

ONO

Q4 and full year 2006 results

14 March 2007

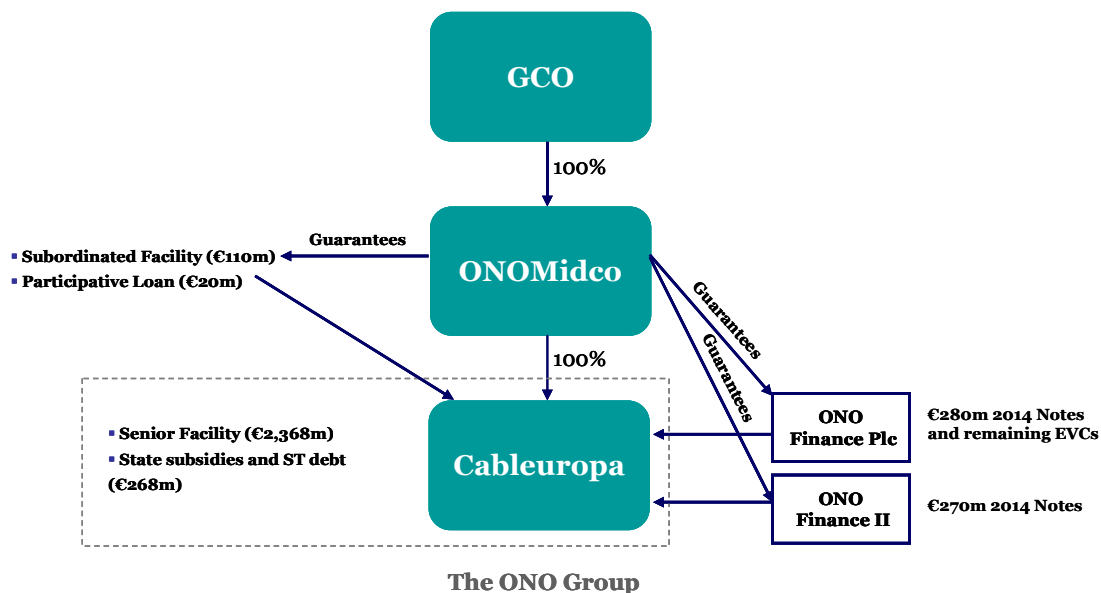


Grupo Corporativo ONO, S.A.
Investor Relations

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1. GROUP AND REPORTING STRUCTURE



We are reporting the quarter and the year ended 31 December 2006 consolidated results of Grupo Corporativo ONO, S.A. (“GCO”) and its subsidiaries.

References in this report to **ONO** are to GCO and its subsidiaries after giving effect to the acquisition of Auna and references to **Old ONO** are to GCO and its subsidiaries prior to the acquisition of Auna Telecomunicaciones, S.A.U. (“Auna”).

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.

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.

Corporate structure reorganization

After the closing of the Auna Acquisition on 4 November 2005, we have carried out the following corporate structure reorganisation:

- On 3 May 2006 we incorporated an intermediate holding company between GCO and Cableuropa, S.A.U. (“Old Cableuropa”) called ONOMidco, S.A.U. (“ONOMidco”). ONOMidco is 100% owned by GCO and owned 100% of the shares of Old Cableuropa. In accordance with the terms of our subordinated facilities and with the indentures for the 10.5% Notes due 2014, the Floating Rate Notes due 2014 and the 8% Notes due 2014, ONOMidco guarantees our Senior Subordinated Notes and our subordinated facilities.

- On 5 May 2006, Auna changed its corporate registered address to the corporate offices of Cableuropa, S.A.U. and its corporate name to Esto es ONO, S.A.U.

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- Subsequently, our Board of Directors approved the corporate merger between Cableuropa and Auna. For economic and financial efficiency reasons, the merger was executed as a reverse merger and, accordingly, Auna absorbed Cableuropa (the “Old Cableuropa”). We believe that this merger simplifies the management of the ONO Group and reduces costs. The reverse merger was completed on 2 October 2006, with accounting effect from 1 January 2006.

- On 7 November 2006, we changed the corporate name of Esto es ONO, S.A.U. (surviving entity of the reverse merger between Esto es ONO, S.A.U. and Old Cableuropa) to Cableuropa, S.A.U. (the “New Cableuropa”) in the Mercantile Registry.

- As a result of these changes, the financial statements presented as of and for the year ended 31 December 2006 corresponds to “New Cableuropa” whereas the financial statements presented as of and for the nine months ended 30 September 2006 and as of and for the year 2005 correspond to “Old Cableuropa”.

Segmentation of business and indirect access lines

With the aim of homogenising the reported information with the management and internal business divisions within ONO, in the third quarter of 2006 we reassessed the business lines we include in our reported information, modifying the structure of our reporting segmentation. For the convenience of the reader and for comparative purposes only, we have reassessed all the information included in this document.

Table 1: Customers re-segmentation as of 31 December 2005

	31-Dec-05		
	Old segmentation	Adjustments	New segmentation
<i>Data in thousand</i>			
Cable	1,660	2	1,662
Other direct access	111	(31)	80
Residential direct access	1,771	(29)	1,742
Indirect access	376	94	470
SMEs customers	122	(66)	56
Total customers	2,268	-	2,268

Table 2: Revenues re-segmentation for the quarter ended 31 December 2005

	31-Dec-05		
	Old segmentation	Adjustments	New segmentation
<i>Data in €million</i>			
Residential direct access	266	3	269
Indirect access	18	33	51
Business services	86	(36)	50
Wholesale and operators	55	-	55
Total revenues	425	-	425

Table 3: Revenues re-segmentation for the year ended 31 December 2005

<i>Data in €million</i>	31-Dec-05		
	Old segmentation	Adjustments	New segmentation
Residential direct access	1,032	11	1,043
Indirect access	89	133	222
Business services	347	(145)	202
Wholesale and operators	258	2	260
Total revenues	1,726	-	1,726

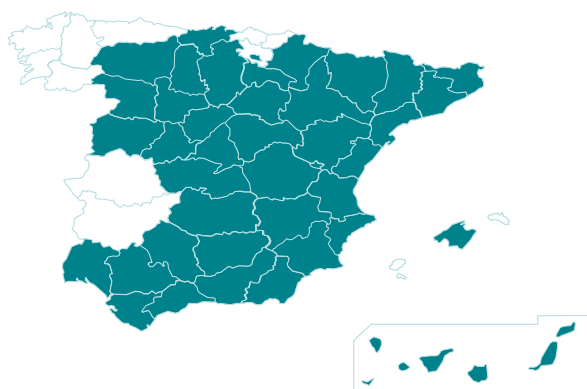
Financial Statements modifications

In Q4 2006, we have concluded a number of milestones in the roadmap for the integration of ONO and Auna in our corporate reorganisation after the acquisition of Auna and in the accounting effects of such acquisition. Most significantly, the conclusion of our Purchase Price Allocation exercise has significantly affected the amounts reported in Cableuropa's financial statements, though these changes do not affect the financial condition of the company.

2. OVERVIEW ON GRUPO CORPORATIVO ONO

ONO is the leading alternative provider of telecommunications, broadband Internet and pay television services in Spain and the only cable operator with national coverage. ONO offers its direct access services to over 1.8 million cable residential and 69,000 business customers as of 31 December 2006, through its own state of the art networks which give direct access to around six million homes in franchises which cover the majority of Spain, including the nine largest cities. ONO is the principal competitor to the incumbent telecommunications and pay television operators in Spain. For the year 2006, ONO generated revenues of €1,633 million and EBITDA of €558 million.

Cable franchises



	<u>in thousands</u>
Homes in Spain (*)	17,594
Homes in ONO franchises (*)	14,773
Coverage	84%
Cable homes released to marketing	6,119
Coverage	41%
Residential cable customers	1,802
Cable penetration	29%
Business customers	69

(*) Source: INE

Table 4: Capitalisation

As of 31 December 2006	Grupo Corporativo ONO			Cableuropa		
	€m	% of debt	Debt/ EBITDA LQA	€m	% of debt	Debt/ EBITDA LQA
Short-term debt	177	5.3%	0.29x	161	4.9%	0.26x
Senior Facility ⁽¹⁾	2,351	70.9%	3.90x	2,351	71.9%	3.80x
Subordinated Facilities	130	3.9%	0.22x	130	4.0%	0.21x
Senior subordinated notes	550	16.6%	0.91x	550	16.8%	0.89x
State subsidies & other	108	3.3%	0.18x	78	2.4%	0.13x
Long-term debt	3,139	94.7%	5.20x	3,109	95.1%	5.02x
Total debt	3,316		5.50x	3,270		5.28x
Cash and cash equivalents ⁽²⁾	8			8		
Total net debt	3,308		5.48x	3,261		5.27x
EBITDA LQA	603			619		

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 & other".

