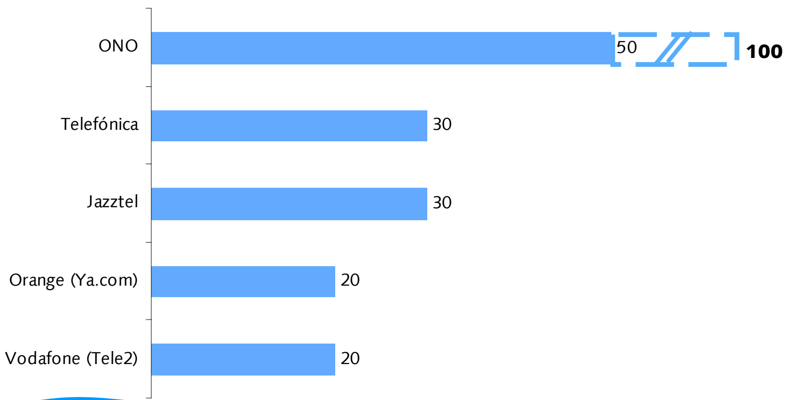
Residential broadband – National deployment of DOCSIS 3.0 to show a differentiated customer proportion in broadband

Key anticipated benefits

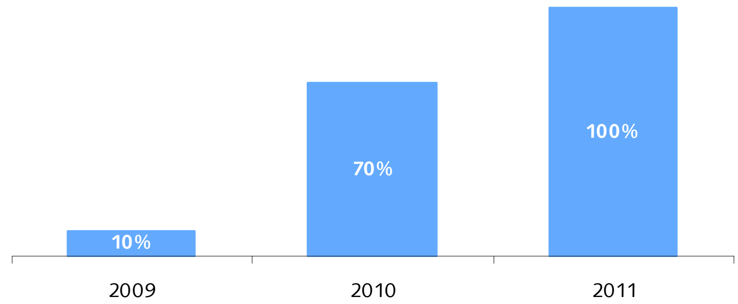
- Best quality offer in the marketplace
- Key differentiating factor against PTT and other ULL operators
- Improved churn rates
- Protection of market share and ARPU
- Strong return to the investment

Reinforce marketing campaigns

Maximum Broadband speeds (Mb)



Deployment calendar (HRTM)



(1) *Jazztel increases its maximum Internet speed to 30Mb*

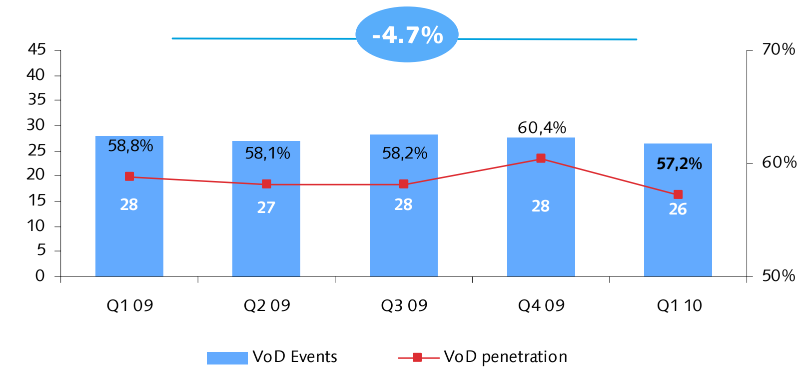
Residential television – Focused investments to achieve the best customer experience and offer competitive products

Television

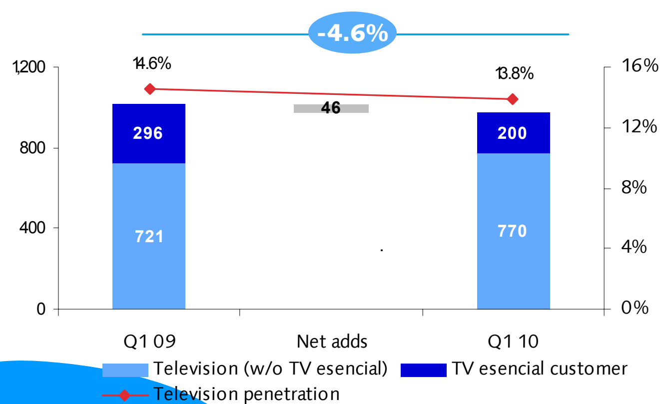
ONO residential television

- Lower TV consumption due to less cinema and Football PPV
- Success of Gol TV channel – nearly 130,000 customers
- Improved customer mix with higher penetration of premium bundles

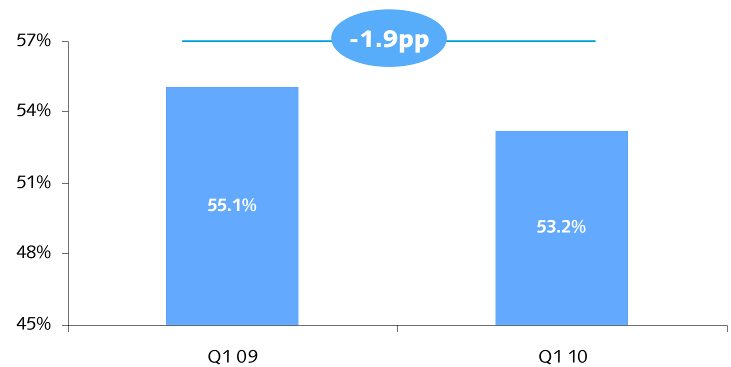
VoD events per quarter (million) & penetration (%)



