



Second quarter 2011 results

26 July 2011

**Somos únicos,
porque somos
Fibra Óptica**

We are unique because we have Fiber Optic

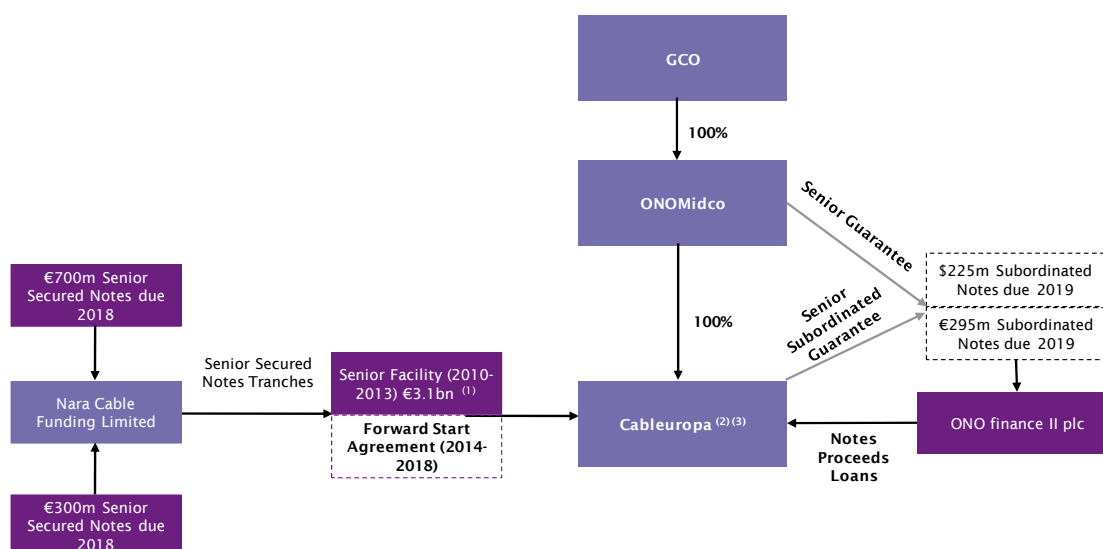


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1. REPORTING STRUCTURE

Simplified financing structure as of 26 July 2011



Notes:

- (1) Shows amount drawn under the Senior Bank Facility as of 30 June 2011; Total commitments of €3.5bn.
- (2) Other credit facilities and State subsidies of €3 million and €16 million respectively.
- (3) Cash and cash equivalents of €133 million.

We are reporting consolidated results of Grupo Corporativo ONO, S.A. (“GCO”) and its subsidiaries for the quarter ended 30 June 2011.

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

Certain numerical figures included in this document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding. In addition, the term “pp” means percentage points when describing the change in a percentage between two periods.

2. OVERVIEW OF GRUPO CORPORATIVO ONO

ONO is the second largest provider of broadband Internet, pay television and fixed telephony services and a leading triple play operator in Spain. Through our proprietary state-of-the-art network, we offer our services to over 7 million homes across Spain, including the nine largest cities. ONO is the only fibre operator in Spain with national coverage. As of 30 June 2011, we provided over 4.4 million services under the ONO brand to more than 1.9 million residential (fibre and ADSL) customers and around 78 thousand SMEs. We also offer products and services to large corporations and public sector entities as well as to the wholesale market. We are the principal competitor to the incumbent telecommunications and pay television operators in Spain. For the quarter ended 30 June 2011, we generated revenues of €368 million and EBITDA of €187 million with an EBITDA margin of 50.8%.



Residential		<i>in thousands</i>
Homes in Spain (*)		17,545
Homes in areas covered by ONO's fibre network		14,741
<i>% of Homes in Spain</i>		84%
Homes released to marketing		7,037
<i>% of Homes in areas covered by ONO's fibre</i>		48%
Residential Fibre customers		1,819
<i>Fibre penetration</i>		26%
Residential ADSL customers		93
Total residential customers		1,912
Business		<i>in thousands</i>
SME customers		78

(*) Source: INE; main and secondary homes

Table 1: Capitalisation

As of 30 June 2011
Data in million

	Grupo Corporativo ONO			Cableuropa		
	€m	% of debt	Debt/EBITDA	€m	% of debt	Debt/EBITDA
Short-term debt with banks ⁽¹⁾	144	4.0%	0.19x	144	4.0%	0.19x
Senior facility	2,304	63.9%	3.12x	2,304	63.9%	3.13x
Senior Secured Notes	700	19.4%	0.95x	700	19.4%	0.95x
Senior Subordinated Notes	451	12.5%	0.61x	451	12.5%	0.61x
State subsidies and other	7	0.2%	0.01x	7	0.2%	0.01x
Long-term debt	3,462	96.0%	4.69x	3,462	96.0%	4.70x
Total debt	3,606			3,606		
Cash and cash equivalents	133			133		
Total net debt	3,472		4.70x	3,472		4.71x
EBITDA LTM	739			737		

⁽¹⁾ Includes €49 million of indebtedness under the Senior Facility maturing in December 2011 and €83 million maturing in June 2012.

Note: The difference between these amounts and the commercial value of the securities corresponds to the amortised capitalised costs of their issue.

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" and "Short-term debt".

Note: The figures above do not include the shareholders' loan.

2.1 Key operating events in the quarter

- Success of our high-speed Internet offerings

We officially launched the 50 Mbps Internet offering across our areas of operation in late August 2010. As of 30 June 2011, almost 270 thousand customers subscribed to our high-speed Internet packages (either 30 or 50 Mbps) which represents 19% of our broadband customer base. We believe this to be an excellent commercial result for our high-speed Internet proposition as we managed to upgrade or acquire almost 270 thousand customers in less than a year, despite the adverse macroeconomic environment.

In May 2011 we started offering 100Mbps internet speed on a selective basis to certain high-end customers. We intend to focus on marketing and deriving the commercial benefits from this service in the coming quarters.

In June 2011, we completed the deployment of DOCSIS 3.0 technology across our network and currently we have the capacity to deliver high-speed Internet of up to 50 Mbps to approximately 7 million homes within our network coverage areas, representing virtually all of our potential fibre customer base (except the Canary Islands, where implementation is expected in 2012).

- Spectrum auctions in Spain

Pursuant to Royal Decree 458/2011, the Spanish telecommunications regulator announced on 28 April 2011 public bidding procedures for spectrum in a variety of frequency bands. We have filed an offer to participate in the auction relating to the 2.6 GHz band. While being successful in the auction could enable us to enhance our mobile voice and data services, our participation in the auction does not represent a change in our core strategy.

- Recent price increases

On 1 July 2011, we marginally increased the service plan prices paid by existing customers as well as the service plan prices for new customers (€1 per month). We expect that this will result in an increase in our revenues in the short term.

2.2 Key financial events

- ONO completes the offering of €300 million of Senior Secured Notes due 2018

On 14 July 2011, we announced the completion of the offering of €300 million aggregate principal amount of 8.875% Senior Secured Notes due 2018. The Notes were issued at a price of 99% of their principal amount plus accrued interest from 1 June 2011. The Notes are fully fungible with, and share security with, the €700 million aggregate principal amount of 8.875% Senior Secured Notes due 2018 issued on 22 October 2010.

The Notes were issued by a special purpose independent orphan vehicle, Nara Cable Funding Limited, which has on-lent the gross proceeds to Cableuropa pursuant to a new tranche of Cableuropa's Senior Facility. The proceeds of the loan have been used to repay €300 million of indebtedness under the Senior Facility and therefore has not resulted in an increase in our leverage. The new tranche is secured on a pari passu basis with other loans under the Senior Facility.

2.3 Financial highlights

Table 2: Financial highlights - GCO

Data in € million, except if otherwise stated	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Revenues	368	368	0.0%	733	741	(1.1%)
Gross profit	293	290	1.2%	581	579	0.4%
Gross margin	79.5%	78.6%	0.9 pp	79.2%	78.1%	1.1 pp
EBITDA	187	176	6.0%	366	352	4.0%
EBITDA margin	50.8%	47.9%	2.9 pp	49.9%	47.5%	2.4 pp
Total net debt	3,472	3,684	(5.8%)	3,472	3,684	(5.8%)
Capex	(64)	(55)	16.0%	(136)	(117)	16.1%
Operating FCF	123	122	1.4%	230	235	(2.1%)
Net profit	22	11	90.4%	31	28	9.8%
Total Net debt / LTM EBITDA	4.70x	5.11x	(0.41x)	4.70x	5.11x	(0.41x)

Table 3: Revenues split

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Residential	292	291	0.2%	580	583	(0.5%)
Residential Fibre	281	282	(0.2%)	559	564	(0.8%)
Residential ADSL	11	10	10.5%	21	19	10.1%
Business	75	75	0.1%	150	151	(1.1%)
SMEs	19	18	2.8%	37	36	3.4%
Large Accounts and Corporations	33	37	(12.4%)	65	74	(12.0%)
Wholesale and other	24	20	20.6%	47	41	14.6%
Indirect access	1	2	(36.2%)	3	4	(19.9%)
Revenue from disposed assets (Teuve) ⁽¹⁾	-	-	na	-	3	na
Total revenues	368	368	0.0%	733	741	(1.1%)

For certain definitions, see section 7 of this document.

