OFFERING MEMORANDUM
(PREPARED IN CONNECTION WITH
THE LISTING OF THE NOTES)

NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES

ONO Finance II plc

€460,575,000 equivalent Senior Notes due 2019

€295,000,000 11.125% Senior Notes due 2019

$225,000,000 10.875% Senior Notes due 2019

Guaranteed on a senior basis by ONO Midco, S.A.U.
and on a senior subordinated basis by Cableuropa, S.A.U.

ONO Finance II plc ("ONO Finance II" or the "Issuer") offered €295,000,000 aggregate principal amount of its 11.125% Senior Notes due 2019 (the "Euro Notes") and $225,000,000 aggregate principal amount of its 10.875% Senior Notes due 2019 (the "Dollar Notes" and, together with the Euro Notes, the "Notes"). The Issuer remitted the gross proceeds from the offering of the Notes to Cableuropa, S.A.U. ("Cableuropa") by way of subordinated euro and U.S. dollar denominated term loans (the "Notes Proceeds Loans").

The Issuer will pay interest on the Notes on July 15 and January 15 each year, beginning on July 15, 2011 payable in arrears. The Notes will mature on July 15, 2019. Prior to January 15, 2014 the Issuer may redeem all or part of the Notes at a redemption price of 100% of the principal amount of such Notes plus accrued and unpaid interest and the applicable "make whole" premium described in this offering memorandum. The Issuer may redeem some or all of the Notes at any time on or after January 15, 2014 at the redemption prices set forth in the offering memorandum, plus accrued and unpaid interest.

Prior to January 15, 2014 the Issuer may redeem up to 35% of each of the then outstanding Euro Notes and Dollar Notes with the net proceeds of certain public equity offerings. There is no sinking fund for the Notes. Holders may require the Issuer to repurchase their Notes upon a change of control, if we sell certain of our assets or under certain other circumstances. In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes.

The Notes will be senior obligations of the Issuer and will rank pari passu in right of payment with all its existing and future senior indebtedness that is not subordinated to the Notes. The Notes will be guaranteed on a senior basis by ONO Midco, S.A.U. ("ONOMidco"), Cableuropa's parent company, and on a senior subordinated basis by Cableuropa as to the payment of principal, premium, if any, interest and all other amounts payable under the Notes.

We have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market of the Luxembourg Stock Exchange. The Notes will be represented on issue by one or more global notes, which were delivered through Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream Banking, *société anonyme* ("Clearstream") or The Depository Trust Company ("DTC") on January 28, 2011. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities and was prepared solely in connection with the application for listing of the Notes on the Official List of the Luxembourg Stock Exchange and for trading on its Euro MTF market. This offering memorandum is based on the offering memorandum dated January 21, 2011 which was made available to investors in the Notes on or about the date thereof.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 15.

Euro Notes Issue Price: 100.000% of principal, plus accrued interest, if any, from the Issue Date.
Dollar Notes Issue Price: 100.000% of principal, plus accrued interest, if any, from the Issue Date.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction and are being offered and sold in the United States only to "Qualified Institutional Buyers" (as defined under Rule 144A under the U.S. Securities Act ("Rule 144A")) that are also "Qualified Purchasers" (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act")) and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act ("Regulation S"). For additional information about eligible offerees and transfer restrictions, see "Plan of Distribution" and "Notice to Investors."

Joint Global Coordinators and Book-Running Managers

Deutsche Bank **BofA Merrill Lynch**

Joint Book-Running Managers

BNP PARIBAS **Crédit Agricole CIB** **Credit Suisse** **J.P. Morgan**

Lead Managers

ING **Santander** **Sociéte Générale**

Co-Managers

HSBC **Natixis**

The date of this offering memorandum is February 2, 2011.

IMPORTANT INFORMATION

You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. You should consult your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes. By purchasing the Notes, you will be deemed to have acknowledged that:

- you have reviewed this offering memorandum;
- you have had an opportunity to request, receive and review all additional information that you need from us; and
- Deutsche Bank AG, London Branch, Deutsche Bank Securities Inc., Merrill Lynch International, Merrill Lynch, Pierce, Fenner and Smith Incorporated, BNP Paribas, BNP Paribas Securities Corp., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities Ltd., J.P. Morgan Securities LLC, ING Bank N.V. London Branch, Banco Santander, S.A. (offering the Notes in the United States through its selling agent Santander Investment Securities Inc.), Société Générale Corporate and Investment Banking, HSBC Bank plc and Natixis (each, an "Initial Purchaser," and collectively, the "Initial Purchasers") are not responsible for, and are not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

The Notes have not been registered under the U.S. Securities Act, and, subject to certain exceptions, may not be offered or sold within the United States, as defined in Regulation S.

The Notes are being offered and sold outside the United States in reliance on Regulation S and within the United States only to "Qualified Institutional Buyers" ("QIBs") in reliance on Rule 144A who are also "Qualified Purchasers" under the U.S. Investment Company Act. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and the distribution of this offering memorandum, see "*Notice to Investors*". You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

Further, no securities authority in Luxembourg has approved or disapproved of these Notes or determined whether this offering memorandum is truthful or complete.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Laws in certain jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Notes. Persons into whose possession this offering memorandum comes must inform themselves about and observe any such restrictions. Each prospective purchaser of the Notes must comply with all laws and regulations in force applicable in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum. In addition, each prospective purchaser must obtain any consent, approval or permission required under the regulations in force in any jurisdiction to which it is subject or in which it purchases, offers or sells the Notes. Neither the Issuer nor the Initial Purchaser shall have any responsibility for obtaining such consent, approval or permission.

We have summarized certain documents and other information in a manner we believe to be accurate, but we refer you to the actual documents for a more complete understanding of the matters we discuss in this document. You should not consider any information in this document to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Notes. In making an investment decision, you must rely on your own examination of our business and the terms of this offering and the Notes, including the merits and risks involved.

We accept responsibility for the information contained in this offering memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering memorandum with regard to us, our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held and that we are not aware of any other acts the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers also reserve the right to reject any offer to purchase the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of Notes sought by such purchaser.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication or, if the offer is made in Austria, prior to the day following publication on a local banking day of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in that relevant member state at any time:

(i) to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity that has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43 million; and (c) an annual turnover of more than €50 million as shown in its last annual and/or consolidated accounts; or

(iii) in any other circumstances that do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any of the Notes in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offering and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC of the European Parliament and of the Council and includes any relevant implementing measure in each relevant member state.

Each subscriber for or purchaser of the Notes in the offering located within a member state of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, each Initial Purchaser and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

CERTAIN REGULATORY ISSUES RELATED TO THE UNITED KINGDOM

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of each of the Issuers. The

Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

CERTAIN REGULATORY ISSUES RELATED TO THE NETHERLANDS

The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by the competent supervisory authority of another member state of the European Union (the "EU"). Article 5:3 of the Financial Supervision Act (the "FSA") and article 53 paragraph 2 and 3 of the Exemption Regulation of the FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to "qualified investors" within the meaning of article 1:1 FSA.

CERTAIN REGULATORY ISSUES RELATED TO LUXEMBOURG

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg ("Luxembourg"). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the listing of the Notes on the Official List of the Luxembourg Stock Exchange and their admission to trading on the Euro MTF market, and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities.

CERTAIN REGULATORY ISSUES RELATED TO GERMANY

In the Federal Republic of Germany, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act (*Wertpapierprospektgesetz—WpPG*). Any offer, sale, or resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*) or obtain a notification to BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act (*Wertpapierprospektgesetz—WpPG*).

CERTAIN REGULATORY ISSUES RELATED TO IRELAND

This offering memorandum has been prepared on the basis that any offer of the Notes will be made pursuant to the exemptions in Regulation 9(1)(a), (b) or (d) of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Irish Prospectus Regulations") from the requirement to publish a prospectus for offers of notes. Accordingly, any person making or intending to make an offer in Ireland of the Notes, which are the subject of the offering contemplated in this offering memorandum, may only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to publish a prospectus pursuant to Regulation 12 of the Irish Prospectus Regulations or supplement a prospectus pursuant to Regulation 51 of the Irish Prospectus Regulations, in each case, in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish or supplement a prospectus for such offer.

The Issuer is not, and will not be, regulated by the Central Bank of Ireland by virtue of the issuance of the Notes. Any investment in the Notes does not have the status of a bank deposit and is not subject to the deposit protection scheme operated by the Central Bank of Ireland.

CERTAIN REGULATORY ISSUES RELATED TO SPAIN

The Notes may not be offered or sold in Spain except in accordance with the requirements of the Spanish Securities Market Law 24/1988, of July 28 (*Ley 24/1988, de 28 de Julio, del Mercado de Valores*), as amended and restated, and Royal Decree 1310/2005, of November 4, on listing of securities, public offers and applicable prospectus (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*). The Notes may not be sold, offered or distributed to persons in Spain, except in circumstances which do not constitute a public offer (*oferta pública*) of securities in Spain, within the meaning of the Spanish Securities Market Law. This offering memorandum has not been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*), and therefore it is not intended for the public offering or sale of the Notes in Spain.

CERTAIN REGULATORY ISSUES RELATED TO ITALY

The offering of the Notes has not been cleared by the *Commissione Nazionale per la Societa e la Borsa* ("CONSOB") (the Italian Securities Exchange Commission), pursuant to Italian securities legislation and, accordingly, in the Republic of Italy, the Notes may not be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998 ("Regulation 11522"), as amended or (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998 (the "Financial Services Act") and Article 34-ter, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended. Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of September 1, 1993 (the "Banking Act"), the Financial Services Act, Regulation 11522 and any other applicable laws and regulations; and (b) in compliance with any and all other applicable laws and regulations.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The Notes were delivered against payment therefor on January 28, 2011, which was the fifth business day following the date of pricing (such settlement cycle being herein referred to as "T+5"). See "*Plan of Distribution*".

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE "STABILIZING MANAGER"), OR ANY PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER, MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER, OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER, WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This offering memorandum contains forward looking statements. These forward looking statements include all matters that are not historical facts, including the statements under the headings "*Summary,*" "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco,*" "*Business*" and elsewhere regarding future events or prospects. 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 offering memorandum. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause our actual results of operations, financial condition or cash flows to differ from our current expectations or otherwise adversely affect holders of the Notes include, but are not limited to:

- our substantial leverage and ability to service our debts;
- all of our existing debt maturing prior to the Notes;
- our exposure to changes in interest rates;
- our incurrence of substantially more debt;
- our failure to meet our financial covenants under the Senior Facility (as described under "*Description of Other Indebtedness*");
- restrictions imposed by our debt obligations and their limitation on our ability to take certain actions;
- the effect of an adverse outcome of certain shareholder litigation;
- the effect of a further deterioration of economic conditions in Spain;
- our failure to generate sufficient cash flow to fund our operations or capital expenditures;
- competition from other companies in our industry and our ability to retain or increase our market share;
- the difficulty of predicting future demand for our services;
- our failure to introduce successfully enhanced products and services;
- our dependence on others to provide premium programming;
- our reliance on others to provide us with mission critical hardware and software;
- our ability to avoid unanticipated network downtime;
- customer churn, or the effect of customer churn, adversely affecting our business;
- our failure to retain key employees;
- our failure to maintain and upgrade our network;
- the ability of Telefónica de España, S.A.U. ("Telefónica"), the incumbent telecommunications operator, to set standards and precedents in our market that may adversely affect our business;
- the anticipated growth of the internet access, cable television and telecommunications industries in Spain;
- the effect of changes in the regulatory environment on the telecommunications and cable television industries in Spain; and
- risks relating to the structure and terms of the Notes and the Notes Proceeds Loans and legal and other considerations in connection therewith.

Consequently, our current business plan, 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 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 urge you to read this offering memorandum, including the sections entitled "*Risk Factors,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco,*" "*Industry*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

Cableuropa is currently subject, with respect to the Senior Secured Notes, to the ongoing reporting requirements of the Luxembourg Stock Exchange.

Apart from any requirements pursuant to the laws and regulations discussed above, we have no obligation to, and do not intend to, update publicly or revise any forward looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. You are cautioned not to rely unduly on forward looking statements when evaluating the information presented in this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER DATA

In this offering memorandum, references to the "ONO Group," "ONO," "we," "us" and "our" are, as the context requires, to ONOMidco (as defined below), Cableuropa and Cableuropa's predecessors and subsidiaries. References to "ONO Finance II" are to ONO Finance II plc, the Issuer of the Notes. References to "GCO" are to Grupo Corporativo ONO, S.A., our ultimate parent company.

Financial Information

Financial Statements

ONOMidco. The Notes are guaranteed by ONOMidco on a senior basis. Cableuropa, which guarantees the Notes on a senior subordinated basis, is a wholly owned subsidiary of ONOMidco. We present in this offering memorandum ONOMidco's audited historical annual consolidated financial statements as of and for the year ended December 31, 2008 (the "2008 Audited Financial Statements") and ONOMidco's audited historical annual consolidated financial statements as of and for the year ended December 31, 2009 (the "2009 Audited Financial Statements" and, together with the 2008 Audited Financial Statements, the "Audited Financial Statements") and its unaudited historical interim consolidated financial statements as of and for the nine months ended September 30, 2010, including comparative information for 2009 (the "Unaudited Interim Financial Statements").

The Audited Financial Statements and the Unaudited Interim Financial Statements have been prepared in accordance with Spanish GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. You can find a description of the most significant differences between Spanish GAAP and IFRS in "*Summary of Significant Differences Between Spanish GAAP and IFRS*" on page S-1 of this offering memorandum.

The Issuer. This offering memorandum also contains the historical audited annual financial statements of ONO Finance II as of and for the years ended December 31, 2008 and December 31, 2009.

Change in Spanish GAAP

Our consolidated financial statements as of and for the year ended December 31, 2007 were prepared in accordance with Spanish GAAP under the General Accounting Plan approved by Royal Decree 1643/1990, of December 20, 1990 which was in force through December 31, 2007 ("Old Spanish GAAP"). Our 2008 Audited Financial Statements have been prepared in accordance with Spanish GAAP under the General Accounting Plan approved by Royal Decree 1514/2007, which came into force on January 1, 2008 ("Spanish GAAP") and are the first consolidated financial statements to be presented in accordance with such legislation. In our 2008 Audited Financial Statements, we elected to present comparative information as of and for the year ended December 31, 2007 restated from Old Spanish GAAP to Spanish GAAP (the "Restated 2007 Results"), for which purpose we prepared a balance sheet for the beginning of 2007 in accordance with the new principles and the transitional provisions of the aforementioned Royal Decree. Consequently, our transition date from Old Spanish GAAP to Spanish GAAP was January 1, 2007. For reconciling information regarding our transition from Old Spanish GAAP to Spanish GAAP, see notes 2.2.1 and 2.2.2 of the 2008 Audited Financial Statements included elsewhere in this offering memorandum.

The auditors' report included elsewhere in this offering memorandum in respect of our 2008 Audited Financial Statements has been issued only in respect of our 2008 Audited Financial Statements prepared in accordance with Spanish GAAP. We have prepared consolidated financial information under Spanish GAAP as of and for the year ended December 31, 2007 and have included such financial information, for comparative purposes only, in our 2008 Audited Financial Statements. Our auditors have not issued an auditors' report in respect of our consolidated financial statements under Spanish GAAP as of and for the year ended December 31, 2007.

Sources of Financial Information

Unless otherwise stated herein:

- All financial information as of and for the nine months ended September 30, 2010 and 2009 has been extracted without material adjustment from the Unaudited Interim Financial Statements;
- All financial information as of and for the year ended December 31, 2009 has been extracted without material adjustment from the 2009 Audited Financial Statements;
- All financial information as of and for the year ended December 31, 2008 has been extracted without material adjustment from the 2008 Audited Financial Statements; and
- All financial information as of and for the year ended December 31, 2007 has been extracted without material adjustment from the Restated 2007 Results, as set forth in the 2008 Audited Financial Statements.

Currency References

Unless otherwise indicated or otherwise required by the context, all references in this offering memorandum to "euro," "€" or "EUR" are to the lawful currency of the participating member states, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time, and all references to "U.S. dollars," "dollars," "U.S.$" or "$" are to the lawful currency of the United States.

Non-GAAP Financial Measures

EBITDA, operating free cash flow and free cash flow as well as other data and certain ratios (including for the twelve months ended September 30, 2010) presented in this offering memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Spanish GAAP or IFRS. EBITDA, operating free cash flow and free cash flow are not measures of our financial performance or liquidity under Spanish GAAP or IFRS and should not be considered as an alternative to net income, operating profit or any other performance measures derived in accordance with Spanish GAAP or IFRS or as an alternative to cash flow from operating, investing and financing activities as a measure of our liquidity.

We believe that EBITDA, operating free cash flow and free cash flow facilitate comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expense), non-recurring items and minority interests. We also present EBITDA, operating free cash flow and free cash flow because we believe that they are frequently used by securities analysts, investors and other interested parties in evaluating similar companies in our industry, many of whom present such non-GAAP financial measures when reporting their results. Finally, we present EBITDA, operating free cash flow and free cash flow as a supplemental measure of our ability to service our debt.

Nevertheless, EBITDA, operating free cash flow and free cash flow have limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our financial condition or results of operations, as reported under Spanish GAAP. Some of these limitations are:

- EBITDA, operating free cash flow and free cash flow do not reflect our future requirements for capital expenditures or contractual commitments;
- EBITDA and operating free cash flow do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and operating free cash flow do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA, operating free cash flow and free cash flow do not reflect any cash requirements for such replacements;
- EBITDA, operating free cash flow and free cash flow do not reflect non-recurring income/expense or any other non-cash items; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Because of these limitations, EBITDA, operating free cash flow and free cash flow should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our Spanish GAAP results and using EBITDA, operating free cash flow and free cash flow measures only supplementally. For reconciliation of EBITDA, operating free cash flow and free cash flow to our consolidated net profit for the years ended December 31, 2007, 2008 and 2009 and for the nine months ended September 30, 2009 and 2010, see "*Summary—Summary Financial and Operating Data*".

Total Homes and Businesses Data

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

Presentation of Market, Market Share, Industry and Other Data

The market, market share, industry and certain other data contained in this offering memorandum have been taken from industry reports, including reports of the Spanish Telecommunications Market Commission ("CMT"), the Spanish National Statistics Institute ("INE"), the State Secretariat for Telecommunications and the Information Society ("SETSI") and Eurostat of the European Commission, as well as publicly available reports from telecommunications operators. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Certain Operational Definitions

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

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

"Homes released to marketing" refers to homes to which we can provide broadband internet, cable television and telephony services within an average of four days, which occurs after the customer tap and drop have been installed.

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

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

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

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

Certain Defined Terms

We are providing the following definitions of certain terms used in this offering memorandum for reference purposes. These definitions are not intended to be complete and should be read in conjunction with all other relevant sections of this offering memorandum.

"Bank Tranches" means any existing and future bank tranches under Cableuropa's Senior Facility.

"Cableuropa" means Cableuropa, S.A.U., a company incorporated under the laws of Spain, which is a wholly owned subsidiary of ONOMidco, and is the Subsidiary Guarantor of the Notes.

"Dollar Notes" means the U.S. dollar denominated 10.875% Senior Notes due 2019 offered hereby.

"EVCs" means the equity value certificates issued by ONO Finance I maturing on February 15, 2011, which have been guaranteed on a senior subordinated basis by Cableuropa as described under "*Description of Other Indebtedness—Equity Value Certificates*".

"Euro Notes" means the euro denominated 11.125% Senior Notes due 2019 offered hereby.

"Existing Subordinated Notes" means the ONO Finance I Notes together with the ONO Finance II Notes which will be redeemed with the proceeds of the offering of the Notes and available cash, see "*Use of Proceeds*".

"Existing Subordinated Notes Indentures" means the indentures in respect of the Existing Subordinated Notes.

"Fond-ICO Participative Loan" means the €10 million participative loan dated as of October 27, 2005, between Cableuropa, as borrower and guarantor, and FOND-ICO, Fondo de Capital Riesgo, as lender, as described under "*Description of Other Indebtedness*" which will be repaid with the proceeds of the offering of the Notes and available cash, see *"Use of Proceeds"*.

"GCO" means Grupo Corporativo ONO, S.A., a company incorporated under the laws of Spain, which is ONOMidco's direct parent and Cableuropa's ultimate parent.

"Initial Purchasers" means Deutsche Bank AG, London Branch, Deutsche Bank Securities Inc., Merrill Lynch International, Merrill Lynch, Pierce, Fenner and Smith Incorporated, BNP Paribas, BNP Paribas Securities Corp., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, J.P. Morgan Securities Ltd., J.P. Morgan Securities LLC, ING Bank N.V. London Branch, Banco Santander, S.A. (offering the Notes in the United States through its selling agent Santander Investment Securities Inc.), Société Générale Corporate and Investment Banking, HSBC Bank plc and Natixis, each an "Initial Purchaser" and collectively the "Initial Purchasers".

"Issue Date" means the date of the issuance of the Notes.

"Issuer" means ONO Finance II.

"Guarantees" means the Parent Guarantee and any Subsidiary Guarantee.

"Nara Cable Funding" means Nara Cable Funding Limited, an Irish private limited company with limited liability under the laws of Ireland, which is an independent, stand-alone special purpose vehicle and the issuer of the Senior Secured Notes.

"Notes" means the Euro Notes and the Dollar Notes.

"Notes Indenture" means the indenture in respect of the Notes.

"Notes Proceeds Loans" means the euro and U.S. dollar denominated senior subordinated term loans under which the Issuer will remit the proceeds from the sale of the Notes to Cableuropa.

"October 2010 Refinancing" refers to the refinancing process completed in October 2010 which consisted of (i) the issuance of €700 million Senior Secured Notes by Nara Cable Funding the proceeds of which were on-lent to Cableuropa pursuant to a new tranche under the Senior Facility (the "Senior Secured Notes Tranche"), (ii) the repayment of €700 million of existing Bank Tranches under the Senior Facility from the gross proceeds of the Senior Secured Notes Tranche and (iii) the use of available cash to pay expenses related to the transaction.

"ONO Finance I" means ONO Finance plc, a public limited company under the laws of England and Wales, which is an independent, stand-alone special purpose vehicle and the issuer of the ONO Finance I Notes.

"ONO Finance I Notes" means the €180 million 10.5% Senior Notes due 2014 of ONO Finance I and guaranteed on a senior basis by ONOMidco and on a senior subordinated basis by Cableuropa.

"ONO Finance II" means ONO Finance II plc, a public limited company with limited liability under the laws of Ireland which is an independent, stand-alone special purpose vehicle and the issuer of the Notes offered hereby.

"ONO Finance II Notes" means the €270 million 8% Senior Notes due 2014 of ONO Finance II and guaranteed on a senior basis by ONOMidco and on a senior subordinated basis by Cableuropa.

"ONOMidco" means ONO Midco, S.A.U., a company incorporated under the laws of Spain, which wholly owns Cableuropa and is wholly owned by GCO.

"Parent Guarantee" means the senior guarantee by the Parent Guarantor of ONO Finance II's obligations in respect of the Notes as described under "*Description of the Notes—The Notes Guarantors*".

"Parent Guarantor" means ONO Midco, S.A.U.

"Senior Facility" means the senior bank facility, dated as of October 27, 2005, among Cableuropa, as guarantor and borrower, and a series of international banks, as arrangers, and Société Générale, London Branch, as agent, as amended from time to time.

"Senior Secured Notes" refers to the €700 million 8.875% Senior Secured Notes due 2018 issued by Nara Cable Funding on October 22, 2010 as part of the October 2010 Refinancing.

"Senior Secured Notes Indenture" refers to the indenture in respect of the Senior Secured Notes.

"Senior Secured Notes Tranche" refers to the loan tranche incorporated in the Senior Facility in October 2010 under which the gross proceeds from the issuance of the Senior Secured Notes were on-lent by Nara Cable Funding to Cableuropa.

"Subordinated Debt" means debt owed to lenders under the Fond-ICO Participative Loan together with the Existing Subordinated Notes.

"Subsidiary Guarantee" means the senior subordinated guarantee by each Subsidiary Guarantor of ONO Finance II's obligations in respect of the Notes as described under "*Description of the Notes—The Note Guarantees*".

