



Q1 2012 Results

9 May 2012



Disclaimer



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

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

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

On 22 November 2011 the Board of Directors of GCO approved a resolution by which the consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-UE, thereafter "IFRS") and IFRIC interpretations, for the years ended 31 December 2011 and 2010 in accordance with current mercantile legislation applicable to those entities presenting financial information under IFRS, being those the Group's first consolidated financial statements published in accordance with these standards.

This financial information is unaudited and, therefore, subject to potential future modifications.



Key highlights

Quarterly highlights



✓ Main operational achievements:

- Continued improving our ARPU to reach €52.1 in the quarter (+€1.1 as compared to Q1 2011)
- Leaders in Product Bundling – 85% of our customers subscribing to more than one service
- Leaders in High-Speed Internet – 530 thousand customers (37% of our BB customer base) in ≥30 Mbps packages
- Strong performance of our mobile business – 201 thousand residential and SME customers ⁽¹⁾
- Good progress in the SME segment (Services and Revenues grew by 31.3% and 13.4% YoY)

✓ Good progress in network upgrades:

- Successfully rolled out Next Generation TV in regions that represent c. 62% of our network ⁽²⁾
- Continued the migration process to our new Huawei telephony platform

✓ Revenue growth path **consolidated**: +5.0% to reach €383m

✓ Continued **improving** our **EBITDA**: +4.0% to reach €186m

✓ Continued generation of **positive FCF**: +16.9% of Operating FCF (€125m) and +19.3% of FCF (€70m)

✓ **Lowest leverage ever**: 4.47x

⁽¹⁾ Includes voice and mobile broadband (BAM)

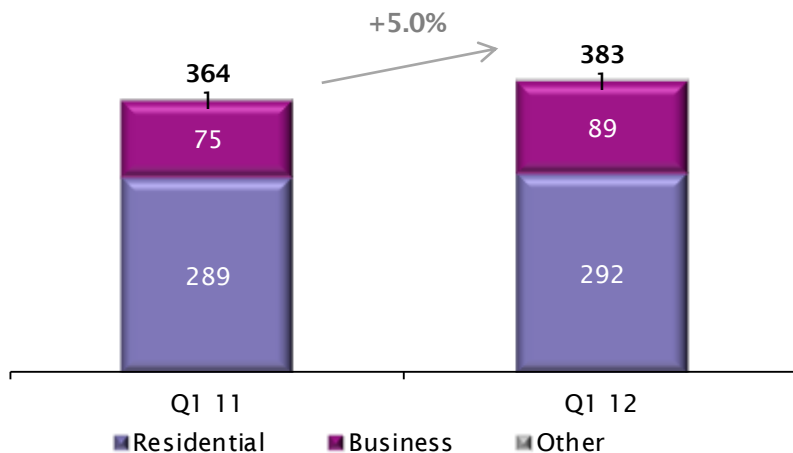
⁽²⁾ Data as of March 2012

Delivering on our profitable growth strategy

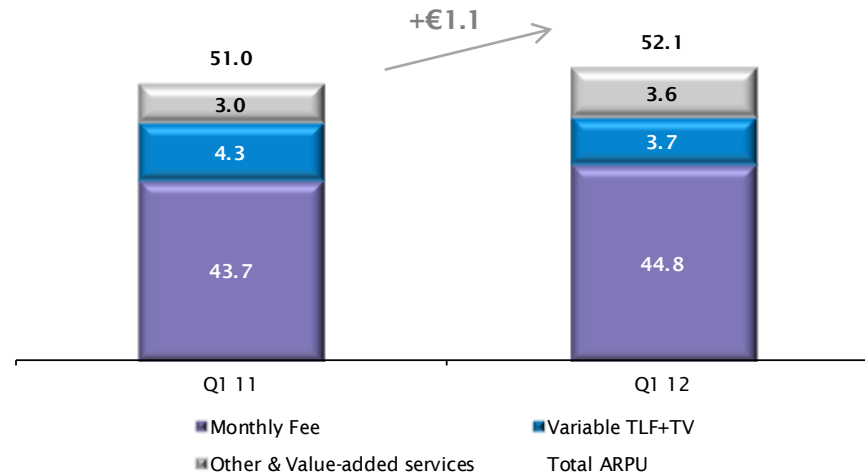
Main operational and financial goals achieved



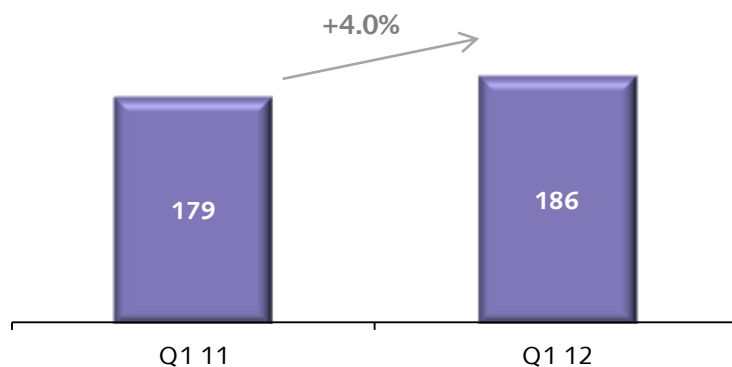
Revenues (€m)



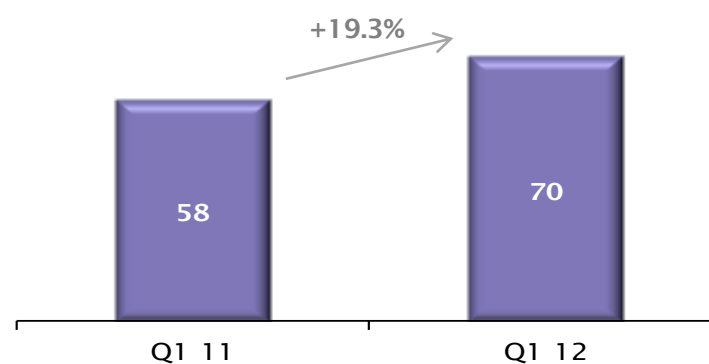
ARPU (€/month)



