

# **ONO Lender Presentation**

## **Public Information Session**

**19 January 2010**

**ONO**

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- 1** ONO Overview and Current Trading
- 2** Revised Capital Structure Proposal
- 3** Process and Timing

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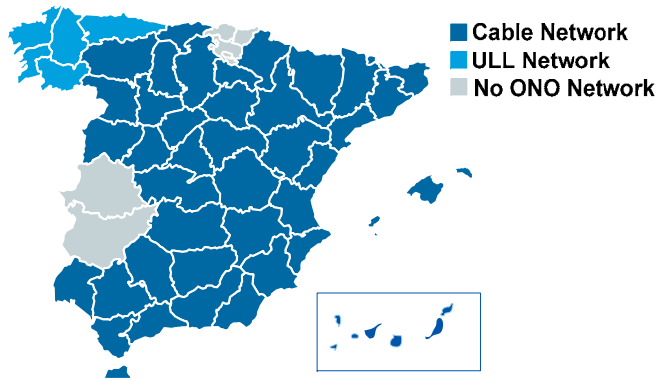
- 1** ONO Overview and Current Trading
- 2 Revised Capital Structure Proposal
- 3 Process and Timing



# One of the Largest Operators in Europe and Leading Alternative Operator in Spain



## ONO Network



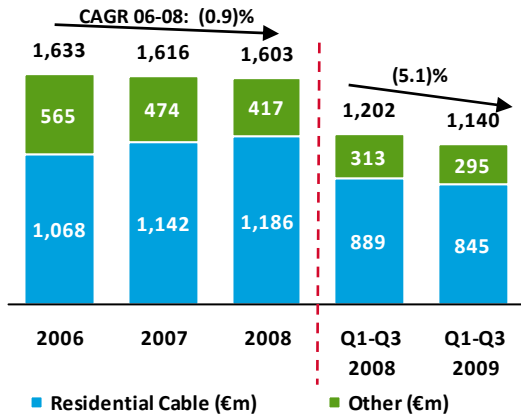
## ONO Key Metrics (Q3 09)

	in Thousands
Homes in Spain	17,545
Homes in ONO Areas	14,741
% of Homes in Spain	84%
Cable Homes Released to Marketing	6,995
% of Cable Franchises	47%
Residential Cable Customers	1,819
Cable Penetration (%)	26%

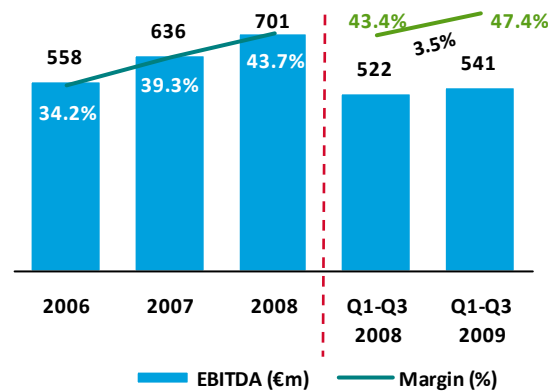
## #1 Triple Play Operator in Spain (Q3 09)

	Size	RGUs/ Penetration	Market Share
Pay TV	#2/8	977 (14.0%)	26%
Broadband	#2/10	1,303 (18.6%)	18%
Fixed Telephony	#2/8	1,648 (23.6%)	14%