"Subsidiary Guarantor" means Cableuropa and any future Material Subsidiary (as defined in "*Description of the Notes—Certain Definitions*") of the Parent Guarantor which is required to guarantee the Notes pursuant to the covenant described under "*Description of the Notes—Certain Covenants—Future Subsidiary Guarantors*". On the Issue Date, it is expected that there will be no Subsidiary Guarantors other than Cableuropa. Cableuropa currently generates substantially all of ONOMidco's consolidated revenues.

Other

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

EXCHANGE RATES

The table below sets forth the euro versus the U.S. dollar exchange rates as certified by the European Central Bank. We do not represent that the U.S. dollar amounts referred to below could have been converted into euro at any particular rate indicated or at any other rate. The rates below may differ from the rates used in our audited consolidated financial statements and other financial information appearing in this offering memorandum. The average amounts set forth below under "Average" are calculated as the average of the European Central Bank rates for euro on the last business day of each month.

	Low	**High**	**Average**	**End of Period**
	(U.S. dollars per euro)			
2006	1.1826	1.3331	1.2630	1.3170
2007	1.2893	1.4874	1.3797	1.4721
2008	1.2460	1.5990	1.4726	1.3917
2009	1.2555	1.5120	1.3963	1.4406
2010	1.1942	1.4244	1.3257	1.3362

The table below shows the high and low European Central Bank rates for euro for each month during the six full months prior to the date of this offering memorandum.

	Low	**High**
	(U.S. dollars per euro)	
July 2010	1.2328	1.3069
August 2010	1.2611	1.3253
September 2010	1.2697	1.3648
October 2010	1.3705	1.4101
November 2010	1.2998	1.4244
December 2010	1.3064	1.3435
January 2011	1.2903	1.3692
February 2011 (through February 2)	1.3755	1.3803

The euro versus the U.S. dollar exchange rate on February 2, 2011 was U.S.$ 1.3803 per €1.00.

SUMMARY

The following summary highlights selected information from this offering memorandum. It is not complete and does not contain all of the information that you should consider before investing in the Notes. Before you decide to invest in the Notes, you should read the entire offering memorandum carefully, including the "Risk Factors", "Selected Historical Consolidated Financial Information of ONOMidco", "Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco", "Industry", "Business", "Description of Other Indebtedness", "Description of the Notes" and the financial statements of ONOMidco and the notes thereto.

Our Business

Overview

We are the second largest provider of broadband internet, pay television and fixed telephony services in Spain. Through our proprietary state-of-the-art network, we offer our services to over 7 million homes across Spain, including the nine largest cities. We are the only cable operator in Spain with national coverage. As of September 30, 2010, we provide over 4.3 million services under the ONO brand to approximately 1.9 million residential (cable and ULL) customers and over 69,000 SMEs in Spain. We also offer products and services to large corporations and public sector entities as well as to the wholesale market. We are the principal competitor to the incumbent telecommunications and pay television operators in Spain. For the twelve months ended September 30, 2010, we generated revenues of €1,475 million, EBITDA of €725 million and an EBITDA margin of 49.2%. In the same period, our residential services generated revenues of €1,157 million (accounting for 78.4% of our total revenues), and our business and other services generated revenues of €318 million (accounting for 21.6% of our total revenues).

Residential Services

As of September 30, 2010, our residential cable customers totaled over 1.8 million, representing approximately 95.6% of our total residential customer base. We offer customers the opportunity to subscribe to a variety of "bundled" packages, which provide them with multiple services (broadband internet, pay television and telephony) charged in a single bill. "Double-play" packages bundle two of our services together, whereas "triple-play" packages allow customers to utilize each of our broadband internet, pay television and telephony services. As of September 30, 2010, 82.6% of our residential cable customers subscribed to a bundled package. The following is a summary of our services for residential cable customers:

Broadband Internet: We are a leading provider of residential broadband internet services in our areas of operation. Our internet customer base grew by 3.4% in 2009 and 2.7% in the nine months of 2010. As of September 30, 2010, we had approximately 1.4 million internet customers, representing 75.3% of our total residential cable customer base. We were the first Spanish operator to launch broadband speeds of 50 Mbps and 100 Mbps and, with the ongoing implementation of Docsis 3.0, we anticipate having 50 Mbps broadband speeds available widely throughout our network during the first quarter of 2011.

Cable Television: We are a leading provider of pay television services in Spain with 948,000 customers as of September 30, 2010, representing 52.4% of our total residential cable customers. We offer a wide selection of digital cable television programming from basic to premium packages. Each of our TV packages also provides easy access to our pay-per-view and video-on-demand ("VoD") services, where available. We recently signed a strategic agreement with TiVo (a U.S. digital video company) to deploy an innovative set of next generation TV services, which we expect to start offering in 2011, that will provide a seamless convergence between internet and traditional television content.

Telephony: We provide local, national and international telephony services to 1.7 million customers, representing 92.8% of our total residential cable customer base as of September 30, 2010. We recently signed a strategic agreement with Huawei to upgrade and outsource our voice network. We believe this agreement will reduce operating costs while maintaining the quality of our telephony service.

We also offer services through ULL and other technologies, such as indirect access. As of September 30, 2010, we had over 84,000 ULL customers. In addition, we offer all our cable customers mobile telephony and internet services.

Business Services

We also provide telecommunication services to SMEs, large accounts and corporations and the wholesale market in Spain.

SME: We provide voice and data telecommunication services to small and medium sized enterprises. As of September 30, 2010, we had over 69,000 SME customers.

Large Accounts & Corporations: We provide a range of customized solutions (voice, internet, data and equipment) to corporations, institutions and public sector entities.

Wholesale & Other: We provide carrier services, voice traffic services, leased and dedicated lines and circuits and ISP solutions to other telecommunications operators. In addition, we provide intelligent network services.

Our History

Formation

Before commencing operations in 1998, we participated in a number of competitive public bids further to the adoption of Spain's Law 42/1995 on Cable Telecommunications. Between 1996 and 1998, we were awarded licenses to provide cable television and telecommunications services in the following nine regions: Valencia, Alicante, Castellón, Murcia, Cádiz, Huelva, Cantabria, Mallorca and Albacete. In 2003, we were awarded a license to operate in Castilla la Mancha. In 2004, we acquired the telecommunications operator Retecal, covering the Castilla y Leon region.

In November 2005, we acquired Auna Telecomunicaciones, S.A.U. ("Auna"), a wireline and cable operator. The acquisition consolidated our presence in Spain and extended our coverage to seven additional regions, which included Spain's largest cities, Madrid and Barcelona. Following the Auna acquisition, we continued to pursue an expansion strategy of extending our network and acquiring new customers. Between 2006 and 2008 we invested substantially in expanding the footprint of our network infrastructure, with the number of homes released to market increasing by 1.2 million to over 7 million.

Transformation Process

Towards the end of 2008, faced with weakening international economic conditions, we commenced a transformation process. The transformation focused on adjusting our business model to the changed economic environment and stabilizing our operations following a period of rapid expansion, with the aim of creating a more efficient platform for future growth. This process also coincided with significant changes in our senior management. Largely completed by the end of 2009, the transformation process included a wide range of initiatives focused on maximizing cash flow, implementing cost efficiencies, reshaping our organization and attracting and retaining high-quality customers. As a result of the transformation, we believe we have become a more resilient and efficient company. Our EBITDA increased from €645 million in 2007 to €730 million in 2009, our EBITDA margin increased from 39.9% in 2007 to 48.3% in 2009 and operating free cash flow increased from €91 million in 2007 to €510 million in 2009.

During the transformation process, we focused primarily on:

Optimizing returns from assets: Having already invested to establish a network reach of over 7 million homes, we ceased our network expansion activities and focused on maintaining and enhancing our existing network. We have undertaken several platform upgrades, such as our ongoing implementation of Docsis 3.0 and improvement of our cable television service offerings. Other initiatives included improving our receivables collection cycle.

Reshaping our organization: We centralized our business operations, eliminating duplicate regional functions and reducing headcount. A shift towards internet sales and other more cost-efficient sales channels led to a reduction of our direct sales force. In the nine months ended September 30, 2010, 22.2% of our sales were through the internet, compared to 4.6% in the same period in 2008. The average number of our employees has declined from 4,594 for 2008 to 3,314 for the nine months ended September 30, 2010. In addition, in April 2010 we sold our loss-making content aggregator, Teuve.

Cost efficiencies: We implemented a wide range of cost efficiency initiatives, resulting in our cost of sales, staff costs and other operating expenses (less capitalized costs) declining from €971 million in 2007 to €782 million in 2009, or 19.5%. In addition to the organizational changes described above, other key initiatives included selective outsourcing, renegotiating various contracts and migrating our customers to an e-billing system.

Focusing on high-quality customers: We placed a strong emphasis on attracting and retaining high-quality customers. We introduced a credit scoring initiative and increased activation and installation fees in order to reduce the number of new high-churn customers. In addition, we improved our customer care processes and offered our existing customers add-on services, such as mobile broadband and the Gol TV channel, in order to increase their loyalty. As a result, we reduced net churn from 19.6% in the third quarter of 2008 to 15.1% in the third quarter of 2010. We also shifted our marketing focus to promote double- and triple-play packages, which we believe can help us achieve higher ARPUs and greater loyalty. As part of this initiative, we offered to double the broadband internet speeds to the majority of our residential cable customers for an additional small monthly fee, with wide acceptance. We also launched a new marketing campaign emphasizing the superiority of cable versus DSL in terms of speed and quality of service. As a result of these and other measures, the percentage of our customers subscribing to triple-play services increased from 32.0% as of September 30, 2007 to 37.8% as of September 30, 2010 and our RGUs per customer increased from 2.00x as of September 30, 2007 to 2.20x as of September 30, 2010.

Refinancing

In the beginning of 2010, we initiated a multi-stage refinancing process.

On May 21, 2010, we completed the first step of the refinancing process as part of which we amended our Senior Facility to extend the maturities of certain existing financing tranches and allow for additional financing tranches to facilitate future refinancings. As part of the refinancing process, we also received additional support from our shareholders in the form of a deeply-subordinated participative loan, of which €125 million was made available immediately and €25 million is currently held in escrow to be disbursed if certain liquidity conditions are not met.

In October 2010, we completed the second step of our refinancing process which consisted of (i) the issuance of €700 million Senior Secured Notes by Nara Cable Funding the proceeds of which were on-lent to Cableuropa pursuant to a new tranche under the Senior Facility (the "Senior Secured Notes Tranche"), (ii) the repayment of €700 million of existing bank tranches under the Senior Facility from the gross proceeds of the Senior Secured Notes Tranche and (iii) the use of available cash to pay expenses related to the transaction (together, the "October 2010 Refinancing").

The present offering of Notes represents the third step of our refinancing process. Going forward, we plan to continue to access the capital markets, subject to favorable market conditions, in order to improve the maturity profile of our indebtedness.

Our Key Strengths

Our key strengths are:

- *Proprietary technologically-advanced network.* Our hybrid fiber coaxial network provides a high-speed, high-capacity, two-way communications pathway with direct access to our customers. By owning our own network, we believe we can offer higher quality and more reliable services and roll out new products more quickly. Being an infrastructure based provider also allows us to offer multiple services and improved services, such as higher broadband speeds and our proposed next generation TV services. As we own all of our network, we enjoy superior economics in terms of gross margin per subscriber compared to ULL-based competition.

- *Superior product and service offering.* We provide our customers with the fastest broadband internet service in the market with current speeds of up to 100 Mbps. According to a study published on October 20, 2010 by SETSI (*Secretaría de Estado de Telecomunicaciones y para la Sociedad de la Información*), part of the Spanish Ministry of Industry, Tourism and Commerce, our average real speed for 3 Mbps and 6 Mbps subscriptions was higher than promised (3.1 Mbps and 6.1 Mbps, respectively), which stands in contrast to the rest of the market. Our attractive cable television offering comprises up to 127 channels (including the recently added Canal+ channel) and video-on-demand availability and interactivity. We provide these products in a variety of bundles offering our customers the convenience of having a single provider for their fixed-line communication, entertainment and information needs. We believe that the combination of fast internet speeds, high number of channels, innovative features, excellent quality of service and competitive pricing represents a superior offering to others available in the Spanish marketplace today. We believe our bundled offering results in increased penetration, higher customer loyalty and increased revenues from our customers.

- *Scale and potential for growth.* We are the second largest provider of broadband internet, pay television and fixed telephony services in Spain, with over 1.8 million residential cable subscribers as of September 30, 2010. Our state-of-the-art network gives us access to over 7 million homes across Spain including the nine largest cities. We believe that our relatively low penetration rate for residential cable services of 25.7% as of September 30, 2010 indicates significant potential for growth without the need to further expand our network coverage.

- *High-quality and loyal customer base.* We believe we have a high-quality and loyal customer base due to our selective customer acquisition strategy, superior product and service offerings and excellent customer service. We continue to focus on improving our customer service and enhancing our product offerings to existing and new customers. As a result we have been able to reduce our net churn, which has declined from 19.6% in the third quarter of 2008 to 15.1% in the third quarter of 2010. We believe that our high-quality and loyal customer base is a key element in our strategy going forward.

- *Resilient business.* Despite the challenging macroeconomic environment of recent years we have been able to limit the decline in our revenue from €1,616 million in 2007 to €1,512 million in 2009. Over this period we increased our residential cable RGUs by almost 200,000, while our residential cable customers declined by only 34,000 and residential cable revenues declined by 1.7%. We believe this is the result of our excellent customer care, our competitive and innovative service offering and our focus on high-quality customers through a selective customer acquisition strategy based on credit scoring. At the same time we increased our

EBITDA from €645 million in 2007 to €730 million in 2009, improving our EBITDA margins from 39.9% in 2007 to 48.3% in 2009, primarily by implementing operational efficiencies which reduced our cost of sales, staff costs and other operating expenses (less capitalized costs) from €971 million in 2007 to €782 million in 2009, a decrease of 19.5%. We expect that a continuing focus on growing and retaining our customer base as well as controlling costs will enable us to maintain or improve our EBITDA margins.

- *Shareholder support and highly experienced management team.* Since we commenced operations in 1998, our shareholders have consistently supported the ONO Group, with contributions of €2 billion to GCO prior to May 2010. In May 2010 our shareholders made an additional contribution to enhance the liquidity of the business (with €125 million contributed to us in the form of a deeply subordinated participative loan and a further €25 million currently held in escrow to be disbursed to us under similar arrangements if we do not meet certain liquidity conditions). Our management team has extensive experience in managing telecommunications and media businesses in Spain, other countries in Europe and the United States. In addition, our management has a proven track record of delivering growth in the telecommunications business in a cost-efficient manner.

Our Strategy

Our strategy is to leverage our existing superior network infrastructure, to maintain and enhance our position as a leading provider of integrated broadband internet, cable television and telephony services and to improve our financial profile. In order to achieve these targets, we are continuing to focus on further developing our customer base and product offering as well as implementing initiatives with the objective of improving profitability, maximizing liquidity and reducing leverage:

- *Provide the best internet in the market.* Our strategy is to position ourselves as a high-quality, innovative service provider with competitive prices, taking advantage of our own state-of-the-art network. We strive for high quality of service and believe we compare favorably to competitors. The steps we have taken to implement this strategy include the delivery of "real" (i.e., as advertised) internet speeds and the ongoing Docsis 3.0 system upgrade (expected to be completed during the first quarter of 2011). The upgrade will enable us to provide faster and more reliable internet services with speeds significantly higher than our recently launched internet speed of 100 Mbps (we are currently the only provider in Spain to offer this speed).

- *Create the best TV experience in the market.* We seek to develop and offer a set of innovative products in the Spanish television market in order to grow our TV customer base, strengthen customer loyalty and increase revenues. We recently established an alliance with U.S. digital video company TiVo in order to offer a next generation TV service using set-top boxes manufactured by Cisco, which we expect will provide a seamless convergence between internet and traditional television content. We believe this will differentiate and significantly upgrade our television offerings compared to others in the market by providing users with a best-in-class experience and a wide variety of content that integrates broadcast and broadband television in a way that goes beyond the confines of traditional pay television.

- *Increase the number of high-quality customers.* We are undertaking a more focused customer acquisition strategy while at the same time protecting our customer base with loyalty initiatives. Our main strategy is to grow market share of our residential services, but we are particularly focused on higher-quality customers, which we believe can help us achieve higher ARPUs and lower net churn. Actions to implement this strategy include the use of credit scoring, the implementation of activation and installation fees, selective application of customer acquisition promotions and a change in marketing strategy to focus on more targeted campaigns. Our new advertising highlights the quality of our products in addition to the competitive prices at which we offer them.

- *Expand up-selling and cross-selling initiatives.* We seek to sell additional products and services to our existing customers, a practice to which we refer as cross-selling, or transfer them to higher value services, a practice to which we refer as up-selling. In particular, we intend to encourage our customers to subscribe for additional services by offering bundled services at prices lower than those provided by our competitors or by us on an individual basis, or to transfer customers to higher broadband speeds and broader TV packages at similar or slightly higher prices. We believe that providing existing customers with a variety of new and enhanced services with tiered pricing options encourages them to take more than one of our services. Bundling and new pricing options are expected to increase the number of our double- and triple-play customers and thereby increase our RGUs per customer and protect ARPU stability. We also intend to continue developing customer loyalty by offering value-added services such as mobile broadband internet and internet security software.

- *Grow our SME business.* We believe there is opportunity to grow our SME business and gain market share in this business area. Different types of SME customers have different telecommunications service needs and

respond to different sales and marketing approaches. Quality is of paramount importance for SME customers and we believe that we are well-positioned to deliver a quality service by utilizing our established proprietary state-of-the-art network and by offering competitive solutions.

- *Maintain cost discipline and maximize cash generation.* We achieved positive free cash flow for the first time in 2009. We increased our free cash flow by €433 million between 2007 and 2009, and we aim to continue to improve free cash flow generation through the marketing and product development initiatives described above as well as through continuous cost control. In addition, we are continuing to identify specific projects to improve the overall level of efficiency in all our activities, such as our ongoing focus on more cost efficient internet sales and marketing, which accounted for only 4.6% of our sales in the first nine months of 2008 but 22.2% in the nine months of 2010.

- *Reduce our leverage.* We believe that by focusing on the strategies above, we can improve our cash flows and intend to use such cash flows primarily to reduce our indebtedness.

The Issuer

ONO Finance II was incorporated on January 19, 2006, as a public limited company with limited liability under the laws of Ireland. ONO Finance II's registered office is located at Block C, Second Floor, Maynooth Business Campus, Maynooth, Co. Kildare, Ireland, and is registered as a company with the Registrar of Companies in Ireland with company number 414099. See "*The Issuer*".

Recent Developments

Set forth below are the principal recent developments in our business since September 30, 2010:

- **Current trading.** We do not yet have finalized financial and operational data in respect of the fourth quarter and full year 2010, and accordingly such data are subject to change. However, based on currently available information, we estimate that our profitability continued to improve in the fourth quarter, evidenced by stable EBITDA, strong margins and continued cash flow generation, including a slight improvement in customer numbers, RGUs and revenues, as compared to the third quarter of 2010. Churn in the fourth quarter of 2010 is expected to be lower than the third quarter of 2010 but higher than the fourth quarter of 2009. We estimate that ARPU and RGUs per customer for the fourth quarter of 2010 are likely to be higher than those for the third quarter of 2010. Furthermore, triple-play uptake continued to show positive momentum. Finally, our new offering based on ultra high-speed broadband is experiencing an encouraging success both with respect to our existing customer base and the acquisition of new customers and showcases our continued focus on high-quality customers.

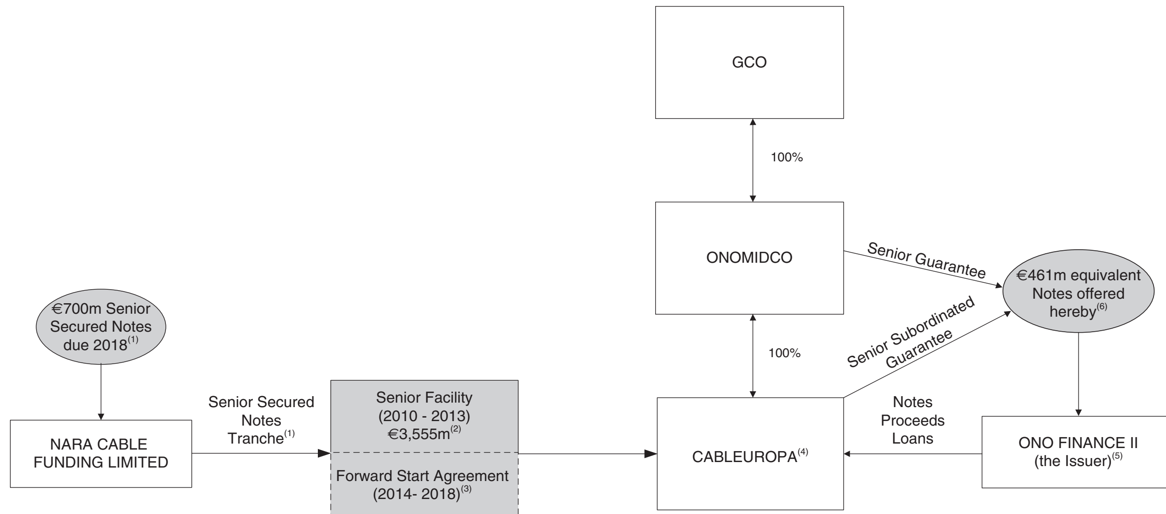
- **Further advances in high-speed internet offerings.** We have continued the deployment of Docsis 3.0 technology across our network and currently have the capacity to deliver high-speed internet of 50 Mbps to over 5 million homes within our network coverings, representing over 70% of our potential cable customer base (including the cities of Madrid, Barcelona, Valencia, Santander, Zaragoza, Mallorca, Castellón, Huelva, Sevilla, Cordoba, Alicante, Murcia and Cádiz). We officially launched the 50 Mbps internet offering across our areas of operation in late August 2010. In October 2010, we also launched a new pilot program offering download speeds of up to 100 Mbps in certain areas.

- **Premium channel Canal+ added to all of our television packages.** In December 2010, we added the Spanish premium pay-TV channel Canal+ to all our television packages. Canal+ is a pay-TV channel that offers a wide variety of premium film content, documentaries and television series. We believe that Canal+ also offers some of the best sports content in the Spanish television market, including the exclusive live broadcast of the Sunday night Spanish soccer games as well as live NBA matches and the Australian Tennis Open.

- **Huawei voice network contract.** On July 15, 2010, we signed a contract for the upgrade of our voice network with Huawei Technologies Co., Ltd. ("Huawei"), a leading provider of next-generation telecommunications networks for operators. This seven-year agreement will enable us to better focus on meeting the needs of our customers and the development of new services. As part of the agreement, Huawei is substituting and upgrading equipment that supports our voice communication services and it is also providing a technology solution allowing for the modernization and optimization of equipment as well as a reduction of certain operating costs due to lower energy consumption. Huawei's technological solution has already helped us improve functionalities and critical services such as session control, signaling and protocol processing. It is also helping unify our multiple access networks to offer integrated services. Huawei is responsible for workflow and configuration management as well as engineering, planning and quality management. Approximately 40 employees from our voice network management group have been transferred to Huawei.

Summary Corporate and Financing Structure

The chart below depicts a summary of our corporate and financing structure after giving effect to the offering of the Notes, the use of the gross proceeds therefrom and the implementation of certain related financing arrangements described elsewhere in this offering memorandum. For further information, see *"Use of Proceeds",* "*Shareholders and Beneficial Owners*", "*Description of Other Indebtedness*" and "*Description of the Notes*".



(1) Nara Cable Funding has used the gross proceeds of the offering of the Senior Secured Notes to make a senior secured loan to Cableuropa under the Senior Secured Notes Tranche of the Senior Facility.