Television customers ('000) & penetration (%)



% of customers taking TV



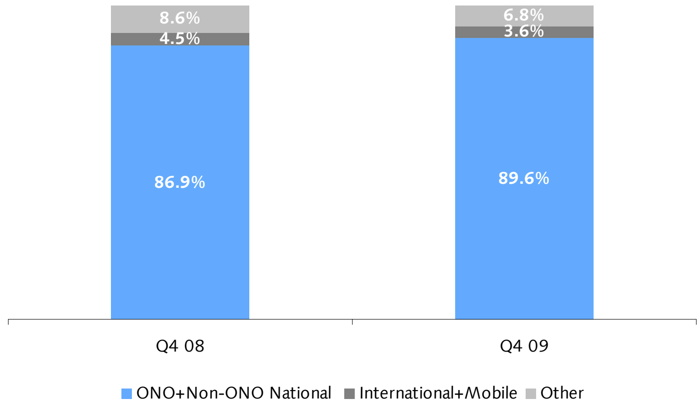
Residential telephony – Good performance in customer evolution and minutes of usage

Telephony

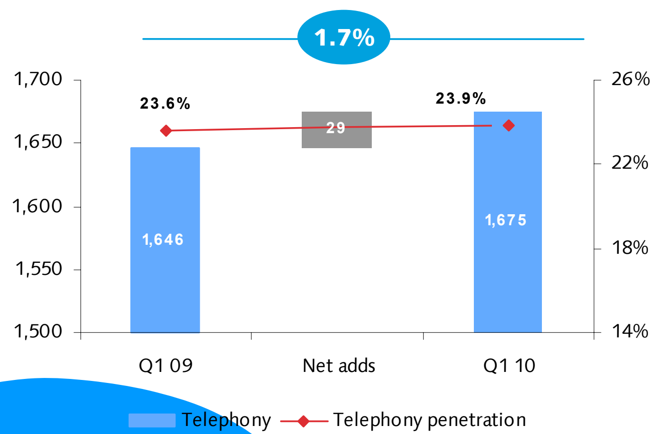
ONO residential telephony

- 1.7 million customers, increase of 29,000 in the last twelve months
- Local and national usage patterns remain strong
- Reduction in minutes to mobile, international and premium rate numbers

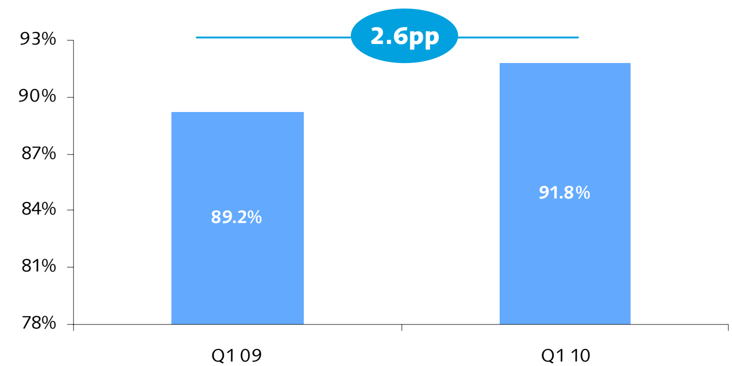
MoU of residential telephony



Telephony customers ('000) & penetration (%)



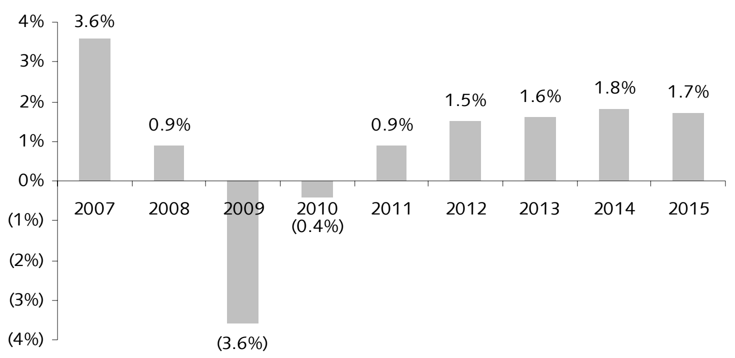
% of customers taking telephony



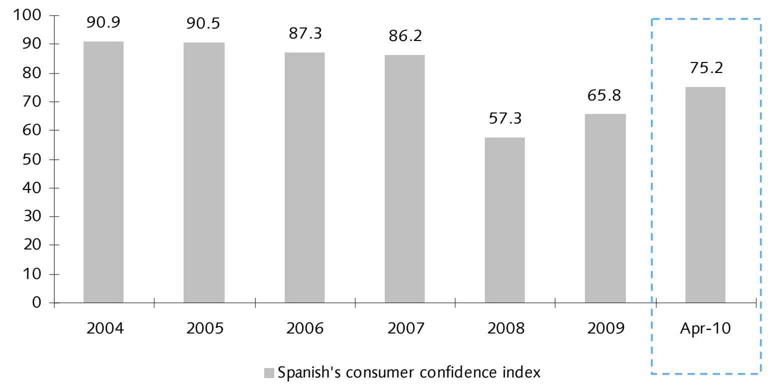
Financial performance

2010 continues to be challenging, with recovery in 2011?