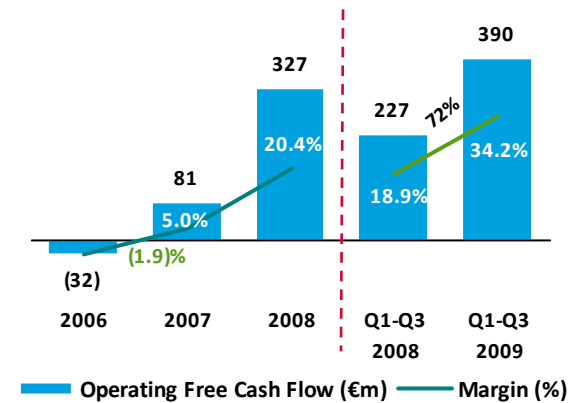
## Revenue



## EBITDA



## Operating Free Cash Flow (EBITDA – Capex)

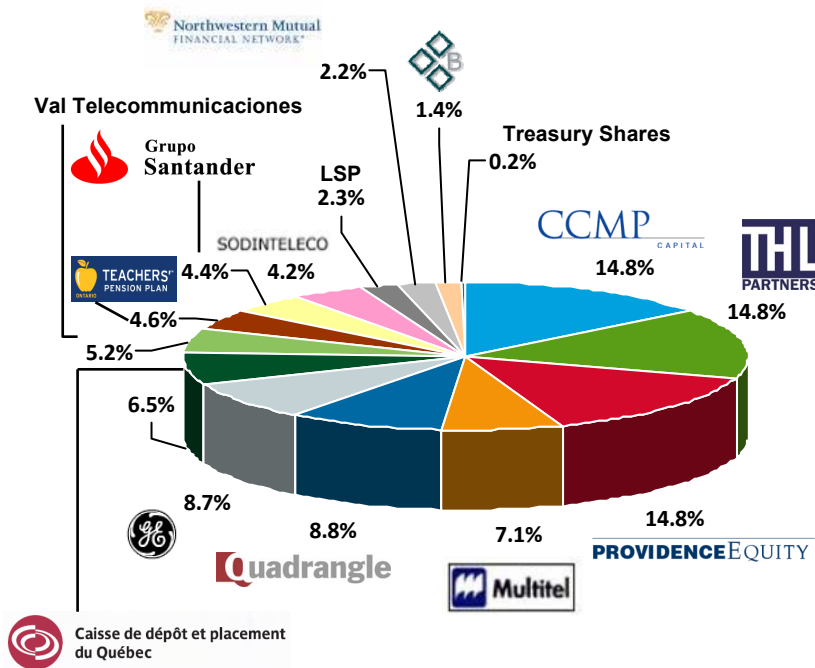


Source: ONO, CMT














# Shareholders and Management



## ONO Shareholders



## ONO Management

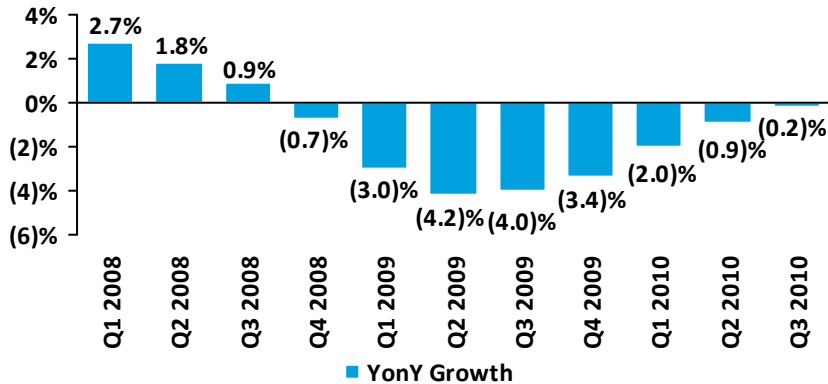
Name	Position	Professional Experience
 José María Castellano	Chairman	
 Rosalía Portela	CEO	
 Martin Stewart	Managing Director	
 Jonathan Cumming	CFO	
 Belén Romana	Director of Strategy and Corporate Development	
 Javier de Paz	Director of Residential Marketing	
 Enrique Iglesias	Director of Residential Sales	
 Víctor Guerrero	Director of Business	
 Paul Kearney	Director of Networks and Technology	

# Macroeconomic Environment

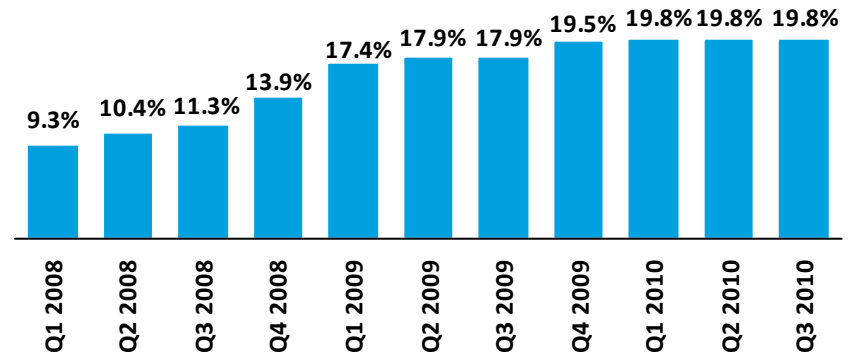
## 2010 Remains Challenging but Recovery is Expected in 2011