⁽¹⁾ Does not include €17m drawn under the "Senior Facility" and to be repaid in the fourth quarter of 2007 which are reported as "Short-term debt"

⁽²⁾ Includes €7 million of "Cash" and €1 million of "Short term investments" ("Fixed interest securities")

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2.1 Financial Highlights

Table 5: Financial highlights

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
Revenues	404	403	0.4%	335	20.5%	1,633	774	111.1%
Gross profit	282	276	2.4%	226	24.8%	1,117	548	103.8%
Gross margin	69.8%	68.5%	1.4 pp	67.5%	2.4 pp	68.4%	70.8%	(2.4 pp)
EBITDA	151	139	8.2%	94	60.8%	558	274	103.5%
EBITDA margin	37.3%	34.6%	2.7 pp	28.0%	9.3 pp	34.2%	35.5%	(1.3 pp)
Total Net debt	3,308	3,058	8.2%	2,699	22.6%	3,308	2,699	22.6%
Capex	(221)	(133)	65.8%	(163)	35.4%	(590)	(334)	76.5%
Operating FCF	(70)	6	na	(69)	1.1%	(32)	(60)	(47.0%)
Net result	8	(11)	na	(427)	na	(39)	(466)	na
Net debt/ EBITDA LQA (x)	5.48x	5.48x	-	7.20x	(1.71x)	5.48x	7.20x	(1.71x)

Table 6: Revenue split I: statutory

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
				Statutory			Statutory	
Resid. direct acc.	283	271	4.3%	na	na	1,101	na	na
Indirect access	10	14	(27.9%)	na	na	75	na	na
Business and SMEs	64	68	(6.7%)	na	na	265	na	na
Wholesale & opers.	47	49	(3.3%)	na	na	192	na	na
Total revenues	404	403	0.4%	335	20.5%	1,633	774	111.1%

Note: Revenue split for the quarter and the year ended 31 December 2005 includes Old ONO figures for the quarter and the year and Auna figures from its acquisition in November 2005. These figures are not available because of the segmentation explained above.

Table 7: Revenue split II: pro forma

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
				Pro forma			Pro forma	
Resid. direct acc.	283	271	4.3%	269	5.2%	1,101	1,043	5.6%
Indirect access	10	14	(27.9%)	51	(80.4%)	75	222	(66.2%)
Business and SMEs	64	68	(6.7%)	50	28.0%	265	202	31.2%
Wholesale & opers.	47	49	(3.3%)	55	(14.5%)	192	260	(26.2%)
Total revenues	404	403	0.4%	425	(4.9%)	1,633	1,726	(5.4%)

Note: Revenue split for the quarter and year ended 31 December 2005 includes Old ONO and Auna figures for the quarter and the year on a combined pro forma basis.

2.2 Key financial events

- Equity Value Certificates

On 21 September 2006, GCO commenced an offer to purchase (the "Offer to Purchase") for cash any and all of the Equity Value Certificates, issued on 6 May 1999 and 9 February 2001, by ONO Finance Plc and guaranteed by Cableuropa. Prior to the launch of the Offer to Purchase, GCO owned approximately 52% of the total EVCs issued.

On 20 October 2006, the Offer to Purchase expired. GCO now owns in the region of 84% of the total EVCs issued and the EVC related net liability has decreased to €5.5 million.

2.3 Operating Highlights

Table 8: Operating highlights

<i>Data in thousand, except if otherwise stated</i>	Quarter ended 31-Dec-06	Quarter ended 30-Sep-06	% change	Quarter ended 31-Dec-05	% change
Customers:					
Cable	1,802	1,751	2.9%	1,662	8.4%
Other direct access	68	66	3.9%	80	(14.4%)
Residential direct access	1,870	1,817	2.9%	1,742	7.3%
Indirect access	203	236	(13.8%)	470	(56.7%)
SMEs	69	68	1.0%	56	24.3%
Other data – Cable:					
Homes released to marketing	6,119	5,998	2.0%	5,652	8.3%
Penetration	29.4%	29.2%	0.2 pp	29.4%	-
ARPU (€)	51.4	50.7	1.4%	51.9	(0.9%)
RGUs	3,554	3,425	3.8%	3,129	13.6%
RGUs per customer	1.97	1.96	0.8%	1.88	4.8%
Churn	17.3%	16.2%	1.1 pp	18.6%	(1.3 pp)
Residential cable customers:					
Telephony	1,568	1,525	2.8%	1,446	8.5%
As % of customers	87.0%	87.1%	(0.1 pp)	87.0%	0.0 pp
Internet	1,062	986	7.7%	826	28.6%
As % of customers	58.9%	56.3%	2.6 pp	49.7%	9.2 pp
Television	924	914	1.2%	858	7.8%
As % of customers	51.3%	52.2%	(0.9 pp)	51.6%	(0.3 pp)
Residential cable penetration:					
Telephony	25.6%	25.4%	0.2 pp	25.6%	0.0 pp
Internet	17.3%	16.4%	0.9 pp	14.6%	2.7 pp
Television	15.1%	15.2%	(0.1 pp)	15.2%	(0.1 pp)

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2.4 Key operating events

- Integration process

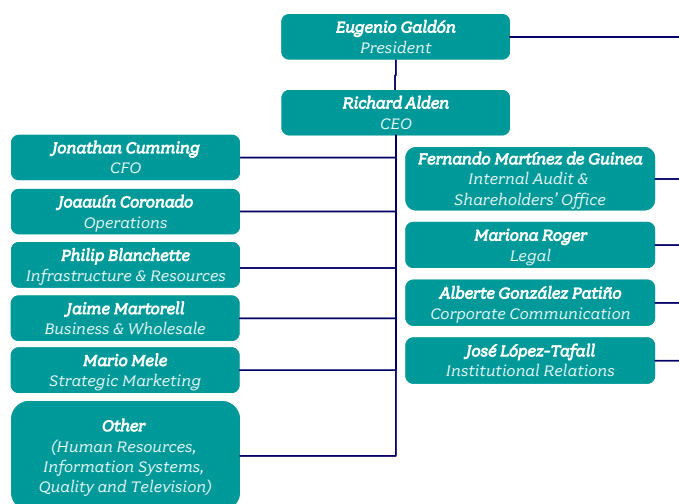
During the year 2006, as part of our integration exercise, we launched more than 120 projects which in total gave rise to savings in 2006 of around €400 million, including direct costs, operating expenses and capital expenditure.

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

Most projects in course are focused on: transitioning Auna's network (de-duplication of national and local networks, etc.), IT (in-sourcing of IT systems maintenance and development, integration of billing systems, etc.), real estate (reduction of physical building requirements), re-negotiation of contracts (suppliers, interconnection agreements, etc.), implementation of VoD in Auna areas, unification of service offerings and applying best practices and procedures to the applicable processes, which mainly consist of applying Old ONO processes (construction, sales model, etc.) to Auna.

The integration and transformation process is expected to continue for up to three years from the date of acquisition. The full benefits of the process are not expected until it has been substantially completed.

- Updated management structure



We have recently reassessed our management structure targeting in order to:

- Streamline the relationship with our customers,
- Improve the quality of service we offer to our customers,
- Increase our profitability, and
- Achieve our ambitious operating objectives

- **Product development: unification of service offerings**

From 3 October 2006, we provide the same bundled offers to our Old ONO customers and to former Auna customers. After the unification of the broadband offer, increasing the internet speed to all our broadband internet customers in the Auna areas to 4 Mbps, the only outstanding service offering difference corresponds to our television line-up and the launch of Video on Demand services in some Auna areas. The television line up has recently been unified into a unique product portfolio. Currently, all ONO customers enjoy the same service offering despite their geographic location except in the Canary Islands and La Rioja and Navarra (the old Tenaria) where our customers continue to have an analog TV offering.

- **Video on Demand in Madrid and Barcelona**

In December 2006, ONO launched “ojo”, its Video on Demand (“VoD”) offering, in Madrid and Barcelona. At the end of the year, the service was available for more than 70% of our pay TV customers in Spain. VoD will be deployed in the rest of Auna franchises over the course of the next year.

- **Pay television audiences leadership**

ONO closed 2006 surpassing 6% television audience share for the fifth consecutive month. According to TNS Sofres, the company measuring television audiences and consumption data, ONO achieved a share of 6.25% in December 2006.

- **ONO will offer convergent personal communications services**

In December 2006, ONO reached an agreement with Telefónica to offer mobile communications services to its customers, as a Mobile Virtual Network Operator (“MVNO”), at the end of 2007. Our intention is to offer our customers bundled convergent voice and data services.