⁽¹⁾ On 9 April 2010, the disposal of Factoría de Canales ("Teuve") was completed.

2.4 Operating highlights

Table 4: Operating highlights

Data in thousands, except if otherwise stated

	30-Jun-11	31-Mar-11	change	30-Jun-10	change
RGUs:					
Fibre RGUs	4,078	4,072	0.1%	4,004	1.8%
ADSL RGUs	174	169	3.1%	152	14.5%
Residential RGUs	4,252	4,241	0.2%	4,156	2.3%
SME RGUs	149	141	5.8%	125	19.0%
Customers:					
Residential Fibre	1,819	1,822	(0.2%)	1,821	(0.1%)
Residential ADSL	93	91	2.4%	83	11.6%
Total Residential	1,912	1,913	(0.1%)	1,904	0.4%
SMEs	78	74	4.5%	69	13.3%
Indirect access	23	24	(2.9%)	33	(28.6%)
Other data – Residential Fibre:					
Homes released to marketing	7,037	7,033	0.1%	7,020	0.2%
Penetration	25.9%	25.9%	(0.1 pp)	25.9%	(0.1 pp)
ARPU (€)	51.5	51.0	1.0%	51.6	(0.1%)
RGUs per customer	2.24x	2.23x	0.01x	2.20x	0.04x
Net churn	14.6%	14.8%	(0.3 pp)	13.4%	1.2 pp
Residential Fibre services (RGUs):					
Internet	1,414	1,406	0.6%	1,356	4.3%
as % of customers	77.8%	77.2%	0.6 pp	74.5%	3.3 pp
Television	952	959	(0.7%)	966	(1.5%)
as % of customers	52.3%	52.6%	(0.3 pp)	53.1%	(0.7 pp)
Telephony	1,711	1,708	0.2%	1,682	1.7%
as % of customers	94.1%	93.7%	0.4 pp	92.4%	1.7 pp
Residential Fibre penetration per service:					
Internet	20.1%	20.0%	0.1 pp	19.3%	0.8 pp
Television	13.5%	13.6%	(0.1 pp)	13.8%	(0.2 pp)
Telephony	24.3%	24.3%	0.0 pp	24.0%	0.4 pp

For certain definitions, see section 7 of this document.

The Spanish telecommunications market has been weak in the second quarter of 2011. The CMT (Spanish regulator) reported broadband net additions of 18 thousand and 19 thousand for April and May 2011, respectively, that compare to 62 thousand and 55 thousand in the same months of 2010. On the telephony fixed lines segment, the Spanish market has also performed poorly and over 81 thousand and 51 thousand net lines were lost in April and May 2011, respectively, compared to 4 thousand net additions in April 2010 and 18 thousand net losses in May 2010.

In a difficult and volatile market environment, we have added over 11 thousand residential services in the second quarter, to surpass 4.2 million as of 30 June 2011, while we have managed to maintain our customer base broadly stable with more than 1.9 million residential customers as of 30 June 2011.

Our focus on providing bundled services and the continuous upsale and cross sale campaigns to our customer base have enabled us to continue increasing our

residential fibre RGUs per customer that now reaches 2.24x, an increase of 0.01x if compared to the previous quarter and of 0.04x if compared to the same quarter of 2010. As of 30 June 2011, 84% of our residential fibre customers subscribed to a bundled package and 40% subscribed to a triple play bundle, the highest ratio ever.

In the last quarter, we have managed to reduce our residential fibre net churn by 0.3 pp to 14.6%. We believe that net churn is stabilising in the 14% - 15% range, a level we achieved as a consequence of the implementation of a series of initiatives such as the development of better products, improved customer care and customer segmentation tools and tactical promotions.

ARPU for residential fibre increased in the quarter to reach €51.5. We believe that the monthly fee component of our ARPU continued to perform well mainly as a consequence of the success of the bundling strategy and the upsale and upgrade campaigns. The variable component of our ARPU continued to perform poorly as a consequence of the decrease in overall consumption of Spanish households. Having over 85% of the ARPU coming from the monthly fee has proven to be useful in the current environment in which consumption based products are heavily affected and the market dynamics in acquisition and retention promotions are playing a role. On 1 July 2011, we increased by €1 per month the service plan prices paid by existing customers as well as the service plan prices for new customers. We expect that this initiative will result in an increase in our ARPU in the short term and will help us sustain and improve our revenues and ARPU levels going forward.

Total SME services increased by more than 8 thousand in the second quarter of 2011 and by approximately 24 thousand in the last year, to reach approximately 149 thousand services as of 30 June 2011. Our SME customer base performed well and we were able to add approximately 3 thousand customers in the first quarter and approximately 9 thousand in the last year despite the challenging macroeconomic environment, mainly due to our renewed focus in this business segment.

3. GRUPO CORPORATIVO ONO

3.1 Condensed Consolidated Financial Statements

Table 6: Condensed Consolidated Balance Sheet

Data in € million	Notes	30-Jun-11	31-Mar-11	31-Dec-10
ASSETS				
Intangible assets, net	3.3.1	110	109	107
Tangible assets, net	3.3.2	4,142	4,175	4,200
Shareholdings in group companies		-	-	-
Financial assets		12	9	5
Tax credit and deferred tax	3.2.6	1,068	1,079	1,084
Non current assets		5,332	5,371	5,396
Non current assets held for sale		-	-	15
Inventories		3	2	2
Accounts receivable and other current assets		110	113	117
Short-term investments, net		6	4	4
Prepayments and accrued income		9	7	2
Cash and cash equivalents		133	81	59
Current assets		262	206	199
TOTAL ASSETS		5,594	5,578	5,594
LIABILITIES AND SHAREHOLDERS' EQUITY				
Common stock		1,649	1,649	1,649
Share premium reserve		363	363	363
Reserves		39	39	39
Prior year losses		(804)	(804)	(851)
Own shares		(28)	(28)	(28)
Net profit for the period		31	9	47
Shareholders' equity	Table 9	1,249	1,228	1,218
Hedge agreements		(1)	(1)	(1)
State subsidies		1	1	1
Minority interest		4	4	4
Net equity		1,253	1,231	1,222
Provisions for liabilities and charges		65	79	87
Senior facility ⁽¹⁾		2,289	2,370	2,398
Senior Secured Notes ⁽¹⁾		682	682	683
Participative loan		-	-	10
Senior subordinated notes ⁽¹⁾		437	440	450
Other		7	13	13
Long-term debt	3.3.3	3,414	3,505	3,555
Hedge agreements		5	2	-
Other long-term liabilities		1	1	1
Other long-term liabilities		6	3	1
Loan ⁽¹⁾		124	124	124
Accrued interests		43	34	25
Shareholder's Loan		167	158	149
Deferred income		0	0	0
Non current liabilities		3,653	3,746	3,791
Provisions for liabilities and charges		32	32	32
Short-term debt with banks	3.3.3	144	61	61
Accrued interests		27	37	25
Hedge agreement		-	-	2
Other		0	0	2
Short-term payables		171	98	89
Accounts payable and other current liabilities		330	360	360
Accruals and deferred income		155	111	101
Current liabilities		688	601	581
TOTAL LIABILITIES AND NET EQUITY		5,594	5,578	5,594

⁽¹⁾ The difference between these amounts and the commercial value of the securities corresponds to the amortised capitalised costs of their issue.

Table 7: Condensed Consolidated Statements of Operations

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Revenues	368	368	0.0%	733	741	(1.1%)
Cost of services	(76)	(79)	(4.3%)	(152)	(162)	(6.2%)
Net opex	(106)	(113)	(6.3%)	(215)	(226)	(5.2%)
EBITDA	187	176	6.0%	366	352	4.0%
Deprec. and amortis.	(95)	(97)	(2.4%)	(190)	(194)	(2.4%)
Other expenses	(0)	(0)	na	(1)	(0)	na
Reversal of provisions	5	-	na	5	-	na
Impairment and gains or losses on disposal of fixed assets	(1)	(0)	na	(0)	3	na
EBIT / Operating profit	97	79	22.0%	181	160	12.6%
Net financial expense	(64)	(63)	2.7%	(134)	(120)	12.0%
EBT / Profit before tax	32	17	95.1%	47	41	14.4%
Income tax	(10)	(5)	110.6%	(15)	(12)	25.9%
Profit before minority interests	22	12	88.5%	31	29	9.5%
Minority interests	(0)	(0)	na	(0)	(0)	na
Net profit	22	11	90.4%	31	28	9.8%

Table 8: Condensed Consolidated Cash Flow

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
EBITDA	187	176	6.0%	366	352	4.0%
Capex	(64)	(55)	16.0%	(136)	(117)	16.1%
OPERATING FREE CASH FLOW	123	122	1.4%	230	235	(2.1%)
Change in working capital	12	17	(30.1%)	25	15	67.5%
Other ⁽¹⁾	(9)	(1)	na	(2)	(10)	na
FREE CASH FLOW (pre-interest)	126	137	(8.4%)	253	240	5.6%
Paid interests, net	(62)	(78)	(19.7%)	(132)	(158)	(16.6%)
FREE CASH FLOW AFTER DEBT SERVICE	63	59	6.5%	122	82	48.2%
FINANCING ACTIVITIES						
Contributions from shareholders	-	125		-	125	
Senior facility	-	(153)		(30)	(153)	
Senior subordinated notes	-	-		11	-	
Participative Loan (lco)	-	-		(10)	-	
State subsidies	(6)	(8)		(6)	(8)	
Credit lines	0	(54)		(1)	(77)	
Short-term investments	(2)	1		(2)	15	
Financial assets	(3)	0		(7)	0	
Other financing items	(0)	(2)		(3)	(14)	
Deferred Auna acquisition payment	-	-		-	(71)	
CASH FLOW FROM FINANCING ACTIVITIES	(11)	(91)		(48)	(183)	
NET CASH FLOW	52	(31)		74	(101)	
CASH BEGINNING OF PERIOD	81	168		59	238	
CASH END OF PERIOD	133	137		133	137	

For certain definitions, see section 7 of this document.