(2) This amount represents the total size of the Senior Facility and includes the €700 million Senior Secured Notes Tranche. As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing, we would have had €3,266 million of borrowings outstanding under the Senior Facility (in nominal value and not including €3 million of accrued interest payable), and €234 million of undrawn availability thereunder. Borrowings under the Senior Facility are senior obligations of Cableuropa and secured by, among other things, first-ranking pledges over Cableuropa's shares and certain other subordinated creditors. See *"Description of Other Indebtedness – Senior Facility"*.

(3) The Senior Secured Notes Tranche will be automatically refinanced on the final maturity date of the Senior Facility (December 31, 2013) through a Forward Start Agreement (as defined herein) pursuant to which the maturity of the Senior Secured Notes Tranche will be extended to a date equal to the maturity date of the Senior Secured Notes. See "*Description of the Notes—Forward Start Agreement*".

(4) Cableuropa conducts substantially all our operations and generated approximately 97% of our EBITDA in 2009. The remaining EBITDA was principally generated by Cableuropa's subsidiary, Tenaria, S.A. As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing and the issuance of the Notes and the use of our gross proceeds therefrom, Cableuropa would have had €28 million in net debt in addition to the debt instruments shown above.

(5) The entire issued share capital of the Issuer is directly or indirectly held by Capita Trust Corporate Limited on trust for charitable purposes.

(6) The Notes offered hereby will be guaranteed on a senior subordinated basis by Cableuropa (the "Subsidiary Guarantee") and on a senior basis by ONOMidco (the "Parent Guarantee)." The gross proceeds from the offering of the Notes will be on-lent to Cableuropa pursuant to the Notes Proceeds Loans. The Subsidiary Guarantee and the Notes Proceeds Loans will be subject to the subordination provisions of the Intercreditor Agreement and the Indenture. Cableuropa intends to use the gross proceeds of the offering and available cash to (i) redeem in full the Existing Subordinated Notes and (ii) repay the €10 million Fond-ICO Participative Loan on or before the next available repayment date in May 2011. The expenses of the offering will be paid with available cash. See "*Use of Proceeds*."

The Offering

The following summary contains basic information about the Notes. It does not contain all the information that is important to you. For a more complete understanding of the Notes, please refer to the section of this document entitled "Description of the Notes," and particularly to those sub-sections to which we have referred you.

Issuer ONO Finance II plc.

Notes Offered €295,000,000 aggregate principal amount of Euro-denominated 11.125% Senior Notes due 2019 (the "Euro Notes").

$225,000,000 aggregate principal amount of U.S. dollar-denominated 10.875% Senior Notes due 2019 (the "Dollar Notes" and, together with the Euro Notes, the "Notes").

Minimum Denominations Euro notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof. Dollar Notes in denominations of $150,000 and integral multiples of $1,000 in excess thereof.

Maturity Date The Notes will mature on July 15, 2019.

Interest Rate of the Euro Notes 11.125% per year, payable in arrears.

Interest Rate of the Dollar Notes 10.875% per year, payable in arrears.

Interest Payment Dates Each July 15 and January 15, beginning July 15, 2011.
Interest will accrue from the issue date of the Notes.

Issue Date January 28, 2011

Parent Guarantor The Notes will be guaranteed on a senior basis by ONOMidco (the "Parent Guarantor").

Subsidiary Guarantor The Notes will be guaranteed on a senior subordinated basis by Cableuropa and any future Material Subsidiary (as such term is defined in the Indenture) (each, a "Subsidiary Guarantor"), as described under "*Description of the Notes—Certain Covenants—Future Subsidiary Guarantors*". On the Issue Date, it is expected that there will be no Subsidiary Guarantors, other than Cableuropa. Cableuropa currently generates substantially all of the Parent Guarantor's consolidated revenues.

Ranking of the Notes The Notes will:

- be the Issuer's general senior unsecured obligations;
- rank senior in right of payment to any and all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes;
- rank equally in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes; and
- constitute the only Debt of the Issuer as of the Issue Date.

The Issuer is a special-purpose vehicle with no revenue-generating operations of its own. In order to make payment on the Notes or to meet other obligations, it will be dependent on receiving payments from Cableuropa under the Notes Proceeds Loans.

Ranking of the Parent Guarantor's Guarantee The Parent Guarantor's guarantee will:

- be the Parent Guarantor's general unsecured obligation;
- rank senior in right of payment to any and all of the Parent Guarantor's existing and future indebtedness that is subordinated in right of payment to its Guarantee;
- rank equally in right of payment with all of the Parent Guarantor's existing and future unsecured indebtedness that is not subordinated in right of payment to its Guarantee;
- effectively be subordinated in right of payment to all existing and future secured indebtedness of the Parent Guarantor to the extent of the value of the assets securing such indebtedness;

- be structurally subordinated in right of payment to all existing and future indebtedness of the Parent Guarantor's Subsidiaries;
- be issued to the Trustee for the benefit of the holders of the Notes; and
- not be subject to the restrictions on enforcement described below applicable to each Subsidiary Guarantors' Guarantee.

As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing, the issuance of the Notes and the use of the gross proceeds therefrom, the Parent Guarantor would have had outstanding third-party debt of €3.755 billion (in nominal value, and not including €18 million of accrued interest payable).

Ranking of the Subsidiary Guarantor's Guarantee . . . . The Subsidiary Guarantor's guarantee will:

- be a general unsecured obligation of the Subsidiary Guarantor;
- be subordinated in right of payment to the payment in full in cash of all of the Subsidiary Guarantor's existing and future senior debt, including its obligations under the Senior Facility (including the Senior Secured Notes);
- rank equally in right of payment with any and all of the Subsidiary Guarantor's existing and future unsecured indebtedness that is not subordinated and is not senior in right of payment of its Guarantee;
- rank senior in right of payment to any and all of the Subsidiary Guarantor's existing and future indebtedness that is subordinated in right of payment to its Guarantee;
- be issued to the Trustee for the benefit of the holders of the Notes; and
- be subject to the restrictions on enforcement described below.
- be subordinated pursuant to the Intercreditor Agreement. See *"Description of Other Indebtedness—Intercreditor Agreement"* for a summary of the terms of the Intercreditor Agreement. The Intercreditor Agreement is attached to this offering memorandum as Annex A.

As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing, the issuance of the Notes and the use of the gross proceeds therefrom, the Subsidiary Guarantor would have had outstanding third-party debt of €3.755 billion (in nominal value, and not including €18 million of accrued interest payable).

Optional Redemption . . . . The Issuer may redeem all or part of the Euro Notes or the Dollar Notes at any time on or after January 15, 2014, at the redemption prices described in *"Description of the Notes—Optional Redemption,"* plus accrued and unpaid interest.

In addition, at any time prior to January 15, 2014, the Issuer may redeem up to 35% of each of the then outstanding Euro and Dollar Notes with the proceeds from certain public equity offerings at a redemption price equal to 111.125% and 110.875, respectively, of their principal amount, plus accrued and unpaid interest, if any. However, the Issuer may only make such redemptions if at least 65% of the then outstanding aggregate principal amount of such Notes remains outstanding (calculated giving effect to any issuance of Additional Notes).

Furthermore, at any time prior to January 15, 2014, the Issuer may also redeem all or part of the Euro Notes or the Dollar Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus a "make-whole" premium, plus accrued and unpaid interest, if any.

Optional Tax Redemption . . . . The Issuer may redeem all, but not less than all, of the Notes at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, if the Issuer, any Guarantor, or any surviving entity would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. For more information see *"Description of the Notes—Optional Redemption-Optional Tax Redemption"*.

Repurchase at the Option of Holders Upon a Change of Control	If we experience a "Change of Control" (as defined in *"Description of the Notes"*), each holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to €1,000 in the case of Euro Notes and $1,000 in the case of Dollar Notes, or an integral multiple thereof, provided that in no event shall any holder hold less than €100,000 in the case of Euro Notes or $150,000 in the case of Dollar Notes) of such holder's Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of purchase.
Certain Covenants	The Indenture governing the Notes will, among other things, limit our ability and the ability of our restricted subsidiaries to: • pay dividends or make other distributions; • make certain investments or acquisitions; • engage in transactions with affiliates and other related parties; • merge or consolidate with other companies; • make capital expenditures; • sell or dispose of assets other than in the ordinary course of business; • incur additional debt; • create certain lines or enter into sale and lease back transactions; and • enter into unrelated businesses. These covenants contain important exceptions, limitations and qualifications. For more details, see "*Description of the Notes—Certain Covenants*."
Intercreditor Agreement	The Issuer and the Trustee will accede to the Intercreditor Agreement. The Intercreditor Agreement establishes the relative rights of, and the relative payment priorities of, among others, the holders of the Notes, certain hedge counterparties and the creditors under the Senior Facility. Pursuant to the Intercreditor Agreement and the Indenture, the Subsidiary Guarantor's guarantee will be subordinated to our senior debt, and will be subject to provisions requiring standstills on enforcement, payment blockage, subordination upon insolvency and turnover with respect to the guarantee of the Subsidiary Guarantor including its total release in case of certain enforcement actions. See "Description of Other Indebtedness—Intercreditor Agreement" for a summary of the terms of the Intercreditor Agreement. The Intercreditor Agreement is attached to this offering memorandum as Annex A. In addition to subordination under the Intercreditor Agreement, the Subsidiary Guarantee and the Notes Proceeds Loans will be subject to the subordination provisions of the Indenture. See "*Description of the Notes—Subordination Pursuant to the Intercreditor Agreement and the Indenture*."
Use of Proceeds	Cableuropa intends to use the gross proceeds of the offering and available cash to (i) redeem in full the Existing Subordinated Notes and (ii) repay the €10 million Fond-ICO Participative Loan on or before the next available repayment date in May 2011. See "*Use of Proceeds*."
Transfer Restrictions	The Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and are being offered and sold in the United States only to "Qualified Institutional Buyers" (as defined under Rule 144A) that are also "Qualified Purchasers" (as defined in the U.S. Investment Company Act) and outside the United States in accordance with Regulation S under the U.S. Securities Act. See "*Risk Factors—Risks Relating to the Notes,*" "*Plan of Distribution*" and "*Notice to Investors*."
No Registration Rights	We do not intend to register the Notes under the U.S. federal or state securities laws or under the securities laws of any other jurisdiction.
Trustee, Transfer Agent and Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar, Listing Agent and Luxembourg Paying Agent	The Bank of New York Mellon (Luxembourg) S.A.

U.S. Paying Agent and Transfer Agent . . .	The Bank of New York Mellon, New York Branch.
Listing	We have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market of the Luxembourg Stock Exchange.
Governing Law	The Indenture, the Notes and the Notes Proceeds Loans will be governed by New York law. The Intercreditor Agreement is governed by the laws of Spain.

Risk Factors

Investing in the Notes involves substantial risks. You should consider carefully all the information in this offering memorandum and, in particular, you should evaluate the specific risk factors set forth in the "*Risk Factors*" section of this offering memorandum before investing in the Notes.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The summary historical consolidated financial information presented below has been derived from ONOMidco's Audited Financial Statements (including the Restated 2007 Results) and Unaudited Interim Financial Statements which are included elsewhere in this offering memorandum. See "*Presentation of Financial and Other Data*".

The Audited Financial Statements and the Unaudited Interim Financial Statements have been prepared in accordance with Spanish GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. You can find a description of the most significant differences between Spanish GAAP and IFRS in "*Summary of Significant Differences Between Spanish GAAP and IFRS*" on page S-1 of this offering memorandum.

ONOMidco wholly owns Cableuropa and ONOMidco does not engage, and under the terms of current indebtedness is not allowed to engage, in any additional business activities. ONOMidco's financial statements are substantially the same as those of Cableuropa, with the exception of certain immaterial administrative expenses.

The information presented below also includes certain other historical and pro forma financial data, as well as certain operating data for the ONO Group.

You should read the following financial information and operating data together with the sections entitled "*Presentation of Financial and Other Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco*", the Audited Financial Statements and the Unaudited Interim Financial Statements of ONOMidco and notes thereto included in this offering memorandum.

Summary Financial Information

	For the year ended December 31,			For the nine months ended September 30,	
	2007	**2008**	**2009**	**2009**	**2010**
	(unaudited, restated)			(unaudited)	
	(euro in millions)				
Summary Income Statement Data:					
Residential	**1,178**	**1,219**	**1,158**	**870**	**869**
Residential cable	1,143	1,186	1,124	845	841
Residential ULL	35	33	34	25	28
Business, wholesale & other	**396**	**355**	**334**	**255**	**225**
SMEs	76	73	70	52	54
Large accounts & corporations	171	176	166	128	108
Wholesale & other	149	106	98	75	63
Indirect access	**34**	**19**	**10**	**8**	**6**
Revenue from disposed assets (Teuve)	**8**	**9**	**10**	**7**	**3**
Total revenues	**1,616**	**1,602**	**1,512**	**1,140**	**1,103**
Operating expenses:					
Cost of sales	(442)	(381)	(328)	(260)	(233)
Staff costs	(213)	(225)	(171)	(129)	(123)
Other operating expenses	(387)	(365)	(344)	(254)	(259)
Costs capitalized as fixed assets and equipment	71	78	61	45	49
Depreciation, amortization and impairment charges	(343)	(389)	(390)	(293)	(289)
Reversal of provision	13	15	—	—	—
Impairment and gains or losses on disposal of fixed assets	(211)	(16)	(11)	(1)	1
Other-losses/gains-net	(55)	(39)	—	—	—
Total operating expenses	**(1,567)**	**(1,322)**	**(1,183)**	**(892)**	**(854)**
Operating profit	**49**	**280**	**329**	**248**	**249**
Net financial expense	(284)	(304)	(245)	(183)	(170)
Profit/(loss) before tax	**(235)**	**(24)**	**84**	**65**	**79**
Income tax	25	3	(31)	(22)	(45)
Profit/(loss) before minority interests	**(210)**	**(21)**	**53**	**43**	**34**
Minority interests	—	(1)	4	(1)	(1)
Net profit/(loss)	**(210)**	**(22)**	**57**	**42**	**33**

	As of December 31,			As of
	2007	2008	2009	September 30, 2010
	(euro in millions)			
	(unaudited, restated)			(unaudited)
Summary Balance Sheet Data:				
Non-current assets	5,879	5,853	5,613	5,434
Property, plant and equipment	4,558	4,541	4,340	4,227
Deferred tax assets	1,163	1,187	1,151	1,092
Current assets	239	518	385	262
Inventory, trade and other receivables	219	166	122	120
Cash and cash equivalents	4	342	238	105
Total assets	6,118	6,370	5,998	5,696
Total liabilities	4,949	5,287	4,844	4,348
Trade and other payables	681	368	394	353
Long-term debt[1]	3,585	4,099	3,545	3,615
Total net equity	1,169	1,084	1,154	1,347
Shareholders' contributions[2]	955	955	963	1,088
Total equity and liabilities	6,118	6,370	5,998	5,696

(1) Long-term debt includes the Senior Facility as well as payment obligations relating to the Existing Subordinated Notes, derivatives and other financial long-term debt. Long-term debt does not include subordinated participative loans from GCO.

(2) Shareholders' contributions represent subordinated participative loans from GCO to Cableuropa and include €125 million contributed in May 2010 in connection with the amendment of the Senior Facility. Prior to the closing of the offering, it is intended that all of the subordinated participative loans will be capitalized into equity. See "*Shareholders and Beneficial Owners—Capitalization Transactions*".

	For the year ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
	(euro in millions)				
	(unaudited, restated)			(unaudited)	
Summary Cash Flow Statement Data:					
Cash flow from operating activities	207	229	312	168	275
Cash flow from investing activities	(551)	(373)	(223)	(149)	(177)
Cash flow from financing activities	341	481	(192)	(122)	(230)
Net increase/decrease in cash and cash equivalents	(3)	338	(104)	(103)	(132)

	As of and for the year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months
	2007	2008	2009	2009	2010	ended September 30, 2010[1]
	(euro in millions except percentages)					
Summary Other Data (unaudited):						
Capital expenditures[2]	554	374	220	150	170	240
Operating free cash flow[3]	91	337	510	392	367	485
Free cash flow[3]	(341)	(143)	92	19	110	183
EBITDA[3]	645	711	730	542	537	725
EBITDA margin[4]	39.9%	44.4%	48.3%	47.5%	48.7%	49.2%
Total debt[5]	3,589	4,146	4,026	4,099	3,719	3,719
Net debt[6]	3,585	3,804	3,788	3,860	3,614	3,614
Net debt / EBITDA[6]	5.6x	5.4x	5.2x	—	—	5.0x
Net financial expense[7]	284	304	245	183	170	232
EBITDA / net financial expense	2.3x	2.3x	3.0x	3.0x	3.2x	3.1x
Pro forma net financial expense[8]	—	—	—	—	—	218
EBITDA / pro forma net financial expense	—	—	—	—	—	3.3x

(1) Information for the twelve months ended September 30, 2010 is calculated by taking the income statement data for the nine months ended September 30, 2010 and adding it to the difference between the income statement data for the full year ended December 31, 2009 and the nine months ended September 30, 2009.

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

(3) Operating free cash flow means EBITDA, less capital expenditures. Free cash flow means EBITDA, less capital expenditures, changes in working capital, disbursements, and net cash interest expense paid. EBITDA means earnings before interest, taxes, depreciation and amortization, certain non-recurring costs, restructuring and other non-cash items and minority interests. A reconciliation of EBITDA, operating free cash flow and free cash flow to our net profit/(loss) is set forth below. EBITDA, operating free cash flow and free cash flow are not GAAP measures under Spanish GAAP or IFRS and should not be considered in isolation or as a substitute for, or as an alternative to, net income, operating profit, cash flow from operations, other cash flow data or any other performance measures prepared in accordance with Spanish GAAP or IFRS. See "*Presentation of Financial and Other Data*".

(4) EBITDA margin is calculated by dividing EBITDA by total revenues.

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

(6) Net debt means total debt less cash and cash equivalents. As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing, the issuance of the Notes and the use of the gross proceeds therefrom, net debt would have increased by €34 million (reflecting the payment of transaction expenses from cash on hand, offset in part by the net effect of the treatment of unamortized costs) and our ratio of net debt/EBITDA for the twelve month period then ended would have been 5.0x.

(7) Net financial expense means interest expense and other financial charges paid to third parties, less finance income received from third parties and certain other adjustments.

(8) Pro forma net financial expense means net financial expense for the twelve months ended September 30, 2010, adjusted to reflect the October 2010 Refinancing and the issuance of the Notes, and adjusted to exclude €73 million of costs related to €2,565 million of interest rate hedges, of which €2,065 million expired in July 2010 and €500 million will expire on January 31, 2011. We are evaluating whether to enter into any new hedging arrangements.

Reconciliation of EBITDA, operating free cash flow and free cash flow to net profit/(loss)

	For the year ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
	(euro in millions)				
	(unaudited, restated)			(unaudited)	
Consolidated net profit/(loss)	**(210)**	**(22)**	**57**	**42**	**33**
Minority interests	—	1	(4)	1	1
Income tax	(25)	(3)	31	22	45
Net financial expense	284	304	245	183	170
Loss on fixed assets	211	16	11	1	(1)
Reversal of provision	(13)	(15)	—	—	—
Depreciation and amortization	343	389	390	293	289
Other (gains)/losses	55	41	—	—	—
EBITDA	**645**	**711**	**730**	**542**	**537**
Capital expenditures	(554)	(374)	(220)	(150)	(170)
Operating free cash flow	**91**	**337**	**510**	**392**	**367**
Increase in working capital	(163)	(162)	(77)	(81)	(6)
Extraordinary cash inflow/(disbursements)	(115)	(56)	(78)	(70)	(22)
Free cash flow (pre interest)	**(187)**	**119**	**355**	**241**	**339**
Net financial interest expense (paid in cash)[(1)]	(154)	(262)	(263)	(222)	(229)
Free cash flow	**(341)**	**(143)**	**92**	**19**	**110**

(1) Net financial interest expense (paid in cash) reflects, in part, the actual timing of interest payments, and therefore the amounts are different than the amounts of net financial expense included in our income statement.

Summary Operating Data (unaudited)

	For the year ended December 31,			For the nine months ended September 30,	
	2007	2008	2009	2009	2010
	(in thousands except percentages and ratios)				
RGUs:					
Cable	3,768	3,960	3,967	3,929	3,988
ULL	107	111	136	120	154
Total Residential	3,875	4,071	4,103	4,049	4,142
SME	121	130	111	111	127
Customers:[1]					
Residential cable	1,859	1,853	1,825	1,819	1,809
Residential ULL	68	66	77	70	84
Total Residential	1,927	1,919	1,902	1,888	1,893
SME	69	69	67	67	69
Indirect access	104	64	40	44	30
Other data—Residential cable:					
Homes released to marketing[2]	6,793	6,963	7,004	6,995	7,025
Penetration (percentage)[3]	27.4%	26.6%	26.1%	26.0%	25.7%
ARPU (in euro; most recent quarter)[4]	52.2	53.2	51.0	50.2	50.8
RGUs per customer	2.03x	2.14x	2.17x	2.16x	2.20x
Net churn (percentage)[5]	18.2%	18.7%	13.9%	17.3%	15.1%
Total customers subscribing to bundled services (percentage)	71.5%	79.6%	81.7%	81.0%	82.6%
Double-play (percentage)	40.2%	45.5%	45.9%	46.5%	44.8%
Triple-play (percentage)	31.3%	34.1%	35.8%	34.5%	37.8%
Residential cable services:					
Internet	1,203	1,283	1,326	1,303	1,361
as percentage of customers	64.7%	69.2%	72.6%	71.6%	75.3%
Television	960	1,039	975	977	948
as percentage of customers	51.6%	56.1%	53.4%	53.7%	52.4%
Telephony	1,605	1,638	1,666	1,648	1,679
as percentage of customers	86.3%	88.4%	91.3%	90.6%	92.8%
Residential cable penetration per service (percentage):					
Telephony	23.6%	23.5%	23.8%	23.6%	23.9%
Internet	17.7%	18.4%	18.9%	18.6%	19.4%
Television	14.1%	14.9%	13.9%	14.0%	13.5%

(1) We do not report number of customers in the “large accounts & corporations” and “wholesale & other” business segments because such data is not meaningful.

(2) “Homes released to marketing” refers to homes to which we can provide broadband internet, cable television and telephony services within an average of four days, which occurs after the customer tap and drop have been installed.

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

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

(5) “Net churn” means the percentage obtained by dividing the number of cable customers who cease to receive any cable services (either voluntarily or involuntarily) the last quarter of the relevant period by the average total number of cable customers during that quarter, multiplied by four. The average number of customers for any period is calculated by adding the number of customers at the beginning of the period to the number of customers at the end of the period and dividing by two.

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in this offering memorandum, before deciding whether to invest in the Notes. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. There may also be other risks of which we are currently unaware or that we do not currently believe are material that could harm our business, financial condition or results of operations. In any of such cases, the value of the Notes could decline, and we may not be able to pay all or part of the interest or principal on the Notes and you may lose all or part of your investment.

This offering memorandum contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statements. Factors that might cause such differences are discussed below and elsewhere in this offering memorandum. See "Information Regarding Forward Looking Statements".

Risks Relating to Our Financial Profile

Our current leverage is substantial, which may have an adverse effect on our available cash flow, our ability to obtain additional financing if necessary in the future, our flexibility in reacting to competitive and technological changes and our operations.

We are a highly leveraged company with significant debt service requirements. As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing and the issuance of the Notes and the use of the gross proceeds therefrom, our third party indebtedness would have been approximately €3.755 billion (in nominal value, and not including €18 million of accrued interest payable). In addition, as of September 30, 2010, on a pro forma basis, we would have had €46 million in cash and cash equivalents and €242 million of undrawn available funds under our existing financing agreements available for, among other things, future working capital needs, capital investments and servicing our debt.

Our financial leverage could have important consequences, including:

- Inability to satisfy our financial obligations, including those under the Senior Facility (including the Senior Secured Notes Tranche) and the Notes and the Guarantees;
- Increases in the cost of, or inability to obtain, additional debt or equity financing;
- Inability to upgrade and maintain our network;
- Inability to compete with other providers of broadband internet, pay television, telephony and data services that are less leveraged than we are;
- Inability to bid for, or be awarded, licenses or new franchises, make strategic acquisitions, exploit business opportunities and react to significant changes in our business and in general economic conditions; and
- Adverse impact on public perception of us and our brand.