2.5 Guidance compliance for 2006

Table 9: Guidance compliance for 2006

<i>Operating data in thousand. Financial data in €million.</i>	2006	Guidance low	Guidance high	Compliance
New HRTM	467	450	475	√
Revenues	1,633	1,700	1,800	x
EBITDA	558	550	580	√
Capex	590 (*)	530	565	~
Operating FCF	(32)	(165)	(50)	√
Leverage (x)	5.48x	5.25x	5.50x	√

(*) Capex includes integration costs associated to integration projects

Other than revenues, we have complied with all the guidance levels previously anticipated for 2006. The revenue shortfall is due to our stated strategy to maintain and increase our profitable revenues while reducing our low margin operations and to the faster than anticipated decrease in indirect access revenues.

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2.6 Guidance for 2007 (GCO) (*)

Table 10: Guidance for 2007

Operating data in thousand. Financial data in €million.	Guidance low	Guidance high	2006	Annual change	
				Guidance low	Guidance high
New HRTM	425	475	467	(9.1%)	1.6%
Revenues	1,680	1,750	1,633	2.9%	7.1%
EBITDA	650	680	558	16.4%	21.8%
Capex	540	570	590	(8.5%)	(3.4%)
Operating FCF	80	140	(32)	na	na
Leverage (x)	4.80x	5.30x	5.48x	(0.68x)	(0.18x)

^(*) Please, see important disclaimer at the end of this document

3. GRUPO CORPORATIVO ONO

3.1 Condensed Consolidated Financial Statements

Table 11: Condensed Consolidated Balance Sheet

Data in €million	Note	31-Dec-06	30-Sept-06	31-Dec-05
ASSETS				
Current assets				
Cash		7	13	7
Short-term investments, net	3.4.1	12	10	37
Accounts receivable & other	3.4.2	269	238	268
Total current assets		287	262	312
Fixed assets				
Start-up costs, net	3.4.3	17	17	9
Intangible assets, net	3.4.4	337	348	406
Tangible assets, net	3.4.5	4,340	4,241	4,134
Financial assets, net	3.4.6	1,310	1,224	1,204
Total fixed assets		6,004	5,830	5,754
Goodwill on consolidation		-	-	1
Deferred expenses, net		23	25	25
TOTAL ASSETS		6,315	6,116	6,092
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Short term debt	3.4.8	177	115	79
Accrued interest expenses		9	50	9
Accounts payable and other	3.4.7	915	933	1,142
Total current liabilities		1,102	1,098	1,231
Long term debt				
Senior facility	3.4.8	2,351	2,190	1,821
Subordinated facilities	3.4.8	130	130	400
Senior subordinated notes	3.4.8	550	550	342
Other	3.4.8	108	87	100
Total long term debt		3,139	2,957	2,663
Other long term liabilities	3.4.9	274	250	251
Deferred income	3.4.10	144	3	3
Commitments and contingencies	3.4.10	420	356	406
Negative goodwill	3.4.10	-	225	263
Minority interests		2	2	3
Shareholders' loan ⁽¹⁾		-	-	1,000
Shareholders' equity				
Common stock	3.4.11	1,630	1,630	983
Share Premium	3.4.11	353	353	-
Accumulated deficit	3.4.11	(711)	(711)	(245)
Net loss for the period	3.4.11	(39)	(46)	(466)
Total shareholders' equity		1,233	1,225	272
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,315	6,116	6,092

⁽¹⁾ €1,000 million contributed to ONO by its new shareholders: CCMP Capital, Providence Equity Partners, Quadrangle Capital Partners and Thomas H. Lee Partners at the date of the Auna acquisition. In February 2006, the €1,000 million was capitalised as common stock and share premium.

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Table 12: Condensed Consolidated Statements of Operations I: statutory

	Quarter ended					Year ended		
	31-Dec-06	30-Sep-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
<i>Data in €million</i>								
	Statutory					Statutory		
Revenues	404	403	0.4%	335	20.5%	1,633	774	111.1%
Cost of services	(122)	(127)	(3.9%)	(109)	11.7%	(517)	(226)	128.7%
Opex	(132)	(136)	(3.5%)	(133)	(0.7%)	(558)	(274)	104.1%
EBITDA	151	139	8.2%	94	60.8%	558	274	103.5%
Deprec. and amortiz.	(91)	(103)	(12.2%)	(147)	(38.3%)	(415)	(268)	54.6%
EBIT/Oper. profit	60	36	66.7%	(53)	na	143	6	na
Net financial expense	(49)	(48)	2.7%	(37)	33.5%	(187)	(133)	40.0%
Net extraordinary exp.	6	(1)	na	(400)	na	3	(415)	na
EBT	16	(13)	na	(490)	na	(41)	(543)	na
Income tax credit	(8)	2	na	63	na	2	76	na
Profit/loss bef. min. int.	8	(11)	na	(428)	na	(39)	(466)	na
Minority interests	-	-	na	-	na	-	-	na
Net result	8	(11)	na	(427)	na	(39)	(466)	na

Table 13: Condensed Consolidated Statements of Operations II: pro forma

	Quarter ended					Year ended		
	31-Dec-06	30-Sep-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
<i>Data in €million</i>								
	Pro forma					Pro forma		
Revenues	404	403	0.4%	425	(4.9%)	1,633	1,726	(5.4%)
Cost of services	(122)	(127)	(3.9%)	(145)	(15.9%)	(517)	(620)	(16.6%)
Opex	(132)	(136)	(3.5%)	(164)	(19.5%)	(558)	(648)	(13.9%)
EBITDA	151	139	8.2%	116	30.2%	558	458	21.8%
Deprec. and amortiz.	(91)	(103)	(12.2%)			(415)		
EBIT/Oper. profit	60	36	66.7%			143		
Net financial expense	(49)	(48)	2.7%			(187)		
Net extraordinary exp.	6	(1)	na			3		
EBT	16	(13)	na			(41)		
Income tax credit	(8)	2	na			2		
Profit/loss bef. min. int.	8	(11)	na			(39)		
Minority interests	-	-	na			-		
Net result	8	(11)	na			(39)		

EBITDA increased in the fourth quarter by €12 million or 8.2% to €151 million, from €139 million in the third quarter of 2006, reflecting our focus on improving the quality of revenues and our cost reductions as a consequence of the implementation of Old ONO processes and procedures in the Auna business. EBITDA for the year amounted to €558 million, an increase of 103.5% in the year. The EBITDA margin increased up to 37.3% in the fourth quarter from 34.6% in the previous quarter.

Table 14: Condensed Consolidated Cash Flow I: statutory

Data in €million	Quarter ended				Year ended		
	31-Dec-06	30-Sep-06	% change	31-Dec-05	31-Dec-06	31-Dec-05	% change
	Statutory				Statutory		
EBITDA	151	139	8.2%	94	558	274	103.5%
Capex	(221)	(133)	65.8%	(163)	(590)	(334)	76.5%
OPERATING FCF	(70)	6	na	(69)	(32)	(60)	(47.0%)
Change in working capital	(41)	(51)	(20.7%)	16	(228)	(15)	na
Other ⁽¹⁾	(80)	(4)	na	(17)	(174)	(25)	na
FCF (pre-interest)	(191)	(49)	na	(70)	(434)	(100)	na
Shares acquisition ⁽²⁾	-	-	na	(1,971)	-	(2,000)	na
Paid interest, net	(90)	(6)	na	(38)	(187)	(115)	62.2%
FCF	(281)	(56)	na	(2,079)	(620)	(2,215)	(72.0%)
Senior facility	178	85	109.4%	808	547	1,032	(47.0%)
Subordinated facilities	-	-	na	400	-	400	(100.0%)
Senior subordinated notes	-	-	na	-	(62)	(122)	(49.0%)
Contributions from shareholders ⁽³⁾	-	-	na	1,000	-	1,000	(100.0%)
State subsidies	5	1	na	-	1	-	na
Short term debt	45	(48)	na	-	81	-	na
Short term investments	(1)	8	na	-	25	-	na
Other financing items	48	(3)	na	(123)	28	(93)	(130.1%)
FINANCING	275	43	na	2,085	620	2,217	(72.1%)
NET CASH VARIATION	(6)	(13)	(49.8%)	6	(1)	2	(126.4%)
Cash Beginning of Period	13	26	(48.9%)	1	7	5	45.9%
Cash End of Period	7	13	(48.1%)	7	7	7	(9.3%)

⁽¹⁾ Includes integration costs, commitments & contingencies and other one off items.

⁽²⁾ Includes the acquisition of 100% of Auna TLC shares and Auna loans for €1,837 million and the cancellation of €134 million of debt outstanding in Auna at the date of the acquisition, as well as a deferred payment in connection with the acquisition of Retecal. Additionally, a deferred Auna acquisition payment of €214.4 million will be paid in January 2008.