⁽¹⁾ Includes commitments & contingencies and other one-off items.

Table 9: Shareholders' equity

Data in
€million

	Common stock	Share premium reverse	Reserves	Own shares	Prior year losses	Net profit/(loss) for the period	Hedge agreements	State subsidiaries	Minority interest	Total
Balance 31 December 2010	1,649	363	39	(28)	(851)	47	(1)	1	4	1,222
Previous year result distribution	-	-	-	-	47	(47)	-	-	-	-
Net loss for the year	-	-	-	-	-	31	-	-	-	31
Change in fair value	-	-	-	-	-	-	0	-	-	0
Transfer to financial income	-	-	-	-	-	-	-	(0)	-	(0)
Transfer to income statements	-	-	-	-	-	-	-	-	0	0
Balance 30 June 2011	1,649	363	39	(28)	(804)	31	(1)	1	4	1,253

3.2 Second quarter 2011 results of operations

3.2.1. Revenues

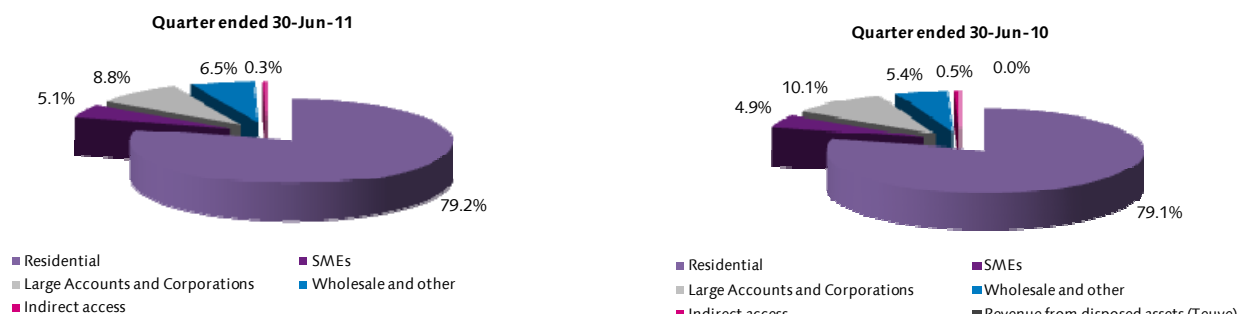
Our revenues are derived primarily from (i) residential services, which involve providing our customers with a combination of Internet, pay television and telephony services, either through our fibre network or through ADSL; and (ii) business services, which involve providing SMEs, large corporations and public entities with voice and data services, as well as other value-added services, and providing other telecommunications operators with wholesale access to our excess capacity and certain other products and services, such as carrier services, voice traffic services, leased and dedicated lines and Internet-service provider solutions.

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

Table 10: Revenue split

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Residential	292	288	1.3%	291	0.2%	580	583	(0.5%)
Residential Fibre	281	278	1.2%	282	(0.2%)	559	564	(0.8%)
Residential ADSL	11	10	3.6%	10	10.5%	21	19	10.1%
Business	75	75	1.1%	75	0.1%	150	151	(1.1%)
SMEs	19	19	0.0%	18	2.8%	37	36	3.4%
Large Accounts and Corporations	33	33	(0.3%)	37	(12.4%)	65	74	(12.0%)
Wholesale and other	24	23	3.8%	20	20.6%	47	41	14.6%
Indirect access	1	2	(29.6%)	2	(36.2%)	3	4	(19.9%)
Revenue from disposed assets (Teuve) ⁽¹⁾	-	-	na	-	na	-	3	na
Total revenues	368	364	1.1%	368	0.0%	733	741	(1.1%)

⁽¹⁾ On 9 April 2010, the disposal of Factoría de Canales ("Teuve") was completed.



Overall revenues in the second quarter of 2011 were €368 million and remained flat as compared to the same quarter of the previous year.

Residential revenues, which represent over 79% of our total revenues, amounted to €292 million in the quarter, which represented a slight increase of 0.2% compared to the same quarter of 2010. Our strategy of acquiring customers through a bundled offer has led to an overall increase in the number of services we provide to our residential customers. In addition, we have implemented a series of service upgrade campaigns (e.g. 50Mbps Internet packages) that have resulted in customers subscribing to higher Internet speeds and premium TV packages. These initiatives have resulted in an increase in net monthly fee revenues that have enabled us to offset the decrease in variable revenues derived from the lower number of minutes of fixed-to-mobile and fixed-to-international calls, and the decrease in pay-per-view (PPV) and pay video-on-demand (VoD) events. Having over 85% of the ARPU coming from the monthly fee has proven to be useful in the current environment in which consumption based products are heavily affected and the market dynamics in acquisition and retention promotions are playing a role. Additionally, on 1 July 2011, we increased by €1 per month the service plan prices paid by existing customers as well as the service plan prices for new customers with the aim of helping us sustain and improve our revenues going forward.

Business revenues, which represent around 20% of our total revenues, amounted to €75 million in the quarter representing a slight increase of 0.1% if compared against the same quarter 2010. While our SMEs segment performed well mainly due to our renewed focus in this business unit, the economic downturn is leading to contracts renegotiations for large accounts & corporations and Telefonica, our principal competitor, maintains an aggressive commercial approach that usually results in material reductions in prices.

We continue to evolve and analyze new revenue streams (e.g. broadening our mobile offerings) and to develop new products and services such as high-speed Internet (100 mbps) and next generation TV (TiVo) that we believe will help us to improve our overall revenue figures.

3.2.1.1 Residential services

Table 11: Residential RGUs

Data in thousand

	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change
Fibre RGUs	4,078	4,072	0.1%	4,004	1.8%
ADSL RGUs	174	169	3.1%	152	14.5%
Total Residential RGUs	4,252	4,241	0.2%	4,156	2.3%

a) Residential Fibre

The residential fibre services segment provides us with revenues from monthly fees and initial activation and connection charges from residential bundled and individual services; usage charges from residential telephony services; customer premise equipment rental charges; incoming interconnection; variable fees for pay-per-view and video-on-demand (VoD) services from fibre television services and other minor items. We currently offer our residential customers double-play and triple-play packages of services which consist of telephony and either Internet or television, or both services.

The following table sets forth information on residential fibre services and the percentage change from period to period:

Table 12: Residential Fibre

<i>Data in thousand, except if otherwise stated</i>	30-Jun-11	31-Mar-11	change	30-Jun-10	change
Residential Fibre:					
HRTM	7,037	7,033	0.1%	7,020	0.2%
Customers	1,819	1,822	(0.2%)	1,821	(0.1%)
Penetration	25.9%	25.9%	(0.1 pp)	25.9%	(0.1 pp)
Net churn	14.6%	14.8%	(0.3 pp)	13.4%	1.2 pp
ARPU (€)	51.5	51.0	1.0%	51.6	(0.1%)
Total RGUs	4,078	4,072	0.1%	4,004	1.8%
RGUs per customer	2.24x	2.23x	0.01x	2.20x	0.04x

The success of our marketing strategy, based on the sale of bundles (over 84% of our customers subscribed to a bundled service as of 30 June 2011) has led to an increase of 6 thousand services in the quarter and 74 thousand in the last twelve months, to reach 4.1 million services as of 30 June 2011.

This focus on bundled services coupled with the success of a series of cross-selling and up-selling campaigns have enabled us to increase the RGUs per customer ratio to 2.24x as of 30 June 2011, compared to 2.23x as of 31 March 2011.

In the last quarter, we have managed to reduce our residential fibre net churn by 0.3 pp to 14.6%. We believe that net churn is stabilising in the 14% - 15% range, a level achieved as a consequence of the implementation of a series of initiatives such as the development of better products, improved customer care and customer segmentation tools and tactical promotions.