All of our existing debt becomes due prior to the repayment at final maturity of the Notes offered hereby and a substantial portion of our senior debt becomes due and payable in 2013. We do not expect to generate sufficient cash flow to repay most of our debt obligations at maturity and, to the extent we cannot repay such debt, we may not be able to refinance these debt obligations or may be able to refinance only on terms that will increase our cost of borrowing.

All of our existing indebtedness becomes due and payable prior to the repayment of the Notes offered hereby. In addition, on a pro forma basis after giving effect to the October 2010 Refinancing, the issuance of the Notes and the use of the gross proceeds therefrom, approximately €2.3 billion under the existing bank tranches of the Senior Facility matures in 2013.

Our ability to make payments on our debt or to refinance any such debt will depend on our ability to generate cash. Our ability to generate cash is dependent on many factors, including, among others:

- Our future operating performance;
- The level of our capital expenditures;
- The demand and price levels for our products and services;
- General economic conditions and conditions affecting customer spending;
- Competition;

- The ability to improve our business processes and procedures;
- Our ability to use our carry-forward tax losses;
- The availability of financing in the capital markets at attractive rates; and
- Legal, tax, litigation, regulatory and other factors affecting our business.

We achieved positive free cash flow for the first time in 2009, after experiencing negative free cash flow every year since we commenced operations in 1998. Nonetheless, we do not expect that our business will generate sufficient cash flow to fulfill our debt obligations and we expect to have to raise additional capital or refinance all or a portion of our debt on or before maturity in order to fund operations and to meet our debt service.

Our ability to raise capital or refinance our debt depends on a number of factors, including the liquidity of the capital markets, and we may not be able to do so on satisfactory terms, or at all. In the event that we cannot raise additional capital or refinance our debt, we expect not to be able to meet our debt repayment obligations. In addition, the terms of any refinancing indebtedness may be materially more burdensome to us than the indebtedness it refinances. Such terms, including additional restrictions on our operations and higher interest rates, could have an adverse effect on our results of operations and financial condition and could have a material adverse effect on the value of the Notes.

Furthermore, our inability to meet repayment obligations under the existing agreements could trigger various default provisions, accelerate a substantial portion (if not all) of our debt and materially adversely affect our business, results of operations, financial position and prospects.

A substantial portion of our debt bears variable interest rates.

As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing and the issuance of the Notes and the use of gross proceeds therefrom (and excluding the effect of hedges), 69.1% of our debt would have borne interest at floating rates. If market interest rates increase, our variable rate debt will result in higher debt service requirements, which could adversely affect our results of operations and financial condition. Although we currently have in place interest rate hedge agreements in an aggregate amount of €500 million to partially limit our exposure to higher debt service requirements as a result of our floating rate debt, a significant majority of our debt remains unhedged and there is no guarantee that we will be able to enter into additional hedge agreements on satisfactory terms or at all. Furthermore, the hedges we currently have in place expire on January 31, 2011. We are evaluating whether to enter into any new hedging arrangements.

Subject to certain restrictions, we may be able to incur substantially more debt, which would increase the leverage-related risks described in this offering memorandum.

Subject to the restrictions in the Senior Facility, the Indenture, the Senior Secured Notes Indenture and other outstanding debt which are subject to a number of significant qualifications and exceptions, we may incur substantial additional debt in the future. Furthermore, our Senior Facility, the Indenture and the Senior Secured Notes Indenture permit us to issue additional series of notes or other indebtedness that will share in the security for the Senior Secured Notes and the Senior Facility, subject to certain conditions, and that will rank senior to the Notes offered hereby. See "*Description of Other Indebtedness—Senior Facility*".

To the extent new debt is incurred, the risks described in "*—Our current leverage is substantial, which may have an adverse effect on our available cash flow, our ability to obtain additional financing if necessary in the future, our flexibility in reacting to competitive and technological changes and our operations"* and *"—Most of our debt becomes due prior to the repayment at final maturity of the Notes offered hereby. We do not expect to generate sufficient cash flow to repay most of our debt obligations at maturity and, to the extent we cannot repay such debt, we may not be able to refinance these debt obligations or may be able to refinance only on terms that will increase our cost of borrowing*" could become more significant.

The Senior Facility and other agreements governing our outstanding and any future indebtedness contain financial covenants that we could fail to meet.

The Senior Facility requires us to satisfy specified financial tests and maintain specified financial ratios regarding maximum senior debt to consolidated LTM EBITDA, maximum total debt to consolidated LTM EBITDA, minimum EBITDA to total interest expense, minimum debt service cover and maximum capital expenditures, each as defined in the credit agreement for the Senior Facility.

Our ability to comply with these ratios and to meet these tests may be affected by events beyond our control and, as a result, we cannot assure you that we will continue to meet these tests. Our failure to comply with these obligations could lead to a default under the Senior Facility unless we can obtain waivers or consents in respect of any breaches of these obligations under the Senior Facility. We cannot assure you that these waivers or consents will be granted. In the event of any

default under the Senior Facility, the lenders under the Existing Bank Tranches under the Senior Facility could refuse to lend any additional amounts to us and could elect to declare all outstanding borrowings, together with accrued interest, fees and other amounts due thereunder, to be immediately due and payable. In the event of a default, the lenders under the relevant debt agreements could also require us to apply all available cash to repay the borrowings. If the debt under the Senior Facility or our other debt were to be accelerated, we cannot assure you that our assets would be sufficient to repay such debt in full.

Restrictions imposed by our debt obligations limit our ability to take certain actions.

The terms of the Senior Facility, the Indenture and the Senior Secured Notes Indenture contain a number of restrictive covenants and other provisions that limit our ability to operate our business. For example, some of these provisions limit our ability to, among other things:

- Pay dividends or make other distributions;
- Make certain investments or acquisitions;
- Engage in certain transactions with affiliates and other related parties;
- Merge or consolidate with other companies;
- Engage in certain types of business;
- Make capital expenditures;
- Sell or dispose of assets other than in the ordinary course of business or assets that are a part of non-core businesses;
- Incur additional debt; and
- Create certain liens.

These covenants could adversely affect our ability to finance our future operations and capital needs, pursue acquisitions and engage in other business activities that may be in our best interest. In addition to limiting our ability to operate our business, a failure to comply with these obligations could lead to a default under the terms of the relevant debt agreements which would prevent us from borrowing any additional amounts thereunder or the lender declaring all outstanding principal and interest becoming immediately due and payable. This would lead to a default under our other debt agreements and as a result much of our other debt could be accelerated. If this were to occur we can give no assurance that we would have sufficient funds to repay our debt.

An adverse outcome of the litigation initiated against GCO by one of GCO's shareholders may have a negative impact on us.

As a condition to the amendment of the Senior Facility in May 2010, the senior lenders of Cableuropa required the shareholders of GCO to contribute additional capital to Cableuropa in the form of deeply subordinated participative loans. For these purposes, the Board of Directors of GCO passed certain resolutions on March 8 and 24, 2010 (the "Resolutions") authorizing GCO to enter into a profit participating PIK loan agreement with its shareholders (the "PIK Loan"). The PIK Loan was partially drawn in May 2010 in the amount of €125 million which has been loaned to Cableuropa in the form of deeply subordinated participative indebtedness (the "2010 Downstream Loan"). €50 million of the remaining €75 million was released after we met certain refinancing conditions as a result of the October 2010 Refinancing. Currently, a further €25 million is being held in escrow and will be loaned to Cableuropa on the same terms if certain liquidity conditions are not met. A minority shareholder (Val Telecomunicaciones, S.L., "VAL") of GCO has challenged in court the Resolutions despite the fact that it has subscribed for a substantial portion of its pro rata entitlement of the PIK Loan. The lawsuit seeks to invalidate the Resolutions on the basis that the PIK Loan should have been authorized by a shareholders' meeting of GCO and that various Board members of GCO had a conflict of interest in adopting the Resolutions. Furthermore, VAL claims that the interest rate agreed in the PIK Loan, in addition to other ancillary terms, is unlawful, contrary to the by-laws of GCO and detrimental to the interests of GCO. In its lawsuit VAL is not currently making any claims in relation to the 2010 Downstream Loan nor is it making any claims against Cableuropa.

GCO believes the VAL lawsuit is without merit and the risks of an adverse decision against GCO are low. In the unlikely event that VAL's lawsuit is successful and the Resolutions are declared null and void, GCO and its shareholders would have to renegotiate the terms of the PIK Loan, which we believe would not affect the 2010 Downstream Loan as it is independent from the PIK Loan. However, if GCO fails to renegotiate the terms of the PIK Loan in these circumstances, GCO could become insolvent which could have a negative impact on us, as the insolvency of GCO would constitute an event of default under our Senior Facility that may result in its acceleration. See "*Shareholders and Beneficial Owners—PIK Loan and 2010 Downstream Loan*".

We have not prepared, and we do not intend to prepare, financial information in accordance with U.S. GAAP or IFRS.

We prepare our financial statements in accordance with Spanish GAAP, which varies significantly from U.S. GAAP and from IFRS and results in significant differences in reported operating results and financial condition from those under U.S. GAAP or IFRS. We have not presented a reconciliation of our financial statements to U.S. GAAP or IFRS in this offering memorandum. Moreover, the Indenture does not require us to reconcile future financial statements to U.S. GAAP or IFRS. For further information about the differences between Spanish GAAP and IFRS, see "*Summary of Significant Differences Between Spanish GAAP and IFRS*".

Upon issuance of the Dollar Notes, we will be subject to currency fluctuation risk.

While all of our business is conducted in euro, all payments in respect of the Dollar Notes offered hereby will be denominated in U.S. dollars. This will expose us to the risk of currency fluctuation to the extent that we do not hedge against such risk. If the value of the euro relative to the U.S. dollar declines, payments on the Dollar Notes will effectively become more expensive for us, and our results of operations and financial condition could be materially affected. We are evaluating whether to enter into any hedging arrangements with respect to all or a portion of our payment obligations under the Dollar Notes. Even if we do enter into hedging arrangements to manage the risk of certain currency fluctuations in respect of any Dollar Notes, these arrangements may be costly and may not insulate us completely from such exposure.

Risks Relating to Our Business

We may be affected by a further deterioration of economic conditions in Spain.

Our financial results are substantially dependent upon the overall economic conditions in Spain. After a period of economic growth, Spain entered into a recession in the third quarter of 2008. The effects of the global economic downturn were exacerbated by a real estate crisis and pressures from a relatively high fiscal deficit and foreign indebtedness. Against this backdrop, Spain's GDP declined by 3.1% in 2009 and unemployment reached 20.7% in October 2010, both according to Eurostat. Spain's public debt was downgraded by rating agencies and has been recently downgraded. An extended recession, or public perceptions of declining economic conditions, could substantially decrease the demand for our services and adversely affect our business. During periods with deteriorating economic conditions and high unemployment, consumers have less discretionary spending to purchase services, including telecommunications services. For example, as a result of the economic downturn, in 2008-2009 we experienced decreased demand for our services and our revenues declined from €1,616 million in 2007 to €1,512 million in 2009. During the same period, our residential cable customer numbers declined by 34,000. While the impact of a continued economic slowdown or recession on our business is uncertain, it could result in declines in revenue without a corresponding decrease in expenses and adversely affect our results of operations and financial condition. For additional information regarding our historical financial performance, please also see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco—Results of Operations for the Years Ended December 31, 2009, 2008, and 2007*".

We may not generate sufficient cash flow to fund our operations or capital expenditures.

The operation, maintenance and upgrade of our network, as well as the costs of sales and marketing of our products and services, require substantial upfront financing. We have major capital resource requirements relating to, among other things, the following:

- Developing and deploying new products and services, such as next generation TV;
- Implementing new technologies;
- Maintaining the quality of our network;
- Consolidating our brand in the market;
- Increasing the loyalty of our customer base; and
- Continuously improving our processes and procedures through the implementation of systems and technologies.

Our ability to fund our ongoing operations depends on our ability to generate cash. Our ability to generate cash depends on many factors. For a discussion of these factors see "*—Risks Relating to our Financial Profile*". In addition, our liquidity and capital resource requirements may increase if we expand into additional areas of operation or if we make future acquisitions. We may not generate sufficient cash flow or have access to sufficient funding to meet these requirements. If we fail to meet these requirements, our operations could be significantly adversely affected and future growth could be significantly curtailed.

The Spanish fixed and mobile residential broadband internet, television and telephony markets as well as the business telecommunications market are highly competitive and may become more competitive in the future, which could result in lower prices for our products and the loss of current and potential subscribers, which would result in reduced revenues and could materially adversely affect our profitability.

We face significant competition from established and new competitors that provide fixed and mobile residential broadband internet, television and telephony services as well as business telecommunications services in Spain. We also face

potential competition from new entrants. In some instances, we compete against companies with fewer regulatory burdens, larger financial resources, more comprehensive products and services, greater personnel resources, wider geographical coverage, greater brand name recognition and more established relationships with regulatory authorities and customers.

Broadband Internet: Telefónica (operating under the Movistar brand) is our principal competitor with respect to broadband internet services. Telefónica is the former monopoly provider of most telecommunications services in Spain. Telefónica has, among other competitive advantages, significantly greater financial resources, brand recognition and market presence than we do. In addition to Telefónica, there are various providers of digital subscriber line ("DSL") broadband internet services that offer broadband services using Telefónica's network on a bundled and unbundled basis, such as Orange, Vodafone and Jazztel. We may also face increased competition from internet offerings by the mobile service providers as this service is becoming more popular.

Television: Our cable television services compete against Spain's free digital terrestrial television nationwide, regional and local channels. In addition, in the pay television market, we compete against Sogecable's satellite platform, Digital+. Digital+ has greater market presence than we do, and has exclusive access to certain premium television content. In addition to established competitors such as Sogecable, we experience competition from providers utilizing new technologies such as "Imagenio," Telefónica's commercial pay television service which uses DSL technology that includes VoD services. Other DSL operators, such as Orange, have also launched pay television over DSL technology. In addition, mobile operators offering pay television services and the pay digital terrestrial television may also represent a threat to our business.

Telephony: In the telephony market, our principal competitor is Telefónica (operating under the Movistar brand). We also compete with other operators such as Orange, Vodafone and Jazztel that provide their customers with ULL services through Telefónica's local loop. In addition, we compete with four mobile telephony infrastructure-based operators: Telefónica, Vodafone, Orange and Yoigo that may threaten the competitive position of our networks, particularly if charges for calls on mobile networks continue to decrease. We also face a threat from the Mobile Virtual Network Operators ("MVNO").

Bundled Residential Services: We also compete with the various competitors mentioned above, including Telefónica, whose double- and triple-play bundled services compete with our bundled service offering. Bundled service offerings are increasingly competitive and important to attracting and retaining customers.

Business Services: Telefónica and its affiliates are our principal competitors in providing business telecommunications services, followed by Vodafone, BT, COLT and Orange, among others. We also compete with other operators including wireless local loop operators.

Competition from the companies identified above, as well as from new entrants and new technologies (including but not limited to internet-based telephony) could create downward pressure on prices across all our business lines, resulting in a decrease in our residential and business ARPUs, a loss of customers and a decrease in our revenues and profitability. In addition, technological developments are increasing cross-competition in certain markets, such as that between mobile and fixed-line telephony. Our success in the marketplace is affected by the actions of our competitors. In particular, our business may be adversely affected if our competitors:

- Offer lower prices, more attractive bundled services or higher quality services, features or content;
- More rapidly develop and deploy new or improved products and services; or
- More rapidly enhance their networks.

To compete effectively, we need to successfully design and market our services, and anticipate and respond to various competitive factors affecting all our markets, such as the introduction of new products and services by our competitors, pricing strategies adopted by our competitors (including aggressive long-term promotions that we may be unable to match), changes in consumer preferences and general economic and social conditions. If we are unable to compete effectively with our competitors or effectively anticipate or respond to consumer sentiment, we could lose existing and potential customers, which could result in reduced operating margins and our results of operations could fall substantially short of our current expectations.

Our growth prospects depend on demand for broadband Internet, pay television, telephony services and business telecommunications services as well as economic developments in Spain.

The use of telecommunications products in Spain has increased sharply in recent years. We have benefited from this development and our future growth and profitability depend, in part, on demand for these services in Spain in the coming years. If demand for triple-play products in general does not increase as expected, this could have a material adverse effect on our business, financial condition and results of operations.

Moreover, we operate exclusively in the Spanish market and our success is therefore closely tied to general economic developments in Spain and cannot be offset by developments in other markets. Negative developments in, or the general weakness of, the Spanish economy, in particular the increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers and businesses, both in terms of the products they subscribe for and usage levels.

Because we derive a substantial portion of our revenue from residential customers, who may be impacted by these conditions, it may be (i) more difficult to attract and retain new and existing subscribers, (ii) more likely that certain of our customers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. In addition, we can provide no assurances that a further deterioration of the economy will not lead to a higher number of non-paying customers or generally result in service disconnections.

Therefore, a weak economy and negative economic development may jeopardize our development and may have a material adverse effect on our business, financial condition and results of operations.

Demand in future periods is difficult to predict. If demand is lower than anticipated, we may not realize the expected benefits of providing enhanced services to the Spanish marketplace. Alternatively, if demand is greater than expected, we may not be able to keep up with it and lose market share.

Bundling broadband internet, cable television and telephony services is an important part of our strategy. Moreover, if one of our bundled offerings no longer appeals to our customers, they may discontinue using our bundled or stand-alone services altogether. In addition, the broadband internet, television and telephony markets are very competitive and any of our new, enhanced or planned products or services, including broadband internet with speeds of up to 100 Mbps and next generation TV, may fail to achieve market acceptance and the new or enhanced products or services introduced by our competitors may be more appealing to customers.

Furthermore, in connection with the roll out of broadband internet access enhancements, we rely on third-party subcontractors. Similarly, we rely on suppliers for our cable television services, including for our future next generation TV platform. We have contracted with TiVo to be the exclusive software supplier and with Cisco to be the exclusive set-top box supplier. Customer demand for our product offerings depends on customer satisfaction with the services provided by our subcontractors and suppliers over which we may have limited control.

If we fail to introduce new or enhanced products and services successfully, our revenues and margins could be lower than expected.

Part of our business strategy is based on the introduction of new or enhanced products and services. Any of the new or enhanced products or services we introduce may fail to achieve market acceptance or products or services introduced by our competitors may be more appealing to customers. If our new product or service offerings are not successful, our subscribers may decide to discontinue using our services and choose other distribution platforms.

Our strategy includes the nationwide roll-out of high broadband internet speeds (using Docsis 3.0) and the introduction of next generation TV and we cannot guarantee that these new services, or any other new products that we may develop in the future, will perform as expected when first introduced in the market. Should these or other new products and services fail to perform as expected or should they fail to gain market acceptance, our results of operations may be negatively affected.

Failure to control customer churn may adversely affect our financial performance.

The successful implementation of our business plan depends on our ability to control customer churn. Customer churn is a measure of customers who stop using our services. Customer churn could increase as a result of:

- Dissatisfaction with the quality of our customer service, including billing errors;
- Customers moving to areas where we cannot offer services;
- Interruptions to the delivery of services to customers over our network and poor fault management; and
- The availability of competing services, some of which may, from time to time, be less expensive or technologically superior to those offered by us or offer content or features that we do not offer.

Our inability to further decrease churn or an increase in churn as a result of any of these factors can lead to a reduction in revenue.

Any negative impact on the reputation of and value associated with our brand could adversely affect our business.

The "ONO" brand is an important asset of our business. Maintaining the reputation of and value associated with this brand is central to the success of our business, but our business strategy and its execution may not accomplish this objective.

Our reputation may be harmed if we encounter difficulties in the provision of new or existing services, whether due to technical faults, lack of necessary equipment, changes to our traditional product offerings, financial difficulties, disagreements among shareholders or otherwise.

The sectors in which we compete are subject to rapid and significant changes in technology and the results of technological changes are difficult to predict, and could potentially have a material adverse effect on our ability to provide competitive services.

The fixed and mobile broadband internet, television, telephony and business telecommunications markets are characterized by rapid and significant changes in technology. The effect of future technological changes on our business cannot be predicted. It is possible that products or other technological breakthroughs, such as VoIP (over fixed and mobile technologies), mobile instant messaging, wireless fidelity, or WiFi, WiMax (i.e., the extension of local WiFi networks across greater distances) or internet protocol television, may result in our core offerings becoming less competitive and render our existing products and services obsolete. There is no guarantee that we will successfully anticipate the demands of the marketplace with regard to new technologies. This failure could affect our ability to attract and retain customers and generate revenue growth, which in turn could have a material adverse effect on our financial condition and results of operations. Conversely, we may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service that we introduce fails to achieve market acceptance, our revenues, margins and cash flows may be adversely affected, and as a result we may not recover any investment made to deploy such new technology.

Our future success depends on our ability to anticipate and adapt in a timely manner to technological changes. This may require us to invest in new technologies in order to compete effectively with our competitors. However, there is no guarantee that we will be able to fund the capital expenditures for such technological developments through operating cash flow. If our cash flows from operations are insufficient, we will have to seek additional financing to fund our capital expenditures. Given our current substantial debt and the restrictions on our ability to raise additional capital, we may not be able to obtain the funding or other resources required to adopt and deploy such new technology in a timely manner.

We depend on others to provide premium programming for our cable television service.

Our ability to compete in the television market is, in part, dependent on our ability to obtain attractive programming at reasonable prices. However, a relatively small number of companies, produce and control access to programming. If we are unable to purchase content at commercially reasonable prices or at all, our ability to retain and grow our customer base could be adversely affected.

Sogecable, through its satellite TV platform branded Digital+, controls a very significant portion of the Spanish pay television market, especially for movies through agreements with major Hollywood studios. This significant market power may provide Sogecable with competitive advantages over our pay television operations, such as the ability to extend its range of preferential or exclusive agreements with providers of content, exert increased pricing power with respect to suppliers and the ability to eventually benefit from cross marketing with Telefónica (a significant shareholder in Sogecable). As such, Sogecable may prevent us from accessing certain programming or force us to pay substantial amounts to access programming for our subscribers. Likewise, Mediapro owns all of the football rights of the Spanish football league and our ability to provide attractive football content, which is increasingly important in our industry to retain and attract customers, depends on our capacity to pay for those services as and when they are available to us since we do not currently produce our own content. Moreover, the cost of acquiring football programming has risen significantly in recent years and may continue to rise. For additional information regarding our access to content, see "*Business—Our Products and Services*".

Our business depends on equipment and service suppliers who may fail to provide necessary equipment and services on a timely basis, discontinue their products or seek to charge us prices that are not competitive, any of which could adversely affect our business or profitability.

We depend upon a small number of major suppliers, including Alcatel, Ericsson, Cisco, Tivo, Motorola and Huawei, among others, for essential products and services relating, among other things, to our network infrastructure. These suppliers may, among other things, extend delivery times, supply unreliable equipment, raise prices and limit or discontinue supply due to their own shortages, business requirements or otherwise.

In most cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to rapidly change such relationships if a current supplier is unable or unwilling to offer us reasonable prices or ceases to produce equipment or provide the services we require.

If our suppliers are unable or unwilling to deliver products and services on a timely basis and at reasonable prices or their products are found to be faulty, our ability to provide products and services to our customers at competitive prices might be adversely affected, which could negatively impact our growth, financial condition and results of operations.

In 2010, we entered into an agreement with Huawei, a leading provider of telecommunication equipment, to outsource our voice network. This agreement includes engineering, planning and quality management and we believe that it

will allow us to update our voice network and increase the quality of our services while reducing operating expenses. Our business operations and revenues could be adversely affected if Huawei does not fulfill its obligations to us or if we experience difficulties implementing our agreement with Huawei.

We currently depend on Motorola's technology for the operation of our conditional access system which we use to transmit encrypted digital programs. In connection therewith, we entered into an agreement with Motorola under which Motorola agreed to sell and install parts of the conditional access system (including hardware equipment such as set-top boxes), to grant licenses for the respective intellectual property rights for the conditional access system, and to provide maintenance, support and security services.