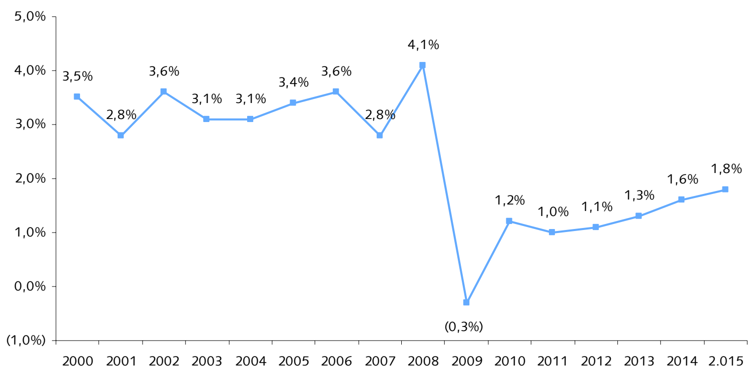
GDP growth (annual rate)



Market sentiment indicators



Inflation

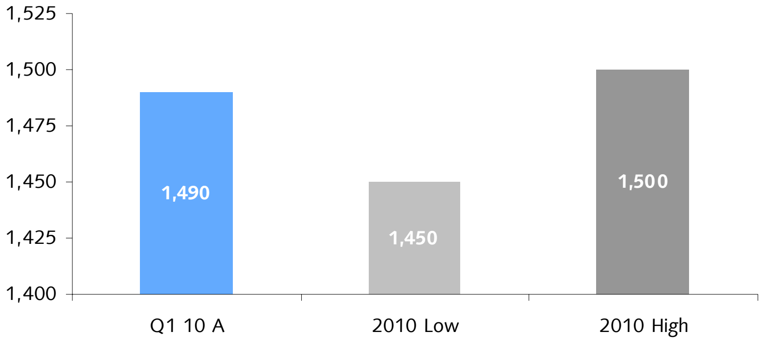


- IMF forecasts a general improvement of Spanish economy from 2010 onwards despite difficult environment in 2008-2009
- Good performance of indicators such as consumer confidence index
- Inflation under control in 2010-2015 anticipates limited pressure on prices and low interest rates

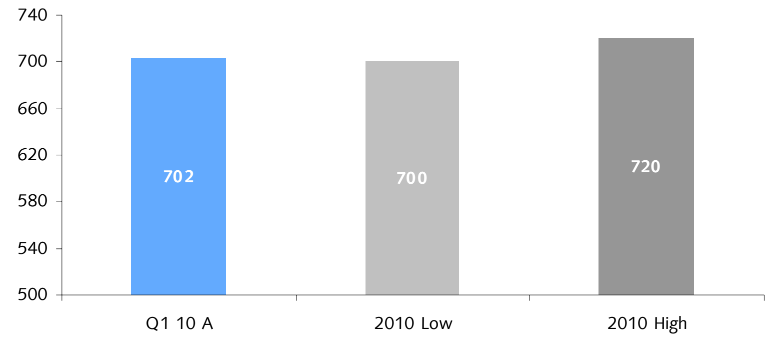
Sources:: IMF and ICO

Well on track to comply with market guidance

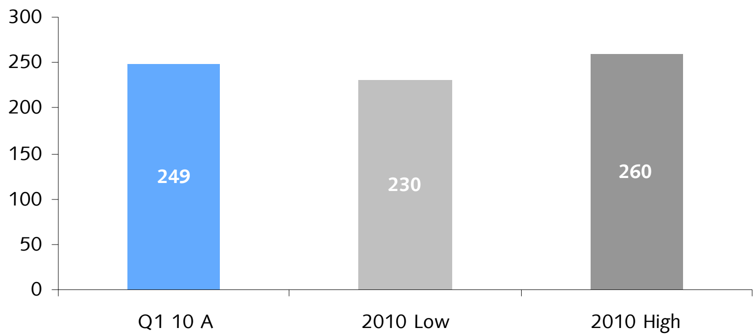
Revenue Guidance (€m)



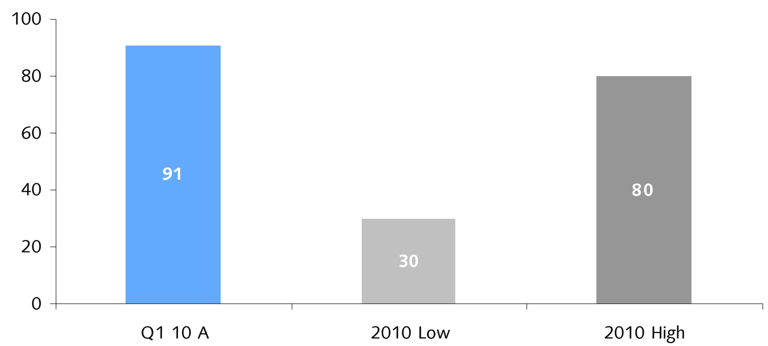
EBITDA Guidance (€m)