EBITDA (€m)



Free Cash Flow (€m)





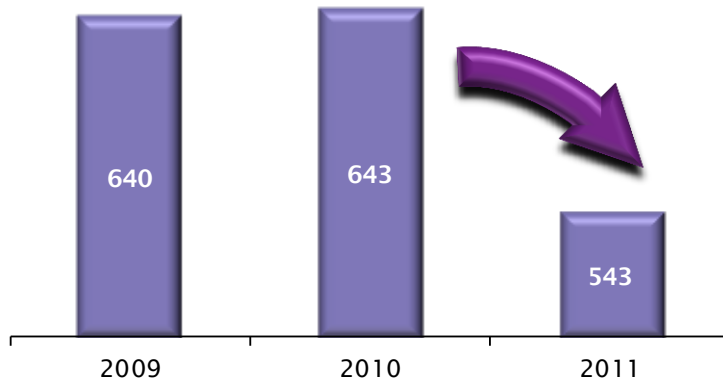
Operational performance

Market dynamics

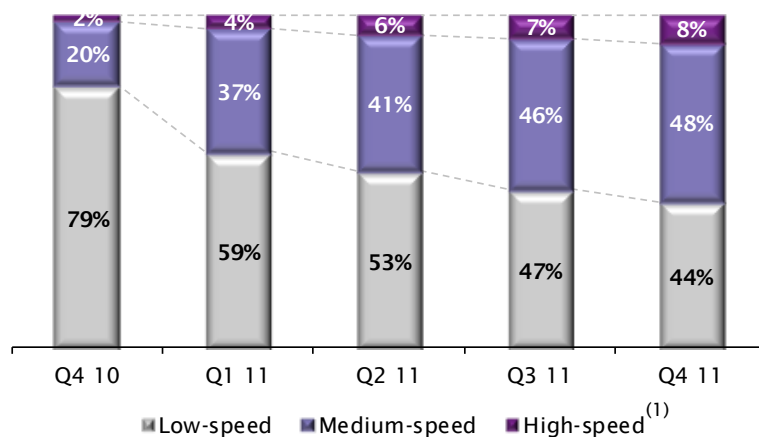
Increased focus in product differentiation and customer retention

ONO

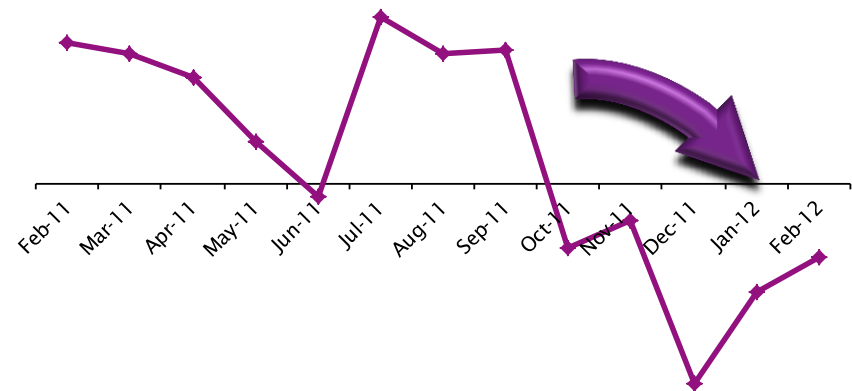
Broadband Net additions ('000)



Broadband lines – Speeds (%)



Portability's evolution (%)



- ✓ Continued growth in the broadband market despite the challenging macro environment
- ✓ Increased focus in customer retention (reduction in portability numbers) impact acquisition dynamics
- ✓ Increased polarization between low tier and high tier customers – Success of high-speed Internet

Proactive initiatives to respond to industry challenges



Initiatives already delivering positive results

Renewed Commercial Plan

Migrate customers to high-speeds and increase loyalty with the aim of:

- (i) increasing customer value perception
- (ii) reducing churn
- (iii) reducing retention calls
- (iv) preserving ARPU

1

Loyalty plan: +15 Mbps at no cost

- +15Mbps upgrade campaign to our 6Mbps to 100Mbps Internet customers
- Signs of good market acceptance – fast take up
- Minimum contract period 12 months

2

New mobile convergent offer

- New compelling mobile convergent offer

3

Revised promotions

- Proactive management of acquisition and retention promotions



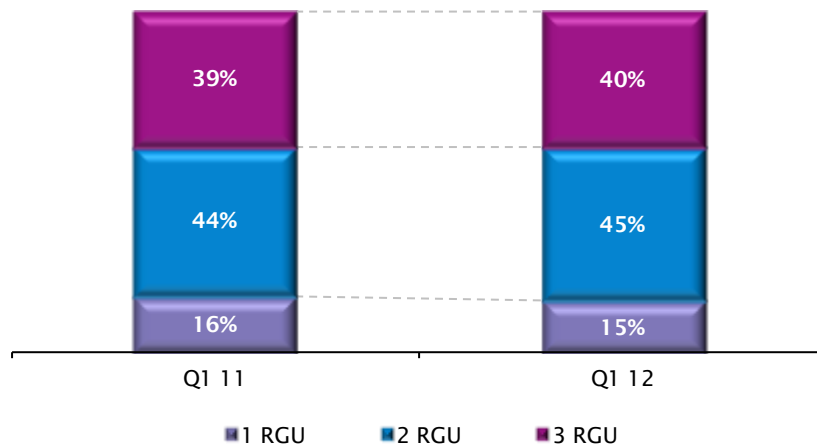
Initiatives already delivering positive results