In 2010, we entered into an exclusive agreement with U.S. digital video company TiVo in order to offer next generation TV services in Spain, providing a seamless convergence between internet and traditional television content. As part of this strategy, we have committed to using Cisco set-top boxes. Our television operations going forward are therefore dependent on TiVo's know-how and software and Cisco's hardware. We are in a transition period where we are phasing out the use of Motorola's software and hardware and commencing the introduction of Cisco's hardware and Tivo's software.

Our business operations and revenues could be adversely affected if (i) Motorola no longer maintains our conditional access system during the transition period and if we are not able to replace the existing conditional access system with the system required for next generation TV at a reasonable cost; (ii) the Motorola or Cisco conditional access system is compromised by illegal piracy and access of non-subscribers to the system; and/or (iii) the Motorola or Cisco conditional access system is incompatible with future broadband cable technologies or products we intend to use. Furthermore, our business operations and revenues could be adversely affected if Tivo and Cisco (either directly or through their subcontractors) do not fulfill their obligations to us or if we experience difficulties implementing our agreements with them into our product portfolio. In addition, we received our last shipment of Motorola set top boxes in 2010 and Motorola has ceased production of these boxes. Going forward, we will have to rely on existing stock and refurbished units until the new Cisco set-top boxes are available. If we experience delays in the introduction of the TiVo/Cisco platform, we may be unable to meet client demand for set-top boxes which could adversely affect our operations and revenues.

We rely on Telefónica's network to carry the traffic relating to our mobile telephony and broadband internet services.

We rely on our agreement with Telefónica for voice, data and other telecommunications services we provide to our mobile customers. Our current agreement expires in 2013 and will have to be renegotiated. If the agreement with Telefónica is not renewed or terminated, if Telefónica fails to deploy and maintain its network, or if Telefónica fails to provide the services as required under the terms of our agreement and we are unable to find a replacement network operator on a timely and commercial basis (or at all) we could be prevented from carrying on our mobile business altogether, or on less favorable terms or with less desirable services. Additionally, any migration of all or some of our customer base to a new operator would be in part dependent on Telefónica and could entail technical and commercial risks. Telefónica is also a commercial counterparty in interconnection with us. Any disagreements with Telefónica may affect our commercial relationship with it.

Unanticipated network interruptions and events beyond our control may adversely affect our ability to deliver our products and services.

Our business is dependent on the continued and uninterrupted performance of our network. System, network, hardware and software failures have occurred before and could occur in the future and affect the quality of, or cause an unexpected interruption in our service. These failures could result in costly repairs and affect customer satisfaction, thereby reducing our customer base and revenues and damaging our brand image.

Moreover, if any part of our network or system infrastructure is affected by flood, fire or other natural disaster, computer virus, terrorism, power loss or other unforeseen events, our operations and customer relations could be materially adversely affected. Our disaster recovery, security and service continuity and protection measures may not be sufficient to prevent loss of data or prolonged network downtime.

In addition, our business is dependent on certain sophisticated critical systems, including our switches and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if damage were to occur to any of these locations or if those systems develop other problems, there could be a material adverse effect on our business. For example, we depend on our customer billing system, to enable us to conduct our business and interact with our customers. Any significant delays or interruptions in providing services could negatively impact our reputation as an efficient and reliable telecommunications provider and consequently impair our ability to obtain and retain customers.

We depend on the ability to attract and retain key personnel without whom we may not be able to manage our business effectively.

Our operations are currently managed by a number of key executives and employees. The loss of any key employee could significantly impede our financial plans, product development, network completion, marketing and other plans, which could affect our ability to comply with our financing arrangements. In addition, competition for qualified executives in the

telecommunications industry is intense. Our growth and success in implementing our business plans largely depends on our continued ability to attract and retain experienced senior executives as well as highly skilled employees. We cannot assure you that we will be successful in hiring and retaining such qualified personnel. If any of our senior executives or other key personnel ceases their employment with us, our business, results of operations, financial position and prospects could be harmed.

We may experience employee or labor relations problems.

Many of our employees are members of unions. Although we believe that our relations with our employees have generally been satisfactory, we have on occasion had disputes with our unions and employees, particularly in connection with headcount reductions. Our inability to negotiate acceptable contracts with our unions upon expiration of an existing contract could result in strikes or work stoppages by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or other work stoppage, or other employees were to become unionized, we could experience a significant disruption in operations or higher labor costs, which could have a material adverse effect on our business.

Our business may be adversely affected if we fail to carry out continuous maintenance and improvement of our network, systems and operations.

We must continuously maintain and improve our networks in a timely and cost-effective manner in order to sustain and expand our customer base, service offerings and quality of service, enhance our operating and financial performance and satisfy regulatory requirements. The maintenance and improvement of our existing networks depends on our ability to:

- Enhance the functionality of our network in order to offer increasingly customized services to our customers;
- Upgrade our existing network and systems with new technology such as our new Docsis 3.0, Huawei and next generation TV service platforms;
- Expand the capacity of our networks to cope with increased bandwidth usage;
- Expand and maintain customer service, network management and administrative systems;
- Modify network infrastructure for new products and services; and
- Finance our maintenance costs and network upgrades (including those relating to Docsis 3.0).

If we fail to maintain and improve our network, our services may be less attractive to existing and potential customers and we may lose customers to competitors who are able to provide higher quality services than we are. This could impact our financial condition and make it more difficult for us to fund our operations and meet our substantial debt obligations.

We require information technology enhancements in order to continue providing a high quality customer service. Failure to implement such enhancements may result in reduced quality of customer service, leading to an increase in customer churn, which may in turn result in decreases in revenue, otherwise impact on our financial condition and make it more difficult for us to fund our operations and meet our substantial debt obligations.

Telefónica, the incumbent telecommunications operator, has the ability to set standards and precedents in this market which may adversely affect our business.

Telefónica, the incumbent telecommunications operator in the Spanish market and one of our main competitors, has the ability to set standards and precedents in this market which may adversely affect our business. In addition to its significant market presence and power in the Spanish broadband internet and telephony markets. Telefónica also has a significant market share in the Spanish pay television market. Telefónica's relationship with existing and potential customers and suppliers may impact our ability to negotiate contracts with them on terms commercially favorable to us or at all. Suppliers may insist on terms and conditions secured in negotiations with Telefónica that are favorable to the supplier and Telefónica but detrimental to us. In addition, Telefónica may use its substantial capital resources and dominant market presence to reduce prices charged to customers in order to meet its particular objectives. There can be no assurance that their actions will not adversely affect us.

We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.

While we attempt to offset increases in operating costs through a variety of measures focused on increasing revenues, there is no assurance that we will be able to do so. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and net profit.

We are also impacted by inflationary increases in salaries, wages, benefits and other administrative costs. In addition, a number of our contracts are indexed to the consumer price index ("CPI"). Increases in the CPI could significantly impact our payment obligations with respect to our suppliers.

Our capital expenditures may not generate a positive return.

The broadband internet, television and telephony markets in which we operate are capital intensive. Significant capital expenditures are required to attract and retain customers to our networks, including expenditures for equipment and installation costs and the implementation of new technologies such as Docsis 3.0 and next generation TV. No assurance can be given that our future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed.

We operate in a highly regulated market as a result of which we may be required to make additional expenditures or limit our revenues.

We operate in a highly regulated market subject to the supervision of various regulatory bodies, including local, regional, national and European Union authorities. Changes in these regulations may increase our administrative and operational expenses or limit our revenues. We are subject to, among other things:

- Rules governing the interconnection between different networks and the interconnection rates that we can charge and pay for fixed and mobile line connections;
- Regulations relating to accessing Telefónica´s network for offering ULL and indirect access services and regulations relating to accessing mobile network operators for the provision of mobile line services to end-customers;
- Rules for authorization of renewals and transfers;
- Regulation on universal service obligations including recent developments on the National Universal Service Fund and contributions to it with respect to previous year. (See "*Regulation—Regulatory Environment*");
- Regulations relating to customer privacy and data protection and other consumer rights;
- Regulations on intelligent network services;
- Taxes such as the new RTVE Financing Law and regulations requiring us to invest in content;
- Other requirements covering a variety of operational areas such as land use and environmental protection, technical standards and subscriber service requirements and legal interception obligations;
- Significant market power regulations and other restrictions relating to competition;
- Changes in Telefónica's regulatory rate (in light of which we determine the rate for our wholesale services);
- Regulations on television and other audiovisual communication services;
- Regulations relating to accessing content in the audiovisual market; and
- Other regulations.

One of our regulators, the Telecommunications Market Commission (Comisión del Mercado de Telecomunicaciones, "CMT"), is required under current regulations to define the retail and wholesale telecommunications markets in Spain that are not competitive. The CMT has concluded all market reviews and adopted a substantial number of decisions whereby, in compliance with the EU Network Regulation Framework and the General Law on Telecommunications, it has defined relevant markets, identified operators with significant market power and, consequently, imposed certain regulatory obligations both on the traditional fixed telecommunications incumbent (Telefónica) and other operators, such as mobile and cable companies. For more information, see "*Regulation*".

Changes in applicable law, regulations, governing policy, or the interpretation and application of existing laws or regulations, including recent developments on universal service (see "*Regulation*"), could adversely affect our business, financial condition and ability to introduce new products and services. Our business could be materially adversely affected by any changes in relevant laws or regulations or their interpretation regarding, for example, authorization requirements, access and price regulation, interconnection arrangements, the imposition of universal service obligations or any change in policy allowing more favorable conditions for our competitors. Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws and regulations or policies would apply to such products or services.

Many of our suppliers, particularly content providers and suppliers of equipment and services, are also subject to extensive regulation, which could adversely impact their ability to satisfy their obligations to us and thereby indirectly expose us to additional risk.

Risks Relating to the Notes

The Subsidiary Guarantees are subordinated to all of our existing and future senior debt and limit the ability of holders of the Notes to enforce their rights under the Subsidiary Guarantees.

The Notes will be senior obligations of ONO Finance II and will be guaranteed on a senior basis by ONOMidco and on a senior subordinated basis by all existing Material Subsidiaries (as such term is defined in the Indenture). As of the Issue Date, Cableuropa is expected to be the only Subsidiary Guarantor. As of September 30, 2010, on a pro forma basis to reflect the October 2010 Refinancing, the issuance of the Notes offered hereby and the use of proceeds therefrom as described under "*Use of Proceeds*", the Subsidiary Guarantees would have been subordinated to approximately €3.3 billion in senior debt (in nominal value). Our lenders could also require us to apply all available cash to repay borrowings under the facilities or prevent us from making debt service payments on the Notes Proceeds Loans, either of which would be an event of default under the Notes. Under any of these circumstances we cannot assure you that our assets would be sufficient to repay such debt in full.

Payment of all obligations under the Notes Proceeds Loans and the Subsidiary Guarantees will be subordinated in right of payment to the payment, when due, of all existing and future senior debt of the Subsidiary Guarantors. The Notes Proceeds Loans and the Subsidiary Guarantees will also be effectively subordinated to any secured debt of Cableuropa, to the extent of the value of the assets securing such debt. In addition, the ability to take enforcement action against Cableuropa or any of the other Subsidiary Guarantors under the Subsidiary Guarantees is subject to significant restrictions imposed by the Indenture and the Intercreditor Agreement. As a result,

- enforcement action with respect to a Subsidiary Guarantee may only occur with the prior written consent of the majority of the Senior Creditors (as defined in the Intercreditor Agreement) unless: (i) certain insolvency or reorganization events have occurred in relation to the relevant Subsidiary Guarantor (subject to certain legal restrictions), (ii) the Senior Creditors have taken certain steps to enforce their rights with respect to such Subsidiary Guarantor, or (iii) an event of default (other than solely pursuant to a cross default) has occurred and is continuing, the subordinated creditors have notified the agent under the Senior Facility of such default, and after the end of a 179-day enforcement standstill period, such default is continuing;

- all payments on the Subsidiary Guarantee of a Subsidiary Guarantor will be blocked following a payment default under certain of our senior debt, until such payment default is remedied and will be blocked for 179 days following certain non-payment defaults with respect to such senior debt; and

- the Subsidiary Guarantees will be automatically and unconditionally released in the event that all of the capital stock of the relevant Subsidiary Guarantor or all or substantially all of its assets are sold pursuant to an enforcement by the senior lenders under the Senior Facility.

For more information, see "*Description of Other Indebtedness—Intercreditor Agreement*", "*Description of the Notes—Subordination Pursuant to the Intercreditor Agreement and the Indenture*", and the Intercreditor Agreement attached to this offering memorandum as Exhibit A.

As a result of the foregoing, in the event of a bankruptcy, reorganization, insolvency or other proceedings relating to a Subsidiary Guarantor, holders of senior debt and other creditors (including trade creditors) of such guarantor may recover more ratably than the holders of the Notes.

ONO Finance II is a special purpose financing entity with no operations of its own and is dependent upon payments under the Notes Proceeds Loans to meet its obligations under the Notes.

ONO Finance II, the issuer of the Notes, is a special purpose vehicle with no business or revenue generating operations other than the issuance of debt securities and the lending of the proceeds of such offerings to Cableuropa. In addition, the Indenture will restrict ONO Finance II's ability to engage in such actions in the future. Therefore, ONO Finance II's ability to make principal and interest payments on the Notes is dependent directly on repayments to ONO Finance II of the Notes Proceeds Loans by Cableuropa. Our ability to make payments on the Notes Proceeds Loans will depend on a number of factors, some of which may be beyond our control. See "*—Risks Relating to Our Business.*" If we fail to make scheduled payments under the Notes Proceeds Loans or the guarantees, ONO Finance II will not have any other source of funds to meet its payment obligations under the Notes. In such circumstances, holders of the Notes would have to rely on claims for payment under the guarantees, and payment under the guarantees are subject to the risks described above under "*—The subsidiary guarantees are subordinated to all of our existing and future senior debt and are subject to limitations on the ability of Note holders to enforce their rights under the subsidiary guarantees.*"

The Issuer's and certain holders' rights to receive payments in respect of the Notes Proceeds Loans, the Notes and the guarantees, respectively, may be subordinated by law to our obligations to other creditors.

In addition to subordination under the Intercreditor Agreement and the Indenture, under Spanish insolvency law, if the Issuer is determined to be a related party to us, the Notes Proceeds Loans could be subordinated in an insolvency

proceeding to the preferred and ordinary indebtedness, as well as certain subordinated indebtedness (such as contractually subordinated debt or payments of interest over ordinary credits) of Cableuropa. In the event the Notes Proceeds Loans were subordinated in an insolvency proceeding, the Issuer would not receive payments in respect of the Notes Proceeds Loans until all preferred and ordinary indebtedness and such subordinated indebtedness of Cableuropa were paid in full and, thus, the Issuer likely would not have sufficient funds to pay its obligations in respect of the Notes. See "*Irish, Spanish and other local insolvency laws may not be as favorable to you as those of another jurisdiction with which you may be familiar.*"

In addition, under Spanish Law, a creditor's rights will be subordinated in an insolvency proceeding to all preferred and ordinary indebtedness, as well as certain subordinated indebtedness of a debtor if such creditor is determined to be a "specially related" party of such debtor. A creditor may be deemed a "specially related" party when: (i) such creditor holds more than 10% of the share capital of the debtor (if the debtor has not issued securities listed on an official secondary market); (ii) such creditor holds more than 5% of the share capital of the debtor (if the debtor has issued securities listed on an official secondary market); or (iii) the creditor and the debtor are under common control. In addition, a creditor will be deemed a "specially related" party if such creditor has acquired its credit rights from a "specially related" party within two years prior to the declaration of insolvency of the relevant debtor. While we do not believe that any of the Initial Purchasers are specially related parties in relation to us or the Issuer, as of the date of this offering memorandum, funds managed by affiliates of J.P. Morgan Securities Ltd., an Initial Purchaser in this offering, collectively own approximately 15% of the equity of GCO. If J.P. Morgan Securities Ltd., or another Initial Purchaser, was determined to be a "specially related" party in relation to us or the Issuer, then each holder of Notes that acquired Notes from such Initial Purchaser could be deemed a "specially related party" if insolvency is declared within two years of acquisition of the Notes from such Initial Purchaser. If this occurred, the rights of such holder of Notes under the Notes or the relevant guarantee, as applicable, would be subordinated to our and the Issuer's preferred and ordinary indebtedness, as well as certain of our subordinated indebtedness.

Enforcing your rights under the Notes or the guarantees across multiple jurisdictions may prove difficult.

The Notes will be issued by ONO Finance II, which is incorporated under the laws of Ireland, and the Notes will be guaranteed by the guarantors, each of which is incorporated under the laws of the Spain. In addition, the Notes and the Indenture are governed by the laws of the State of New York.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Ireland, Spain, the United States or another jurisdiction. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes and the guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of Ireland, Spain, the United States or such other jurisdiction may be materially different from, or be in conflict with, each other and those with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes and the guarantees in the relevant jurisdictions or limit any amounts that you may receive.

Furthermore, although we believe that the guarantees are enforceable, there can be no assurance that a third-party creditor would not challenge these guarantees of the Notes and prevail in court.

Irish, Spanish and other local insolvency laws may not be as favorable to you as those of another jurisdiction with which you may be familiar.

Since the Issuer is incorporated, has its registered office and conducts the administration of its business in Ireland, any insolvency proceedings against the Issuer are likely to be commenced in Ireland and based on Irish insolvency laws (although Spanish insolvency law cannot be ruled out). As we and our subsidiaries are organized under the laws of Spain, any insolvency proceedings against such companies are likely to be based on Spanish insolvency laws. New York law governs the Indenture, the Notes and the Notes Proceeds Loans. The Intercreditor Agreement is governed by the laws of Spain. In insolvency proceedings in the applicable jurisdiction, however, it is unclear which law would be applied to the Notes and the Notes Proceeds Loans or what the outcome of such claims would be. The following is a brief description of certain aspects of insolvency laws in Ireland, Spain and the United States.

Irish law

Preferred Creditors

Under Irish law, the claims of a limited category of preferential creditors will take priority over the claims of unsecured creditors and holders of floating security in the event of the appointment of a liquidator or a receiver to an Irish company such as the Issuer. These preferred claims include taxes, such as income tax and corporation tax payable before the date of appointment of the liquidator or receiver and arrears of value added tax, together with accrued interest thereon and claims of employees.

In addition, there is a further limited category of super preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super preferential claims include the remuneration, costs and expenses properly incurred by an examiner appointed to a company whose claims have been approved by the Irish courts and any capital gain tax payable on the disposition of an asset of the company by a liquidator, receiver or mortgagee in possession.

In addition, there is a further limited category of super preferential creditors which take priority, not only over unsecured creditors and holders of floating security, but also over holders of fixed security. These super preferential claims include the remuneration, costs and expenses properly incurred by an examiner appointed to a company whose claims have been approved by the Irish courts and any capital gain tax payable on the disposition of an asset of the company by a liquidator, receiver or mortgagee in possession.

Examination

Examination laws in Ireland may affect your ability to enforce the terms of the Notes and the guarantees of the Notes. Examination is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the "1990 Act") to facilitate the survival of Irish companies in financial difficulties.

The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets which are the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realized and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the High Court when at least one class of creditors has voted in favor of the proposals and the High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured (if any) and unsecured creditors would form separate classes of creditors. The Agent should be entitled to argue at the High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the holders of the Notes, especially if such proposals included a writing down to the value of amounts due by the Issuer to the holders of the Notes.

The primary risks to the holders of the Notes if any examiner were to be appointed with respect to the Issuer are as follows:

1. the potential for a scheme of arrangement being approved involving the writing down of the debt due by the Issuer to the holders of the Notes;

2. the potential for the examiner to seek to set aside any negative pledge in the Notes or the Indenture prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and

3. in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the amounts secured or unsecured owing to the holders of the Notes.

Fraudulent Preference

In Irish insolvency proceedings, any payment made under the Notes may be held to be invalid if the payment was intended to give the relevant creditor a preference over other creditors and at the time of payment the Issuer was unable to pay its debts as they become due. A payment will only be held invalid in the context of insolvency proceedings in these circumstances if:

- proceedings to wind up the entity making the payment are commenced within six months after the date the payment was made; and

- at the time payment was made and at the time the winding-up proceedings were commenced, the entity making the payment was unable to pay its debts, taking into account its contingent and prospective liabilities.

A payment, however, should not be held to be invalid as a preference if at the time it was made, the company was able to pay its debts as they fall due, and the payment was made in good faith and for valuable consideration.

Spanish law

The Spanish insolvency (Law 22/2003) was published on July 10, 2003 and entered into force on September 1, 2004. The new law regulates court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

The insolvency proceedings, which are called "*concurso de acreedores*," are applicable to all persons or entities. These proceedings may lead either to the restructuring of the business or to the liquidation of the assets of the debtor.

- A debtor (and in the case of a company, its directors) is required to apply for insolvency proceedings when it is not able to meet its current obligations. The debtor is also entitled to apply for such insolvency proceedings when it expects that it will shortly be unable to do so. Insolvency proceedings are available as a type of legal protection that the debtor may request in order to avoid the attachment of its assets by its creditors.

- The insolvency order contains an express request for the creditors to declare debts owed to them, within a one-month period, providing original documentation to justify such credits. Based on the documentation provided by the creditors and that held by the debtor, the court receivers draw up a list of acknowledged creditors and classify them according to the categories established under law: (i) debts benefiting from special privileges, (ii) debts benefiting from general privileges, (iii) ordinary debts and (iv) subordinated debts.

- Debts benefiting from special privileges, representing attachments on certain assets (basically in rem security). These privileges may entail separate proceedings, though subject to certain restrictions derived from a waiting period that may last up to one year. Privileged creditors are not subject to the arrangement, except if they give their express support by voting in favor of the arrangement. In the event of liquidation, they shall be the first to collect payment against the attached assets.

- Debts benefiting from general privileges, including among others labor debts and those with public administrations. Debts with public administrations corresponding to tax debts and social security obligations are recognized as privileged for half their amount, and debts held by the creditor applying for the corresponding insolvency proceedings, to the extent such application has been approved, up to a fourth of the amount of such debt. The holders of general privileges are not to be affected by the restructuring if they do not agree to the arrangement and, in the event of liquidation, they are the first to collect payment, in the order established under law.

- Ordinary debts (non-subordinated and non-privileged creditors). They will be paid on a pro-rata basis. Subordinated debts (thus classified by virtue of an agreement or pursuant to law).

- Subordinated debts include, among others, those credits held by parties in special relationships with the debtor: in the case of an individual, his/her relatives; in the case of a legal entity, the administrators, group companies and any shareholders holding more than 5% (for companies which have issued securities listed on an official secondary market) or 10% (for companies which have not issued securities listed in an official secondary market) of the share capital. Subordinated creditors are second level creditors; they may not vote on an arrangement and have very limited chances of collection, according to the ranking established by law.

Notwithstanding the above, claims against the debtor's estate (i.e., certain debts incurred by the debtor following the declaration opening the insolvency proceedings) will be payable when due according to their own terms.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtor and creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorized to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labor or administrative law).

Creditors holding security "in rem," that had been traditionally allowed to enforce their debts against the secured asset notwithstanding the initiation of insolvency proceedings, are also subject to certain restrictions in order to initiate separate enforcement proceedings (or to continue with such proceedings, if they were being carried out), when the secured asset is necessary for the debtor's activities. In summary, enforcement by the creditor is subject to a delay of a maximum of one year.

There is no claw-back date. Therefore, there are no prior transactions that automatically become void as a result of initiation of the insolvency proceedings. The court receivers may only challenge those transactions that could be deemed as having "damaged" the debtor's interests, provided that they have taken place within two years prior to the declaration of insolvency (transactions taking place earlier than two years before insolvency has been declared are subject to the general regime of rescission). Those transactions that are executed in the ordinary course of business, according to the business of the debtor, are not subject to challenge.

"Damage" does not refer to the intention of the parties, but to the consequences of the transaction on the debtor's interests. In any case, the law refers to transactions that are somehow exceptional: damage exists (as a non-rebuttable presumption) in the case of donations and early payment of obligations maturing after the insolvency declaration and damage is deemed to exist (as a rebuttable presumption) in the case of transactions entered into with special related persons and when rights in rem have been created in order to protect already existing (non-secured) obligations; in the remaining cases, damage would have to be justified.