Capex Guidance (€m)



Free Cash Flow Guidance (€m)

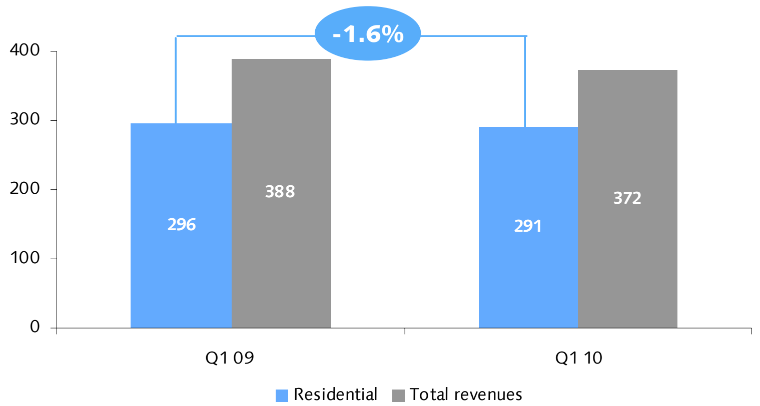


Strong financial performance

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	YoY
Residential (€m)	296	291	283	288	291	(1.6%)
Residential Cable	288	282	275	279	282	(2.1%)
Residential ULL	8	8	8	9	9	14.0%
Businesses (€m)	89	87	86	82	76	(14.6%)
SMEs	18	17	17	18	18	1.9%
Large Accounts/Corporations	46	43	40	38	37	(19.9%)
Wholesale and other	26	27	30	26	21	(16.5%)
Indirect access (€m)	3	3	2	2	5	71.6%
Total revenues (€m)	388	380	371	372	372	(4.1%)
Gross Profit (€m)	298	293	290	303	289	(3.0%)
Gross Margin (%)	76.7%	77.0%	78.0%	81.5%	77.6%	0.9pp
Net Opex (€m)	(115)	(113)	(112)	(113)	(113)	(1.5%)
EBITDA (€m)	183	180	178	190	176	(3.9%)
EBITDA margin (%)	47.1%	47.3%	47.9%	51.0%	47.1%	0.1 pp
Capex (€m)	(51)	(51)	(49)	(70)	(62)	21.8%
Op. FCF (€m)	132	129	129	120	113	(13.9%)
FCF (€m)	(62)	61	20	76	23	(136.9%)

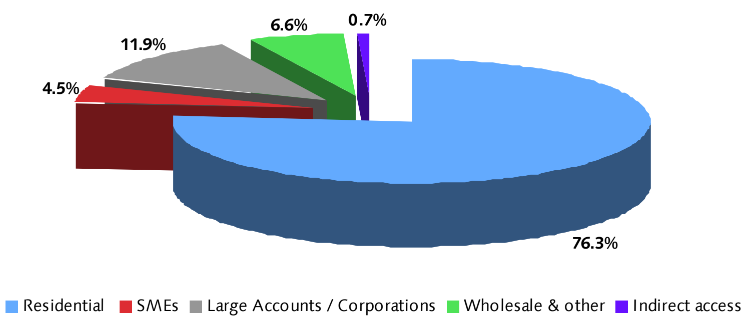
Diversified revenue streams

Total revenues and Residential revenues (€m)

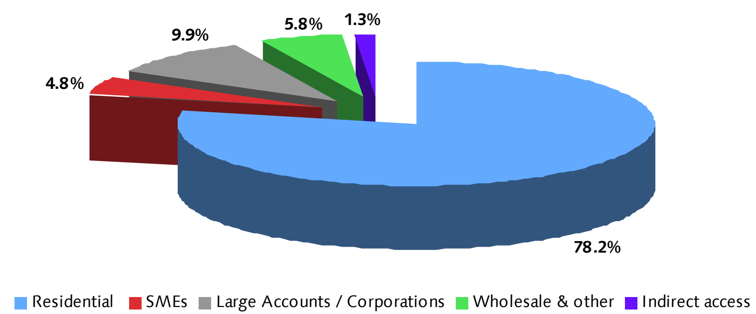


- Revenue erosion as a consequence of the difficult macroeconomic environment in line with the downtrend in revenues reported by main telecommunication operators
- ONO continues to evolve and analyze new revenue streams while reinforcing its Value Added Services offer (TV options, service maintenance,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

Revenues breakdown Q1 2009 (%)