High value customers acquisition

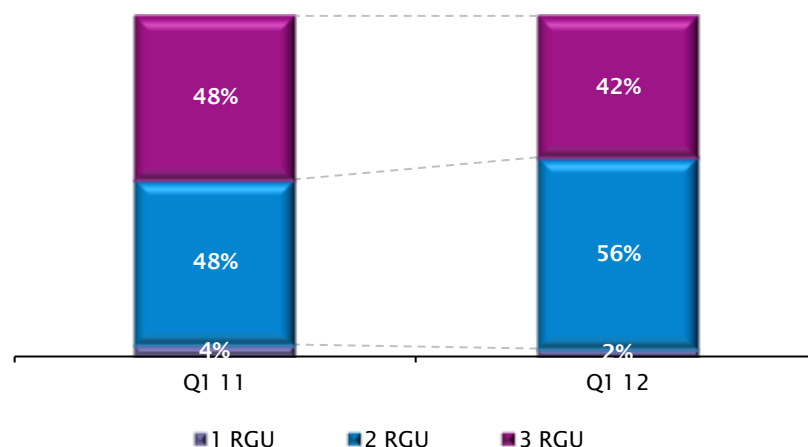
Leaders in product bundling



Bundling customer base (%)



Bundling acquisition mix (%)



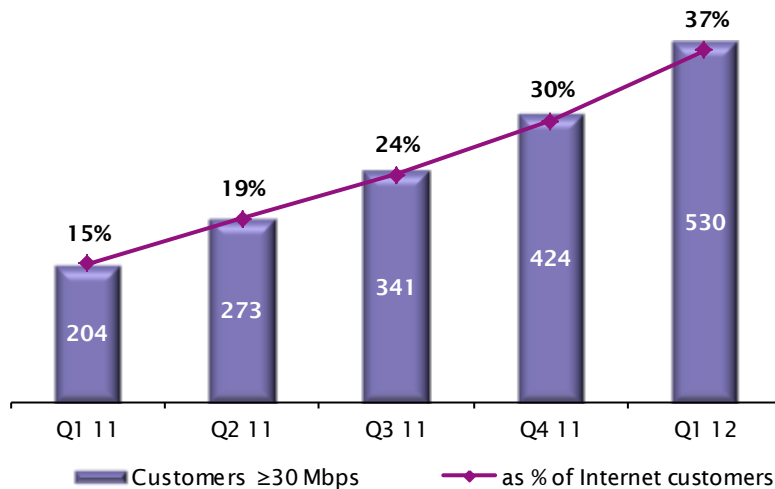
- ✓ Strong focus on **acquiring double and triple play** customers to **sustain ARPUs**
- ✓ **Mobile as an additional RGU is getting traction (4 Play)**
- ✓ Increased emphasis on **acquiring** customers with **telephony and broadband to reduce churn**
- ✓ **Unrivalled customer base** with over 85% of our customers base subscribing to a bundled service

Leaders in high-speed Internet

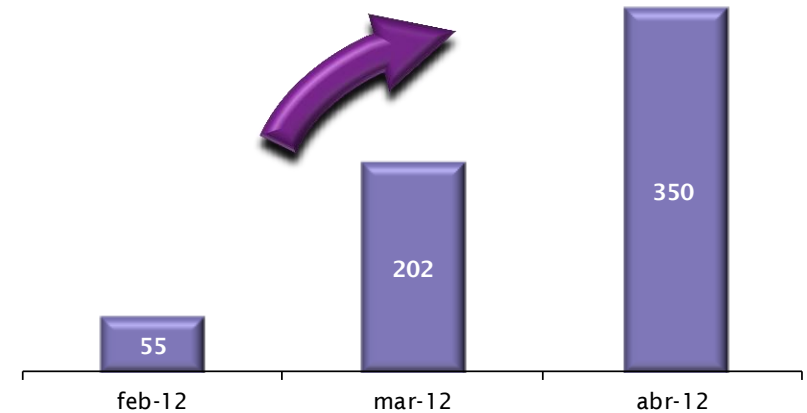
530 thousand customers in ≥ 30 Mbps Internet packages



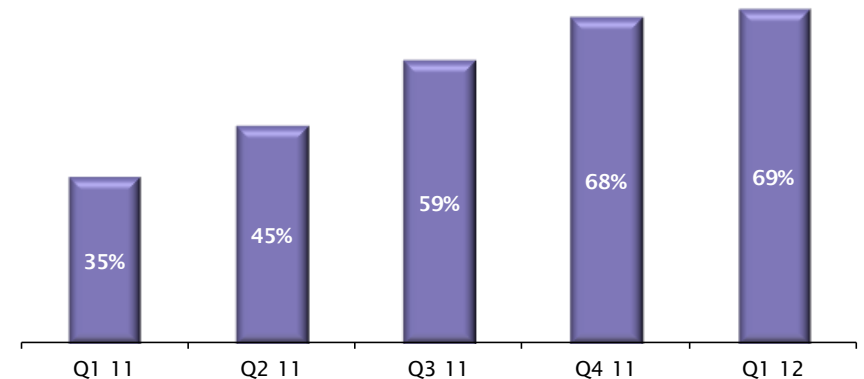
Customer base ≥ 30 Mbps ('000)



+15Mbps promotion - Cumulative additions ('000)



Customer acquisition ≥ 30 Mbps (%)



Next Generation TV (TiVo)

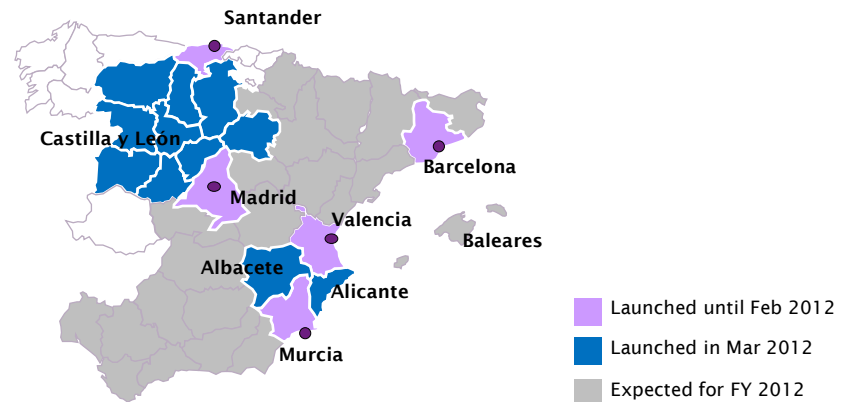
Rolled out TiVo in regions that represent c. 62% of our network ⁽¹⁾