The agreements giving source to the Notes Proceeds Loans or the Notes Guarantees could be challenged only if those transactions were deemed to have caused damage, as explained above.

U.S. and New York law

Under U.S. federal bankruptcy law and New York fraudulent conveyance law, if a court in a lawsuit on behalf of an unpaid creditor, the Issuer, ONOMidco, Cableuropa or any other obligors or a representative of creditors, such as a trustee in bankruptcy, of such company were to find that, at the time such company incurred the debt represented by the relevant obligation,

(1) such company incurred the debt with the intent of hindering, delaying or defrauding existing or future creditors; or

(2)

(a) such company received less than fair consideration or reasonably equivalent value for incurring such debt; and

(b) such company:

- was insolvent or was rendered insolvent by reason of such transactions;
- was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay as they matured,

then the court could avoid or invalidate all or a portion of the relevant obligation to presently existing and future debt of such company, direct that the Issuer or the holders of the Notes, as the case may be, return any amounts paid by such company and take other actions detrimental to you.

Fraudulent transfer statutes may limit your rights as a holder of Notes.

ONO Finance II's obligations under the Notes are guaranteed by ONOMidco on a senior basis and by Cableuropa on a senior subordinated basis and may in the future be guaranteed on a senior subordinated basis by certain other subsidiaries of ONOMidco. The Guarantees may be subject to review under the bankruptcy laws of the relevant jurisdiction in which the guarantors operate, or the laws in which any insolvency proceedings may be held. It is possible that creditors of the guarantors may challenge payments under the Guarantees as a fraudulent transfer or conveyance. Although laws differ among various jurisdictions, in general, if it makes certain findings, a court may be entitled to:

- avoid all or a portion of the guarantors' obligations under the Guarantees;
- subordinate the guarantors' obligations under the guarantees to their other existing and future debt, entitling other creditors to be paid in full before any payment is made under the Guarantees;
- direct that holders of the Notes return any amounts paid under a Guarantee to the relevant guarantor or to a fund for the benefit of its creditors; or
- take other action detrimental to you, including invalidating the Guarantees.

In that event ONO Finance II cannot satisfy its obligations under the Notes, we cannot assure you that you would ever be repaid. In addition, the liability of each guarantor under the Indenture will be limited to the amount that will result in its Guarantee not constituting a fraudulent conveyance or improper corporate distribution and there can be no assurance as to what standard a court would apply in making a determination as to what would be the maximum liability of each guarantor.

Under such bankruptcy and fraudulent transfer laws, in order to take any of those actions, courts will typically need to find that, at the time the Guarantees were issued, the guarantor:

- issued the Guarantee with the intent of hindering, delaying or defrauding current or future creditors; or

- received less than fair consideration or reasonably equivalent value for incurring the debt represented by the Guarantees on the basis that the Guarantees were incurred for ONO Finance II's benefit, and only indirectly for the benefit of the guarantors, or some other basis;
- and was insolvent or was rendered insolvent by reason of the issuance of the Guarantee;
- was engaged, or about to engage, in a business or transaction for which the guarantor's assets were unreasonably small, or intended to incur, or should have believed the guarantor would incur, debts beyond its ability to pay such debts as they mature.

Many of the foregoing terms are defined in or interpreted under those fraudulent transfer statutes.

Different jurisdictions define "insolvency" in various ways. However, a guarantor generally would be considered insolvent at the time it issued the Guarantee if:

- its liabilities exceeded its assets, at a fair valuation;
- it could not pay its debts as they became due;
- the present saleable value of its assets was less than the amount required to pay its total existing debts and liabilities, including the probable liability related to contingent liabilities, as they became absolute or matured; or
- it is under any of the situations mentioned in Article 2 of the Insolvency Law, which include, *inter alia*, the existence of liens for pending enforcement actions affecting the estate of the insolvent debtor in general, the detrimental liquidation of its assets by the insolvent debtor or if the debtor foresees that it will be unable to pay its debts as they come due.

We cannot assure you (1) which standard a court would apply in order to determine whether a guarantor was "insolvent" as of the date the Guarantees were issued; (2) that, regardless of the method of valuation, a court would not determine that a guarantor was insolvent on that date; or (3) that a court would not determine, regardless of whether or not a guarantor was insolvent on the date the Guarantees were issued, that the Guarantees constituted fraudulent transfers on another ground. If a court decided any Guarantee of the Notes was a fraudulent conveyance and voided such Guarantee, or held it unenforceable for any other reason, you would cease to have any claim in respect of such guarantor and would be a creditor solely of the Issuer and the remaining guarantors of the Notes.

The interests of our principal shareholders may be inconsistent with the interests of the holders of the Notes.

A number of private equity investment funds, financial institutions and corporations currently own the equity of our parent company, GCO. See "*Shareholders and Beneficial Owners*". The interests of our shareholders could conflict with interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments (although such transactions might involve risks to holders of Notes). In addition, one or more of our shareholders may come to own businesses that directly compete with ours. Moreover, the large number of our shareholders and possible conflicts of interest may create difficulties in reaching a consensus on important decisions concerning us. This may adversely affect our business by preventing us from reacting swiftly to new opportunities and by impeding an efficient decision-making process for our management.

If we experience a change of control, we may not have enough funds to meet our payment obligations under the Indenture.

Under the terms of the Indenture, upon the occurrence of a change of control of GCO, ONOMidco or Cableuropa or the sale of all or substantially all our assets, the Issuer is required to offer to purchase all its outstanding Notes at a purchase price equal to 101% of the aggregate principal amount thereof, in addition to the accrued and unpaid interest, if any, up to the purchase date. To the extent Notes are tendered as a result of such offer, the Company is entitled to make corresponding payments to the Issuer under the Notes Proceeds Loans. In addition, the Senior Secured Notes Indenture and the Senior Facility also contain change of control provisions and require that a change of control payment thereunder be paid before a change of control payment under the Notes. Accordingly, all or substantially all our indebtedness may become payable upon such change of control. We cannot assure you that in the event of a change of control, we would have sufficient funds to make the required payments under the Notes Proceeds Loans.

An active trading market may not develop for the Notes, in which case your ability to transfer the Notes will be more limited.

We have made an application to list and admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange, but we cannot assure you that the Notes will remain listed. The Notes will be new securities for which there is no established trading market. The Initial Purchasers have advised us that they currently intend to make a market in the

Notes. However, they are not obliged to do so and they may discontinue any market making at any time. Accordingly, an active market for the Notes may not develop. If a market develops, the Notes could trade at prices that are lower than the initial offering price for the Notes. Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes. We cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell the Notes or the price at which holders of the Notes may be able to sell them. The trading price for Notes depends on many factors, including prevailing interest rates, general economic conditions, our performance and financial results, and the markets for similar securities.

The liquidity of, and trading market for, the Notes may also be jeopardized by declines in the market for high yield securities generally. Such a decline may affect any liquidity and trading of the Notes independent of our financial performance and prospects.

Transfers of the Notes will be restricted, which may adversely affect the value of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act, any U.S. state securities laws or under any other country's securities laws. The Issuer has not agreed to or otherwise undertaken to register the Notes, and the Issuer has no intention to do so. You may not offer the Notes in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. For so long as any Initial Purchaser may be deemed to be an affiliate of the Issuer, the Notes will not be eligible for the exemption from registration under the U.S. Securities Act pursuant to Rule 144A thereunder. In addition, because the Issuer is relying on the exemption provided for in Section 3(c)(7) of the U.S. Investment Company Act, Notes may only be sold to and held in the United States by "Qualified Purchasers" as defined in Section 2(a)(51) of the U.S. Investment Company Act. You should read the discussion in "Notice to Investors" for more information about these and other transfer restrictions. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Notice to Investors*".

In addition, the Notes may not be purchased, transferred to or otherwise held by any Plan (as defined in *"ERISA and Other Considerations"*) or any person acting on behalf of any Plan, except in the event that such Plan or person has obtained the written approval of the Issuer to subscribe for and purchase the Notes in the offering directly from the Initial Purchasers. Any Plan that acquires the Notes in accordance with the immediately preceding sentence, and any successor to any such Plan, shall be referred to herein as an "Approved Plan". In the event that a Plan or any person acting on any Plan's behalf purchases, acquires or holds the Notes without meeting these requirements, the purported purchase, transfer or holding will be void and, if such purchase or transfer is not treated as being void for any reason, the Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Notes. These restrictions are described in "*Notice to Investors"* and *"ERISA and Other Considerations."*

Because virtually all the assets of the Issuer, ONOMidco, Cableuropa and their respective directors and officers are located outside of the United States, it may be difficult to complete service of process and enforce in Spain or Ireland any judgment obtained against them in the United States.

The Notes will be issued by the Issuer, which is incorporated under the laws of Ireland. ONOMidco, the Parent Guarantor, Cableuropa, the Subsidiary Guarantor and the borrower under the Notes Proceeds Loans, are organized under the laws of Spain. Most or all of the directors and officers of the Issuer and Cableuropa are non-residents of the United States and virtually all of the assets of the Issuer, ONOMidco and Cableuropa and the assets of their respective directors and officers are located outside the United States. As a result, it may not be possible to effect service of process within the United States on the Issuer, ONOMidco, Cableuropa or their respective directors or officers for any action, including actions arising under the U.S. securities laws, or to enforce judgments of U.S. courts based upon these laws.

In addition, there is doubt as to the enforceability in foreign jurisdictions where most of the directors and officers are located (including Spain) of liabilities predicated solely upon United States federal or state securities laws against the Issuer, ONOMidco, Cableuropa, the directors, controlling persons and management and the experts named in this offering memorandum who are not residents of the United States, in original actions or in actions for enforcements of judgments of United States courts.

Any judgment obtained against ONOMidco or Cableuropa in the United States would be recognized and enforced in accordance with the Law of Civil Procedure by the courts of Spain, unless such judgment contravenes principles of Spanish public policy, if an appropriate order were obtainable. These orders are attainable:

- according to the provisions of any applicable treaty, there being none currently in existence with the United States for these purposes;

- in the absence of any such treaty, if it could be proven that the jurisdictions where the foreign judgment were rendered (in this case, the United States) recognizes Spanish judgments on a reciprocal basis (positive

reciprocity). However, if the U.S. jurisdiction in which the judgment was obtained does not recognize judgments issued by Spanish courts, then, the Spanish courts would not recognize the U.S. judgment in Spain (negative reciprocity); or

- in the absence of any such treaty and in the absence of proof of positive or negative reciprocity, the judgment would be enforced in Spain if it satisfies all the following requirements:
  - the judgment was issued in exercise of an action based on personal relationship;
  - the judgment was not issued in default;
  - the liability claimed is valid under Spanish law; and
  - the notice of the judgment for enforcement complies with all of the requirements of the jurisdiction where the judgment has been issued in order for such notice to be authentic and fulfils all requirements established in Spain for the relevant document to be recognized under Spanish law.

In any proceedings taken in Ireland for the enforcement of New York law governed documents, the choice of the law of the State of New York as the governing law of:

(i) the contractual rights and obligations of the parties under the New York law governed documents should generally be upheld by the Irish Courts unless such rights and obligations are considered to be contrary to public policy, illegal, or made in bad faith; and

(ii) any non-contractual rights and obligations of the parties arising under and pursuant to the New York law governed documents should generally be upheld by the Irish Courts in accordance with and subject to the provisions of Regulation (EC) No. 864/2007 of the European Parliament and the Council dated July 11, 2007 on the Law Applicable to Non-Contractual Obligations (the "Rome II Regulation").

In any proceedings taken in Ireland for the enforcement of a judgment obtained against the Issuer in the United States (a "Foreign Judgment"), the Foreign Judgment should generally be recognized and enforced by the courts of Ireland except when enforcing such Foreign Judgment in Ireland would require an order to be obtained from the Irish courts. Such an order should generally be granted on proper proof of the Foreign Judgment without any re-trial or examination of the merits of the case, subject to the following qualifications:

- that the foreign court had jurisdiction, according to the laws of Ireland;
- that the Foreign Judgment was not obtained by fraud;
- that the Foreign Judgment is not contrary to public policy or natural justice as understood in Irish law;
- that the Foreign Judgment is final and conclusive;
- that the Foreign Judgment is for a definite sum of money; and
- that the procedural rules of the court giving the Foreign Judgment have been observed.

These requirements may make it difficult for you to enforce in Spain or Ireland a judgment obtained against ONOMidco, Cableuropa or the Issuer in the United States. In addition, there is doubt as to the enforceability of certain civil liabilities under U.S. securities laws in original actions in courts in Spain and Ireland. See "*Service of Process and Enforcement of Liabilities*".

If the U.S. Internal Revenue Service were to assert successfully that the Notes do not constitute debt for U.S. federal income tax purposes, the Notes could be treated as equity interests in a passive foreign investment company.

Because ONO Finance II has no meaningful business operations, the U.S. Internal Revenue Service could challenge the characterization of the Notes as debt. If the Notes were recharacterized as equity, a U.S. noteholder could be treated as owning shares in a passive foreign investment company, and certain material adverse tax consequences could result. See "*Taxation—U.S. Taxation—Tax Treatment of the Notes—Characterization of the Notes; Passive Foreign Investment Company Treatment*".

THE ISSUER

The Issuer, ONO Finance II, is an independent, stand-alone special purpose vehicle whose principal objects include the issuance of debt securities and the lending on of the proceeds of such issuances. ONO Finance II has not conducted any business since its inception other than the issuance in 2006 of the €270,000,000 8% Senior Notes due 2014. ONO Finance II has no subsidiaries or significant business other than the issuance of debt securities (and potentially other securities in the future) and is not expected to produce any income except payments received from the ONO Group under the Notes Proceeds Loans or similar arrangements, which represent its only material assets available to meet the claims of the holders of the Notes. Pursuant to the Notes Proceeds Loans, the Issuer's operating and other expenses are payable by the ONO Group.

ONO Finance II was incorporated on January 19, 2006, as a public limited company with limited liability under the laws of Ireland. ONO Finance II's registered office is located at Block C, Second Floor, Maynooth Business Campus, Maynooth, Co. Kildare, Ireland, and is registered as a company with the Registrar of Companies in Ireland with company number 414099. As of December 31, 2009, the authorized share capital is €1,000,000 and the issued share capital of ONO Finance II is 40,000 shares of €1 each divided into 7 ordinary shares of €1 each (fully paid), and 39,993 ordinary shares of €1 each (€0.25 paid up) representing €10,005 paid up share capital.

As of January 14, 2011, there has been no change in ONO Finance II's authorized and issued share capital or in the number of ordinary shares outstanding.

Shareholders of ONO Finance II

Capita Trust Corporate Limited ("Capita"), a professional trust corporation, holds 39,994 shares (or 99.9%) of ONO Finance II, and each of the remaining six shares is held by six separate nominee shareholders for Capita. Capita's principal place of business is 7th Floor, 18 King William Street, London EC4N 7HE, United Kingdom. All of the shares are held in trust for charitable purposes.

Articles of Association and Memorandum of Association of ONO Finance II

ONO Finance II's powers are limited pursuant to its memorandum of association and its articles of association. The powers include, amongst other things, raising of money whether by way of the issuance of listed notes or otherwise, granting security over all or part of its assets, dealing generally in financial assets including, without limitation, making loans to the ONO Group, as well as other activities relating to the issuance of the Notes.

In addition, ONO Finance II will, as part of the issuance of the Notes, enter into various transaction documents including security documents pursuant to which it will, amongst other things, limit its activities to those envisaged by the transaction documents and prohibit the transfer of shares to any party other than Capita, to be held under the terms of the charitable trust.

Management of ONO Finance II

ONO Finance II's board of directors consists of two directors appointed by Capita: Orlagh Doherty and Ralph MacDarby. The business address of the board of directors is Block C, Second Floor, Maynooth Business Campus, Maynooth, Co. Kildare, Ireland. The declaration of trust establishing the charitable trust on which the shares are held gives Capita discretion to apply any residual value held by it for such purposes as it may select, provided they constitute "charitable purposes" under Irish law. The body which controls the day-to-day actions of Capita is its board of directors.

USE OF PROCEEDS

Cableuropa intends to use the gross proceeds of the offering plus available cash to (i) redeem in full the Existing Subordinated Notes and (ii) repay the €10 million Fond-ICO Participative Loan on or before the next available repayment date in May 2011.

On the Issue Date, ONO Finance II will lend the gross proceeds of the offering to Cableuropa. Cableuropa will then use the gross proceeds of the offering and available cash to (i) repay the notes proceeds loans in respect of the Existing Subordinated Notes in order to effect the redemption of the Existing Subordinated Notes; (ii) retain €10 million in cash to repay the €10 million Fond-ICO Participative Loan on or before the next available repayment date in May 2011; and (iii) pay expenses related to the offering estimated at €13 million.

On the Issue Date, ONO Finance I and ONO Finance II will deliver to the relevant trustees of the Existing Subordinated Notes irrevocable notices of redemption specifying a redemption date 30 days thereafter and will deposit with the relevant trustees an amount equal to the outstanding principal amount plus the applicable redemption premium plus accrued interest from November 16 (the day following the most recent interest payment date of the Existing Subordinated Notes) to the date of redemption for the Existing Subordinated Notes. The aggregate redemption premiums on the Existing Subordinated Notes will amount to €12 million and the aggregate accrued interest will amount to €12 million (assuming a redemption date of February 27, 2011). Pursuant to the "Satisfaction and Discharge" provisions of the Existing Subordinated Notes Indentures, the deposit of these funds in escrow with the relevant trustees will fully satisfy and discharge ONO Finance I's, ONO Finance II's, Cableuropa's and ONOMidco's obligations under the Existing Subordinated Notes and the Existing Subordinated Notes Indentures.

CAPITALIZATION OF ONOMIDCO

The following table sets forth as of September 30, 2010 (i) the actual consolidated cash and cash equivalents and capitalization of ONOMidco, which is derived from the Unaudited Interim Financial Statements included elsewhere in this offering memorandum and (ii) such consolidated cash and cash equivalents and capitalization of ONOMidco, as adjusted to give pro forma effect to (a) the October 2010 Refinancing, (b) the issuance of the Notes offered hereby and the use of proceeds thereof and available cash as set forth in "*Use of Proceeds*" (including the redemption of the Existing Subordinated Notes and the repayment of the Fond-ICO Participative Loan) and (c) the capitalization of the shareholder participative loans which will occur prior to the issuance of the Notes as set forth in "*Shareholders and Beneficial Owners—Capitalization Transactions*", in each case as if such transactions had occurred on September 30, 2010. You should read this table together with "*Use of Proceeds,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco,*" "*Description of Other Indebtedness,*" "*Description of the Notes*", "*Shareholders and Beneficial Owners*" and the financial statements of ONOMidco and the notes thereto included in this offering memorandum.

	Actual	As adjusted[1]
	as of September 30, 2010	
	(euro in millions) (unaudited)	
Cash and cash equivalents[2]	**105**	**46**
Senior Facility:	3,232	3,220
Bank Tranches[3]	3,232	2,539
Senior Secured Notes Tranche[4]	—	681
Fond-ICO Participative Loan[5]	10	—
Notes offered hereby[6]	—	448
Existing Subordinated Notes[7]	450	—
Other financial debt[8]	27	27
Total debt	**3,719**	**3,695**
Shareholder participative loans[9]	1,088	—
Common stock and share premium[9]	131	1,219
Total capitalization	**4,938**	**4,914**

(1) As adjusted on a pro forma basis to give effect to (a) the October 2010 Refinancing, (b) the issuance of the Notes offered hereby and the use of proceeds therefrom and available cash as set forth in "*Use of Proceeds*" and (c) the capitalization of the shareholder participative loans which will occur prior to the issuance of the Notes.

(2) Reflects the following estimated changes in cash and cash equivalents: a decrease of €19 million for estimated costs related to the October 2010 Refinancing, a decrease of €12 million related to the redemption premium payable on the Existing Subordinated Notes; a decrease of €15 million for the payment of accrued interest under the Existing Subordinated Notes as of September 30, 2010 (and excluding any interest accruing after September 30, 2010); and a decrease of €13 million for estimated costs related to the issuance of the Notes.

(3) Reflects the repayment of €700 million of Bank Tranches under the Senior Facility from the gross proceeds of the issuance of the Senior Secured Notes (which were on-lent to Cableuropa pursuant to the Senior Secured Notes Tranche), net of €7 million of unamortized costs to be written off in connection with such repayment. As of September 30, 2010, we had €234 million of undrawn availability under the Bank Tranches of the Senior Facility.

(4) Reflects €700 million of gross proceeds from the issuance of the Senior Secured Notes on-lent to Cableuropa pursuant to the Senior Secured Notes Tranche as part of the October 2010 Refinancing, net of €19 million of costs estimated to be incurred in connection with the issuance of the Senior Secured Notes. Such costs are being amortized over the expected life of the Senior Secured Notes Tranche.

(5) Reflects the intended repayment of the €10 million Fond-ICO Participative Loan as described under *"Use of Proceeds"*.

(6) Reflects €461 million equivalent of gross proceeds from the issuance of the Notes offered hereby which will be on-lent to Cableuropa under the Notes Proceeds Loans, net of €13 million of costs estimated to be incurred in connection with the issuance of the Notes. Such costs will be amortized over the expected life of the Notes Proceeds Loans.

(7) Reflects the redemption of the Existing Subordinated Notes as described under *"Use of Proceeds"*.

(8) Other financial debt includes mortgage loans, leases, subsidized loans and credit lines. Other financial debt does not include accrued interest expenses.

(9) Reflects the capitalization of the shareholder participative loans which will occur prior to the issuance of the Notes. See "*Shareholders and Beneficial Owners—Capitalization Transactions*".

There have been no material changes in the capitalization of ONOMidco since September 30, 2010 other than (i) the October 2010 Refinancing, (ii) the capitalization of the shareholder participative loans as described under "*Shareholders and Beneficial Owners—Capitalization Transactions*", and (iii) the repayment of €100 million under the revolving Bank Tranche of the Senior Facility.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF ONOMIDCO

The selected historical consolidated financial information presented below has been derived from ONOMidco's Audited Financial Statements (including the 2007 Restated Results) and Unaudited Interim Financial Statements which are included elsewhere in this offering memorandum. See "*Presentation of Financial and other Data*."

The Audited Financial Statements and the Unaudited Interim Financial Statements have been prepared in accordance with Spanish GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. You can find a description of the most significant differences between Spanish GAAP and IFRS in "*Summary of Significant Differences Between Spanish GAAP and IFRS*" on page S-1 of this offering memorandum.

You should also read the following financial information together with the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco*", "*Capitalization of ONOMidco*" and ONOMidco's financial statements and notes thereto included elsewhere in this offering memorandum.