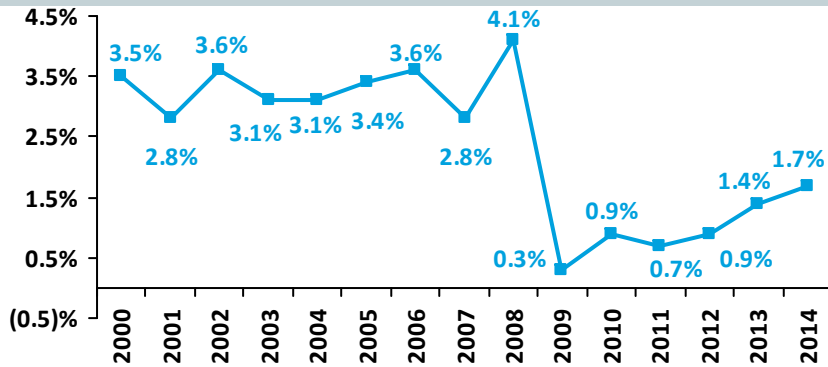
GDP Figure



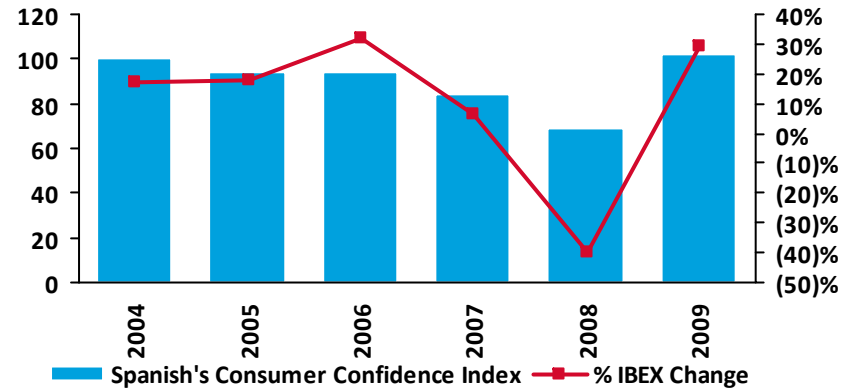
Unemployment Rate



Inflation



Market Sentiment Indicators



Source: INE, IMF, ICO, BME & Bloomberg

# Management and Shareholders Have Taken Decisive Actions to Transform the Business



- **Major transformation of ONO over the last twelve months**
  - Change in senior management and operating strategy
  - Focus on quality sales, marketing and operations
  - More segmented product offering
  - Higher quality service at a lower cost
  - Significant reductions in operating and capital expenditure
  - Move from cash consumption to cash generation
  - Emphasis on optimising the return on existing infrastructure
- **ONO is now a stable business with positive free cash flows**
  - Transformational program largely completed in 2009 resulting in significant cash savings with potential for further cost saving initiatives
  - Management committed to execute new strategy and deliver growth over next 3-4 years
  - Reduced execution risks on business re-engineering given results achieved to date

**ONO's operating strategy and new management have already positioned the Company for continued growth and generated significant improvements in its cash flow profile**

# ONO's Achievements To Date Already Reflected in Key Metrics



Strategic Goals	Areas of Achievement	Key Metrics
<p><b>Right Sizing of Opex and Capex</b></p>	<ul style="list-style-type: none"> <li>• Headcount reductions to adjust to environment</li> <li>• Other cost reduction initiatives to improve EBITDA margin</li> <li>• Elimination of duplicate regional functions</li> <li>• Reduction of costs and capex to move from cash consumption to cash generation</li> <li>• Strategic deployment of network upgrades (DOCSIS 3.0, etc.) to differentiate broadband offering</li> </ul>	<ul style="list-style-type: none"> <li>• Workforce reduced by 1,200 people (c.26%) since May 2008</li> <li>• Significant streamlining across direct cost and Opex categories</li> <li>• Run-rate operating cost efficiencies of around €120m achieved since January 2009</li> <li>• Build-out stopped in Q3 2008</li> <li>• Optimisation of existing infrastructure and available capital resources</li> <li>• EBITDA-Capex margin increased from 26% in Q3 2008 to 35% in Q3 2009</li> </ul>
<p><b>Process Improvements</b></p>	<ul style="list-style-type: none"> <li>• Radical shift from push to pull channels</li> <li>• Reduction of SACs by improvement of sales channel mix</li> <li>• Focus on customer retention through further bundling initiatives</li> <li>• Focus on customer care</li> </ul>	<ul style="list-style-type: none"> <li>• Direct sales force reduced from c.600 to c.100 staff since June 2009</li> <li>• Online sales contributing 16% of sales in Q3 2009 from 6% in Q3 2008</li> <li>• Residential installed sale cost of €100 in 2009 vs. €150 in 2008</li> <li>• Early churn lowered from up to 45% in 2008 to under 30% in 2009</li> </ul>
<p><b>Marketing Focus</b></p>	<ul style="list-style-type: none"> <li>• Reduction of churn</li> <li>• Enhanced broadband speeds</li> <li>• Revolution in marketing to focus on sale of higher value bundles with shorter duration payback</li> <li>• Direct marketing and segmentation of activities</li> <li>• New pricing / campaign started in July/August focused on superiority of Cable vs. DSL</li> <li>• Value Added Services (TV options, Cable Modem maintenance &amp; firewall, broadband speeds upgrades...) launched</li> </ul>	<ul style="list-style-type: none"> <li>• Sales cancellation rate reduced from c.15% in 2008 to c.10% in 2009</li> <li>• 60% of internet customers using 6Mb packages in Q3 2009</li> <li>• 30% lower marketing expenditure in Q3 2009 vs Q3 2008</li> <li>• c.54% of sales are double play (vs. c.70% Q1 2008)</li> <li>• c.40% of sales are triple play (vs. c.20% Q1 2008)</li> </ul>