Functionalities

- ✓ PVR
- ✓ HD & 3D ready & Dolby Digital +
- ✓ TV & Internet
- ✓ Mobility functionalities
- ✓ Search engine
- ✓ Tailor-made services
- ✓ Extended VoD functionalities



TiVo coverage – 62% of our network ⁽¹⁾

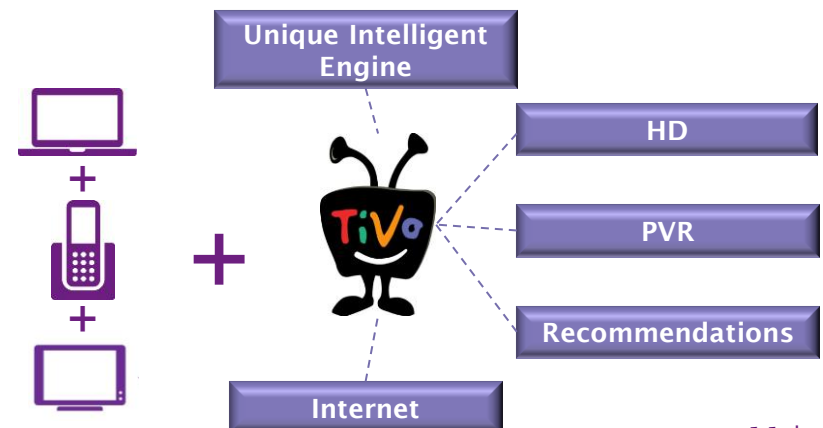


16 thousand customers acquired in 5 months

Excellent customer satisfaction metrics

Low churn rates (<10%)

Product offering



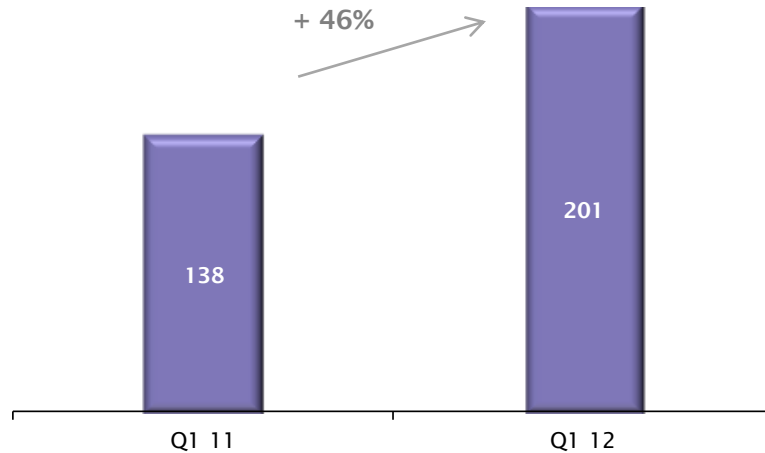
⁽¹⁾ As of March 2012

Strong performance of our mobile residential business

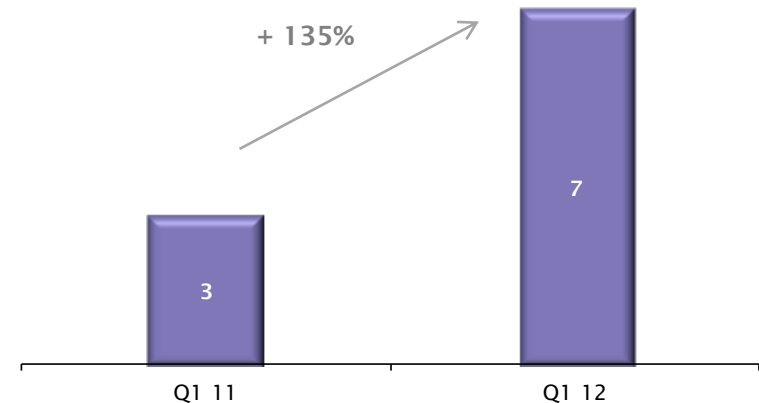


Over 63 thousand lines added in the last twelve months (Residential + SME)

Mobile lines evolution (Res + SME) ('000)



Mobile revenues (Res + SME) (€m)