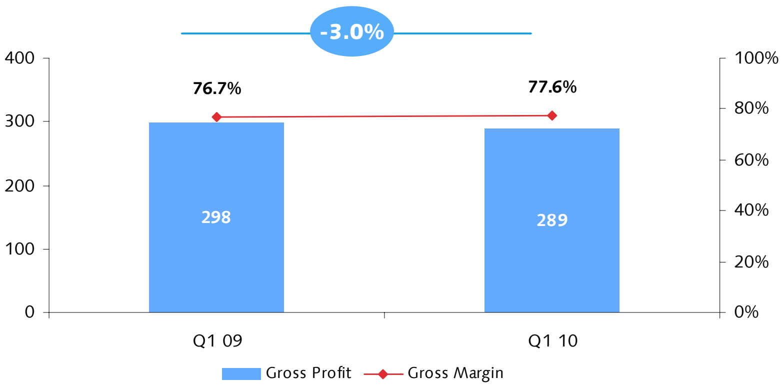


Revenues breakdown Q1 2010 (%)

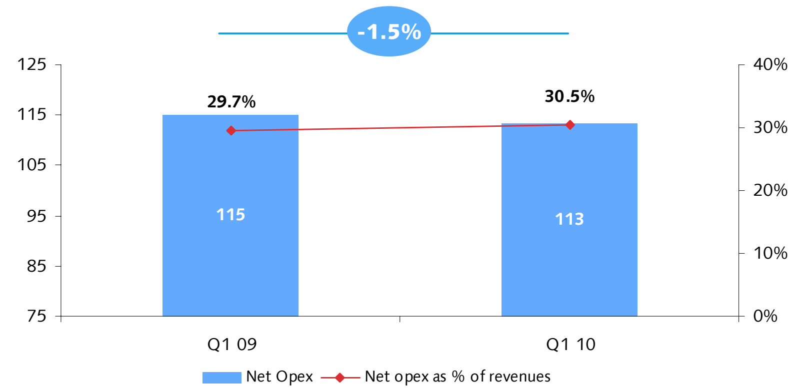


Good progress on margin

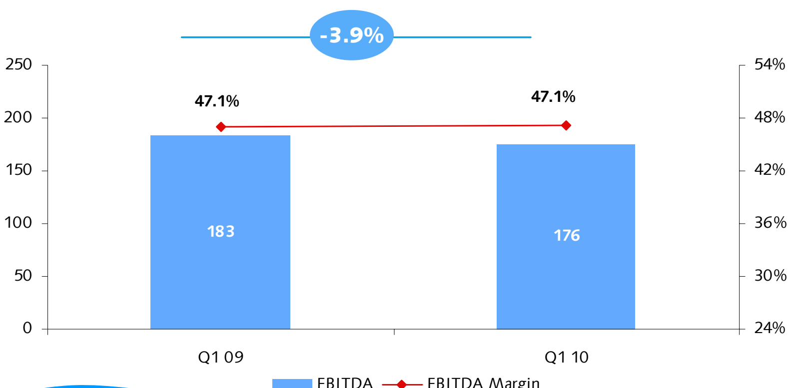
Gross profit (€m) and gross margin (%)



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



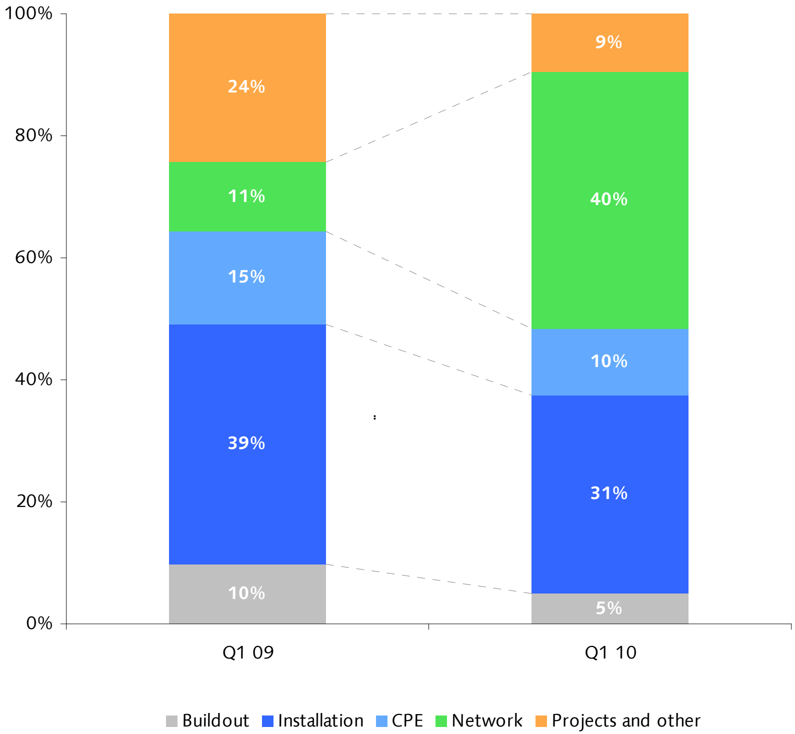
EBITDA (€m) and EBITDA margin (%)