⁽³⁾ €1,000 million contributed to ONO by JPMorgan Partners, Providence Equity Partners, Quadrangle Capital Partners and Thomas H. Lee Partners at the date of the Auna acquisition. In February 2006, the €1,000 million was capitalised as common stock and share premium.

Table 15: Condensed Consolidated Cash Flow II: pro forma

Data in €million	Quarter ended				Year ended		
	31-Dec-06	30-Sep-06	% change	31-Dec-05	31-Dec-06	31-Dec-05	% change
	Pro forma				Pro forma		
EBITDA	151	139	8.2%	116	558	458	21.8%
Capex	(221)	(133)	65.8%	(231)	(590)	(783)	(24.6%)
OPERATING FCF	(70)	6	na	(115)	(32)	(325)	(90.2%)
Change in working capital	(41)	(51)	(20.7%)		(228)		
Other ⁽¹⁾	(80)	(4)	na		(174)		
FCF (pre-interest)	(191)	(49)	na		(434)		
Shares acquisition ⁽²⁾	-	-	na		-		
Paid interest, net	(90)	(6)	na		(187)		
FCF	(281)	(56)	na		(620)		
Senior facility	178	85	109.4%		547		
Subordinated facilities	-	-	na		-		
Senior subordinated notes	-	-	na		(62)		
Contributions from shareholders ⁽³⁾	-	-	na		-		
State subsidies	5	1	na		1		
Short term debt	45	(48)	na		81		
Short term investments	(1)	8	na		25		
Other financing items	48	(3)	na		28		
FINANCING	275	43	na		620		
NET CASH VARIATION	(6)	(13)	(49.8%)		(1)		
Cash Beginning of Period	13	26	(48.9%)		7		
Cash End of Period	7	13	(48.1%)		7		

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In Q4 2006, after 3 quarters of positive Operating free cash flow in the year, we experienced a negative €70 million Operating free cash flow that lead to an annual negative Operating free cash flow of €32 million. This negative Operating free cash flow is due to the significant increase in our investments in the quarter.

3.2 Key factors affecting our business

3.2.1. Customers

Table 16: Customer split

Data in thousand, except if otherwise stated

	31-Dec-06	30-Sep-06	% change	31-Dec-05	% change
Customers					
Cable	1,802	1,751	2.9%	1,662	8.4%
Other direct access	68	66	3.9%	80	(14.4%)
Residential direct access	1,870	1,817	2.9%	1,742	7.3%
Indirect access	203	236	(13.8%)	470	(56.7%)
SMEs	69	68	1.0%	56	24.3%
Residencial Cable ARPU (€)	51.4	50.7	1.4%	51.9	(0.9%)

Our residential direct access customer base increased by 2.9% in the quarter, reaching 1,870,000 as of 31 December 2006. SMEs customers increased by 1.0% in the quarter, reaching 69,000 as of 31 December 2006. This growth is mainly due to the continued effort in acquiring new customers through our continuous development of new competitive services.

Indirect access customers, which include residential and SMEs customers receiving the service through indirect access and ULL-3, decreased by 13.8% as expected from our focus on increasing the weight of direct access business.

ARPU for residential cable services in ONO was €51.4 in the fourth quarter of 2006 compared to €50.7 in the third quarter of the year. Residential cable ARPU increased by 1.4% mainly due to the increase of the RGUs per customer ratio. ARPU for residential cable services in the fourth quarter of 2006 decreased slightly by 0.9% compared to the same period of the previous year due to tariff erosion partially offset by RGUs per customer growth.

3.3 Fourth quarter and full year 2006 results of operations

3.3.1. Revenues

ONO's revenues are derived from residential direct access services (which comprise revenues from individual service offerings or a combination of telephony, Internet and pay television services), indirect access services to residential and SMEs customers, business services (which comprise voice and data services to SME business customers and services provided to large corporations and public entities) and wholesale and operators services (which principally comprise carrier services, voice traffic services, leased and dedicated lines and ISP solutions, provided to other telecommunications operators and from the provision of intelligent network services).

The following table sets forth a detail of ONO's revenues and the percentage change from period to period for each of the periods indicated.

Table 17: Revenue split I: statutory

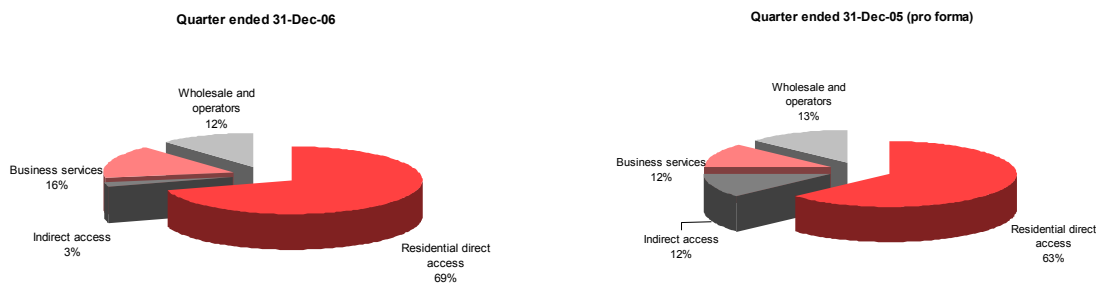
Data in €million	Quarter ended				Year ended			
	31-Dec-06	30-Sep-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
	Statutory							
Resid. direct acc.	283	271	4.3%	na	na	1,101	na	na
Indirect access	10	14	(27.9%)	na	na	75	na	na
Business and SMEs	64	68	(6.7%)	na	na	265	na	na
Wholesale & opers.	47	49	(3.3%)	na	na	192	na	na
Total revenues	404	403	0.4%	335	20.5%	1,633	774	111.1%

Note: Revenue split for the quarter and the year ended 31 December 2005 includes Old ONO figures for the quarter and the year and Auna figures from its acquisition in November 2005. These figures are not available because of the segmentation explained above.

Table 18: Revenue split II: pro forma

Data in €million	Quarter ended				Year ended			
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
	Pro forma							
Resid. direct acc.	283	271	4.3%	269	5.2%	1,101	1,043	5.6%
Indirect access	10	14	(27.9%)	51	(80.4%)	75	222	(66.2%)
Business and SMEs	64	68	(6.7%)	50	28.0%	265	202	31.2%
Wholesale & opers.	47	49	(3.3%)	55	(14.5%)	192	260	(26.2%)
Total revenues	404	403	0.4%	425	(4.9%)	1,633	1,726	(5.4%)

Note: Revenue split for the quarter and year ended 31 December 2005 includes Old ONO and Auna figures for the quarter and the year on a combined pro forma basis.



Revenues increased in Q4 2006 by 0.4% to €404 million, mainly driven by residential direct access revenues increasing by 4.3%. Residential direct access revenues continue to be the main revenue source, contributing 67% to overall revenues. Revenues for the year amounted to €1,633 million, an increase of 111.1% or €859m in the year, though decreasing by €93 million when compared with €1,726 million pro forma revenues for the combination of Old ONO and Auna for the full year 2005. This revenue decrease is mainly due to the reduction of indirect access services (-€147 million) and to our strategy to maintain and increase profitable margin accretive revenues and avoid low margin revenues. This strategy also affected our wholesale and operators revenues in the amount of €68 million.

3.3.1.1 Residential direct access services

a) Cable

Cable services provide us with revenues from monthly fees and initial connection charges from residential bundled and individual services, usage charges from residential telephony services; set top box rental charges; and variable fees for pay-per-view services from cable television services. The following tables set forth information on residential cable services, and the percentage change from period to period:

Table 19: Residential cable services

Data in thousand, except if otherwise stated	Quarter ended				
	31-Dec-06	30-Sep-06	% change	31-Dec-05	% change
Resid. Cable Services					
HRTM	6,119	5,998	2.0%	5,652	8.3%
Customers	1,802	1,751	2.9%	1,662	8.4%
Penetration	29.4%	29.2%	0.2 pp	29.4%	-
Churn	17.3%	16.2%	1.1 pp	18.6%	(1.3 pp)
ARPU (€)	51.4	50.7	1.4%	51.9	(0.9%)
RGUs	3,554	3,425	3.8%	3,129	13.6%
RGUs per customer	1.97	1.96	0.8%	1.88	4.8%

Total cable customers increased during the last quarter by 51,000 or 2.9% to 1,802,000. Our penetration ratio increased by 0.2 pp to 29.4% as of 31 December 2006. Our focus on bundled services also brought an improvement in RGUs per customer reaching 1.97 as at 31 December 2006.

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Churn increased in the fourth quarter of 2006 to 17.3%, from 16.2% in the previous quarter, in line with the seasonal trend experienced in the business. An increased focus on improved customer service allowed us to keep it below the churn levels experienced at the end of the previous year.