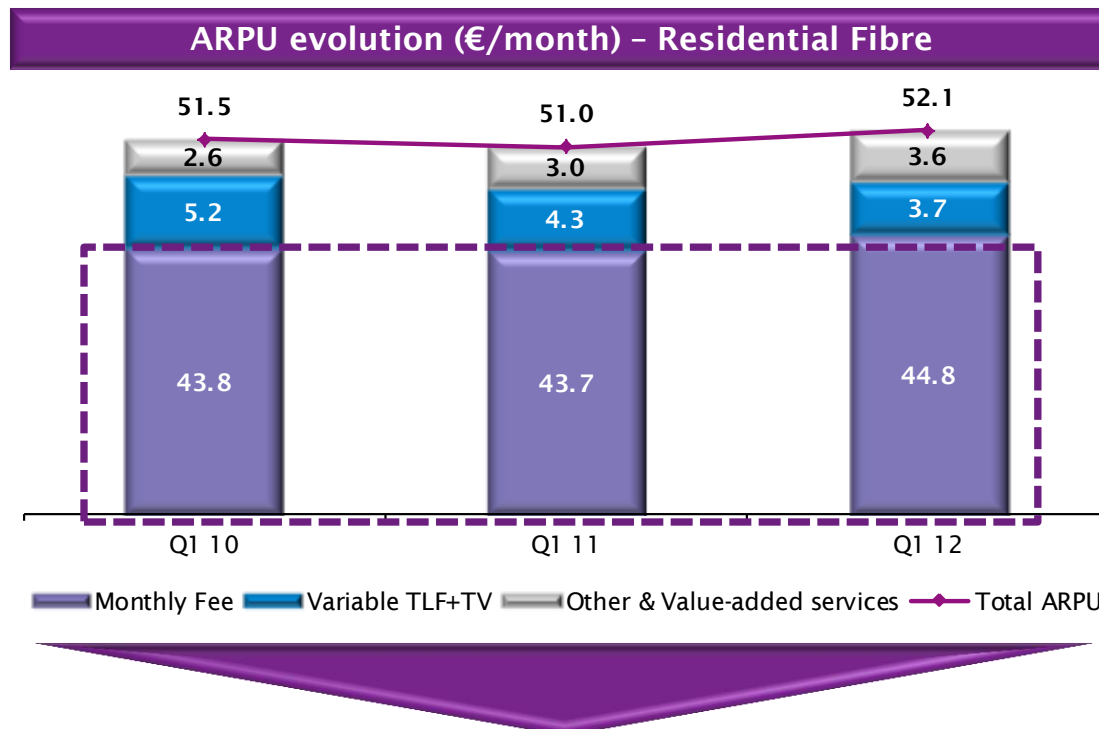


- ✓ Focus on **attractive tariffs** and **limited handset subsidies** – **Positive profitability**
- ✓ Significant **customer acquisition** in the last quarters – **Successful cross sell initiatives**
- ✓ **Additional growth potential** due to the still low penetration

Note: Includes voice and mobile broadband (BAM)

Increasing ARPUs in spite of industry environment

Significant operational leverage due to current promotional activity



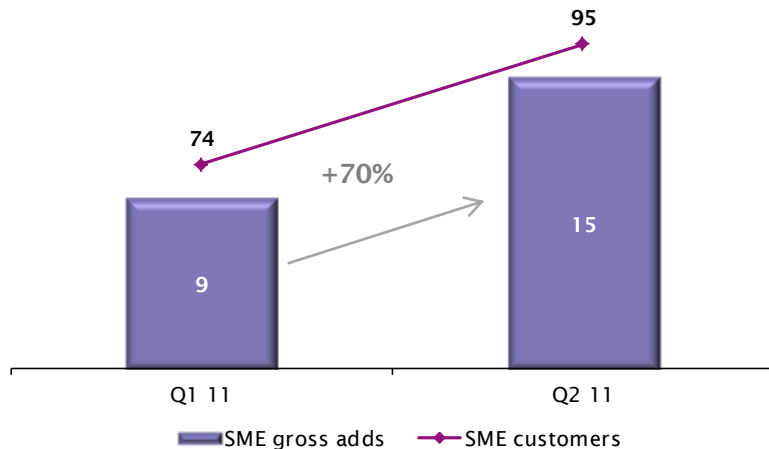
- ✓ **Improvement of net monthly fee** due to:
 - Increase in double and triple play bundles
 - Positive uptake of ultra high broadband Internet speeds and premium TV packages
 - Strategic pricing management (€1 price increase implemented in July 2011)
- ✓ **Continued erosion of the variable part of ARPU:** reduction in fixed-to-mobile calls and TV variable consumption due to less PPV and pay VoD take-up
- ✓ **Other & Value added** services continue to perform well mainly due to revenues from our **mobile segment**

Good progress in the SME segment

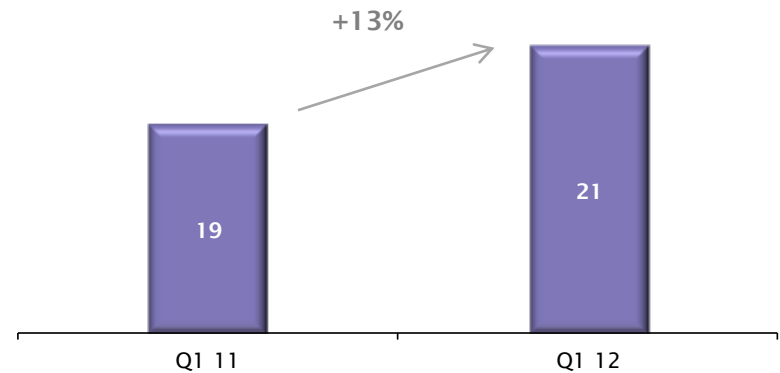
Continued strong growth with over 44 thousand services added



SME gross adds ('000)



SME revenues (€m)



- ✓ Strong focus on the SME segment (95 thousand customers – 185 thousand services)
- ✓ Steady growth despite macro environment in customers, services and revenues
- ✓ Increased emphasis on acquiring customers with **simple and segmented offers**: high-speed Internet and mobile
- ✓ Expertise from the standardized processes from the residential segment
- ✓ SMEs customers show strong demand for high-speed

ONO continues to be a compelling credit case



- ✓ **Continued improving our operational metrics:**
 - **Adapted our commercial strategy to face industry challenges** with good results
 - Continued **improving our ARPU** in spite of negative macro environment
 - **Leaders in product bundling**; leaders in **high-speed Internet**; good progress in **mobile** and in the **SME segment**
- ✓ **Good progress in network upgrades:** DOCSIS 3.0 deployment completed; Next Generation TV rolled in c. 62% of our network⁽¹⁾; Continued the migration process to our new Huawei telephony platform
- ✓ **Revenue growth path consolidated:** +5.0% to reach €383m
- ✓ **Continued improving our EBITDA:** +4.0% to reach €186m
- ✓ **Continued generation of positive FCF:** +16.9% of Operating FCF (€125m) and +19.3% of FCF (€70m)
- ✓ **Lowest leverage ever:** 4.47x
- ✓ **At striking distance from completing the refinancing process** - Continued good relationships with the bank community and our core relationship group