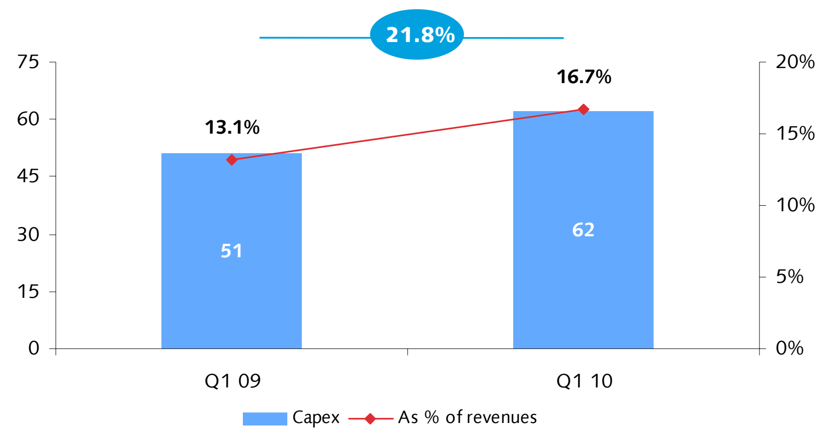
- Gross margin reached 77.6% in Q1 2010 mainly due to TV content contract renegotiations and lower international and fixed-mobile telephony calls
- Net opex decreased by 1.5% to reach €113 million following adjustments to marketing spend, sales channel strategy, headcount reduction plan and rationalization of resources amongst the different areas
- EBITDA margin place ONO amongst the most efficient telecommunication operators in Europe
- EBITDA margin up to 47.1%, reaching €176 million in Q1 2010

Increase in Capex to support business growth

Capex breakdown (%)



Capex (€m) and Capex as % of revenues

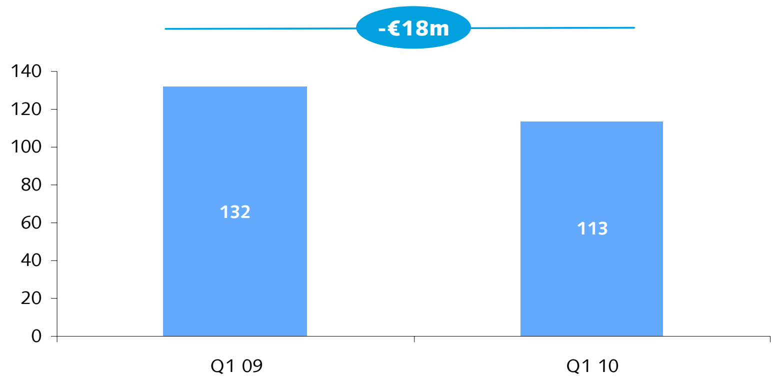


- Capex as a % of revenues increased to 16.7% in Q1 2010 in line with the decision to increase investments to support business growth
- National deployment of DOCSIS 3.0 to show differential in broadband and to provide fast and reliable services

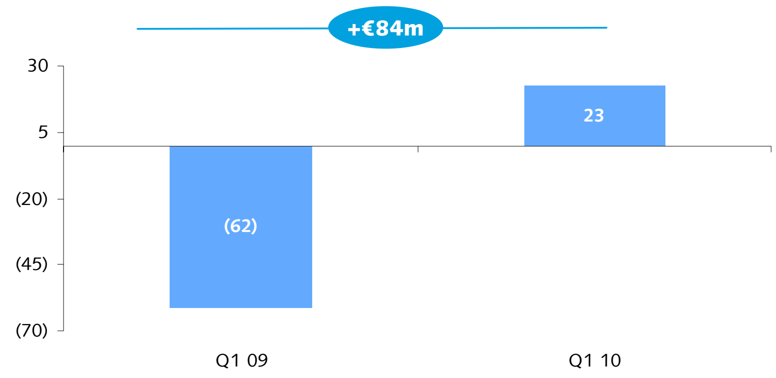
Note: "Projects and other" includes development projects, capitalized costs, IT costs and other fixed costs

Strong Cash generation

Op. Free Cash Flow (€m)



Free Cash Flow (€m)



Q1 2010 Financial Structure - Cableuropa

Type of debt	Max available (€m)	Drawn @ 31/03/10 (€m)	Availability	Average Interest rate	Leverage (Cableuropa)
Senior facility	**3,464**	**3,464**	**0**	**2.73%**	
Tranche A, B, C & I	2,764	2,764	0	2.59%	
Tranche D	700	700	-	3.29%	
State subsidies and other	**34**	**34**	-	**1.46%**	
Other credit facilities	**78**	**63**	**14**	**2.80%**	
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**	-	**3.46%**	
Total	**4,035**	**4,021**	**15**	**3.41%**	**5.37x**
Total (Hedging included)				5.48%	
Cash and cash equivalents		**168**		**0.48%**	
Total Net debt / EBITDA LTM		**3,853**		**5.76%**	**5.33x**
EBITDA LTM		**722**			