- **Telephony**

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

Table 20: Telephony services

<i>Data in thousand, except if otherwise stated</i>	Quarter ended				
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change
Telephony customers	1,568	1,525	2.8%	1,446	8.5%
Proportion of total customers	87.0%	87.1%	(0.1 pp)	87.0%	-
Penetration	25.6%	25.4%	0.2 pp	25.6%	-

Telephony customers increased by 43,000 or 2.8% in the fourth quarter of 2006 to reach 1,568,000 as of 31 December 2006. The 2 months free “all included” telephony promotion (telephone line plus flat rate national calling) for new customers subscribing to bundled services, launched in November, helped to drive total customers growth. Telephony continues to account for the largest portion of our RGUs, since 87.0% of our customers subscribe to this service, in line with the previous quarter.

- **Internet**

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

Table 21: Internet services

<i>Data in thousand, except if otherwise stated</i>	Quarter ended				
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change
Internet customers	1,062	986	7.7%	826	28.6%
Proportion of total customers	58.9%	56.3%	2.6 pp	49.7%	9.2 pp
Penetration	17.3%	16.4%	0.9 pp	14.6%	2.7 pp

Internet customers increased by 76,000 or 7.7% in the fourth quarter of 2006 to reach 1,062,000 as of 31 December 2006. This growth surpasses our total customer adds by 25,000, showing the success of our efforts in cross-selling internet to existing customers. Internet customers as a proportion of total customers increased by 2.6 pp to 58.9% in the fourth quarter of 2006 from 56.3% in the previous quarter. Our residential Internet penetration increased to 17.3% in the fourth quarter of 2006 from 16.4% in the previous quarter.

- **Television**

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

Table 22: Television services

<i>Data in thousand, except if otherwise stated</i>	Quarter ended				
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change
Television customers	924	914	1.2%	858	7.8%
Proportion of total customers	51.3%	52.2%	(0.9 pp)	51.6%	(0.3 pp)
Penetration	15.1%	15.2%	(0.1 pp)	15.2%	(0.1 pp)

Cable television customers increased by 10,000 or 1.2% in the quarter to reach 924,000 as of 31 December 2006.

Cable television customers as a proportion of total customers decreased by 0.9pp to 51.3% in the quarter and penetration of cable television services over homes released to marketing decreased slightly in the fourth quarter by 0.1 pp to reach 15.1% penetration.

We believe that the quality of our digital product offering, which includes full Video on Demand ("VoD") (marketed under the "ojo" brand), launched in Old ONO areas in December 2005, is highly attractive to our customers. At the end of the year 2006, 95% of Old ONO cable television customers and 88% of our total television customer base enjoyed our digital offering. In addition, we launched "ojo" in Madrid and Barcelona in December 2006 and we expect to launch it in the rest of the former Auna areas in the following quarters.

b) Other direct access

Other direct access services include services offered through full unbundling of Telefónica's local loop. These services provide us with revenues from monthly fees from telephony and broadband Internet services and usage charges from telephony services. Our ULL customers increased in the fourth quarter of 2006 from 66,000 to 68,000 as we continue to consider our ULL operations, mostly in Madrid and Barcelona, as a complement of our core cable business. Nevertheless, our residential ULL customer base decreased by 14.4% in the year mainly due to the discontinuation in 2006 of this service in a number of central offices outside of Madrid and Barcelona and to the disincentivation of "1 play" marketing.

We do not currently offer TV services to our ULL customers and most of these customers only subscribe to telephony services. ARPU for ULL customers is, therefore, significantly lower than that for cable customers.

Table 23: Other direct access services

Oper. data in thousand Fin. data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
Customers	68	66	3.9%	80	(14.4%)	68	80	(14.4%)
RGUs	101	94	8.1%	90	12.4%	101	90	12.4%
RGUs per customer	1.48	1.42	4.0%	1.12	31.3%	1.48	1.12	31.3%

3.3.1.2 Indirect access services

Indirect access revenues relate to usage charges from indirect access telephony services to residential and SMEs customers. The following table sets forth revenues and customers from indirect access services, and the percentage change from period to period:

Table 24: Indirect access

Oper. data in thousand Fin. data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
Customers	203	236	(13.8%)	470	(56.7%)	203	470	(56.7%)
Revenues	10	14	(27.9%)	51	(80.4%)	75	222	(66.2%)

Note: Revenues for the quarter and the year ended 31 December 2005 correspond to the combination of Old ONO and Auna figures for the full quarter or the full year, as applicable.

Indirect access customers decreased by 13.8% from 236,000 as of 30 September 2006 to 203,000 as of 31 December 2006 as a consequence of (i) the competitive environment in the Spanish telephony market, with the increasing offering of fixed monthly fees for telephony calls, and (ii) our focus on our direct access business. We expect this trend of reducing customers and revenues to continue in the future.

Our indirect access segment was completely contributed by Auna and thus ONO had no customers nor revenues prior to the acquisition of Auna in November 2005.

3.3.1.3 Business services

Revenues from business services are derived from (i) fees paid by business customers, including small and medium sized enterprises, for voice and data services, offered individually or as a bundle, and (ii) customized solutions designed to satisfy the communications needs (voice, internet, data solutions and equipment) of large corporate groups, institutions and central and autonomous government agencies, through an integrated range of tailored services.

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

Table 25: Business services

Oper. data in thousand Fin. data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
SMEs customers	69	68	1.0%	56	24.3%	69	56	24.3%
Business revenues (*)	64	68	(6.7%)	50	28.0%	265	202	31.2%

(*) Includes revenues from SMEs and business customers

Note: Revenues for the quarter and the year ended 31 December 2005 correspond to the combination of Old ONO and Auna figures for the full quarter or the full year, as applicable.

ONO's SMEs customers increased by 1.0% to 69,000 customers in the fourth quarter. Despite this SMEs customer growth, business revenues decreased by 6.7% to €64 million in the fourth quarter of 2006, from €68 million in the previous quarter due to our focus on high value customers generating high margins instead of high revenues. Business revenues for the year amounted to €265 million.

3.3.1.4. Wholesale and Operators & Other Services

Revenues from wholesale and operators 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.

Revenues from wholesale and operators decreased by 3.3%, from €49 million for the third quarter of 2006 to €47 million in the fourth quarter of the year. Revenues for the year amounted to €192 million.

3.3.2. Cost of Services and Gross Profit

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

Table 26: Cost of services and gross profit I: statutory

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
				Statutory			Statutory	
Total revenues	404	403	0.4%	335	20.5%	1,633	774	111.1%
Cost of services	(122)	(127)	(3.9%)	(109)	11.7%	(517)	(226)	128.7%
Gross Profit	282	276	2.4%	226	24.8%	1,117	548	103.8%
Gross Margin	69.8%	68.5%	1.4 pp	67.5%	2.4 pp	68.4%	70.8%	(2.4 pp)

Table 27: Cost of services and gross profit II: pro forma

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
				Pro forma			Pro forma	
Total revenues	404	403	0.4%	425	(4.9%)	1,633	1,726	(5.4%)
Cost of services	(122)	(127)	(3.9%)	(145)	(15.9%)	(517)	(620)	(16.6%)
Gross Profit	282	276	2.4%	280	0.7%	1,117	1,106	1.0%
Gross Margin	69.8%	68.5%	1.4 pp	65.9%	3.9 pp	68.4%	64.1%	4.3 pp

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Cost of services principally consist of interconnection and backbone network costs for telecommunication services, internet connectivity costs, the cost of the cable modems, fiber, circuit renting expenses and programming fees for cable 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. Cable television programming fees consist primarily of fees paid to television content owners to distribute their cable television content and fees paid to distribute movies and soccer on a pay-per-view basis.

Our cost of services decreased by €103 million from 31 December 2005 to 31 December 2006. As a percentage of total revenues, our cost of services decreased to 30.2% for the three months ended 31 December 2006 as compared to 31.5% for the previous quarter and gross margin increased by 1.4 pp to 69.8% in the fourth quarter of 2006.

Gross margin improvements are more significant when compared to pro forma combined Q4 2005 and full year 2005, increasing by 3.9 pp and 4.3 pp respectively.

As part of our integration process we are implementing specific projects to improve the level of gross margin, which include, amongst others, increasing our efficiency on interconnection and content costs. In addition, the reduction in lower margin revenues, such as indirect access, is also yielding an increased level of gross margin.