⁽¹⁾ As of March 2012



Financial performance

Continued financial progress

Delivering on our profitable growth strategy

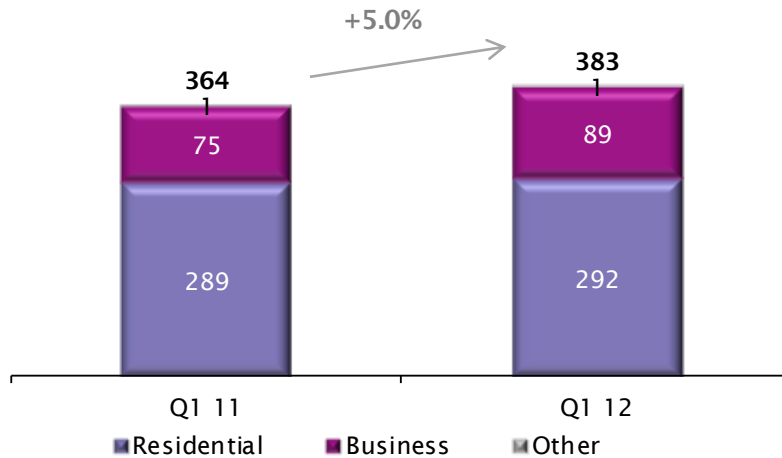


	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	YoY
Residential (€m)	289	293	293	297	292	1.3%
Residential Fibre	278	281	282	284	281	1.2%
Residential ADSL	10	11	11	11	11	4.1%
Indirect Access and Other	1	2	1	2	1	n.a.
Businesses (€m)	75	74	77	84	89	20.0%
SMEs	19	19	19	20	21	13.4%
Large Accounts, Corporations and Wholesale	56	56	58	63	68	22.2%
Other (€m)	1	1	1	1	1	n.a.
Total revenues (€m)	364	368	371	381	383	5.0%
Gross Profit (€m)	288	293	294	294	293	1.9%
<i>Gross Margin (%)</i>	79.0%	79.5%	79.1%	77.2%	76.6%	(2.4pp)
Net Opex (€m)	(109)	(106)	(103)	(103)	(107)	(1.6%)
EBITDA (€m)	179	187	191	191	186	4.0%
<i>EBITDA margin (%)</i>	49.1%	50.8%	51.4%	50.1%	48.6%	(0.5 pp)
Capex (€m)	(72)	(64)	(74)	(82)	(61)	(15.0%)
Op. FCF (€m)	107	123	117	109	125	16.9%
<i>Op. FCF over revenues (%)</i>	29.3%	33.5%	31.5%	28.6%	32.6%	3.3pp
FCF (€m)	58	63	37	20	70	19.3%

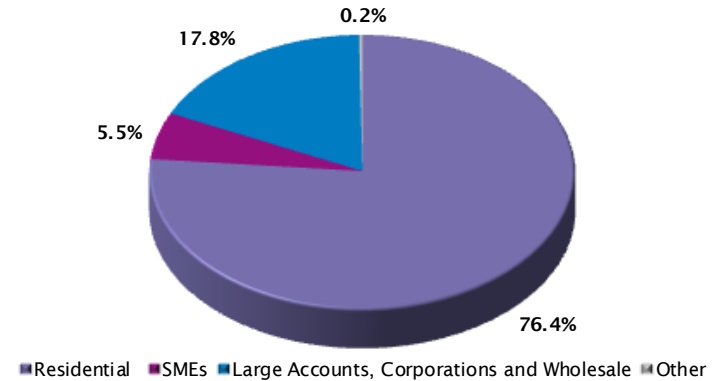
Positive Growth in Revenues

Our top line and profitability metrics continue to improve

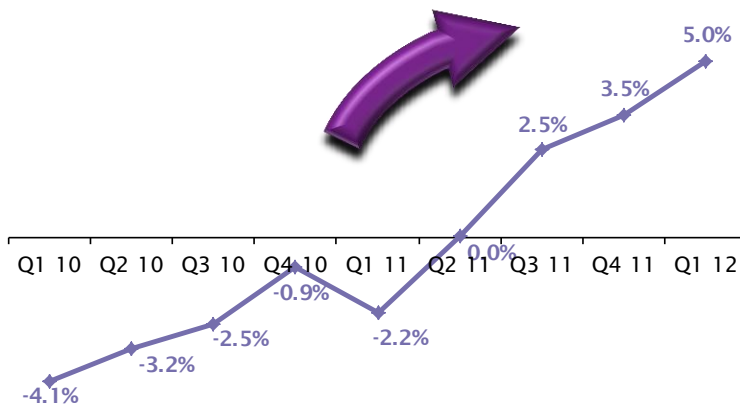
Revenues (€m)



Revenue breakdown Q1 2012 (%)



Positive Revenue Evolution (%)

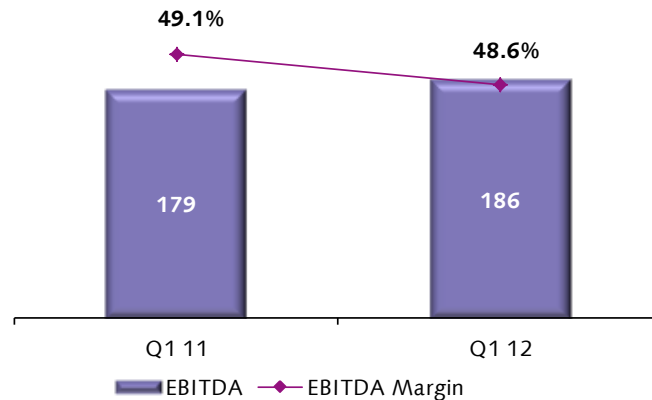


New strategy is helping us to **increase revenues** in spite of the difficult macroeconomic environment in which we operate