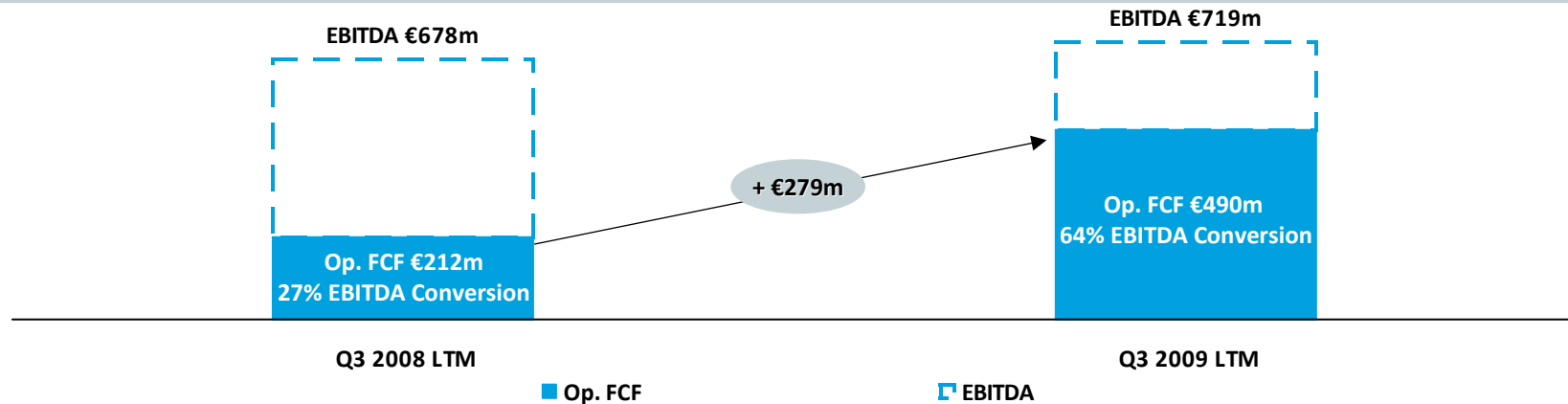
# ONO is Now Leaner and More Efficient with Dramatic Improvement in Operating Cash Flow



## Key Efficiency Milestones

- Management generated €120m Opex and Capex savings since January 2009
- Implementation of a large scale efficiency program
  - Headcount reductions totalling c. 1,200 employees (c.26% of headcount)<sup>(1)</sup>
  - Removal of duplicative regional functions
  - Streamlining of Network, TV Content Costs, Operations and Marketing
- Capex reduction
  - Build-out stopped in Q3 2008
  - Optimisation of capital employed and process reengineering
- Cash savings without impacting business growth

## Operating Free Cash Flow



(1) Since May 2008

# Cost Reduction Forms Only Part of ONO's New Operating Strategy



## ONO Expects Continued Improvements Beyond Those Achieved To Date

### Internet Sales Channel as a % of Gross Adds

- Increased share of gross adds via lower cost internet channel



### Triple Play Gross Adds as a % of Gross Adds

- Simplified product choice with emphasis on 3P video, voice and data subscribers



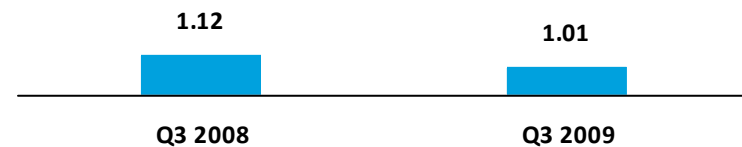
### Early Churn

- Strong focus on churn reduction delivering good results



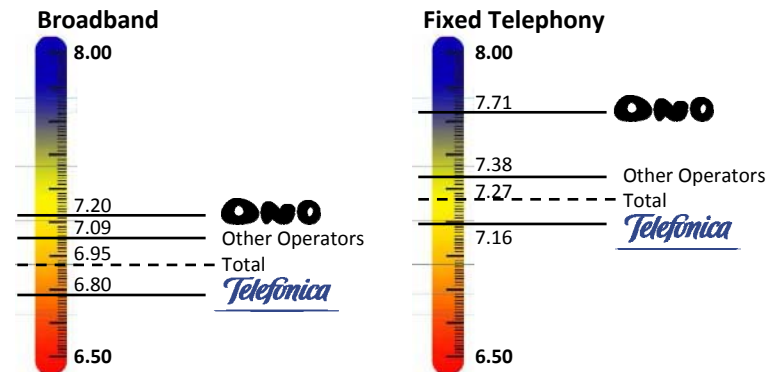
### Quarterly Service Calls per Customer

- Intense focus on customer service resulting in improved customer satisfaction



### Customer Satisfaction Scores

- According to a recent study by SETSI<sup>(1)</sup>, ONO achieved the best customer satisfaction scoring, above Telefónica and other operators