3.3.3. Operating Expenses

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

Table 28: Operating expenses I: statutory

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
	Statutory					Statutory		
Gross Opex	(145)	(150)	(2.8%)	(150)	(3.2%)	(613)	(304)	101.4%
Capitalised Costs	14	13	10.5%	18	(19.4%)	54	31	78.1%
Net Opex	(132)	(136)	(3.5%)	(133)	(0.7%)	(558)	(274)	104.1%
as % of revenues	32.5%	34.4%	(1.9 pp)	39.5%	(6.97 pp)	34.2%	35.3%	(1.2 pp)

Table 29: Operating expenses II: pro forma

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
	Pro forma					Pro forma		
Gross Opex	(145)	(150)	(2.8%)	(182)	(20.3%)	(613)	(719)	(14.7%)
Capitalised Costs	14	13	10.5%	18	(22.2%)	54	70	(22.9%)
Net Opex	(132)	(136)	(3.5%)	(164)	(19.5%)	(558)	(648)	(13.9%)
as % of revenues	32.5%	34.4%	(1.9 pp)	38.7%	(6.2 pp)	34.2%	37.6%	(3.4 pp)

Gross operating expenses consist principally of expenses related to wages and salaries and other operating expenses, including professional services, marketing and

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selling expenses, network operation and maintenance, information systems, administrative overhead and billing costs. Capitalized costs relate to interalia direct labour costs associated with the development and construction of our network.

Net Opex decreased from €136 million to €132 million or from 34.4% to 32.5% of revenues in the fourth quarter of 2006 from the previous quarter. The continued reduction in selling general and administrative expenses as a percentage of revenues reflects our focus on cost management as part of our integration process and the aim to converge with the efficiency ratios obtained by Old ONO before the Auna acquisition. Net Opex decreased by €90 million from 31 December 2005 to 31 December 2006. Net Opex as percentage of revenues decreased by 1.2 pp to 34.2% for the year 2006 from 35.3% for the previous year.

When compared to pro forma combined gross opex for the full year 2005, our focus on efficiency yielded savings of €106 million despite the increasing size of our operations, and gross opex over revenues improved by 4.2 pp despite the reduction in revenues explained above.

3.3.4. Depreciation and Amortization

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

Table 30: Depreciation and amortization

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
D&A	(91)	(103)	(12.2%)	Statutory (147)	(38.3%)	(415)	Statutory (268)	54.6%

Depreciation and amortization 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 amortization of intangible assets and start-up costs.

3.3.5. Net Financial Expense

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

Table 31: Net financial expense

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
Net fin. exp.	(49)	(48)	2.7%	Statutory (37)	33.5%	(187)	Statutory (133)	40.0%

Our net financial expense is mainly comprised of interest expense from our financing agreements. Net financial expense increased by 2.7% in the fourth quarter of 2006 due to our debt drawings under the €3,100 million Senior Bank Facility during the fourth quarter of the year, and the variable interest rates linked to our unhedged proportion of variable interest bearing debt.

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3.3.6. Other Income and Expense

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

Table 32: Other income and expense

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
				Statutory			Statutory	
Net extraord. exp.	6	(1)	na	(400)	na	3	(415)	na
Income tax	(8)	2	na	63	na	2	76	na

3.4 Notes to the Condensed Consolidated Balance Sheet

3.4.1. Short term investments

Table 33: Short term investments, net

<i>Data in €million</i>	<u>31-Dec-06</u>	<u>31-Dec-05</u>	<u>% change</u>
Investment in non consolidated companies	2	2	(0.9%)
Option	-	1	na
Fixed interest securities	1	1	0.5%
Other short term investments	10	35	(70.4%)
Provisions	(2)	(3)	(23.7%)
Short term investments, net	12	37	(67.8%)

3.4.2. Accounts receivable

Table 34: Accounts receivable, net

<i>Data in €million</i>	<u>31-Dec-06</u>	<u>31-Dec-05</u>	<u>% change</u>
Receivables from related parties	-	2	na
Accounts receivable and other debtors	369	468	(21.1%)
Tax receivables	11	48	(77.4%)
Other	31	5	na
Allowance for doubtful accounts	(142)	(255)	(112.1%)
Accounts receivable, net	269	268	0.4%

3.4.3. Start-up costs

Table 35: Start-up costs

<i>Data in €million</i>	<u>31-Dec-05</u>	<u>Additions</u>	<u>Amortisation</u>	<u>Disposals</u>	<u>31-Dec-06</u>
Start-up costs, net	4	3	(1)	-	5
Stock issuance costs, net	6	10	(4)	-	12
Start-up costs, net	9	13	(6)	-	17

3.4.4. Intangible assets

Table 36: Intangible assets, net

<i>Data in €million</i>	31-Dec-05	Companies included in consolidation	Additions	Disposals	Transfers	31-Dec-06
Goodwill	478	-	-	-	-	478
Licensed assets	70	-	1	(11)	-	61
Franchise acquisition costs	13	-	-	-	-	13
Computer software	73	1	41	(15)	(7)	94
Finance leases	42	-	-	-	-	41
Other intangible fixed assets	2	3	-	(2)	-	3
Total cost	677	3	43	(27)	(7)	689
Accumulated amortization	(257)	(2)	(105)	5	6	(353)
Provisions	(14)	-	-	14	-	-
Intangible assets, net	406	2	(63)	(8)	(1)	337

3.4.5. Tangible assets

Table 37: Tangible assets, net

<i>Data in €million</i>	31-Dec-05	Companies included in consolidation	Additions	Disposals	Transfers	31-Dec-06
Land and natural assets	16	-	-	-	1	17
Network and technical equipment	5,119	2	82	(172)	507	5,537
Computer hardware	179	-	4	-	(4)	179
Other tangible fixed assets	117	6	3	(1)	(53)	72
Total operating tangible fixed assets	5,431	8	89	(173)	450	5,806
Payments on account and assets in course of construction	228	-	455	(15)	(462)	207
Total cost	5,659	8	544	(187)	(12)	6,012
Accumulated amortization	(1,329)	(7)	(297)	44	12	(1,577)
Provisions	(195)	-	3	97	-	(96)
Tangible assets, net	4,134	1	251	(46)	-	4,340

3.4.6. Financial assets

Table 38: Financial assets

Data in €million	31-Dec-06	31-Dec-05	% change
Tax credit and deferred tax	1,266	1,228	3.1%
Other financial assets (*)	77	4	na
Shareholdings in unconsolidated companies	3	7	(62.6%)
Provisions	(35)	(35)	-
Financial assets	1,310	1,204	8.8%

(*) This caption includes the EVCs bought by GCO both in open market transactions and in a tender carried out in September and October 2006. Currently GCO owns in the region of 84% of the total EVCs issued by ONO Finance in 1999 and 2001. The liability in Cableuropa level sits in the "Other long term liabilities" (see 3.4.9 below) and the value of the EVCs is based on the price paid in the recent purchases made by GCO.

3.4.7. Accounts payable

Table 39: Accounts payable

Data in €million	31-Dec-06	31-Dec-05	% change
Commercial suppliers	431	430	0.2%
Taxes payable	10	27	(63.7%)
Fixed asset suppliers	412	616	(33.2%)
Other	63	69	(8.7%)
Accounts payable	915	1,142	(19.9%)

3.4.8. Debt and liquidity

Table 40: Debt and liquidity

As of 31 December 2006 Data in €million	Maximum available	Short term debt	Long term debt	Total debt	Availability
Type of debt					
Debt with credit entities:					
Senior Facility	3,000	17	2,351	2,368	632
Subordinated Facility	110	-	110	110	-
Participative Loan	20	-	20	20	-
Other credit facilities	240	150	41	191	49
Total debt with credit entities	3,370	167	2,522	2,689	681
Other debt:					
Senior subordinated notes	550	-	550	550	-
State subsidies and other	78	11	67	78	-
Total other debt	628	11	617	628	-
Total debt	3,998	177	3,139	3,316	681
Cash and cash equivalents (*)				8	
Total net debt				3,308	
EBITDA LQA				603	
Total net debt/EBITDA				5.48x	

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

(*) Includes €7 million of "Cash" and €1 million of "Short term investments" ("Fixed interest securities")

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Table 41: Debt by maturity

As of 31 December 2006 Data in €million	Maturity						Total
	2007	2008	2009	2010	2011	Thereafter	
Type of debt							
Debt with credit entities:							
Senior Facility	17	96	265	473	653	866	2,368
Subordinated Facility	0	0	0	0	0	110	110
Participative Loan	0	0	0	0	0	20	20
Other credit facilities	150	7	2	28	1	2	190
Total debt with credit entities	167	103	267	501	654	998	2,688
Other debt:							
Senior subordinated notes	0	0	0	0	0	550	550
State subsidies and other	11	17	16	13	11	10	78
Total other debt	11	17	16	13	11	560	628
Total	177	120	283	514	664	1,557	3,316

For further details on our main financing arrangements, please see our Investor Relations website on which we have posted our main financial agreements.