- o **Internet**

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

Table 13: Internet services

<i>Data in thousand, except if otherwise stated</i>	30-Jun-11	31-Mar-11	change	30-Jun-10	change
Internet services:					
Customers	1,414	1,406	0.6%	1,356	4.3%
Proportion of total customers	77.8%	77.2%	0.6 pp	74.5%	3.3 pp
Penetration	20.1%	20.0%	0.1 pp	19.3%	0.8 pp

Internet customers increased by 8 thousand in the quarter and by 58 thousand in the twelve months ended 30 June 2011 to reach 1.4 million. Internet customers as a proportion of total customers reached 77.8% as of 30 June 2011.

We officially launched the 50 Mbps Internet offering across our areas of operation in late August 2010. As of June 2011, almost 270 thousand customers subscribed to our high-speed Internet packages (30 and 50Mbps) which represents 19% of our broadband customer base. We consider this to be an excellent commercial result that has helped us increase the number of broadband services and sustain ARPU during the quarter and that we believe will also help us to provide growth going forward.

In October 2010 we launched a pilot program offering 100 Mbps download speed in certain areas, and in May 2011 we started offering this speed on a selective basis to certain high-end customers. We intend to focus on marketing and deriving the commercial benefits from this service in the coming quarters.

In June 2011, we completed the deployment of DOCSIS 3.0 technology across our network (except the Canary Islands, where implementation is expected in 2012) and currently we have the capacity to deliver high-speed Internet of up to 50 Mbps to virtually all of our potential fibre customer base.

○ Television

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

Table 14: Television services

<i>Data in thousand, except if otherwise stated</i>	30-Jun-11	31-Mar-11	change	30-Jun-10	change
Television services:					
Customers	952	959	(0.7%)	966	(1.5%)
Proportion of total customers	52.3%	52.6%	(0.3 pp)	53.1%	(0.7 pp)
Penetration	13.5%	13.6%	(0.1 pp)	13.8%	(0.2 pp)

Fibre television customers decreased by 7 thousand in the quarter to reach 952 thousand as of 30 June 2011 mainly due to the negative macroeconomic environment in which we operated during the quarter under review.

We are currently developing a set of innovative solutions we expect will help us to increase our number of TV customers and revenues going forward. In June 2010 we signed a strategic agreement with TiVo to develop a next generation TV service. We expect this new TV product (currently under development) will help us to provide our customers with a best in class experience and a wide variety of contents that integrates broadcast and broadband television in a way that goes beyond the traditional pay television features. We expect to be in a position to start marketing this new TV service towards the end of 2011.

○ Telephony

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

Table 15: Telephony services

<i>Data in thousand, except if otherwise stated</i>	30-Jun-11	31-Mar-11	change	30-Jun-10	change
Telephony services:					
Customers	1,711	1,708	0.2%	1,682	1.7%
Proportion of total customers	94.1%	93.7%	0.4 pp	92.4%	1.7 pp
Penetration	24.3%	24.3%	0.0 pp	24.0%	0.4 pp

Telephony customers increased by 3 thousand in the quarter under review and 29 thousand in the last twelve months to reach 1.7 million as of 30 June 2011, mainly due to our effort in acquiring customers who take bundles that include telephony, coupled

with the low churn level experienced in this service. Telephony customers as a proportion of total customers increased by 0.4 pp to reach 94.1% as of 30 June 2011.

This service is showing resistance to the decrease in the customer base and minutes of use, remaining strong in terms of national fixed-to-fixed calls, although fixed-to-mobile and international call volumes remain weak.

b) Residential ADSL

Residential ADSL services include services offered through full unbundling of the local loop. These services provide us with revenues from monthly fees from telephony and broadband Internet services and usage charges from telephony services.

Residential ADSL services increased by 5 thousand in the quarter under review and 22 thousand in the last twelve months to reach 174 thousand services as of 30 June 2011. Our customer base also performed well and increased by more than 2 thousand customers in the quarter under review and by 10 thousand in the last twelve months to reach approximately 93 thousand customers as of 30 June 2011 in spite of the difficult macroeconomic environment.

Table 16: Residential ADSL

Data in thousand, except if otherwise stated

	30-Jun-11	31-Mar-11	change	30-Jun-10	change
Residential ADSL:					
Customers	93	91	2.4%	83	11.6%
RGUs	174	169	3.1%	152	14.5%
RGUs per customer	1.87x	1.86x	0.01x	1.82x	0.05x

3.2.1.2 Business services

a) SMEs

Revenues from SME services are derived from fees paid by small and medium sized enterprises for voice and data services, offered individually or as a bundle and from incoming interconnection revenues within this segment.

The following table sets forth revenues and customers from SMEs services and the percentage change from period to period:

Table 17: SMEs

Data in thousand, except if otherwise stated

	30-Jun-11	31-Mar-11	change	30-Jun-10	change
SMEs:					
Customers	78	74	4.5%	69	13.3%
RGUs	149	141	5.8%	125	19.0%
RGUs per customer	1.92x	1.90x	0.02x	1.83x	0.09x
Revenues (€m)	19	19	0.0%	18	2.8%

SMEs services increased by 8 thousand in the quarter under review and 24 thousand in the last twelve months to reach 149 thousand services as of 30 June 2011. Our SME customer base also performed well and increased by 4 thousand customers in the quarter under review and 9 thousand in the last twelve months to reach 78 thousand customers as of 30 June 2011.

Our increased focus on the SMEs segment has helped us to change the negative growth trend, both in revenues and customers, experienced in the past and has enabled us to return to a positive evolution in revenues, customers and services.

b) Large Accounts and Corporations

Revenues within the large accounts and corporations business segment are derived from customised solutions designed to satisfy the communication needs (voice, Internet, data solutions and equipment) of large corporate groups, institutions and central and autonomous government agencies, through an integrated range of tailored services.

The following table sets forth revenues from the large accounts and corporations segment and the percentage change from period to period:

Table 18: Large Accounts and Corporations

Data in €million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Revenues	33	33	(0.3%)	37	(12.4%)	65	74	(12.0%)

Large Accounts and Corporations revenues remained flat at €33 million in the quarter under review but decreased 12.4% if compared to the same quarter of 2010. The lower level of variable revenues as well as contract renegotiations that often involve material reductions in prices have negatively impacted this business unit.

c) Wholesale and other

Revenues from the wholesale and other business unit 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.

Table 19: Wholesale and other

Data in €million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Revenues	24	23	3.8%	20	20.6%	47	41	14.6%

Revenues from the wholesale and other business unit increased by 3.8% if compared to the previous quarter and by 20.6% if compared to the same quarter of 2010.

3.2.2. Cost of services and Gross profit

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

Table 20: Cost of services and Gross Profit

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
	Total revenues	368	364	1.1%	368	0.0%	733	741
Cost of services	(76)	(77)	(1.5%)	(79)	(4.3%)	(152)	(162)	(6.2%)
Gross profit	293	288	1.8%	290	1.2%	581	579	0.4%
Gross margin	79.5%	79.0%	0.5 pp	78.6%	0.9 pp	79.2%	78.1%	1.1 pp

Cost of services principally consists of interconnection and backbone network costs for telecommunications services, Internet connectivity costs, circuit rental expenses and programming costs for fibre television 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. Fibre television programming fees consist primarily of fees paid to television content owners to distribute their fibre television content and fees paid to distribute movies and football on a pay-per-view basis.

Our cost of services decreased €1 million if compared to the previous quarter and €3 million if compared to the same quarter of 2010.

3.2.3. Operating expenses ("Opex")

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

Table 21: Operating expenses

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
	Gross opex	(122)	(125)	(2.8%)	(130)	(6.5%)	(247)	(260)
Capitalised costs	16	16	(4.1%)	17	(7.4%)	32	33	(3.5%)
Net opex	(106)	(109)	(2.6%)	(113)	(6.3%)	(215)	(226)	(5.2%)
% of revenues	28.7%	29.8%	(1.1 pp)	30.7%	(1.95 pp)	29.3%	30.6%	(1.3 pp)

Gross opex consists 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. Capitalised costs relate to, *inter alia*, direct labour costs associated with the development and construction of our network and the installations carried out at customer premises.

Our net operating expenses decreased by €7 million if compared to the same quarter of 2010. Our strict cost control policies coupled with optimization and restructuring initiatives have led to continued opex savings across the entire organization. However, these savings were partially offset by the introduction of Law 8/2009 on 28 August 2009 which requires ONO to contribute 1.5% of its television revenues and 0.9% of its telecommunication revenues, respectively, to subsidise the sustainability of the Spanish public broadcasting entity RTVE. In March 2011, this law was referred by the European Commission to the European Court of Justice for review.

3.2.4. Depreciation and amortisation

The following table sets forth our depreciation and amortisation and the percentage change for each of the periods indicated:

Table 22: Depreciation and amortisation

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Depreciation and amortisation	(95)	(95)	(0.5%)	(97)	(2.4%)	(190)	(194)	(2.4%)

Depreciation and amortisation is 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 amortisation of intangible assets.