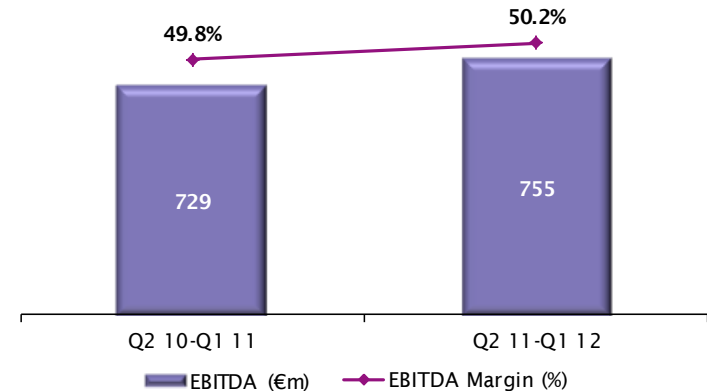
Continued improving our EBITDA

Our top line and profitability metrics continue to improve

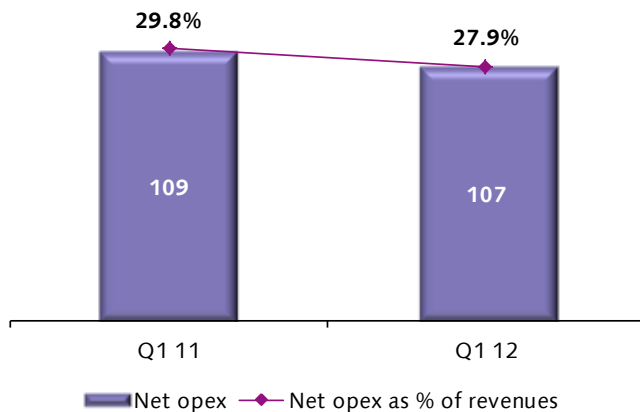
EBITDA (€m) and EBITDA margin (%)



LTM EBITDA (€m) and EBITDA margin (%)



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



Successful rationalization program, partly as a response to the economic crisis:

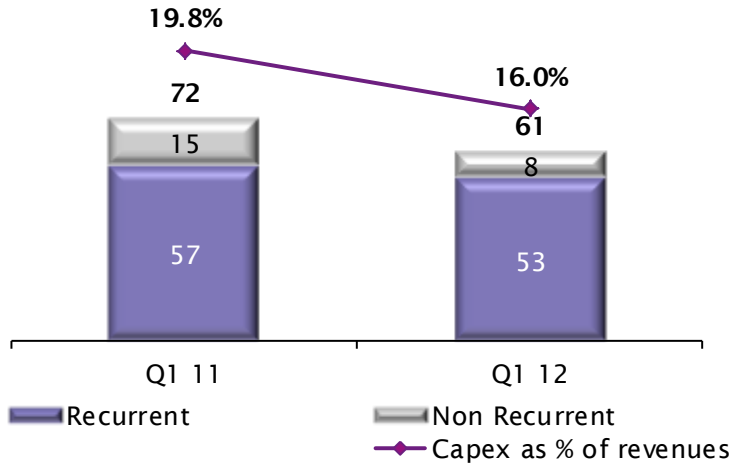
- Emphasis on more **efficient distribution channels** (e.g. on-line)
- **Reorientation of marketing efforts** towards more targeted campaigns
- **Centralization of functions** to avoid duplication
- **Personal efficiency / staff productivity gains / process streamlining**

Focused investments to maximize returns on assets

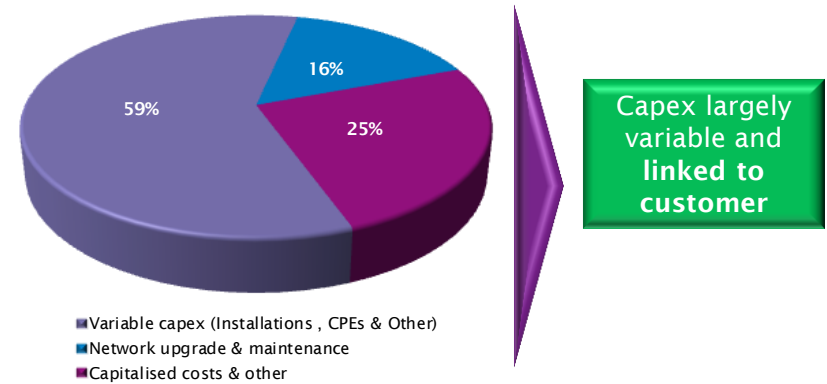
Main focus in product differentiation



Capex evolution (€m)



Capex breakdown (%) - Q1 2012



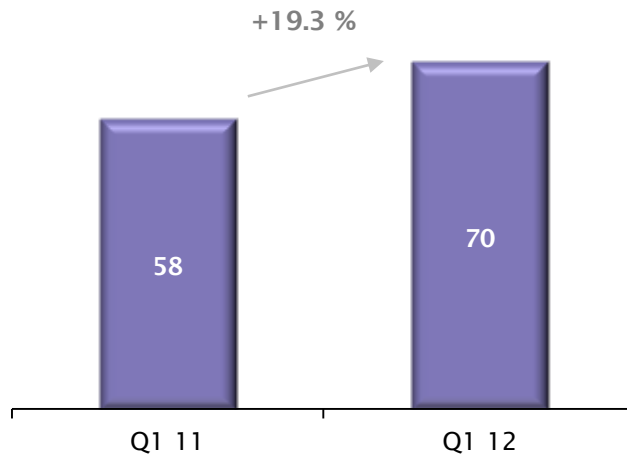
Focus on **targeted network upgrades** which deliver competitive advantages:

- Investment **focused on product differentiation** (DOCSIS 3.0, TiVo, PVR)
- **No further network rollout**
- Reflects **management confidence** on outlook and **financial strength** of the Company

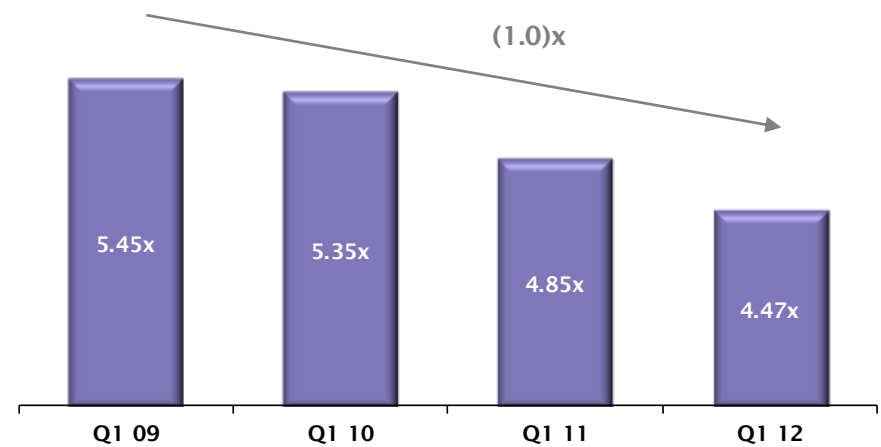
Strong financial leverage

Continued strong cash generation and deleveraging

Free Cash Flow (€m)