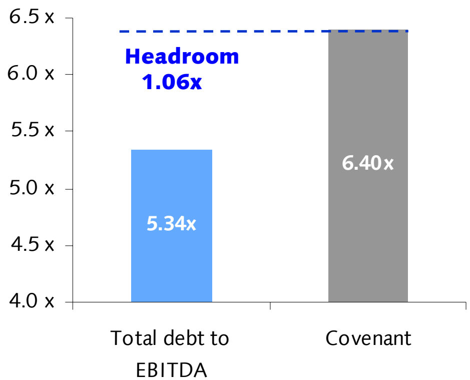
Corporate, Bond and Bank debt ratings

	Corporate	Bond debt	Bank debt	Outlook	Last report date
Moody´s	B3	Caa2	NR	Stable	16 April 2010
Standard & Poor´s	B-	CCC	NR	Stable	04 May 2010
Fitch	B	CCC	BB-	Negative	22 January 2010

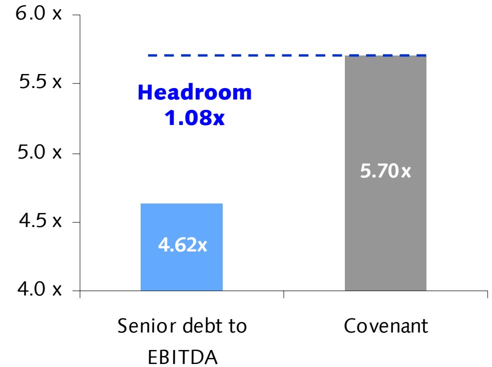
Note: As per financing contracts in force in March 2010. Not taking into consideration the closing of the refinancing plan

Q1 2010 Covenants compliance - Cableuropa (Unaudited)

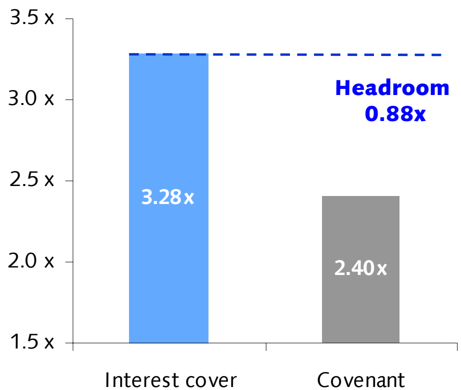
Total debt to LTM EBITDA (x)



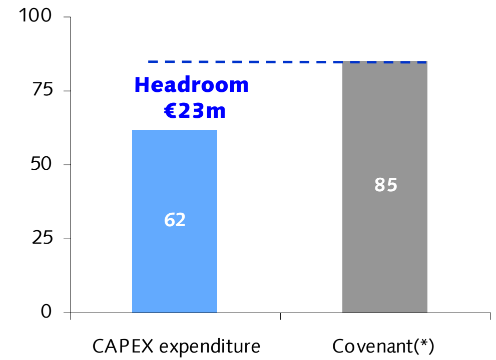
Senior debt to LTM EBITDA (x)



Interest cover (x)



CAPEX expenditure (€m) (*)



Note: Financial covenant levels as defined in the refinancing proposal

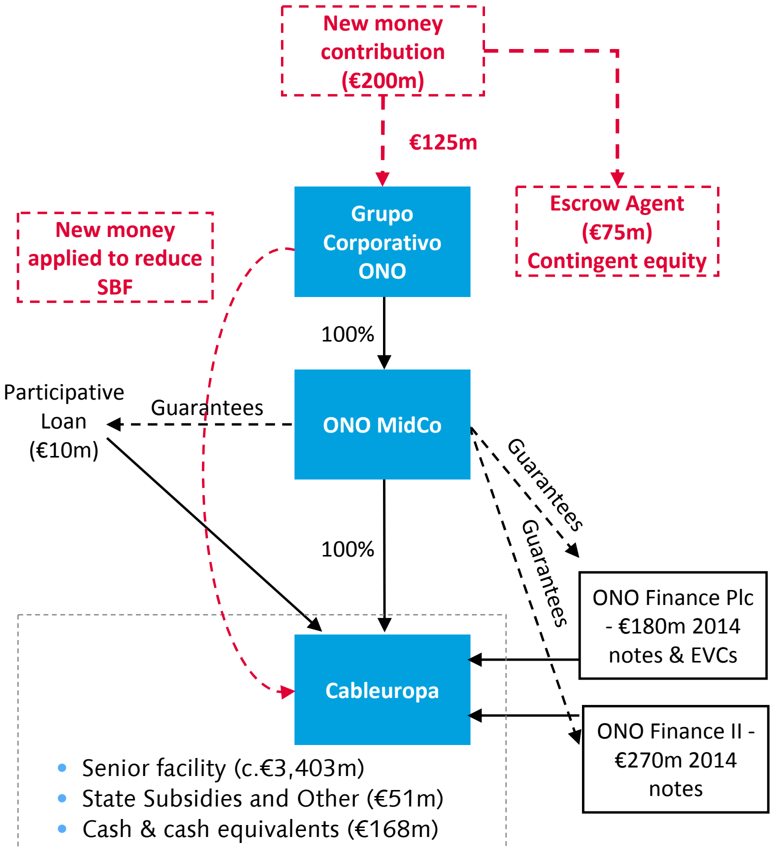
(*)The covenant shown does not include the EBITDA overperformance, which would provide an additional headroom of c. €2m in Q1 2010