3.2.5. Net financial expenses

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

Table 23: Net financial expenses

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Net financial expenses	(64)	(70)	(7.7%)	(63)	2.7%	(134)	(120)	12.0%

Net financial expenses consist principally of interest expenses derived from our financing and hedge agreements.

Net financial expenses decreased by €6 million if compared to the previous quarter but increased by €1 million if compared to the same quarter of the previous year to reach €64 million as of 30 June 2011.

Savings arising from the maturity of the €2,565 million hedge agreements in 2010 and January 2011 have been offset by: (i) the increased spread margins applicable to part of our bank debt following the refinancing of our Senior Bank Facility in May 2010; (ii) the increased interest expenses arising from the €700 million Senior Secured Notes and the €461 million (equivalent) Senior Subordinated Notes issued in October 2010 and January 2011 respectively; (iii) the interest expenses arising from the €125 million shareholders' contribution (this contribution bears interests only at GCO level), and by the (iv) the refinancing charges arising from the above transactions.

3.2.6. Income tax

Our income tax expense decreased by €5 million, or 105.7%, to negative €10 million in the quarter under review, despite higher profit before tax for the period. We had tax credits of €1,068 million as of 30 June 2011. Consequently, we were not required to pay cash taxes for the period although we recognize income tax expense for accounting purposes. Under Spanish corporate income tax law, tax losses can generally be carried forward for up to 15 years from the date such losses were incurred. Assuming there is no change in law, we do not anticipate paying cash income taxes for the next several years, as our outstanding tax loss carry forwards can be used to offset future taxable income.

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

Table 24: Income tax

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Income tax	(10)	(5)	105.7%	(5)	110.6%	(15)	(12)	25.9%

3.3 Notes to the Condensed Consolidated Balance Sheet

3.3.1. Intangible assets

Table 25: Intangible assets, net

<i>Data in € million</i>	<u>31-Dec-10</u>	<u>Additions</u>	<u>30-Jun-11</u>
Rights over fixed assets	66	1	66
Concessions	13	-	13
Computer software	158	3	161
Other intangible fixed assets	76	14	90
Total cost	312	18	330
Accumulated amortisation	(205)	(15)	(220)
Intangible assets, net	107	3	110

3.3.2. Tangible assets

Table 26: Tangible assets, net

<i>Data in € million</i>	<u>31-Dec-10</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>30-Jun-11</u>
Land and natural assets	15	-	-	-	15
Network and technical equipment	6,826	58	(1)	51	6,934
Computer hardware	207	1	-	0	208
Other tangible fixed assets	62	0	-	-	63
Advances and fixed assets under construction	78	58	(2)	(51)	83
Total cost	7,188	118	(3)	-	7,303
Accumulated amortisation	(2,928)	(175)	2	-	(3,100)
Provisions	(60)	-	-	-	(60)
Tangible assets, net	4,200	(57)	(1)	-	4,142

3.3.3. Debt and liquidity

Table 27: Debt and liquidity

As of 30 June 2011 Data in €million					
	Maximum available	Short term debt	Long term debt	Total debt	Availability
Type of debt					
Debt with credit entities:					
Senior facility ⁽¹⁾	2,800	132	2,304	2,436	364
Senior Secured Notes ⁽¹⁾	700	-	700	700	-
Other credit facilities	13	2	2	3	10
Total debt with credit entities	3,513	134	3,005	3,139	374
Other debt:					
Senior subordinated notes	451	-	451	451	-
State subsidies ⁽¹⁾	16	10	6	16	-
Total other debt	466	10	456	466	-
Total debt	3,979	144	3,462	3,606	374
Cash and cash equivalents				133	133
Total net debt				3,472	507
EBITDA LTM				739	
Total net debt/EBITDA				4.70x	

⁽¹⁾ The difference between the table above and the balance sheet relates to the present value included in the balance sheet, while in the table above the amounts are stated at their repayment value.

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

Table 28: Debt by maturity (amounts drawn)

As of 30 June 2011 Data in € million											
	2011	2012	2013	2014	2015	2016	2017	2018	≥2019	Total	
Type of debt											
Debt with credit entities:											
Tranche A (Term Loan)	129	450	-	-	-	-	-	-	-	-	579
Tranche B (Term Loan)	104	360	-	-	-	-	-	-	-	-	464
Tranche C (Revolving Credit Facility)	-	-	300	-	-	-	-	-	-	-	300
Tranche D (Bullet)	-	-	700	-	-	-	-	-	-	-	700
Tranche E (Forward Start Facility)	(188)	(654)	842	-	-	-	-	-	-	-	-
Tranche F (Revolving Credit Facility)	-	-	-	-	-	-	-	-	-	-	-
Tranche I (Term Loan)	43	150	200	-	-	-	-	-	-	-	393
Tranche I2 (Forward Start Facility)	(39)	(135)	174	-	-	-	-	-	-	-	0
Tranche SPV 1	-	-	-	-	-	-	-	700	-	-	700
Total Senior Facility	49	171	2,216	-	-	-	-	700	-	-	3,136
Subordinated Notes	-	-	-	-	-	-	-	-	451	-	451
Other credit facilities	5	9	2	1	0	0	-	-	2	-	19
Total gross debt	54	180	2,218	1	0	0	-	700	452	-	3,606

The current macroeconomic environment, the outlook for the Spanish economy and liquidity constraints in the financial markets may adversely affect our ability to generate sufficient cash flows to meet all of the scheduled debt amortisation in the coming years.

In order to mitigate this risk, we have undertaken a series of initiatives to optimise liquidity, including the discontinuation of network buildout, a cost saving programme, etc)

We have also taken advantage of market opportunities to adjust our financing profile, including the issuance of the €300 million Senior Secured Notes due 2018 (discussed below) as well as the €700 million Senior Secured Notes due 2018 in October 2010 and the €461 million (equivalent) Senior Notes due 2019 in January 2011.

ONO Completes Offering of €300 Million of Senior Secured Notes due 2018

On 14 Jul 2011, we announced the completion of the offering of €300 million aggregate principal amount of 8.875% Senior Secured Notes due 2018. The Notes were issued at a price of 99% of their principal amount plus accrued interest from 1 June 2011. The Notes are fully fungible with, and share security with, the €700 million aggregate principal amount of 8.875% Senior Secured Notes due 2018 issued on 22 October 2010.

The Notes were issued by a special purpose independent orphan vehicle, Nara Cable Funding Limited, which has on-lent the gross proceeds to Cableuropa pursuant to a new tranche of Cableuropa's Senior Facility. The proceeds of the loan were used to repay €300 million of indebtedness under the Senior Facility. The new tranche is secured on a pari passu basis with other loans under the Senior Facility.

The Notes were offered in a private placement to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended, that are also qualified purchasers under the U.S. Investment Company Act of 1940, as amended, and outside the United States to certain non-U.S. persons pursuant to Regulation S under the Securities Act.

Table 29: €300 million Senior Secured Notes issuance basic information:

Issuer	▪ Nara Cable Funding Limited (the SPV)
Issue	▪ Senior Secured Notes
Principal amount	▪ €300,000,000 (consolidated with and forming a single series with the €700,000,000 Senior Secured Notes due 2018 issued in October 2010)
Interest Rate	▪ 8.875%
Issue Date / Maturity	▪ 14 July 2011 / 1 December 2018
Ranking	▪ Through the SPV, pari passu with existing and future indebtedness of the issuer
Security	▪ First ranking pledge over SPV shares, SPV's rights under the SSB Tranche and bank accounts. Through the SPV, the Note holders benefit indirectly from the existing security/guarantee package under Cableuropa's senior facility.
Currency	▪ EUR
Use of proceeds	▪ Refinance bank debt
Optional redemption	▪ Non-callable until 1 December 2013
Distribution	▪ Reg S/144A (no SEC registration)
Issue rating	▪ Fitch: CCC; Moody's: Caa2 (under review following the completion of the transaction); S&P's: CCC
Governing Law	▪ New York

We have used the gross proceeds of the offering to prepay a portion of our bank debt and the issuance has therefore not resulted in an increase of our leverage.