3.4.9. Other long term liabilities

Table 42: Other long term liabilities

Data in €million	31-Dec-06	31-Dec-05	% change
Deferred Auna Acquisition payment	214	214	-
EVCs and other (*)	33	36	(8.2%)
Other	27	1	na
Other long term liabilities	274	251	9.1%

(*) See 3.4.6 above

3.4.10. Deferred income, commitments and contingencies and negative goodwill

Once Auna and old Cableuropa carried out a reverse merger in October 2006, the Negative Goodwill caption sitting in the Balance Sheet has been reclassified to Commitments and Contingencies, and reassessed accordingly.

In addition, after finalising the Purchase Price Allocation of the acquisition of Auna, within the period of one year from the effective acquisition date, an unassigned balance of €141 million has been allocated in the Deferred Income caption, according to Spanish GAAP. This item cannot be reassessed in the future and once we converge to IFRS this caption will be reallocated to the net equity caption in the opening balance sheet.

3.4.11. Shareholders' equity

Table 43: Shareholders' equity

<i>Data in €million</i>	Common stock	Share premium	Accumulated deficit	Net loss	Total
31 December 2005	983	-	(245)	(466)	272
Capital increases	647	353	-	-	1,000
Previous year result distribution	-	-	(466)	466	-
Net result for the twelve-months period	-	-	-	(39)	(39)
31 December 2006	1,630	353	(711)	(39)	1,233

3.5 Notes to the Condensed Consolidated Cash Flow

3.5.1. Capex

Capital expenditure of €590 million for the year 2006 includes €3 million of start-up costs, €43 million of intangible assets and €544 million of tangible assets.

Our capital expenditure ("Capex") is principally related to network build-out, set top box purchases, installations, network upgrades, computer hardware and software and investments necessary for the integration of Auna.

A substantial portion of this capital expenditure relates to discretionary Capex, which includes the extension of our networks and installations and customer capex. Discretionary Capex represents approximately 56% of total Capex, on a year basis.

Non-discretionary Capex relates mainly to the upgrade of our network, computer hardware and software and other minor items. Non-discretionary Capex represents approximately 26% of total Capex, on a year basis. The remaining Capex relates to the integration of Auna and to special projects development.

In 2006 we experienced a reduction of €193 million in capital expenditure, reflecting the efficiency increase in ONO through the year.

Table 44: Capital expenditure I: statutory

<i>Data in €million</i>	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
Capital expenditure	(221)	(133)	65.8%	(163)	35.4%	(590)	(334)	76.5%
				Statutory			Statutory	

Table 45: Capital expenditure II: pro forma

<i>Data in €million</i>	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
Capital expenditure	(221)	(133)	65.8%	(231)	(4.3%)	(590)	(783)	(24.6%)
				Pro forma			Pro forma	

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3.5.2. Working Capital variation

The change in working capital includes the variation of the captions “accounts payable and other” and “accounts receivable and other”. The negative trend of this caption throughout the year relates to the strict cost control, at all levels, applied in ONO since the Auna Acquisition, leading to a reduction of Capex and gross Opex which are the main drivers for the decrease in accounts payable.

4. ONOMIDCO

4.1 Condensed Consolidated Financial Statements

Table 46: Condensed Consolidated Balance Sheet (ONOMidco)

<i>Data in €million</i>	31-Dec-06	30-Sept-06
ASSETS		
Current assets		
Cash	7	6
Short-term investments, net	12	10
Accounts receivable and other	268	223
Total current assets	287	239
Fixed assets		
Start-up costs, net	8	8
Intangible assets, net	337	347
Tangible assets, net	4,340	4,240
Financial assets, net	1,254	1,220
Total fixed assets	5,939	5,815
Deferred expenses, net	44	45
TOTAL ASSETS	6,269	6,100
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Short term debt	161	99
Accrued interest expenses	9	49
Accounts payable and other	937	932
Total current liabilities	1,107	1,079
Long term debt		
Senior facility	2,351	2,190
Subordinated facilities	130	130
Senior subordinated notes	550	550
Other	78	81
Total long term debt	3,109	2,951
Other long term liabilities	248	250
Deferred income	144	3
Commitments and contingencies	420	356
Negative goodwill	-	225
Minority interests	5	2
Participative loan	955	955
Shareholder's equity		
Common stock	263	263
Share premium	29	29
Accumulated deficit	-	-
Net loss for the period	(11)	(14)
Total shareholder's equity	281	278
TOTAL LIABILITIES AND SHR'S EQUITY	6,269	6,100

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Table 47: Condensed Consolidated Statement of Operations (ONOMidco)

<i>Data in €million</i>	Quarter ended 31-Dec-06	Quarter ended 30-Sept-06	Year ended 31-Dec-06 (*)
Revenues	408	401	1,078
Cost of services	(119)	(127)	(335)
Opex	(134)	(133)	(355)
EBITDA	155	141	388
Deprec. and amortiz.	(91)	(103)	(263)
EBIT/Op. profit	64	38	124
Net financial exp.	(63)	(49)	(143)
Net extraordinary exp.	6	(1)	7
EBT	7	(12)	(12)
Income tax credit	(4)	2	1
Profit/loss bef. min. inter	3	(10)	(11)
Minority interests	-	-	-
Net result	3	(10)	(11)

(*) Year to date amounts correspond to ONOMidco's results from inception in May 2006

Table 48: Condensed Consolidated Cash Flow (ONOMidco)(*)

<i>Data in €million</i>	Quarter ended 31-Dec-06	Quarter ended 30-Sept-06
EBITDA	155	141
Capex	(221)	(133)
OPERATING FCF	(66)	7
Change in working capital	(53)	(28)
Other ⁽¹⁾	11	(21)
FCF (pre-interests)	(108)	(43)
Paid interests, net	(103)	(8)
FCF	(211)	(50)
Senior facility	178	85
Senior subordinated notes	-	-
State subsidies	5	2
Short term debt	43	(44)
Short term investment	(1)	(2)
Other financing items	(13)	(4)
FINANCING	212	37
NET CASH VARIATION	1	(13)
Cash Beginning of Period	6	19
Cash End of Period	7	6

⁽¹⁾ Includes integration costs, commitment & contingencies and other one off items

(*) Year to date cash flow amounts not mentioned to avoid misleading the reader, since the company was incorporated in May 2006

In this section, we are reporting the fourth quarter and full year 2006 (from its inception) condensed consolidated financial statements of ONOMidco, S.A.U. and its subsidiaries. For a detailed analysis of the trends followed in the fourth quarter, please see section 3 of this document.

5. CABLEUROPA

5.1 Condensed Consolidated Financial Statements

Table 49: Condensed Consolidated Balance Sheet (Cableuropa)

<i>Data in €million</i>	31-Dec-06	30-Sept-06	31-Dec-05
	New Cableuropa	Old Cableuropa	Old Cableuropa
ASSETS			
Current assets			
Cash	7	6	7
Short-term investments, net	12	10	3
Accounts receivable and other	268	219	267
Total current assets	287	235	277
Fixed assets			
Start-up costs, net	8	8	8
Intangible assets, net	337	347	406
Tangible assets, net	4,340	4,240	4,134
Financial assets, net	1,249	1,220	1,211
Total fixed assets	5,933	5,815	5,759
Goodwill on consolidation	-	-	1
Deferred expenses, net	44	45	49
TOTAL ASSETS	6,263	6,095	6,086
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short term debt	161	99	72
Accrued interest expenses	9	49	9
Accounts payable and other	936	930	1,157
Total current liabilities	1,106	1,078	1,237
Long term debt			
Senior facility	2,351	2,190	1,821
Subordinated facilities	130	130	400
Senior subordinated notes	550	550	342
Other	78	81	86
Total long term debt	3,109	2,951	2,649
Other long term liabilities	248	250	252
Deferred income	144	3	3
Commitments and contingencies	420	356	406
Negative goodwill	-	225	263
Minority interests	5	2	3
Participative loan	955	955	955
Shareholder's equity			
Common stock	263	1,088	1,088
Share premium	1,637	338	338
Accumulated deficit	(1,581)	(1,107)	(640)
Net loss for the period	(43)	(44)	(467)
Total shareholder's equity	276	275	319
TOTAL LIABILITIES AND SHR'S EQUITY	6,263	6,095	6,086

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Table 50: Condensed Consolidated Statement of Operations (Cableuropa)

Data in €million	Quarter ended					Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	% change	31-Dec-06	31-Dec-05	% change
	New Cab	Old Cab		Old Cab		New Cab	Old Cab	
Revenues	408	401	1.8%	335	21.7%	1,633	774	111.0%
Cost of services	(119)	(127)	(6.2%)	(109)	9.6%	(517)	(226)	128.8%
Opex	(134)	(133)	0.8%	(132)	1.6%	(551)	(272)	102.8%
EBITDA	155	141	10.0%	94	63.9%	565	276	104.6%
Deprec. and amortiz.	(91)	(103)	(11.4%)	(147)	(38.2%)	(412)	(268)	54.1%
EBIT/Op. profit	64	38	67.7%	(53)	na	153	8	na
Net financial exp.	(63)	(49)	29.1%	(37)	69.2%	(202)	(134)	50.4%
Net extraordinary exp.	6	(1)	na	(402)	(101.4%)	3	(417)	(100.6%)
EBT	7	(12)	na	(493)	(101.4%)	(47)	(543)	(91.4%)
Income tax credit	(5)	2	na	63	(108.6%)	4	76	na
Profit/loss bef. min. inter	1	(10)	na	(430)	(100.3%)	(43)	(467)	(90.8%)
Minority interests	-	-	na	-	na	-	-	na
Net result	1	(10)	na	(430)	(100.3%)	(43)	(467)	(90.8%)

Note: Q4 and full year 2005 figures includes Old ONO (Old Cableuropa) figures for the quarter and the year and Auna figures from its acquisition in November 2005.