Leverage (x)



- ✓ Over 3 years of cash flow generation despite challenging economic environment
- ✓ **Progressive deleveraging** as a consequence of investment reductions and cost optimization measures
- ✓ **Special focus from shareholders and management team**

Impact in ONO of New Tax legislation

No P&L impact; Limited Cash-flow impact

ONO

Main terms of Royal Decree-Law 12/2012

- Royal Decree-Law 12/2012 **came into effect on 1 April 2012**
- The **objective** is to **reduce the public deficit**
- **First impact in April 2012**, when the first payment on account for the 2012 CIT⁽¹⁾ is presented (no impact in 2011 CIT)
- Main aspects of the law with **impact in ONO**:

	Description of measures
Indefinite	Limitation of deductibility of financial expenses to 30% of Operating profit
	Elimination of depreciation freedom
Applicable to 2012 & 2013	Limitation on deductibility of goodwill from 5% to 1%
	CIT deductions capped at 25% vs 35% in prior regulation
	Minimum CIT payment on account of 8% (applicable on nil or negative tax base)

Impact on ONO

- **P&L - No impact**
- **Cash-flow:**
 - On the event our result before tax is positive we would have to pay CIT in 2012 and 2013 despite having €986m of tax credit for losses carry forward

⁽¹⁾ Corporate Income Tax

Q1 2012 Capital Structure

On the route to achieve a mature and stable capital structure



Type of debt	Max available (€m)	Drawn @ 31/03/12 (€m)	Availability (€m)	Average Interest rate (%)
Senior facility ⁽¹⁾	3,511	3,147	364	5.9%
Tranche A, B, C & I	998	698	300	3.5%
Tranche E & I2	-	-	-	na
Tranche D	700	700	-	3.1%
Tranche F	64	-	64	na
SPV Tranche I (8,875% SSN due 2018)	700	700	-	8.875% Fixed
SPV Tranche II (8,875% SSN due 2018)	300	300	-	8.875% Fixed
SPV Tranche III (USD 8,875% FRNs due 2018) ⁽²⁾	749	749	-	8.875% Fixed
Commitment	-	-	-	1.1%
State subsidies and other	12	12	-	1.4%
Other credit facilities ⁽¹⁾	9	2	7	2.8%
HYBs	463	463	-	11.0%
€295mm 11.125% Senior Notes 2019	295	295	-	11.125% Fixed
\$225mm 10.875% Senior Notes 2019	168	168	-	10.875% Fixed
Total	3,995	3,624	371	6.6%
Cash and cash equivalents		248	248	0.2%
Total Net debt		3,376	619	7.0%

	Corporate	Senior unsecured bonds	Senior secured bonds	Bank debt	Outlook	Last report date
Moody's	B2	Caa1	B1	NR	Stable	04 August 2011
Standard & Poor's	B	CCC+	B	NR	Stable	05 July 2011
Fitch	B	CCC	BB-	BB-	Positive	24 January 2012

⁽¹⁾ Excluding Tranche S of Bank Guarantees (€7m) to avoid any double counting

⁽²⁾ Exchange rate of EURUSD 1.3356 used for the SPV Tranche III and the USD HYBs

Proactive addressing of maturities

Further advances in our multi-stage refinancing process



Steps already completed

Step 1-May 2010

Amend and Extend of our €3.6b Senior Bank Facility

Step 2-Oct 2010

Issuance of €700m Senior Secured Notes

Step 3-Jan 2011

Refinancing of €461m (equiv.) Subordinated Notes

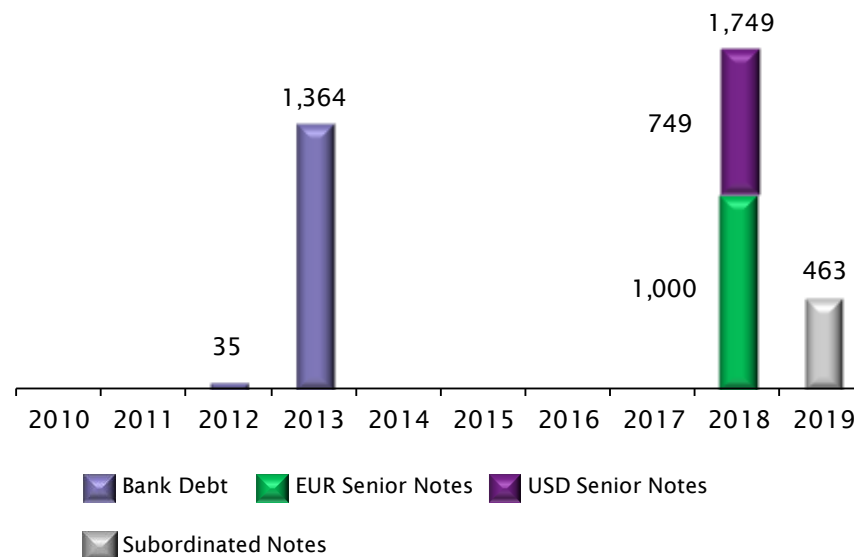
Step 4-July 2011

Issuance of €300m Senior Secured Notes (tap)

Step 5-Feb 2012

Issuance of \$1,000m Senior Secured Notes

Q1 2012 maturity profile (€m)



- Only €1.4 billion of bank debt pending to be refinanced prior to June 2013
- Continued good relationships with the bank community and our core relationship group



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For additional information, please contact:

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