Table 30: Application of €300 million Senior Secured Notes issuance

<i>Data in € million</i>	Q4 2011	Q2 2012	Total
Tranche A (Term Loan)	129	12	141
Tranche B (Term Loan)	104	9	113
Tranche I (Term Loan)	43	3	46
Total	276	24	300

As a result of this prepayment, our pro forma debt amortization calendar as of 30 June 2011 is as follows:

Table 31: Debt by maturity (amounts drawn) pro forma post €300 million Senior Secured Notes issuance

As of 30 June 2011
Data in € million

	2011	2012	2013	2014	2015	2016	2017	2018	≥2019	Total
Type of debt										
Debt with credit entities:										
Tranche A (Term Loan)	-	438	-	-	-	-	-	-	-	438
Tranche B (Term Loan)	-	351	-	-	-	-	-	-	-	351
Tranche C (Revolving Credit Facility)	-	-	300	-	-	-	-	-	-	300
Tranche D (Bullet)	-	-	700	-	-	-	-	-	-	700
Tranche E (Forward Start Facility)	-	(637)	637	-	-	-	-	-	-	-
Tranche F (Revolving Credit Facility)	-	-	-	-	-	-	-	-	-	-
Tranche I (Term Loan)	-	147	200	-	-	-	-	-	-	347
Tranche I2 (Forward Start Facility)	-	(133)	133	-	-	-	-	-	-	-
Tranche SPV 1	-	-	-	-	-	-	-	700	-	700
Tranche SPV 2	-	-	-	-	-	-	-	300	-	300
Total Senior Facility	-	167	1,969	-	-	-	-	1,000	-	3,136
Subordinated Notes	-	-	-	-	-	-	-	-	451	451
Other credit facilities	5	9	2	1	0	0	-	-	2	19
Total gross debt	5	176	1,972	1	0	0	-	1,000	452	3,606

3.4 Notes to the Condensed Consolidated Cash Flow

3.4.1 Capital Expenditure (“Capex”)

Our Capex has historically been related to network build-out, set-top box purchases, installations, network upgrades, computer hardware/software and other investments.

Table 32: Capex

Data in € million	Quarter ended					Six months ended		
	30-Jun-11	31-Mar-11	% change	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Capex	(64)	(72)	(11.7%)	(55)	16.0%	(136)	(117)	16.1%

Capex decreased by €8 million if compared to the previous quarter but increased by €9 million if compared to the same quarter of the previous year to reach €64 million as of 30 June 2011.

The increase in our overall Capex levels reflects the increased needs of investment in installations and customer premise equipments experienced in the quarter, coupled with our decision to deploy DOCSIS 3.0 technology in our entire network together with the investments carried out in relation with the Next generation TV development and the voice platform evolution.

3.4.2. Working capital variation

The change in working capital includes the variation of the captions “accounts payable and other current liabilities”, “inventories”, “prepayments and accrued income” and “accounts receivable and other current assets”. The working capital variation excludes the reclassification of amounts between accounts payable or receivables to other lines within the balance sheet but includes the collections of the proceeds relating to the Sogecable ruling.

On 14 June 2010 the Spanish Parliament approved an amendment to the Bad-debt Law (2004) relating to invoicing which reduces the typical payment period among companies from the current 85 days to 75 days as of January 2012 and 60 days from January 2013. Each of these reductions will have one-off negative impacts on our working capital.

4. ONOMIDCO

Table 33: Condensed Consolidated Balance Sheet (ONOMidco)

Data in € million

	30-Jun-11	31-Mar-11	31-Dec-10
ASSETS			
Intangible assets, net	110	109	107
Tangible assets, net	4,142	4,175	4,200
Financial assets	12	9	5
Tax credit and deferred tax	1,064	1,071	1,076
Non current assets	5,329	5,364	5,388
Non current assets held for sale	-	-	15
Inventories	3	2	2
Accounts receivable and other current assets	111	113	117
Short-term investments, net	12	10	7
Prepayments and accrued income	9	7	2
Cash and cash equivalents	133	81	59
Current assets	268	213	202
TOTAL ASSETS	5,597	5,576	5,590
LIABILITIES AND SHAREHOLDERS' EQUITY			
Common stock	131	131	131
Share premium reserve	1,088	1,088	-
Reserves	126	126	126
Prior year losses	10	10	(32)
Net profit/(loss) for the period	41	13	42
Shareholders' equity	1,396	1,368	267
Hedge agreements	(1)	(1)	(1)
State subsidies	1	1	1
Minority interest	4	4	4
Participative loan	18	18	1,088
Net equity	1,418	1,390	1,358
Provisions for liabilities and charges	65	79	87
Senior facility	2,285	2,365	2,393
Senior Secured Notes	682	682	683
Participative loan	-	-	10
Senior subordinated notes	437	440	450
Other	7	13	13
Long-term debt	3,410	3,500	3,549
Hedge agreements	5	2	-
Other long-term liabilities	12	5	4
Other long-term liabilities	17	7	4
Deferred income	0	0	0
Non current liabilities	3,493	3,587	3,641
Provisions for liabilities and charges	32	32	32
Short-term debt with banks	144	61	61
Accrued interests	27	37	24
Hedge agreement	-	-	2
Other	-	-	15
Short-term payables	170	98	101
Accounts payable and other current liabilities	329	359	357
Accruals and deferred income	155	111	101
Current liabilities	686	600	591
TOTAL LIABILITIES AND NET EQUITY	5,597	5,576	5,590

Table 34: Condensed Consolidated Statement of Operations (ONOMidco)

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Revenues	368	368	0.0%	733	741	(1.1%)
Cost of services	(76)	(79)	(4.3%)	(152)	(162)	(6.2%)
Net Opex	(106)	(114)	(7.2%)	(215)	(226)	(5.0%)
EBITDA	187	175	6.6%	366	352	3.8%
Deprec. and amortis.	(95)	(97)	(2.4%)	(190)	(194)	(2.4%)
Reversal of provisions	5	-	na	5	-	na
Impairment and gains or losses on disposal of fixed assets	(1)	(0)	na	(0)	2	na
EBIT / Operating profit	97	78	23.8%	181	159	13.5%
Net financial expense	(56)	(58)	(4.5%)	(120)	(116)	3.6%
EBT / Profit before tax	41	20	106.4%	61	43	40.0%
Income tax	(13)	(6)	118.1%	(20)	(13)	49.7%
Profit before minority interests	28	14	101.5%	41	30	35.9%
Minority interests	(0)	(0)	na	(0)	(0)	na
Net profit	28	14	103.2%	41	30	36.4%

Table 35: Condensed Consolidated Cash Flow (ONOMidco)

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
EBITDA	187	175	6.6%	366	352	3.8%
Capex	(64)	(55)	16.0%	(136)	(117)	16.1%
OPERATING FREE CASH FLOW	123	120	2.3%	230	235	(2.3%)
Change in working capital	12	17	(27.4%)	27	13	110.7%
Other ⁽¹⁾	(9)	(3)	na	(2)	(12)	na
FREE CASH FLOW (pre-interest)	126	135	(6.3%)	255	236	7.8%
Paid interests, net	(62)	(76)	(18.2%)	(132)	(156)	(15.7%)
FREE CASH FLOW AFTER DEBT SERVICE	64	58	9.4%	123	80	53.5%
FINANCING ACTIVITIES						
Contributions from shareholders	-	125		-	125	
Senior facility	-	(153)		(30)	(153)	
Senior subordinated notes	-	-		11	-	
Participative Loan(Ico)	-	-		(10)	-	
State subsidies	(6)	(8)		(6)	(8)	
Credit lines	0	(49)		(1)	(67)	
Short-term investments	(2)	(5)		(3)	(8)	
Financial assets	(3)	0		(7)	0	
Other financing items	(0)	(0)		(3)	(1)	
Deferred Auna acquisition payment	-	-		-	(71)	
CASH FLOW FROM FINANCING ACTIVITIES	(11)	(91)		(49)	(183)	
NET CASH FLOW	52	(33)		74	(102)	
CASH BEGINNING OF PERIOD	81	168		59	238	
CASH END OF PERIOD	133	135		133	135	

⁽¹⁾ Includes commitments & contingencies and other one-off items.

Table 36: Shareholders' equity (ONOMidco)

<i>Data in €million</i>	Common stock	Share premium reverse	Reserves	Prior year losses	Net profit/(loss) for the period	Hedge agreements	State subsidiaries	Minority interest	Participative loan	Total
Balance 31 December 2010	131	-	126	(32)	42	(1)	1	4	1,088	1,358
Previous year result distribution	-	-	-	42	(42)	-	-	-	-	-
Net loss for the year	-	-	-	-	41	-	-	-	-	41
Change in fair value	-	-	-	-	-	0	-	-	-	0
Increase of capital	-	1,088	-	-	-	-	-	-	(1,088)	0
New participative loan	-	-	-	-	-	-	-	-	18	18
Transfer to financial income	-	-	-	-	-	-	(0)	-	-	(0)
Transfer to income statements	-	-	-	-	-	-	-	0	-	0
Balance 30 June 2011	131	1,088	126	10	41	(1)	1	4	18	1,418

In this section, we are reporting the second quarter 2011 Condensed Consolidated Financial Statements of ONOMidco, S.A.U. and its subsidiaries. For a detailed analysis of the trends observed in the indicated periods, please see information on GCO in section 3 of this document.