Table 51: Condensed Consolidated Cash Flow (Cableuropa)

Data in €million	Quarter ended				Year ended		
	31-Dec-06	30-Sept-06	% change	31-Dec-05	31-Dec-06	31-Dec-05	% change
	New Cab	Old Cab		Old Cab	New Cab	Old Cab	
EBITDA	155	141	10.0%	94	565	276	105.0%
Capex	(221)	(133)	65.8%	(163)	(590)	(334)	76.5%
OPERATING FCF	(66)	7	na	(69)	(25)	(59)	(57.4%)
Change in working capital	(53)	(28)	85.2%	63	(219)	(14)	na
Other ⁽¹⁾	11	(21)	na	(10)	(85)	(31)	na
FCF (pre-interests)	(108)	(43)	na	(17)	(329)	(104)	218.1%
Shares acquisition ⁽²⁾	-	-	na	(1,970)	-	(1,970)	na
Paid interests, net	(103)	(8)	na	(38)	(202)	(114)	77.6%
FCF	(211)	(50)	na	(2,025)	(531)	(2,187)	(75.7%)
Senior facility	178	85	109.4%	808	547	1,032	(47.0%)
Subordinated facilities	-	-	na	400	-	400	na
Senior subordinated notes	-	-	na	-	(62)	(122)	(49.0%)
Contributions from shareholders	-	-	na	955	-	955	na
State subsidies	5	2	na	-	1	-	na
Short term debt	43	(44)	na	-	70	-	na
Short term investment	(1)	(2)	(24.6%)	-	(9)	-	na
Other financing items	(13)	(4)	na	(132)	(16)	(75)	(78.6%)
FINANCING	212	37	na	2,031	531	2,190	(75.8%)
NET CASH VARIATION	1	(13)	na	6	-	3	(111.3%)
Cash Beginning of Period	6	19	(68.3%)	1	7	4	81.8%
Cash End of Period	7	6	14.4%	7	7	7	(5.1%)

⁽¹⁾ Includes integration costs, commitment & contingencies and other one off items

⁽²⁾ Includes the acquisition of 100% of Auna TLC shares and Auna loans for €1,837 million and the cancellation of €134 million of debt outstanding in Auna at the date of the acquisition, as well as a deferred payment in connection with the acquisition of Retecal. Additionally, a deferred Auna acquisition payment of €214.4 million will be paid in January 2008.

Note: Q4 and full year 2005 figures includes Old Cableuropa figures for the quarter and the year and Auna figures from its acquisition in November 2005.

5.2 Debt and Liquidity

Table 52: Debt and liquidity (Cableuropa)

As of 31 December 2006 Data in €million	Maximum available	Short term debt	Long term debt	Total debt	Availability
Type of debt					
Debt with credit entities:					
Senior facility	3,000	17	2,351	2,368	632
Subordinated Facility	110	-	110	110	-
Participative Loan	20	-	20	20	-
Other credit facilities	159	133	11	144	15
Total debt with credit entities	3,289	150	2,492	2,642	647
Other debt:					
Senior subordinated notes	550	-	550	550	-
State subsidies and other	78	11	67	78	-
Total other debt	628	11	617	628	-
Total debt	3,916	161	3,109	3,270	647
Cash and cash equivalents ⁽¹⁾				8	
Total net debt				3,261	
EBITDA LQA				619	
Total net debt/EBITDA				5.27x	

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

⁽¹⁾ Includes €7 million of "Cash" and €1 million of "Short term investments" ("Fixed interest securities")

Table 53: Debt by maturity

As of 31 December 2006 Data in €million	Maturity						Total
	2007	2008	2009	2010	2011	Thereafter	
Type of debt							
Debt with credit entities:							
Senior facility	17	96	265	473	653	866	2,368
Subordinated Facility	-	-	-	-	-	110	110
Participative Loan	-	-	-	-	-	20	20
Other credit facilities	133	3	2	2	1	2	144
Total debt with credit entities	150	99	267	474	654	998	2,642
Other debt:							
Senior subordinated notes	-	-	-	-	-	550	550
State subsidies and other	11	17	16	13	11	10	78
Total other debt	11	17	16	13	11	560	628
Total	161	116	283	488	665	1,557	3,270

In this section, we are reporting the fourth quarter and full year 2006 condensed consolidated financial statements of Cableuropa, S.A.U. and its subsidiaries. For a detailed analysis of the trends followed in the periods indicated, please see section 3 of this document.

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6. QUANTITATIVE AND QUALITATIVE 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 interest rates.

It is our treasury policy to monitor and manage exposure to variable interest rate risk by managing the amount of our outstanding variable interest bearing debt. In order to reduce such interest rate risk, and as market conditions warrant, we may vary our position on interest rate hedging transactions and may purchase or trade the Notes 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

Borrowings under our €3,100 million Senior Bank Facility bear interest at a floating rate determined by reference to EURIBOR plus a margin, which currently ranges from 2.00% to 2.75% depending on the tranche. In addition, our other outstanding debt with credit entities, usually bear interest at EURIBOR plus a margin. Accordingly, as at 31 December 2006 we had long term variable interest rate debt outstanding of €2,598 million and exposure to risk due to fluctuations of interest rates.

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

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

We have contracted a series of a step-up swaps to lock into low levels of EURIBOR. To date, we have covered €1,300 million (52% of the total committed amount under the aforementioned tranches), hedging our exposure for periods between 3 and 5 years. The process was carried out in three steps: in July 2005 we covered the interest rate risk exposure for €500 million; in February 2006 we covered an additional €655 million and a further €145 million was completed in April 2006.

In addition, borrowings under our €110 million Subordinated Facility and our €20 million Participative Loan bear interest at a floating rate determined by reference to EURIBOR plus a margin, which is 6.50% until October 2007. Both facilities mature in May 2014.

On May 7, 2004, ONO Finance issued €100 million floating rate notes, priced at three months EURIBOR plus a margin of 8.5%, which were on-lent to us on substantially the same terms. These floating rate notes mature in May 2014.

The table below shows our variable interest long-term debt main agreements as of 31 December, 2006:

Table 54: Variable interest long term debt

Data in €million	Expected maturity date						Total
	2007	2008	2009	2010	2011	Thereafter	
Senior Bank Facility (Euribor + 2.00%-2.75%)	17	96	265	473	653	866	2,368
Subordinated Facilities (Euribor + 6.50%)	-	-	-	-	-	130	130
2014 EUR Floating Rate Notes (Euribor+8.50%)	-	-	-	-	-	100	100
Total	17	96	265	473	653	1,096	2,598

7. DISCLAIMER

This document contains forward looking statements. These forward looking statements include all matters that are not historical facts and statements containing the words "believe," "expect," "intend," "anticipate," "will," "positioned," "project," "risk," "plan," "may," "estimate" or, in each case, their negative and words of similar meaning are forward looking statements.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

We caution you that forward looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward looking statements contained in this release as a result of various factors.

Consequently, anticipated actions and future financial condition, results of operations and cash flows, as well as the anticipated development of the industry in which we operate, may differ materially from those expressed in any forward looking statements made by us. These forward looking statements are uncertain and we cannot assure you that any such statements will prove to be correct. Actual results and developments may be materially different from those expressed or implied by such statements. We encourage you to consult the Company's Annual Report.

We have no obligation to, and do not intend to, update publicly or revise any forward looking statements contained in the document, whether as a result of new information, future events or otherwise.

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

Pro forma information included in this document has been prepared based on historical operating and unaudited financial information of ONO and Auna. Pro forma financial and operating data is provided for informational purposes only and do not purport to represent what our financial condition or results of operations would actually have been if the Auna acquisition or other transactions had in fact occurred on the dates indicated, nor do they purport to project our financial condition or results of operations as of any future date or for any future period. Readers of this document are cautioned not to place undue reliance on this pro forma operating and unaudited financial information.



FURTHER INFORMATION

Investor Relations

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