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2007	2008	2009	2009	2010
	(unaudited, restated)			(unaudited)	
	(euro in millions)				
Income Statement Data:					
Revenues:					
Residential	**1,178**	**1,219**	**1,158**	**870**	**869**
Residential cable	1,143	1,186	1,124	845	841
Residential ULL	35	33	34	25	28
Business, wholesale & other	**396**	**355**	**334**	**255**	**225**
SMEs	76	73	70	52	54
Large accounts & corporations	171	176	166	128	108
Wholesale & other	149	106	98	75	63
Indirect access	**34**	**19**	**10**	**8**	**6**
Revenue from disposed assets (Teuve)	**8**	**9**	**10**	**7**	**3**
Total revenues	**1,616**	**1,602**	**1,512**	**1,140**	**1,103**
Operating expenses:					
Cost of sales	(442)	(381)	(328)	(260)	(233)
Staff costs	(213)	(225)	(171)	(129)	(123)
Other operating expenses	(387)	(365)	(344)	(254)	(259)
Costs capitalized as fixed assets and equipment	71	78	61	45	49
Depreciation, amortization and impairment charges	(343)	(389)	(390)	(293)	(289)
Reversal of provision	13	15	—	—	—
Impairment and gains or losses on disposal of fixed assets	(211)	(16)	(11)	(1)	1
Other-losses/gains-net	(55)	(39)	—	—	—
Total operating expenses	**(1,567)**	**(1,322)**	**(1,183)**	**(892)**	**(854)**
Operating profit	**49**	**280**	**329**	**248**	**249**
Net financial expense	(284)	(304)	(245)	(183)	(170)
Profit/(loss) before tax	(235)	(24)	84	65	79
Income tax	25	3	(31)	(22)	(45)
Profit/(loss) before minority interests	**(210)**	**(21)**	**53**	**43**	**34**
Minority interests	—	(1)	4	(1)	(1)
Net profit/(loss)	**(210)**	**(22)**	**57**	**42**	**33**
Balance Sheet Data:					
Non-current assets	5,879	5,853	5,613	—	5,434
Property, plant and equipment	4,558	4,541	4,340	—	4,227
Deferred tax assets	1,163	1,187	1,151	—	1,092
Current assets	239	518	385	—	262
Inventory, trade and other receivables	219	166	122	—	120
Cash and cash equivalents	4	342	238	—	105
Total assets	6,118	6,370	5,998	—	5,696
Total liabilities	4,949	5,287	4,844	—	4,348
Trade and other payables	681	368	394	—	353
Long-term debt(1)	3,585	4,099	3,545	—	3,615
Total net equity	1,169	1,084	1,154	—	1,347
Shareholders' contributions(2)	955	955	963	—	1,088
Total equity and liabilities	6,118	6,370	5,998	—	5,696

(1) Long-term debt includes the Senior Facility, as well as payment obligations relating to the Existing Subordinated Notes, derivatives and other financial long-term debt. Long-term debt does not include subordinated participative loans from GCO.

(2) Shareholders' contributions represent subordinated participative loans from GCO to Cableuropa and include €125 million contributed in May 2010 in connection with the amendment of the Senior Facility. Prior to the closing of the offering, it is intended that all of the subordinated participative loans will be capitalized into equity. See *"Shareholders and Beneficial Owners—Capitalization Transactions"*.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ONOMIDCO

The discussion below is based on the Audited Financial Statements (including the Restated 2007 Results) and the Unaudited Interim Financial Statements of ONOMidco.

You should also read the following commentary together with the sections entitled "Selected Historical Consolidated Financial Information of ONOMidco," "Risk Factors," "Business" and the Audited Financial Statements and the Unaudited Interim Financial Statements of ONOMidco and the related notes thereto included elsewhere in this offering memorandum.

The following discussion contains forward-looking statements, including those described in the "Information Regarding Forward-Looking Statements" section above, that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of, among others, the factors described below and elsewhere in this offering memorandum, including in "Risk Factors". Except as may be required by applicable law, we will not publicly update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

Overview

We are the second largest provider of broadband internet, pay television and fixed telephony services in Spain. Through our proprietary state-of-the-art network, we offer our services to over 7 million homes across Spain, including the nine largest cities. We are the only cable operator in Spain with national coverage. As of September 30, 2010, we provide over 4.3 million services under the ONO brand to approximately 1.9 million residential (cable and ULL) customers and over 69,000 SMEs in Spain. We also offer products and services to large corporations and public sector entities, as well as to the wholesale market. We are the principal competitor to the incumbent telecommunications and pay television operators in Spain. For the twelve months ended September 30, 2010, we generated revenues of €1,475 million and EBITDA of €725 million and an EBITDA margin of 49.2%. In the same period our residential services generated revenues of €1,157 million (accounting for 78.4% of our total revenues), and our business and other services generated revenues of €318 million (accounting for 21.6% of our total revenues).

Factors Affecting Our Business During the Periods under Review

The following table sets forth certain information with respect to our network and services and the percentage change from period to period for each of the periods indicated:

	As of and for the year ended December 31,			As of and for the nine months ended September 30,		Percentage change		
	2007	2008	2009	2009	2010	2007/ 2008	2008/ 2009	9m 2009/ 9m 2010
				(Unaudited)				
Residential (cable and ULL):								
Customers (in thousands)	1,927	1,919	1,902	1,888	1,893	(0.4)%	(0.9)%	0.3%
Cable customers (in thousands)	1,859	1,853	1,825	1,819	1,809	(0.3)%	(1.5)%	(0.5)%
Revenue (euro in millions)	1,178[(1)]	1,219	1,158	870	869	3.5%	(5.0)%	(0.1)%
Residential cable:								
Homes released to marketing[(2)] (in thousands)	6,793	6,963	7,004	6,995	7,025	2.5%	0.6%	0.4%
Penetration (percentage)[(3)]	27.4%	26.6%	26.1%	26.0%	25.7%	(0.8)pp	(0.5)pp	(0.3)pp
ARPU (in euro; most recent quarter)[(4)]	52.2	53.2	51.0	50.2	50.8	1.9%	(4.1)%	1.2%
RGUs (in thousands)[(5)]	3,768	3,960	3,967	3,929	3,988	5.1%	0.2%	1.5%
RGUs per customer	2.03x	2.14x	2.17x	2.16x	2.20x	5.4%	1.4%	1.9%
Net churn (percentage)[(6)]	18.2%	18.7%	13.9%	17.3%	15.1%	0.5pp	(4.8)pp	(2.2)pp
Revenue (euro in millions)	1,143[(1)]	1,186	1,124	845	841	3.8%	(5.2)%	(0.5)%
Business[(7)]:								
SME customers (in thousands)	69	69	67	67	69	—	(3.0)%	3.0%
Total business revenue (euro in millions)	396[(1)]	355	334	255	225	(10.4)%	(5.9)%	(11.8)%

(1) Unaudited and restated.

(2) "Homes released to marketing" means a home to which we can provide either broadband internet, cable television or telephony services within four days, which occurs after the customer tap and drop have been installed.

(3) "Penetration" is the percentage of customers over homes released to marketing in our franchise areas, and with respect to any particular service, penetration is the percentage of RGUs of that service over homes released to marketing in our franchise areas.

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

(5) "RGUs" are revenue generating units where each customer is counted as a revenue generating unit for each service for which such customer subscribes, regardless of the number of services that customer receives from us. Thus a single customer who receives internet, cable television and telephony services from us would account for three RGUs.

(6) "Net churn" means the percentage obtained by dividing the number of customers who cease to receive any of our services (either voluntarily or involuntarily) in the last quarter of the relevant period by the average total number of customers during that quarter, multiplied by four. The average number of customers for any period is calculated by adding the number of customers at the beginning of the period to the number of customers at the end of the period and dividing by two. Excluded from net churn are customers who move locations and terminate their subscription at their old location but resubscribe at their new location.

(7) We do not report numbers of customers in the "large accounts & corporations" and "wholesale & other" business segments because such data is not meaningful.

The following are key factors affecting our results during the periods under review:

Transformation Process

Towards the end of 2008, faced with weakening international economic conditions, we commenced a transformation process. The transformation focused on adjusting our business model to the changed economic environment and stabilizing its operations following a period of rapid expansion, with the aim of creating a more efficient platform for future growth. This process also coincided with significant changes in our senior management. Largely completed by the end of 2009, the transformation process included a wide range of initiatives focused on maximizing cash flow, implementing cost efficiencies, reshaping our organization and attracting and retaining high-quality customers. As a result of the transformation, we believe we have become a more resilient and efficient company. Our EBITDA increased from €645 million in 2007 to €730 million in 2009, our EBITDA margin increased from 39.9% in 2007 to 48.3% in 2009 and operating free cash flow increased from €91 million in 2007 to €510 million in 2009.

Customer Focus and Effects of Recession

As part of our transformation process, we developed and began to implement a new strategy focused on the acquisition and retention of high-quality customers. Previously our focus had been on customer acquisition, which included the use of short-term promotions and mass market advertising, resulted in relatively high levels of net churn at the end of the promotion period. Our new strategy involves focusing our marketing and customer care efforts on attracting and retaining more creditworthy customers whom we judge less likely to churn and to whom we believe we can successfully market our double- and triple-play bundled packages. We believe that the success of this new strategy is reflected in our improved net churn for our residential cable business, in our stable customer numbers and in our improved RGU numbers during 2009 and the first nine months of 2010.

However, the economic recession in Spain that resulted from the financial and economic crisis in 2008 and 2009 has significantly impacted our financial and operational performance, partially offsetting the effect of our revised customer focus strategy in the periods under review. Although certain operational metrics have improved during the periods under review, largely as a result of our new strategy and despite the adverse economic climate, our revenues have declined.

The combined effect of our new customer strategy and the impact of the adverse economic climate in Spain on our residential cable customer numbers, net churn, ARPU and RGUs is described below:

Residential cable customers. Our residential cable customer base decreased by 0.3% and 1.5% in 2008 and 2009, respectively, and 0.5% during the first nine months of 2010 compared to the same period in 2009, reaching 1.8 million customers as of September 30, 2010. The decline in our residential cable customer numbers during these periods was primarily driven by the shift in our focus to more creditworthy customers through the introduction of a credit scoring system, additional activation and installation fees and reductions in promotions as well as by the challenging economic environment in Spain.

Residential cable net churn. Our net churn (based on the last quarter of each period) for our residential cable business increased from 18.2% in 2007 to 18.7% in 2008 but declined to 13.9% in 2009. Net churn declined from 17.3% for the quarter ended September 30, 2009 to 15.1% for the quarter ended September 30, 2010. Although residential cable net churn increased in 2008 as our new strategy was implemented, the subsequent decrease has resulted primarily from our success in focusing on more creditworthy customers as discussed above and in discontinuing the marketing of service bundles with historically high net churn.

Residential cable ARPU. ARPU is a measure we use to evaluate how effectively we are obtaining revenues from each of our customers. During the period from 2007 until the second quarter of 2008, our residential cable ARPU consistently increased from quarter to quarter primarily as a result of our success in marketing double- and triple-play bundles of services to our residential cable customers. During the period from the second quarter of 2008 until the third quarter of 2009, our residential cable ARPU declined, primarily as a result of the general economic environment in Spain, which in turn has led to reduced fixed-line to mobile and fixed-line to international traffic, reduced demand for pay-per-view and VoD services and the cancellation by some customers of television services. Since the third quarter of 2009, ARPU has begun to increase again, primarily because of higher monthly fees derived from the increase of double- and triple-play bundled customers in our residential cable customer base. ARPU for residential cable services increased to €50.8 in the third quarter of 2010, as compared to €50.2 in the third quarter of 2009. Approximately 80% to 85% of our residential cable ARPU is generated by fixed monthly fees charged to customers, resulting in a relatively stable and recurring revenue base. The remaining 15% to 20% reflects more variable charges for VoD, TV and telephony services.

Residential cable RGUs. RGUs per customer is another measure of how effectively we are realizing potential revenues from each customer. We provide subscribers with a variety of bundled service offerings, at a price that is generally lower than the aggregate price of these services purchased on an individual basis from us or our competitors in order to increase revenues from each of our customers. Our residential cable bundled services comprise a combination of our cable television packages of up to 127 channels, VoD, broadband internet services up to 100 Mbps and telephony services, offering our customers the convenience of having a single provider for their wireline communication, entertainment and information needs. We have gradually increased our residential cable RGUs, reaching 3,988,000 as of September 30, 2010, compared to 3,768,000 as of December 31, 2007, due to the fact that an increasing percentage of our total residential cable customers received triple-play services (37.8% as of September 30, 2010, compared to 34.5% as of September 30, 2009). Most of our remaining customers receive at least double-play services because we no longer promote any of our services on a stand-alone basis. The gradual increase in residential cable RGUs and the relatively small decline in the number of our residential cable customers have resulted in an increase in the ratio of RGUs per residential cable customer from 2.03x as of December 31, 2007 to 2.14x as of December 31, 2008, 2.17x as of December 31, 2009 and 2.20x as of September 30, 2010.

Reduction in Capital Expenditure

In light of the financial crisis which made funding the expansion of our network difficult to finance, we elected in the second half of 2008 to cease network expansion activity. As a result, our capital expenditure has been significantly reduced and we are now focused on upgrading our existing network, customer installations and the quality of our products and services. Examples of our investment in improving the quality of our products and services include our introduction of broadband speeds of up to 100 Mbps and next generation TV services. In the first nine months of 2010, our capital expenditure amounted to €170 million. Our capital expenditure amounted to €554 million, €374 million and €220 million in 2007, 2008 and 2009, respectively. See "*—Liquidity and Capital Resources—Capital Expenditures*".

Reduction in Operational Expenditure

As part of our transformation strategy we have also taken steps to reduce our operational expenditure, including undertaking an internal reorganization, reducing our headcount, renegotiating certain of our contracts to improve their terms, using more cost efficient sales channels, such as the internet (and thereby reducing our reliance on direct sales efforts) and reducing our advertising and marketing expenses, in part by adopting more carefully targeted marketing campaigns. For the nine months ended September 30, 2010, 22.2% of our sales were made through the internet, compared to 4.6% for the same period in 2008. As part of our business reorganization, we have consolidated our regional operations, reducing the number of our regional areas of operation from ten to four.

We also began to reduce our headcount in 2008 and reduced our total headcount from an average of 4,594 in 2008 to 3,549 in 2009 and to 3,314 in the first nine months of 2010. We continue to monitor overall headcount to ensure adequate staffing levels.

Regulatory Costs

The Spanish Parliament has recently adopted tax legislation requiring telecommunications operators, including Cableuropa, to help fund Spain's publicly-owned broadcasting company, RTVE. Law 8/2009, of August 28, for the financing of the Spanish Radio and Television Corporation, imposed a 1.5% tax derived from our television and other audiovisual communications revenues from September 1, 2009 and a 0.9% tax on our telecommunications revenue from January 1, 2010 (the "RTVE Financing Law"). These taxes are assessed on a yearly basis and resulted in additional operating expenses of €7.3 million in the first nine months of 2010. See "*—Business—Other Legal and Regulatory Matters*".

Furthermore, since May 2010, we have become legally required, in certain circumstances, to invest 5% of a significant portion of the revenues we derive from the provision of our television and audiovisual services into the production of new Spanish or European television and other audiovisual content. We expect this obligation will result in a cash expenditure of €5 million to €8 million per year which will be accounted for as a capital expenditure. We expect that we will earn revenues from such investments in future years.

Current Trading

We do not yet have finalized financial and operational data in respect of the fourth quarter and full year 2010, and accordingly such data are subject to change. However, based on currently available information, we estimate that our profitability continued to improve in the fourth quarter, evidenced by stable EBITDA, strong margins and continued cash flow generation, including a slight improvement in customer numbers, RGUs and revenues, as compared to the third quarter of 2010. Churn is expected to be lower than the third quarter of 2010 but higher than the fourth quarter of 2009. We estimate that ARPU and RGUs per customer for the fourth quarter of 2010 are likely to be higher than those for the third quarter of 2010. Furthermore, triple-play uptake continued to show positive momentum. Finally, our new offering based on ultra high-speed broadband is experiencing an encouraging success both with respect to our existing customer base and the acquisition of new customers and showcases our continued focus on high-quality customers.

Results of Operations for the Nine months Ended September 30, 2009 and 2010

The following table sets forth certain summary financial information and the percentage change from period to period for each of the periods indicated.

	For the nine months ended September 30,		
	2009	2010	Percentage change
	(euro in millions) (unaudited)		
Revenues	1,140	1,103	(3.2)%
Operating expenses	(892)	(854)	(4.3)%
Operating profit	**248**	**249**	**0.4%**
Net financial expense	(183)	(170)	(7.1)%
Profit before income tax and minority interests	**65**	**79**	**21.5%**
Income tax expense	(22)	(45)	104.5%
Minority interests	(1)	(1)	—
Net profit for the period	**42**	**33**	**(21.4)%**

Revenues

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

The following table sets forth our revenues derived from our different activities, their proportion of total revenues and the percentage change from period to period for each of the periods indicated.

	For the nine months ended September 30,				
	2009	% of revenues	2010	% of revenues	Percentage change
	(euro in millions, except percentages) (unaudited)				
Residential	**870**	**76.3%**	**869**	**78.8%**	**(0.1)%**
Residential cable	845	74.1%	841	76.3%	(0.5)%
Residential ULL	25	2.2%	28	2.5%	12.0%
Business	**255**	**22.4%**	**225**	**20.4%**	**(11.8)%**
SMEs	52	4.6%	54	4.9%	3.8%
Large accounts & corporations	128	11.2%	108	9.8%	(15.6)%
Wholesale & other	75	6.6%	63	5.7%	(16.0)%
Other	**15**	**1.3%**	**9**	**0.8%**	**(40.0)%**
Indirect access[(1)]	8	0.7%	6	0.5%	(25.0)%
Revenue from disposed assets (Teuve)[(2)]	7	0.6%	3	0.3%	(57.1)%
Total revenues	**1,140**		**1,103**		**(3.2)%**

(1) Indirect access is a service originally provided by Auna.

(2) We sold Teuve in April 2010.

Overall revenues for the nine months ended September 30, 2010 decreased by €37 million, or 3.2%, to €1,103 million from €1,140 million for the nine months ended September 30, 2009, reflecting a decrease primarily in business revenues as well as, to a lesser extent, a decrease in residential and other revenues.

Residential Services

Residential revenues are mainly comprised of monthly fees, initial connection charges, usage charges from our residential telephony services, sales of cable modems from our internet services and set-top box rental charges and variable fees for pay-per-view events from our cable television services, as well as from our mobile services. Most of our customers receive our products and services through our cable network; however an increasing number receive bundled telephony and internet services through ULL.

Residential revenues, which represented 78.8% of our revenues in the nine months ended September 30, 2010, decreased by €1 million, or 0.1%, to €869 million for the nine months ended September 30, 2010 from €870 million for the nine months ended September 30, 2009. The main reasons for the decline were the lower number of residential cable customers, as well as lower variable spending in terms of lower volume of minutes of fixed-line to mobile and fixed-line to international calls and the decrease in revenues from pay-per-view services.

Residential Cable

Cable services provide us with revenues from monthly fees and initial activation and connection charges from residential bundled and individual services; usage charges from residential telephony services; customer premise equipment rental charges; incoming interconnection; variable fees for pay-per-view and VoD services from cable television services and other minor items. We currently offer our residential customers double- and triple-play packages of services which consist of telephony and either internet or television, or both services. The following table sets forth information on residential cable services, and the percentage change from period to period:

	As of and for the nine months ended September 30,		
	2009	2010	Percentage change
	(unaudited)		
Homes released to marketing (in thousands)	6,995	7,025	0.4%
Customers (in thousands)	1,819	1,809	(0.5)%
Penetration (percentage)	26.0%	25.7%	(0.3)pp
Net churn (percentage; most recent quarter)	17.3%	15.1%	(2.2)pp
ARPU (euro; most recent quarter)	50.2	50.8	1.2%
Total RGUs (in thousands)	3,929	3,988	1.5%
Internet	1,303	1,361	4.5%
Television	977	948	(3.0)%
Telephony	1,648	1,679	1.9%
RGUs per customer	2.16x	2.20x	1.9%
Revenue (euro in millions, except percentage)	845	841	(0.5)%

Residential cable revenues, which represented 76.3% of our revenues in the nine months ended September 30, 2010, decreased by €4 million, or 0.5%, to €841 million in the nine months ended September 30, 2010 from €845 million in the nine months ended September 30, 2009. This decrease primarily reflected the relatively weak macroeconomic climate in Spain, which had a negative impact on our customer numbers and caused a reduction in the volume of fixed-line to mobile and fixed-line to international calls in favor of fixed-line to fixed-line calls which are included in the customers' flat monthly fee and a reduction in variable fees for pay-per-view and pay VoD television services.

We also continued with our selective customer acquisition strategy through credit scoring and other measures that we implemented to acquire fewer early churning customers and to improve our profitability. As a result of these and other measures discussed above, we reduced our net churn levels to 15.1% in the third quarter of 2010 from 17.3% in the third quarter of 2009, despite the challenging macroeconomic environment.

Although customer numbers declined in the first nine months of 2010 compared to the same period in the prior year, RGUs increased to 4.0 million as of September 30, 2010 from 3.9 million as of September 30, 2009, reflecting our decision to discontinue the promotion of stand-alone services and to promote double- and triple-play bundles. In the third quarter of 2010, 46.6% of our customers purchased triple-play bundles from us, compared to 38.2% in the third quarter of 2009. ARPU increased to €50.8 in the third quarter of 2010 as compared to €50.2 in the third quarter of 2009. The increase in ARPU primarily reflected an increase in total RGUs of 1.5%. Total residential cable customers decreased by 0.5%, or 10,000, to 1,809,000 as of September 30, 2010 from 1,819,000 as of September 30, 2009. Penetration decreased by 0.3 percentage point to 25.7% as of September 30, 2010 from 26.0% as of September 30, 2009.

Broadband Internet. Broadband internet customers increased by 58,000, or 4.5%, to 1,361,000 as of September 30, 2010 from 1,303,000 as of September 30, 2009. Broadband internet customers as a proportion of total residential cable customers increased by 3.7 percentage points to 75.3% as of September 30, 2010 from 71.6% as of September 30, 2009. Our residential broadband internet penetration increased by 0.8 percentage point to 19.4% at the end of September 2010 compared to 18.6% at the end of September 2009.

In April 2010, as part of our customer strategy we launched an offer to double the download speed of our 3 Mbps and 6 Mbps customers for an additional price of €2 per month. The offer has been widely adopted by our customers and is an example of how we have improved our ARPU by delivering more enhanced services. In addition, we continue to see a gradual increase in the number of customers taking higher-speed packages.

Television. Cable television customers decreased by 29,000, or 3.0%, to 948,000 as of September 30, 2010 from 977,000 as of September 30, 2009. Cable television customers as a proportion of total residential cable customers decreased by 1.3 percentage point to 52.4% as of September 30, 2010 from 53.7% at the same date in 2009. The penetration of cable television services decreased by 0.5 percentage points to 13.5% at the end of September 2010 compared to 14.0% at the end of September 2009. The difficult macroeconomic environment forcing some customers to drop television services to conserve disposable income, our decision to discontinue the promotion of this product on a stand-alone basis (in order to encourage the purchase of our bundled packages) and the increased focus on acquiring customers with telephony and broadband bundles, which enjoy lower churn rates, are all factors that have negatively impacted our television customer base.

Telephony. Telephony customers increased by 31,000, or 1.9%, to 1,679,000 as of September 30, 2010 from 1,648,000 as of September 30, 2009, due to the effort in acquiring customers taking bundles with telephony and the lower net churn experienced in customers taking this service. Telephony customers as a proportion of total residential cable customers increased by 2.2 percentage points to 92.8% as of September 30, 2010 from 90.6% as of September 30, 2009. Our telephony penetration increased by 0.3 percentage point to 23.9% at the end of September 2010 compared to 23.6% at the end of September 2009.

Residential ULL

Residential ULL services are comprised of services offered through full unbundling of the local loop. These services provide us with revenues from monthly fees from telephony and broadband internet services and usage charges from telephony services.

The following table sets forth customers, RGU and revenue from our residential ULL services and percentage change over the period.

	As of and for the nine months ended September 30,		
	2009	**2010**	**Percentage change**
	(unaudited)		
Customers (in thousands, except percentage)	70	84	20.0%
RGUs (in thousands, except percentage)	120	154	28.3%
Revenue (euro in millions, except percentage)	25	28	12.0%

Residential ULL revenues increased by €3 million, or 12.0%, to €28 million in the first nine months of 2010 from €25 million in the first nine months of 2009, reflecting increases in customers and RGUs, offset in part by declines in variable usage fees due to the challenging macroeconomic environment. ULL customers increased by 14,000, or 20.0%, to 84,000 as of September 30, 2010 from 70,000 as of September 30, 2009. RGUs increased by 34,000, or 28.3%, to 154,000 as of September 30, 2010 from 120,000 as of September 30, 2009. As of September 30, 2010, 98% of customers in the ULL segment benefited from a bundled service as compared to 94% as of September 30, 2009. These increases primarily resulted from a greater focus by management on this business segment as a complement to our residential cable business.

Business Services

Business services revenues comprise revenues from SMEs, large accounts, corporations, wholesale and other revenue.