Closing of the refinancing plan with the strong support of Shareholders and Banks

- **€200m new money contribution**:
  - New money significantly larger than all precedent transactions
  - €125m injected day 1 and €75m held in escrow to support ONO's liquidity
  - Contribution from existing shareholders in the form of a deeply subordinated profit participative loan
- **Amendments to existing senior facility agreement approved by the majority of senior lenders:**
  - Allow new FSF's
  - Allow a new revolving tranche to be added to the back deal on a *pari-passu* basis - €64m STCL rolled into this new tranche
  - Consent to permit the issuance of senior secured debt and bank debt to prepay the existing syndicated loan
  - Reset financial covenants to allow adequate headroom
  - ONO to pay 25bps consent fee
- **Over 80% of A & B lenders and 100% of tranche I lender have agreed to roll their participation into the new FSF's**:
  - Maturity June 2013
  - 125bps margin uplift
  - 75 bps participation fee on the committed amount
- **Ability to issue Senior Secured Bonds under the new documentation**
- **Commitment to reduce €700m of banks' exposure by 2012**

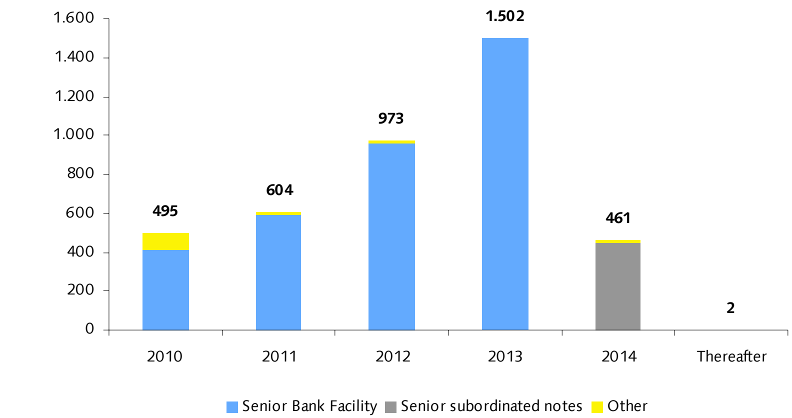
The newly agreed debt amortizing calendar benefits the near and medium term liquidity of the company

Proforma Corporate structure post transaction [1]

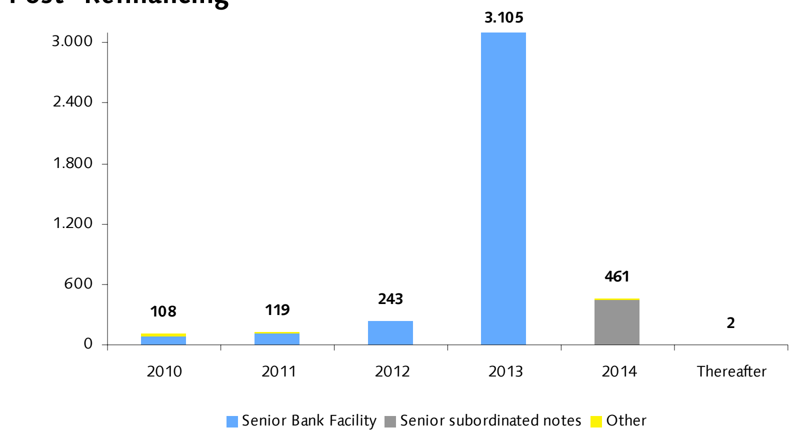


Debt amortizing calendar (*)

Pre- Refinancing



Post- Refinancing



(1) *Proforma with Q1 2010 figures*

(*) *Over maximum available amounts*

Covenant reset to allow adequate headroom - Cableuropa

Total debt to annualized EBITDA																
	2009	2010				2011				2012				2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Former covenant	5.95x	5.85x	5.75x	5.50x	5.35x	4.00x	3.75x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x
New covenant	6.40x	6.40x	6.40x	6.40x	6.25x	6.10x	6.00x	5.90x	5.80x	5.60x	5.40x	5.20x	5.00x	4.90x	4.80x	4.70x

Total senior debt to annualized EBITDA																
	2009	2010				2011				2012				2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Former covenant	4.95x	4.90x	4.75x	4.60x	4.40x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x
New covenant	5.70x	5.70x	5.70x	5.60x	5.50x	5.40x	5.25x	5.20x	5.10x	4.90x	4.70x	4.50x	4.30x	4.20x	4.10x	4.00x

Interest cover ratio																
	2009	2010				2011				2012				2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Former covenant	2.50x	2.50x	2.50x	2.50x	2.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x	3.50x
New covenant	2.42x	2.40x	2.32x	2.36x	2.42x	2.54x	2.68x	2.72x	2.72x	2.70x	2.70x	2.71x	2.73x	2.74x	2.75x	2.80x

Maximun capex																
	2009	2010				2011				2012				2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Former covenant	380	100	200	300	360	na	na	na	na	na	na	na	na	na	na	na
New covenant	257	85	165	230	290	85	165	230	290	85	165	230	285	85	165	230

Note: New covenants measured on LTM basis

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For additional information, please contact

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