5. CABLEUROPA

5.1 Condensed Consolidated Financial Statements

Table 37: Condensed Consolidated Balance Sheet (Cableuropa)

Data in € million

	30-Jun-11	31-Mar-11	31-Dec-10
ASSETS			
Intangible assets, net	110	109	107
Tangible assets, net	4,142	4,175	4,200
Financial assets	12	9	5
Tax credit and deferred tax	1,064	1,071	1,076
Non current assets	5,328	5,364	5,388
Non current assets held for sale	-	-	15
Inventories	3	2	2
Accounts receivable and other current assets	111	113	117
Short-term investments, net	12	10	7
Prepayments and accrued income	9	7	2
Cash and cash equivalents	133	81	59
Current assets	268	213	202
TOTAL ASSETS	5,597	5,576	5,590
LIABILITIES AND SHAREHOLDERS' EQUITY			
Common stock	263	263	263
Share premium reserve	2,725	2,725	1,637
Reserves	807	807	807
Prior year losses	(2,440)	(2,440)	(2,482)
Net profit/(loss) for the period	41	13	42
Shareholder´s equity	1,396	1,368	267
Hedge agreements	(1)	(1)	(1)
State subsidies	1	1	1
Minority interest	4	4	4
Participative loan	18	18	1,088
Net equity	1,418	1,390	1,359
Provisions for liabilities and charges	65	79	87
Senior facility	2,285	2,365	2,393
Senior Secured Notes	682	682	683
Participative loan	-	-	10
Senior subordinated notes	437	440	450
Other	7	13	13
Long- term debt	3,410	3,500	3,549
Hedge agreements	5	2	-
Other long-term liabilities	12	5	4
Other long-term liabilities	17	7	4
Deferred income	0	0	0
Non current liabilities	3,493	3,587	3,641
Provisions for liabilities and charges	32	32	32
Short-term debt with banks	144	61	61
Accrued interests	27	37	24
Hedge agreement	-	-	2
Other	-	-	15
Short-term payables	170	98	101
Accounts payable and other current liabilities	328	359	357
Accruals and deferred income	155	111	101
Current liabilities	686	600	591
TOTAL LIABILITIES AND NET EQUITY	5,597	5,576	5,590

Table 38: Condensed Consolidated Statement of Operations (Cableuropa)

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
Revenues	368	368	0.0%	733	741	(1.1%)
Cost of services	(76)	(79)	(4.3%)	(152)	(162)	(6.2%)
Net Opex	(106)	(114)	(7.2%)	(215)	(226)	(5.0%)
EBITDA	187	175	6.6%	366	352	3.8%
Deprec. and amortis.	(95)	(97)	(2.4%)	(190)	(194)	(2.4%)
Reversal of provisions	5	-	na	5	-	na
Impairment and gains or losses on disposal of fixed assets	(1)	(0)	na	(0)	2	na
EBIT / Operating profit	97	78	23.8%	181	159	13.5%
Net financial expense	(56)	(58)	(4.5%)	(120)	(116)	3.6%
EBT / Profit before tax	41	20	106.4%	61	43	40.0%
Income tax	(13)	(6)	118.1%	(20)	(13)	49.7%
Profit before minority interests	28	14	101.4%	41	30	35.9%
Minority interests	(0)	(0)	na	(0)	(0)	na
Net profit	28	14	103.2%	41	30	36.4%

Table 39: Condensed Consolidated Cash Flow (Cableuropa)

Data in € million	Quarter ended			Six months ended		
	30-Jun-11	30-Jun-10	% change	30-Jun-11	30-Jun-10	% change
EBITDA	187	175	6.6%	366	352	3.8%
Capex	(64)	(55)	16.0%	(136)	(117)	16.1%
OPERATING FREE CASH FLOW	123	120	2.3%	230	235	(2.3%)
Change in working capital	12	17	(27.3%)	27	13	110.8%
Other ⁽¹⁾	(9)	(3)	na	(2)	(12)	na
FREE CASH FLOW (pre-interest)	126	135	(6.3%)	255	236	7.8%
Paid interests, net	(62)	(76)	(18.2%)	(132)	(156)	(15.7%)
FREE CASH FLOW AFTER DEBT SERVICE	64	58	9.4%	123	80	53.5%
FINANCING ACTIVITIES						
Contributions from shareholders	-	125		-	125	
Senior facility	-	(153)		(30)	(153)	
Senior subordinated notes	-	-		11	-	
Participative Loan(lco)	-	-		(10)	-	
State subsidies	(6)	(8)		(6)	(8)	
Credit lines	0	(49)		(1)	(67)	
Short-term investments	(2)	(5)		(3)	(8)	
Financial assets	(3)	0		(7)	0	
Other financing items	(0)	(0)		(3)	(1)	
Deferred Auna acquisition payment	-	-		-	(71)	
CASH FLOW FROM FINANCING ACTIVITIES	(11)	(91)		(49)	(183)	
NET CASH FLOW	52	(33)		74	(102)	
CASH BEGINNING OF PERIOD	81	168		59	238	
CASH END OF PERIOD	133	135		133	135	

⁽¹⁾ Includes commitments & contingencies and other one-off items.

Table 40: Shareholders' equity (Cableuropa)

<i>Data in €million</i>	Common stock	Share premium reserve	Reserves	Prior year losses	Net profit/(loss) for the period	Hedge agreements	State subsidies	Minority interest	Participative loan	Total
Balance 31 December 2010	263	1,637	807	(2,482)	42	(1)	1	4	1,088	1,359
Previous year result distribution	-	-	-	42	(42)	-	-	-	-	-
Net loss for the year	-	-	-	-	41	-	-	-	-	41
Change in fair value	-	-	-	-	-	0	-	-	-	0
Increase of capital	-	1,088	-	-	-	-	-	-	(1,088)	0
New participative loan	-	-	-	-	-	-	-	-	18	18
Transfer to financial income	-	-	-	-	-	-	(0)	-	-	(0)
Transfer to income statements	-	-	-	-	-	-	-	0	-	0
Balance 30 June 2011	263	2,725	807	(2,440)	41	(1)	1	4	18	1,418

5.2 Debt and liquidity

Table 41: Debt and Liquidity (Cableuropa)

<i>As of 30 June 2011 Data in €million</i>	Maximum available	Short- term debt	Long-term debt	Total debt	Availability
Type of debt					
Debt with credit entities:					
Senior facility ⁽¹⁾	2,800	132	2,304	2,436	364
Senior Secured Notes ⁽¹⁾	700	-	700	700	-
Other credit facilities	13	2	2	3	10
Total debt with credit entities	3,513	134	3,005	3,139	374
Other debt:					
Senior subordinated notes ⁽¹⁾	451	-	451	451	-
State subsidies and other	16	10	6	16	-
Total other debt	466	10	456	466	-
Total debt	3,979	144	3,462	3,606	374
Cash and cash equivalents				133	133
Total net debt				3,472	507
EBITDA LTM				737	
Total net debt/EBITDA LTM				4.71x	

⁽¹⁾ The difference between the table above and the balance sheet relates to the present value included in the balance sheet, while in the table above the amounts are stated at their repayment value.

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

Table 42: Debt by maturity (Cableuropa) – (amounts drawn)

As of 30 June 2011 Data in € million	2011	2012	2013	2014	2015	2016	2017	2018	≥2019	Total
Type of debt										
Debt with credit entities:										
Tranche A (Term Loan)	129	450	-	-	-	-	-	-	-	579
Tranche B (Term Loan)	104	360	-	-	-	-	-	-	-	464
Tranche C (Revolving Credit Facility)	-	-	300	-	-	-	-	-	-	300
Tranche D (Bullet)	-	-	700	-	-	-	-	-	-	700
Tranche E (Forward Start Facility)	(188)	(654)	842	-	-	-	-	-	-	-
Tranche F (Revolving Credit Facility)	-	-	-	-	-	-	-	-	-	-
Tranche I (Term Loan)	43	150	200	-	-	-	-	-	-	393
Tranche I2 (Forward Start Facility)	(39)	(135)	174	-	-	-	-	-	-	0
Tranche SPV 1	-	-	-	-	-	-	-	700	-	700
Total Senior Facility	49	171	2,216	-	-	-	-	700	-	3,136
Subordinated Notes	-	-	-	-	-	-	-	-	451	451
Other credit facilities	5	9	2	1	0	0	-	-	2	19
Total gross debt	54	180	2,218	1	0	0	-	700	452	3,606

After using gross proceeds of the €300 million Senior Secured Notes issuance to prepay existing Bank Debt, the pro forma debt maturity profile of Cableuropa would be as follows:

Table 43: Debt by maturity (amounts drawn) pro forma post €300 million Senior Secured Notes issuance

As of 30 June 2011 Data in € million	2011	2012	2013	2014	2015	2016	2017	2018	≥2019	Total
Type of debt										
Debt with credit entities:										
Tranche A (Term Loan)	-	438	-	-	-	-	-	-	-	438
Tranche B (Term Loan)	-	351	-	-	-	-	-	-	-	351
Tranche C (Revolving Credit Facility)	-	-	300	-	-	-	-	-	-	300
Tranche D (Bullet)	-	-	700	-	-	-	-	-	-	700
Tranche E (Forward Start Facility)	-	(637)	637	-	-	-	-	-	-	-
Tranche F (Revolving Credit Facility)	-	-	-	-	-	-	-	-	-	-
Tranche I (Term Loan)	-	147	200	-	-	-	-	-	-	347
Tranche I2 (Forward Start Facility)	-	(133)	133	-	-	-	-	-	-	-
Tranche SPV 1	-	-	-	-	-	-	-	700	-	700
Tranche SPV 2	-	-	-	-	-	-	-	300	-	300
Total Senior Facility	-	167	1,969	-	-	-	-	1,000	-	3,136
Subordinated Notes	-	-	-	-	-	-	-	-	451	451
Other credit facilities	5	9	2	1	0	0	-	-	2	19
Total gross debt	5	176	1,972	1	0	0	-	1,000	452	3,606

In order to reduce interest expense in the future, we may elect to use available cash to repay debt, including purchases of bonds from time to time.