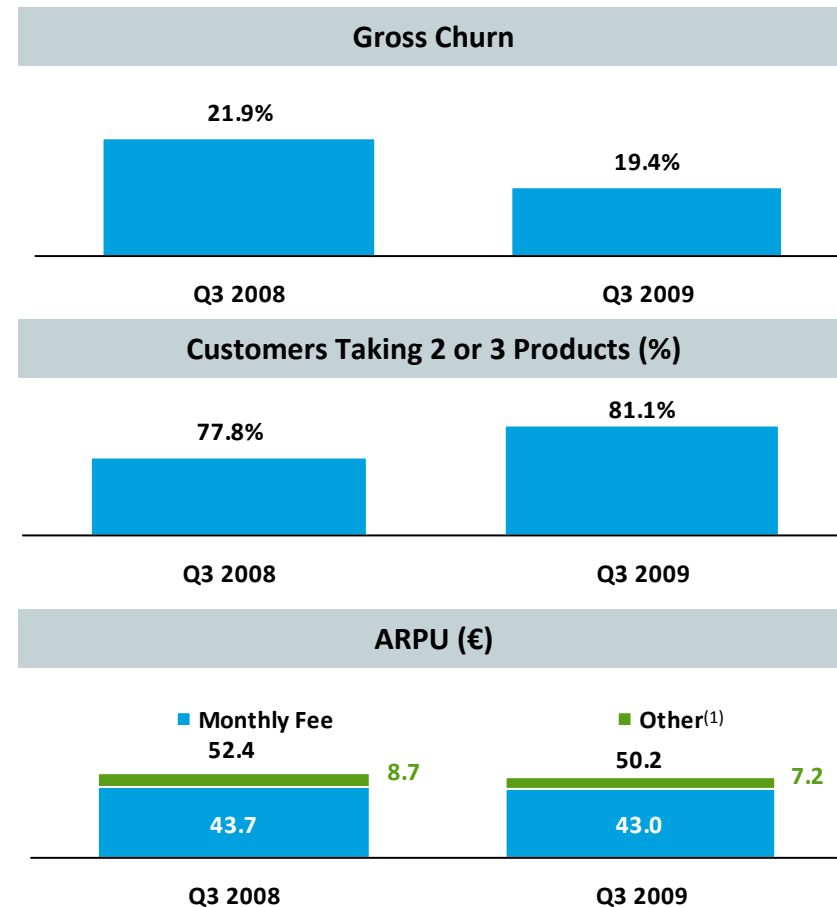


(1) Secretaría de Estado de Telecomunicaciones y para la Sociedad de la Información, which is part of the Spanish Ministry of Industry, Tourism and Commerce.

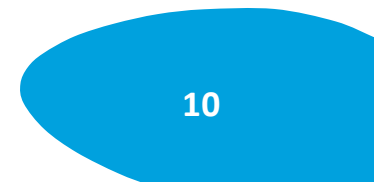
# Group KPIs Reflect Higher Quality Customer Base and Stable Monthly Fee



- Higher quality, more loyal subscriber base of 2P / 3P customers through :
  - Credit scoring
  - Reduction in door to door sales
  - Focus on early churners
- Higher lifetime value of customers
  - Reduction in churn leading to longer stay as ONO customers
  - Improved profitability on subscriber acquisition costs
- Stable recurring monthly fees
  - Driven by improving mix through increased number of 3P customers



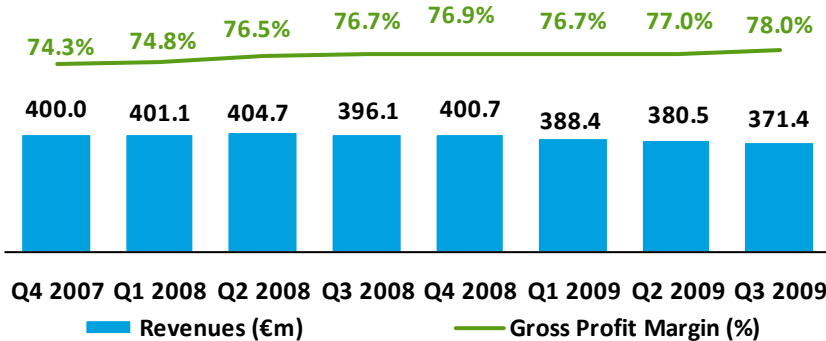
(1) Other includes variable fees, installation fees, equipment sales and other



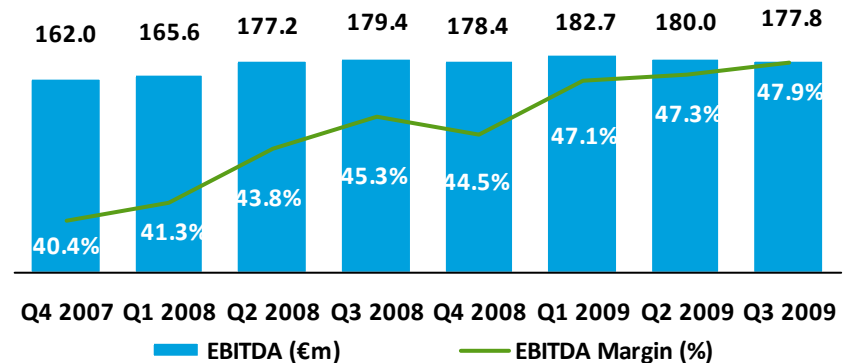
# Improved Recurring Cash Flows Through EBITDA Margin Expansion and Optimised Capex Spend