In this section, we are reporting the second quarter 2011 Condensed Consolidated Financial Statements of Cableuropa, S.A.U. and its subsidiaries. For a detailed analysis of the trends observed in the indicated periods, please see information on GCO in section 3 of this document.

6. DISCLOSURE ABOUT MARKET RISK

6.1 Quantitative and qualitative disclosure about market risk

Market risk represents the risk of changes in the value of financial instruments, derivative or non-derivative, caused by fluctuations in the markets.

It is our treasury policy to monitor and manage exposure to variable interest rate risk by managing the amount of our outstanding debt bearing variable interest. In order to reduce such market and interest rate risks, and as market conditions warrant, we may vary our position on interest rate hedging transactions and may purchase or trade outstanding debt securities or other financial debt from time to time in privately negotiated or open market transactions using funds available to us.

6.2 Interest rate sensitivity

As of 30 June 2011, borrowings under our Senior Bank Facility (other than those relating to Bank guarantees) bore interest at a floating rate determined by reference to Euribor plus a margin, which ranged from 1.60% to 2.85% depending on the tranche.

In addition, our other outstanding debt with credit entities usually bore interest at Euribor plus a margin.

Our main financial agreements, excluding the Senior Secured and Senior Subordinated Notes, were linked to variable interest rates. Total debt exposed to risk due to fluctuation of interest rates amounts €2,455 million as of 30 June 2011.

The table below shows our variable interest debt main agreements as of 30 June 2011:

Table 44: Variable interest debt

<i>Data in €million</i>	2011	2012	2013	After 2013	Total
Senior bank facility (Euribor+1.60%-2.85%)	49	171	2,216	-	2,436
Other debt	5	9	2	3	19
Total	54	180	2,218	3	2,455

The table below shows our variable interest debt main agreements as of 30 June 2011 pro forma following the €300 million Senior Secured Notes issuance:

Table 45: Pro forma variable interest debt following the €300 million Senior Secured Notes issuance

<i>Data in €million</i>	2011	2012	2013	After 2013	Total
Senior bank facility (Euribor+1.60%-2.85%)	-	167	1,969	-	2,136
Other debt	5	9	2	3	19
Total	5	176	1,972	3	2,155

6.3 Currency fluctuation sensitivity

Our operations are generally not subject to currency risk as our revenues and expenses are denominated in euros. The majority of our indebtedness is denominated in euros; however, after the issuance of the Senior Notes in January 2011, we have \$225 million (€156 million equivalent as of 30 June 2011) of U.S. dollar indebtedness outstanding relating to the Dollar Notes. Accordingly, following the offering of the \$225 million Senior Notes in January 2011, we are exposed to the risk of an increase in the value of the US dollar relative to the euro. We have already hedged the total amount of coupon payments until January 2014 and approximately 44.9% (\$101 million) of our principal payment obligations thereby reducing our exposure to U.S. dollar. In addition, we are evaluating whether to enter into any further hedging arrangement with respect to all or a higher portion of our principal payment obligations under the Dollar Notes.

7. GLOSSARY

In this Report, the following defined terms have the meanings indicated below:

7.1 Operational Definitions

“ADSL” means Asymmetric Digital Subscriber Line, a data communications technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide by utilizing frequencies not used by a voice telephone call.

“ARPU” means monthly average revenue per user, and is calculated by dividing total revenues generated from our Internet, fibre television and telephony services provided to customers that are directly connected to our network in the last quarter of the relevant period by the average number of customers in that quarter, the result of which is divided by three. The average number of customers for any period is calculated by adding the number of customers at the beginning of the period to the number of customers at the end of the period and dividing by two.

“Homes released to marketing” or “HRTM” means homes to which we can provide broadband Internet, fibre television and telephony services within an average of four days, which occurs after the customer tap and drop have been installed.

“Net churn” means the percentage obtained by dividing the number of customers (without the customers moving from one ONO home to another ONO home) who cease to receive any of our services (either voluntarily or involuntarily) in the last quarter of the relevant period by the average total number of customers during that quarter, multiplied by four. The average number of customers for any period is calculated by adding the number of customers at the beginning of the period to the number of customers at the end of the period and dividing by two.

“Penetration” is the percentage of customers over homes released to marketing in our areas of operation, and with respect to any particular service, penetration is the percentage of RGUs of that service over homes released to marketing in our areas of operation.

“RGUs” are revenue generating units where each customer is counted as a revenue generating unit for each service for which such customer subscribes; regardless of the number of services that customer receives from us. Thus a single customer who receives telephony, Internet and fibre television services from us would account for three RGUs.

“ULL” means unbundled local loop, a technology whereby the incumbent operator grants other operators access to the communications circuits between the equipment of the local exchange and the customer’s equipment (known as the local loop).

7.2 Financial Definitions

“EBITDA” represents earnings before interests, taxes, depreciation and amortization, extraordinary, restructuring and other non-cash items and minority interests.

“EBITDA LTM” is the aggregate amount of EBITDA for the last four consecutive calendar quarters.

“EBITDA margin” is calculated by dividing EBITDA for a particular period by the total revenues for that period.

“OPEX (Operating Expenses)” are comprised of cost of service; staff cost; other operating expense; costs capitalized as property and equipment; depreciation and amortization; and impairments.

“CAPEX (Capital Expenditures)” refer to purchases of tangible and intangible assets, consisting principally of set-top box purchases and other customer capital expenditure, installations, network build-out, upgrades, maintenance and other investments, computer hardware and software and content rights.

“Operating free cash flow” means EBITDA, less capital expenditures.

“Free cash flow after debt service” means EBITDA, less capital expenditures, changes in working capital, disbursements, and net cash interest expense paid.

“Shareholder’s contributions” represent subordinated loans from GCO to Cableuropa in the form of Participative loans. For the purpose of capitalization calculations under Spanish corporate law, Participative loans are treated as shareholders’ equity.

“Total debt” is short-term and long-term debt. Total debt does not include subordinated participative loans granted by GCO or accrued interest expenses.

“Net debt” means total debt less cash and cash equivalents.

7.3 Total Homes and Businesses Data

Total homes for each of our franchise areas are derived from the 2001 Spanish national census published by the National Statistics Institute of Spain (Instituto Nacional de Estadística, or “INE”). Total businesses for each of our franchise areas are derived from the 2007 businesses central directory, which is also published by INE. Although we accept responsibility for the accurate extraction of such data, we accept no further responsibility with respect to such data.

8. DISCLAIMER

The financial and other information in this release contains forward-looking statements (all statements other than those made solely with respect to historical facts) based upon management's beliefs and data currently available to management. These forward-looking statements are based on a variety of assumptions that may not be realized and are subject to significant business, economic, legal and competitive risks and uncertainties, including those set forth below, many of which are beyond ONO's ("the Company") control. The Company's actual operations, financial condition, cash flows and operating results may differ materially from those expressed or implied by any such forward-looking statements and the Company undertakes no obligation to update or revise any such forward-looking statements.

Parts of the financial and other information contained in this release are based on certain estimates with respect to the Company's liquidity, capital resources, results of operations and projections for future periods that are subject to a number of risks and uncertainties including, but not limited to, the following: the ability of the Company to continue as a going concern; the ability of the Company and its subsidiaries to fulfil their obligations under, service and operate pursuant to the terms of, their existing credit facilities and arrangements; the state of the Spanish and global economy and its impact on the Company's business; the ability to fund, develop and execute the Company's business plan; competitive pressures from other companies in the same or similar lines of business as the Company; trends in the economy as a whole which may affect subscriber confidence and demand for the goods and services supplied by the Company; the ability of the Company to predict consumer demand as a whole, as well as demand for specific goods and services; the acceptance and continued use by subscribers and potential subscribers of the Company's services; changes in technology and competition; the Company's ability to achieve expected operational efficiencies and economies of scale and its ability to generate expected cash flow, revenue and achieve assumed margins; the ability of the Company to attract, retain and compensate key executives and other personnel; the Company's ability to successfully integrate acquired businesses; the ability of the Company to maintain existing arrangements and/or enter into new arrangements with third party providers and contract partners; changes in applicable law, regulations or interpretation thereof; continued presence of a fair, competitive market; potential adverse publicity; as well as other factors detailed from time to time in the Company's public reports. Given these and other uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements contained in this release.

The financial information contained in this document has been prepared under 2007 Spanish GAAP. This financial information is unaudited and therefore is subject to potential future modifications.



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FURTHER INFORMATION

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