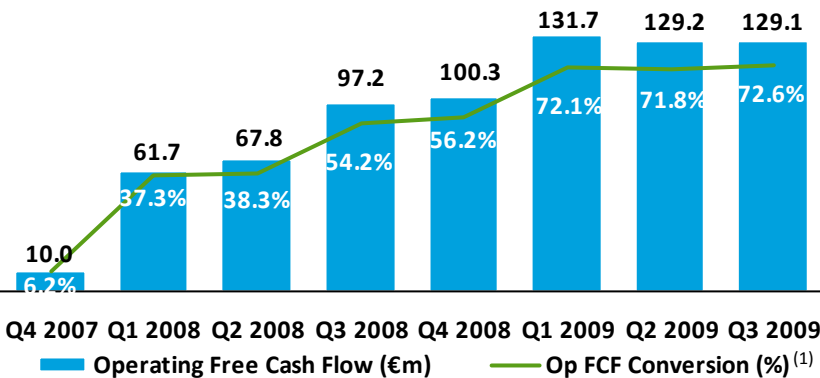
Revenues/Gross Margin



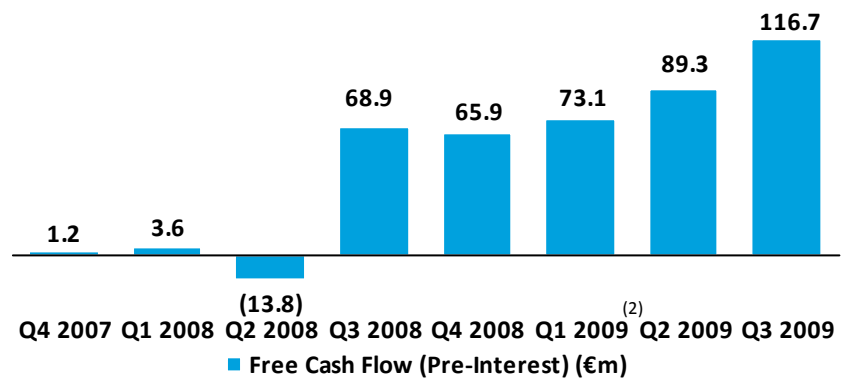
EBITDA



Operating Free Cash Flow (EBITDA – Capex)



Free Cash Flow (Pre-Interest)



(1) Operating free cash flow as a percentage of EBITDA

(2) Excludes one-off redundancy costs

Source: ONO

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# Compelling and Credit Enhancing Proposal Approved by 44% of the Senior Lenders



- **ONO presents a formal proposal for revising its capital structure**
  - Banks representing 44% of the syndicate have approved the proposal
  - Provides a simple and fast solution that aims to be implemented in Q1 2010
  - Offers attractive economics and enhances significantly the credit quality of the Company
- **Proposal offers immediate reduction in net senior debt and improved liquidity**
  - Shareholders to commit €200m of new capital of which €125m will be injected into the Company immediately
  - Largest commitment by factor of two for any sponsor amendment in the market and second largest equity infusion across all European precedents since credit crisis
  - Investment represents an immediate reduction of senior bank debt
- **Proposal offers near to mid term flexibility to refinance existing senior debt with new senior secured debt issuance**
  - Rally in ONO's securities creates an opportunity for bond issuance to repay senior bank debt
  - Intention to pay down between €300-700m of bank debt over 12-24 months through capital market instruments

# Key Objectives of Revised Capital Structure Proposal



## Adjust amortisation schedule to cashflow generation

- Funding gap in Q2 2010 due to upcoming debt amortisation
- Management seeking to address the issue ahead of time by pre-emptive re-negotiation of the bank deal
- Objective is right-sizing of amortisation schedule with Majority Lender support

## Ensure liquidity and covenant headroom

- Transaction to allow ONO sufficient liquidity
- Current covenants to be amended in line with revised capital structure with appropriate headroom levels
- Interest cover covenant reset mechanism in the event of the issuance of a senior secured bond

## Maintain credibility and support of all stakeholders

- Transaction to provide long term stability of the business. Senior banks, shareholders and management share same goals and burden of solution
- New money shows commitment from shareholders to ONO and its management team
- Consenting senior debt to be re-priced
- Establish adequate time for the new management team to realise the benefits of transformation programme

## Reduce leverage and Bank's Exposure

- Transaction allows for the issuance of senior secured debt in order to reduce bank exposure

# Unprecedented Shareholder Support and Commitment to ONO



- Shareholders worked closely with management in the last 12 months to turn ONO into a cash generative business
  - Operational and management changes implemented successfully
  - Meaningful deleveraging of the business expected in 2010-2012 from stable operating cash flows
- Shareholders provide continuous commitment to ONO by investing €200m of new money
  - Largest sponsor cash injection for bank amendment in the market by factor of two
  - Resulting in reduction in senior leverage through immediate injection of €125m of equity
- Contribution structured as a subordinated PIK loan
  - Contribution conditional on the bank deal amendment
  - PIK loan matures after the existing senior bank facilities
  - €75m funded into an escrow account or through bank guarantees and conditional upon:
    - Quarterly liquidity tests until end 2011 based on minimum liquidity of €150m at Cableuropa
    - Bank debt has not been reduced by €700m before 31 December 2011
    - Amount to be reduced to €25m if at least €700m of debt raised prior to 30 June 2011

**Unprecedented support from shareholders offering the senior banks the benefit of upfront and continued deleveraging and a clear path to refinancing if they support the amendment proposal**

# Amendments to Existing Senior Facilities Agreement



Majority Lender Amendments	<ul style="list-style-type: none"><li>• Re-set financial covenants to allow adequate headroom, adjust tests to an LTM basis and include an interest cover covenant reset mechanism in the event of the issuance of a senior secured bond</li><li>• Allow the new FSFs and a new revolving tranche to be added to the bank deal on a <i>pari-passu</i> basis. New revolving tranche added to facilitate the extension of existing short term lines to July 2012 or later maturity</li><li>• Consent to permit the issuance of senior secured debt through an SPV forward start structure. Proceeds used to refinance senior bank debt</li><li>• Consent to permit additional bank debt from new lenders. Proceeds to be used to refinance senior bank debt</li></ul>
100% Consent Amendments	<ul style="list-style-type: none"><li>• Consent to permit the issuance of senior secured bonds (SSB) directly from Cableuropa. Proceeds to be used to refinance senior bank debt</li><li>• Consent to the extension of the Final Maturity Date beyond 31-Dec-2013 for SSB and new bank debt tranches</li></ul>
Concession Amendments	<p>Subject to Majority Lender consent on the Required Waiver and Amendments:</p> <ul style="list-style-type: none"><li>• Maximum Capex covenant extended until the Final Maturity Date</li><li>• Adjustment to cash sweep mechanism (starting from 75%) and applicable ratchet to sweep higher percentage of cash to senior debt above certain threshold (reflecting higher base case liquidity)</li><li>• Deletion of the ability to use funds available under tranche C to refinance 2014 High Yield bonds</li></ul>
Margin	<ul style="list-style-type: none"><li>• As per existing facility, but effective repricing of Tranches A, B, I through the FSFs</li></ul>
Consent Fee	<ul style="list-style-type: none"><li>• 0.25% to consenting lenders who also roll into Tranche E; paid on all their commitments</li></ul>

# Forward Start Facility Term Sheet

## Covering Tranches A & B<sup>(1)</sup>



<b>Borrower</b>	<ul style="list-style-type: none"><li>• Cableuropa, S.A.U.</li></ul>
<b>Lenders</b>	<ul style="list-style-type: none"><li>• Senior lenders accepting to roll their exposure from Tranches A &amp; B</li></ul>
<b>Amount</b>	<ul style="list-style-type: none"><li>• Up to €1.764bn (outstanding exposure of Tranches A &amp; B)</li></ul>
<b>Purpose</b>	<ul style="list-style-type: none"><li>• Refinance the repayment of scheduled amortizations of Tranches A &amp; B</li></ul>
<b>Interest Periods</b>	<ul style="list-style-type: none"><li>• As per Existing Senior Bank Facility (unless amended as per the Amendment Request Letter)</li></ul>
<b>Final Maturity</b>	<ul style="list-style-type: none"><li>• 30 June 2013</li></ul>
<b>Repayment</b>	<ul style="list-style-type: none"><li>• Bullet on Final Maturity Date</li></ul>
<b>Availability Period</b>	<ul style="list-style-type: none"><li>• FSF drawn at the scheduled amortization dates of Tranches A &amp; B until Dec-2012</li><li>• Prior to drawdown Borrower to confirm that it has sufficient funds to meet the entire amortization</li></ul>
<b>Conditions Precedent</b>	<ul style="list-style-type: none"><li>• New money commitment of €200m of which of €125m of immediate cash proceeds</li><li>• At least 80% of Tranches A &amp; B commitments moved to the new FSF</li></ul>
<b>Security</b>	<ul style="list-style-type: none"><li>• As per Existing Senior Bank Facility</li></ul>
<b>Other terms</b>	<ul style="list-style-type: none"><li>• As per the Existing Senior Bank Facility with a cap to three months period</li></ul>

(1) Similar term sheet agreed with the Lender under Tranche I

# Forward Start Facility Term Sheet

## Covering Tranches A & B



### Interest Rate

- EURIBOR plus the Applicable Margin

### Applicable Margin and Fees

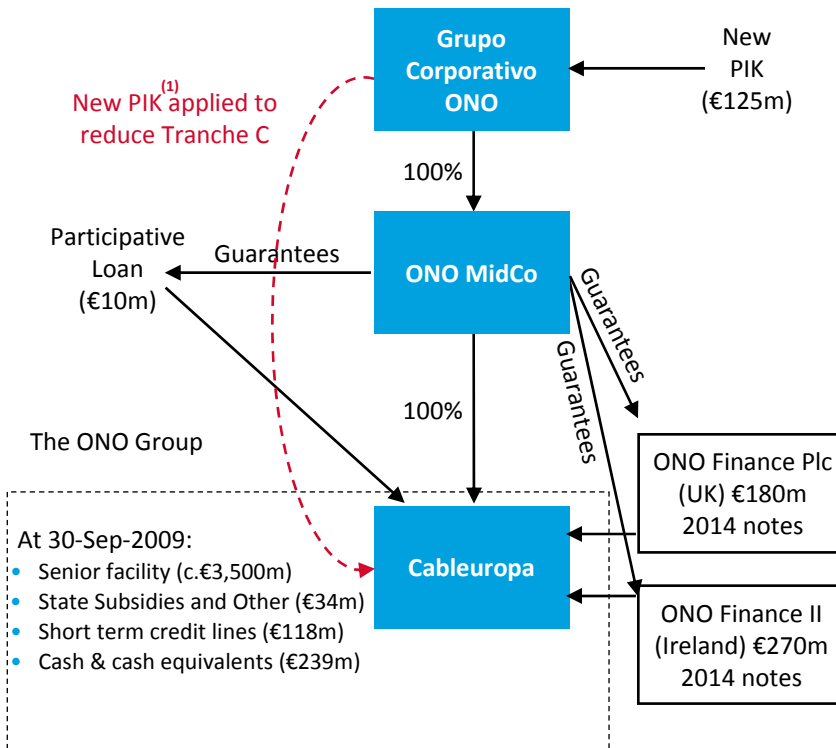
- Margin increase of 125bps initially as compared to the pricing of Tranches A and B to out-of-the box margin of E+300bps (through FSF commitment fee), subject to a margin ratchet as set out below
- Additional PIK margin increase of 50bps if €300m of senior bank debt (including the FSF) not paid down voluntarily within 12months (e.g. from capital markets issuance), increasing by another 50bps if €700m of senior bank debt not paid down voluntarily within 24 months (i.e. a maximum of 100bps if both tests are failed)
- Commitment Fee payable on committed but undrawn amounts and calculated as the difference between the applicable margin under the SBF and the new FSF margin (and effectively paid in addition to margin paid on original SBF). Margin payable on drawn amounts
- 0.75% participation fee on the committed FSF amount with 50% payable at closing and 50% in June 2010

Total Debt to Consolidated annualised EBITDA	SBF Original Margin	Commitment Fee	FSF Margin
Above 5.0x	175 bps	125bps	300 bps
Above 4.5x but not exceeding 5.0x	160 bps	125bps	285 bps
Above 4.0x but not exceeding 4.5x	145 bps	125bps	270 bps
Above 3.0x but not exceeding 4.0x	130 bps	125bps	255 bps
Not exceeding 3.0x	115 bps	125bps	240 bps

# GCO Pro Forma Total Leverage



## Corporate Structure Post-amendment



## Pro Forma Capital Structure as of 30-Sep-2009

Facility	Amount (€m)	Cumulative Leverage	Margin
Tranche A, B	1,800	2.50 x	E +1.75%
<i>of which committed under FSF</i>	1,411		E +3.00%
Tranche C <sup>(2)</sup>	475	3.16 x	E +1.75%
Tranche D	700	4.14 x	E +2.25%
Tranche I / I2	400	4.69 x	E +1.75% / 3.00%
<b>Senior Facility</b>	<b>3,375</b>	<b>4.69 x</b>	
Short Term Credit Lines and Other	130	4.88 x	Variable
State Subsidies and Other	34	4.92 x	Variable
<b>Total Senior Debt</b>	<b>3,539</b>	<b>4.92 x</b>	
2014 Notes	450	5.55 x	8.00%/10.50%
Participative Loan	10	5.56 x	E +2.75%
<b>Total Debt</b>	<b>3,999</b>	<b>5.56 x</b>	
Cash	(239)		
<b>Total Net Debt</b>	<b>3,760</b>	<b>5.23 x</b>	
EBITDA LTM Q3 2009	719		

Note: Pro forma as of 30<sup>th</sup> Sep 2009  
 Assumes 80% roll on Tranches A and B and 90% on amortising portion of Tranche I  
 Includes the payment of €36m of SBF first instalment in December 2009

- (1) To be down streamed as a participative loan
- (2) Tranche C pro forma for €125m new PIK loan injection

# Proposal Offers a Substantially Improved Overall Package to Senior Lenders



- **A simple and fast solution** that minimizes execution risks to be completed before liquidity and covenant issues in Q2 2010
- Enhances ONO's liquidity position due to **€200m of new money commitment and 80% threshold for FSF commitments**
  - Represents the largest sponsor equity contribution of precedent transactions
  - Liquidity headroom of the Company significantly increased due to €125m immediate equity injection and reduction in debt amortization cash outflows
- Affords the opportunity to **raise senior secured or unsecured debt** to pay down bank debt
  - Company incentivised to pay down €300-700m of bank debt in the next 12-24 months
  - Revised structure allows senior secured debt issuance through an SPV (majority lender consent) and directly from Cableuropa (unanimous lender consent)
  - Reverse inquiry already suggests that ONO could access the senior secured market after a bank deal amendment
- **Increased out of the box cash margin** of E+300bps for lenders rolling into the FSF and a further PIK margin step-up if certain senior bank debt pay down levels not met in the next 12-24 months
- **Reduced refinancing risk** in 2013 due to the expected term-out of part of the senior bank debt with longer-term senior secured bonds
- **Proposal already approved by 44% of the syndicate**

Low execution risk, improved credit profile, commitment to reduce bank exposure, enhanced economics

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# Timeline and Next Steps



## Timeline

### 19th January

- Bank meeting with all senior lenders

### Week of February 1st

- Draft amended credit facility agreement distributed

### Week of February 8th

- Shareholders commit to PIK loan
- Lenders' approval deadline

### End February

- Signing of amended credit facility agreement subject to new money contribution
- New money injected / bank deal closing

## Information Package

- Information package provided to senior lenders:
  - Amendment Request Letter
  - Private information bank presentation
  - Company's financial model based on bank plan
  - KPMG IBR Report
  - 2010 budget presentation
- ONO's business plan and budget presentation will be provided to lenders who sign a confidentiality undertaking with the Company
- KPMG's IBR report will be provided to lenders who sign a duty of care letter with KPMG

# Contact Details



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