Business services revenues, which represented 20.4% of our revenues in the nine months ended September 30, 2010, decreased by €30 million, or 11.8%, to €225 million for the nine months ended September 30, 2010 from €255 million for the nine months ended September 30, 2009, primarily as a result of a decline in our revenue from large accounts and corporations, which was only partially offset by an increase in SME revenue.

SMEs

Revenues from SMEs services are derived from fees paid by small- and medium-sized enterprises, for voice and data services, offered individually or as a bundle and incoming interconnection revenues of this segment. We offer SME services over cable and ULL. The following table sets forth customers, RGUs and revenues from SMEs services and the percentage change over the period:

	As of and for the nine months ended September 30,		
	2009	**2010**	**Percentage change**
	(unaudited)		
Customers (in thousands, except percentage)	67	69	3.0%
RGUs (in thousands, except percentage)	111	127	14.4%
Revenue (euro in millions, except percentage)	52	54	3.8%

SME revenues, which represented 4.9% of our revenues in the nine months ended September 30, 2010, increased by €2 million, or 3.8%, to €54 million in the nine months ended September 30, 2010 from €52 million in the nine months ended September 30, 2009. SMEs customers increased marginally despite the adverse macroeconomic environment, primarily as result of greater focus by management on this business segment.

Large Accounts & Corporations

Revenues from large accounts and corporations are derived from 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 and other public sector entities, through an integrated range of tailored services.

Revenues from large accounts and corporations decreased by €20 million, or 15.6%, to €108 million in the nine months ended September 30, 2010 from €128 million in the nine months ended September 30, 2009. A lower level of variable revenues associated with reduced usage, and contract renegotiations that often involved material reductions in agreed volumes and prices negatively impacted this segment during the period.

Wholesale & Other

Revenues from wholesale and other 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 other decreased by €12 million, or 16.0%, to €63 million in the first nine months of 2010 from €75 million in the first nine months of 2009. This reduction was mainly due to a reduction in demand from other telecommunications companies for our excess circuit capacity and from resellers for purchases of bulk time. We are not actively focused on portions of this business segment because of its generally lower profitability.

Indirect Access

Indirect access comprises telephony and data services we provide using Telefónica's network and equipment. Indirect access is a service provided to customers of Auna Telecomunicaciones, S.A.U. ("Auna"), a company we acquired on November 4, 2005. Our indirect access customers have been steadily declining in all periods under review, which is a trend we expect to continue in light of our focus on other business activities. Indirect access revenue decreased by €2 million, or 25.0%, to €6 million in the first nine months of 2010 from €8 million in the first nine months of 2009.

Operating Expenses

Our operating expenses are comprised of cost of service; staff cost; other operating expense; costs capitalized as property and equipment; depreciation and amortization; and impairments. The following table sets forth our operating expenses and the percentage change from period to period for each of the periods indicated:

	For the nine months ended September 30,		
	2009	**2010**	**Percentage change**
	(euro in millions) (unaudited)		
Cost of sales	260	233	(10.4)%
Staff costs	129	123	(4.7)%
Other operating expenses	254	259	2.0%
Less capitalized costs	(45)	(49)	8.9%
Depreciation & amortization	293	289	(1.4)%
Impairments and gains or losses on assets disposals	1	(1)	—
Total operating expenses	**892**	**854**	**(4.3)%**

Our operating expenses decreased by 4.3% during the nine months ended September 30, 2010 to €854 million as compared with €892 million during the nine months ended September 30, 2009. The decrease of our operating expenses mainly reflects (i) the headcount reduction plan implemented in the first quarter of 2009, (ii) the new sales strategy with a focus on cost-efficient sales channels, and (iii) other organizational initiatives.

The positive impact from these savings has been partially offset by the introduction of the RTVE Financing Law discussed above. See also "*Business—Other Legal and Regulatory Matters*".

Cost of Sales. Cost of sales principally consists of interconnection and backbone network costs for telecommunications services, internet connectivity costs, the cost of the cable modems we sell, fiber, circuit and duct renting expenses and programming fees for cable television programming services. As a percentage of total revenues, cost of sales was 21.1% in the nine months ended September 30, 2010 as compared with 22.8% in the nine months ended September 30, 2009. 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. Cost of sales decreased by €27 million, or 10.4%, to €233 million in the first nine months of 2010 from €260 million in the first nine months of 2009. This reduction was driven primarily by (i) lower interconnection costs due to less fixed-to-mobile traffic and lower tariffs, (ii) the renegotiation of cable television programming agreements and (iii) our focus on products and services that we believe are more profitable because, in part, they have lower cost of sales.

Staff Costs. Staff costs consist principally of expenses related to wages and salaries for our employees, employer's social security contributions, other employee expenses and severance payments. Staff costs decreased by €6 million, or 4.7%, to €123 million in the first nine months of 2010 from €129 million in the first nine months of 2009. The decrease in staff costs was driven primarily by the reduction in our average headcount as a result of the optimization of our organizational structure and processes. In the first nine months of 2009 the average number of our employees was 3,544 compared with 3,314 in the first nine months of 2010.

Other Operating Expenses. Other operating expenses consist principally of leases, local taxes, professional services, marketing and selling expenses, network operation and maintenance, information systems, administrative overheads, billing costs and impairments of trade receivables. Other operating expenses increased by €5 million, or 2.0%, to €259 million in the first nine months of 2010 from €254 million in the first nine months of 2009. The increase in other operating expenses was primarily the result of the RTVE Financing Law, which resulted in expenses of €7.3 million in the first nine months of 2010.

Capitalized Costs. We capitalize direct labor costs associated with the development and construction of our network and installations carried out at our customer premises. Capitalized costs increased by €4 million, or 8.9%, to €49 million in the first nine months of 2010 from €45 million in the first nine months of 2009. This increase was primarily the result of increased installation activity related to upgrading equipment for existing customers.

Depreciation & Amortization. Depreciation and amortization expense is principally 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. Depreciation and amortization decreased by €4 million, or 1.4%, to €289 million in the first nine months of 2010 from €293 million in the first nine months of 2009.

Operating Profit

We calculate operating profit as revenues minus operating expenses. Operating profit in the nine months ended September 30, 2010 increased by €1 million, or 0.4%, to €249 million from €248 million in the nine months ended September 30, 2009. The decrease in revenues during the first nine months of 2010, was offset by the decrease in operating expenses. Our operating profit margin was 22.6% in the first nine months of 2010 and 21.8% in the first nine months of 2009. Operating profit for the first nine months of 2010 reflects the inclusion for the first time of expenses related to the RTVE Financing Law.

Net Financial Expense

The following table sets forth our net financial expense and the percentage change for the periods indicated:

	For the nine months ended September 30,		
	2009	2010	Percentage change
	(euro in millions) (unaudited)		
Financial income	3	2	(33.3)%
Interest expense	(175)	(159)	(9.1)%
Other financial charges	(15)	(13)	(13.3)%
Impairment and results from financial instruments disposals	4	—	—
Net financial expense	**(183)**	**(170)**	**(7.1)%**

Our net financial expense is mainly comprised of interest expense from our financing and hedge agreements, offset in part by interest income from cash balances. Net financial expense decreased by €13 million, or 7.1%, to €170 million in the nine months ended September 30, 2010 from €183 million incurred in the nine months ended September 30, 2009. The reduction in interest expense was primarily due to the decline in Euribor rates over the course of 2009 and into 2010 as well as the positive impact of the expiration of €2,065 million of interest rates swaps in July 2010, offset in part by amortized costs incurred to amend the Senior Facility in May 2010 (which was treated as a refinancing for accounting purposes), which will also have an impact going-forward as the costs are further amortized.

Going forward, interest expense is expected to increase as a result of the higher interest rates associated with the October 2010 Refinancing and the issuance of the Notes offered hereby.

Income Tax Expense

Our income tax expense increased by €23 million, or 104.5%, to €45 million in the nine months ended September 30, 2010 from €22 million for the nine months ended September 30, 2009, reflecting the higher profit before tax for the period and the maturity of certain tax credits. We have tax credits of €1,092 million as of September 30, 2010. Consequently, we were not required to pay cash taxes for the period although we recognize income tax expense for accounting purposes. Under Spanish corporate income tax law, tax losses can generally be carried forward for up to 15 years from the date such losses were incurred. Assuming there is no change in law, we do not anticipate paying cash income taxes for the next several years, as our outstanding tax loss carry forwards can be used to offset future taxable income.

Results of Operations for the Years Ended December 31, 2009, 2008, and 2007

The following table sets forth certain summary financial information and the percentage change from period to period for each of the periods indicated.

	Year ended December 31,			Percentage change	
	2007[(1)]	2008	2009	07/08	08/09
	(euro in millions)				
Revenues	1,616	1,602	1,512	(0.9)%	(5.6)%
Operating expenses	(1,567)	(1,322)	(1,183)	(15.6)%	(10.5)%
Operating profit/(loss)	**49**	**280**	**329**	**471.4%**	**17.5%**
Net financial expense	(284)	(304)	(245)	7.0%	(19.4)%
Profit/(loss) before income tax and minority interests	**(235)**	**(24)**	**84**	**(89.8)%**	**—**
Income tax credit/(expense)	25	3	(31)	(88.0)%	—
Minority interests	—	1	4	—	300%
Net profit/(loss) for the year	**(210)**	**(22)**	**57**	**(89.5)%**	**—**

(1) Unaudited and restated.

Revenues

The following table sets forth details of our revenues and the percentage change from period to period for each of the periods indicated:

	Year ended December 31,			Percentage change	
	2007[1]	2008	2009	07/08	08/09
	(euro in millions)				
Residential	**1,178**	**1,219**	**1,158**	**3.5%**	**(5.0)%**
Residential cable	1,143	1,186	1,124	3.8%	(5.2)%
Residential ULL	35	33	34	(5.7)%	3.0%
Business	**396**	**355**	**334**	**(10.4)%**	**(5.9)%**
SMEs	76	73	70	(3.9)%	(4.1)%
Large accounts & corporations	171	176	166	2.9%	(5.7)%
Wholesale & other	149	106	98	(28.9)%	(7.5)%
Other	**42**	**28**	**20**	**(33.3)%**	**(28.6)%**
Indirect access	34	19	10	(44.1)%	(47.4)%
Revenue from disposed assets (Teuve)	8	9	10	12.5%	11.1%
Total revenues	**1,616**	**1,602**	**1,512**	**(0.9)%**	**(5.6)%**

(1) Unaudited and restated.

Overall revenues in 2009 decreased by €90 million, or 5.6%, to €1,512 million from €1,602 million in 2008, reflecting a decrease in residential, business and other revenues.

Overall revenues in 2008 decreased by €14 million, or 0.9%, to €1,602 million from €1,616 million in 2007, reflecting a €55 million decrease in our business and other revenues, which was only partially offset by a €41 million increase in our residential revenues.

Residential Services

In 2009, residential revenues, which represented 76.6% of our revenues in 2009, decreased by €61 million, or 5.0%, to €1,158 million from €1,219 million in 2008. The decrease in residential revenues was primarily attributable to a decline in residential cable revenue. In 2008, residential revenues increased by €41 million, or 3.5%, to €1,219 million from €1,178 million in 2007. The main reason for the increase was an increase in our residential cable revenue, offset in part by a decline in our residential ULL revenue.

Residential Cable

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

	Year ended December 31,			Percentage change	
	2007	2008	2009	07/08	08/09
Homes released to marketing (in thousands)	6,793	6,963	7,004	2.5%	0.6%
Customers (in thousands)	1,859	1,853	1,825	(0.3)%	(1.5)%
Penetration (percentage)	27.4%	26.6%	26.1%	(0.7pp)	(0.6pp)
Net churn (percentage; most recent quarter)	18.2%	18.7%	13.9%	0.5pp	(4.8pp)
ARPU (euro; most recent quarter)	52.2	53.2	51.0	1.9%	(4.1)%
Total RGUs (in thousands)	3,768	3,960	3,967	5.1%	0.2%
Internet	1,203	1,283	1,326	6.7%	3.4%
Television	960	1,039	975	8.2%	(6.2)%
Telephony	1,605	1,638	1,666	2.0%	1.7%
RGUs per customer	2.03x	2.14x	2.17x	5.4%	1.4%
Revenue (euro in millions, except percentages)	1,143[1]	1,186	1,124	3.8%	(5.2)%

(1) Unaudited and restated.

In 2009, residential cable revenue, which represented 74.3% of our revenues, decreased by €62 million, or 5.2%, to €1,124 million from €1,186 million in 2008. The principal factor behind the decrease in our residential cable revenues was the shift in consumption patterns as customers substituted fixed-to-mobile calls with fixed-to-fixed calls which are included in the customers monthly fee, lower demand for our pay-per-view services and for our paid VoD services and a decrease in the number of our customers. In 2008, residential cable revenue, which represented 74.0% of our revenues, increased by €43 million, or by 3.8%, to €1,186 million in 2008 from €1,143 million in 2007, primarily as a result of an increase in RGUs and ARPU, reflecting an increase in our customer numbers in the first half of 2008, prior to the implementation of our transformation strategy.

Residential cable RGUs and RGU per customer increased in both periods, reflecting increased double- and triple-play customers. As of December 31, 2009, 35.6% of our customers subscribed to triple-play bundles from us, compared to 34.1% at the end of 2008 and 31.3% at the end of 2007. ARPU increased to €53.2 in the fourth quarter of 2008 as compared to €52.2 in the fourth quarter of 2007, but then decreased to €51.0 in the fourth quarter of 2009. The increase in ARPU in 2008 primarily reflected an increase in total RGUs of 5.1%. The decrease in ARPU in 2009 primarily reflected lower variable fee revenues and RGU growth of only 0.2%. Penetration decreased by 0.5 percentage point to 26.1% as of December 31, 2009, from 26.6% as at December 31, 2008 and 27.4% as at December 31, 2007. Total residential cable customers decreased by 0.3% in 2008 and 1.5% to 1,825,000 in 2009 from 1,853,000 in 2008.

Broadband Internet: In 2009, broadband internet customers increased by 43,000, or 3.4%, to 1,326,000 as of December 31, 2009 from 1,283,000 as of December 31, 2008. Broadband internet customers as a proportion of total residential cable customers increased by 3.4 percentage points to 72.6% in 2009 from 69.2% in 2008. Our residential broadband internet penetration increased to 18.9% at the end of 2009 from 18.4% at the end of 2008. The increase was a result of our efforts to acquire customers with this service combined with telephony or on a triple-play basis. Towards the second half of 2009, there was a positive trend in new customers taking high speed packages, including the 50Mbps package available initially in Madrid.

In 2008, broadband internet customers increased by 80,000, or 6.7%, to 1,283,000 at the end of 2008 from 1,203,000 at the end of 2007. Broadband internet customers as a proportion of total residential cable customers increased by 4.5 percentage points to 69.2% at the end of 2008 from 64.7% at the end of 2007. Our residential broadband internet penetration increased to 18.4% at the end of 2008 from 17.7% at the end of 2007. The increase reflected our efforts to acquire customers with this service combined with telephony or on a triple-play basis.

Television: In 2009, cable television customers decreased by 64,000, or 6.2%, to 975,000 as of December 31, 2009 from 1,039,000 as of December 31, 2008. Cable television customers as a proportion of total residential cable customers decreased by 2.7 percentage points in 2009 to 53.4% as of December 31, 2009 from 56.1% as of December 31, 2008. The penetration of cable television services decreased by 1.0 percentage point to 13.9% at the end of 2009 from 14.9% at the end of 2008. During 2009, the decrease in cable television customers was mainly due to the fact that we ceased offering this product on a stand-alone basis and focused on acquiring customers with telephony and broadband bundles, which enjoy lower net churn rates, and a discontinuation of promotions relating to "TV Esencial", a low-cost television package.

In 2008, television customers increased by 79,000, or 8.2%, to 1,039,000 as of December 31, 2008 from 960,000 as of December 31, 2007. Cable television customers as a proportion of total residential cable customers increased by 4.5 percentage points to 56.1% as of December 31, 2008 from 51.6% as of December 31, 2007. The penetration of cable television services increased by 0.8 percentage points to 14.9% as of December 31, 2008 from 14.1% as of December 31, 2007. During 2008, the increase in cable television customers was primarily due to promotions relating to the launch of "TV Esencial" in late 2007.

Telephony: In 2009, the number of telephony customers increased by 28,000, or 1.7% to 1,666,000 as of December 31, 2009 from 1,638,000 as of December 31, 2008. Telephony customers as a proportion of total residential cable customers increased by 2.9 percentage points to 91.3% at the end of 2009 from 88.4% at the end of December 31, 2008. This increase was primarily due to our efforts to acquire customers taking bundles with telephony and the lower net churn experienced in customers taking this service.

In 2008, the number of telephony customers increased by 33,000, or 2.1% to 1,638,000 as of December 31, 2008 from 1,605,000 as of December 31, 2007. Telephony customers as a proportion of total residential cable customers increased by 2.1 percentage points to 88.4% at the end of 2008 from 86.3% at the end of 2007.

Residential ULL Services

	As of and for December 31,			Percentage change	
	2007	**2008**	**2009**	**07/08**	**08/09**
Customers (in thousands, except percentage)	68	66	77	(2.9)%	16.7%
RGUs (in thousands, except percentage)	107	111	136	3.7%	22.5%
Revenue (euro in millions, except percentage)	35[(1)]	33	34	(5.7)%	3.0%

(1) Unaudited and restated.

In 2009, residential ULL revenues increased by €1 million, or 3%, to €34 million from €33 million in 2008, reflecting increased focus on this business segment, which resulted in an increase in the number of our ULL customers, offset in part by a decrease in variable fee revenues. ULL customers increased by 11,000, or 16.7%, to 77,000 at the end of 2009 from 66,000 at the end of 2008.

In 2008, residential ULL revenues decreased by €2 million, or 5.7%, to €33 million from €35 million in 2007 reflecting a decrease in ULL customers. ULL customers decreased by 2,000, or 2.9% to 66,000 at the end of 2008 from 68,000 at the end of 2007.

Business Services

In 2009, business services revenues, which represented 22.1% of our revenues, decreased by €21 million, or 5.9%, to €334 million from €355 million in 2008, primarily as a result of declines in each of our business segments, reflecting lower volumes of traffic owing to the adverse macroeconomic environment during the period as well as Orange's decision to use its own network instead of buying our excess network capacity.

SMEs

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

	As of and for December 31,			Percentage change	
	2007	2008	2009	07/08	08/09
Customers (in thousands, except percentage)	69	69	67	—	(3.0)%
RGUs (in thousands, except percentage)	121	130	111	7.4%	(14.6)%
Revenue (euro in millions, except percentage)	76[(1)]	73	70	(3.9)%	(4.1)%

(1) Unaudited and restated.

In 2009, SME revenues, which represented 4.6% of our revenues, decreased by €3 million, or 4.1%, to €70 million from €73 million in 2008. SMEs customers decreased by 3.0%, to 67,000 as of December 31, 2009 from 69,000 as of December 31, 2008. The decline in revenue primarily reflects the difficult macroeconomic environment, which placed significant pressure on SMEs in Spain. This was especially noticeable in the number of SME disconnections and in the difficulty in acquiring new customers.

In 2008, SME revenue decreased by €3 million, or 3.9%, to €73 million from €76 million in 2007. SMEs customers remained stable at 69,000 as of December 31, 2008 and 2007. The decline in revenue primarily reflects less telephony variable consumption, despite stable customer numbers.

Large Accounts & Corporations

In 2009, our large accounts and corporations revenues decreased by €10 million, or 5.7%, to €166 million from €176 million in 2008. This segment was significantly impacted by the lower minutes of use experienced in the overall traffic in the market as well as by the loss of some customers.

In 2008, large accounts and corporations revenues increased by €5 million, or 2.9%, to €176 million from €171 million in 2007, primarily reflecting our focus on targeting high-value customers.

Wholesale & Other

In 2009, revenues from wholesale and other services decreased by €8 million, or 7.5%, to €98 million from €106 million in 2008. This decline is mainly due to the migration by Orange as discussed above.

In 2008, revenues from wholesale and other services decreased by €43 million, or 28.9%, to €106 million from €149 million for the year ended December 31, 2007. This decline is mainly due to the migration by Orange and because of the loss of a large account.

Indirect Access Services

In 2009, indirect access revenues decreased by €9 million, or 47.4%, to €10 million from €19 million in 2008. In 2008 indirect access revenue decreased by €15 million, or 44.1%, to €19 million from €34 million in 2007. The declining trend of our indirect access revenue primarily reflects our decision to focus on our residential services.

Operating Expenses

The following table sets forth our operating expenses and the percentage change for the periods indicated:

	For the year ended December 31,			Percentage change	
	2007[(1)]	2008	2009	07/08	08/09
	(euro in millions)				
Cost of sales	442	381	328	(13.8)%	(13.9)%
Staff costs	213	225	171	5.6%	(24.0)%
Other operating expenses	387	365	344	(5.7)%	(5.8)%
Less capitalized costs	(71)	(78)	(61)	9.9%	(21.8)%
Depreciation, amortization & impairment charges	343	389	390	13.4%	0.3%
Reversal of provisions	(13)	(15)	—	15.4%	n/a
Impairment and gains or losses on disposal of fixed assets	211	16	11	(92.4)%	(31.3)%
Other-losses/gains-net	55	39	—	(29.1)%	n/a
Total operating expenses	**1,567**	**1,322**	**1,183**	**(15.6)%**	**(10.5)%**

(1) Unaudited and restated.

In 2009, our operating expenses decreased by €139 million, or 10.5%, to €1,183 million from €1,322 million in 2008 mainly driven by (i) the headcount reduction plan implemented in January 2009 with a direct impact on personnel expenses; (ii) the new sales strategy with focus on cost-efficient sales channels; (iii) other organizational initiatives; and (iv) several content contract renegotiations.

In 2008, our operating expenses decreased by €245 million, or 15.6%, to €1,322 million from €1,567 million in 2007. The decrease of our operating expenses mainly reflects the cost efficiency measures implemented in mid-2008 and discussed above.

Cost of Sales. In 2009, our cost of sales decreased by €53 million, or 13.9%, to €328 million from €381 million in 2008. As a percentage of total revenues, our cost of sales decreased to 21.7% in 2009 as compared to 23.8% in the previous year. In 2008, our cost of sales decreased by €61 million, or 13.8%, to €381 million from €442 million in 2007. As a percentage of total revenues, our cost of sales decreased to 23.8% in 2008 from 27.3% in 2007. The decreases in cost of sales primarily reflect cost efficiency measures implemented in mid-2008 as discussed earlier.

Staff Costs. In 2009, our staff costs decreased by €54 million, or 24.0%, to €171 million from €225 million in 2008. The decrease relates to the headcount reduction plan closed on April 18, 2009. In 2008, our staff costs increased by €12 million, or 5.6%, to €225 million from €213 million in 2007. The increase relates to the CPI increase in salaries and severance payments, as the number of employees remained broadly flat in the two years (the average number of employees in 2008 was 4,594 compared to 4,618 in 2007).

Other Operating Expenses

A breakdown of other operating expenses is as follows:

	For the year ended December 31,			Percentage change	
	2007[(1)]	2008	2009	07/08	08/09
	(euro in millions)				
Leases and canons	50	58	54	16%	(6.9)%
Repairs and maintenance	73	72	64	(1.4)%	(11.1)%
Service of independent professionals	121	95	90	(21.5)%	(5.3)%
Advertising	55	47	42	(14.5)%	(10.6)%
Other services	40	47	40	17.5%	(14.9)%
Taxes	19	19	19	—	—
Impairment of trade receivables	28	27	34	(3.6)%	25.9%
Total other operating expenses	**387**	**365**	**344**	**(5.7)%**	**(5.8)%**

(1) Unaudited and restated.

In 2009, other operating expenses decreased by €21 million, or 5.8%, to €344 million from €365 million in 2008. The decrease in other operating expenses was mainly a result of the reduction in repairs and maintenance of 11.1%, the reduction in advertising of 10.6% and the reduction in other services of 14.9%. In 2008, other operating expenses decreased by €22 million, or 5.7%, to €365 million from €387 million in 2007. The decrease was mainly a result of the reduction in advertising of 14.5% and the reduction in services of independent professionals of 21.5%, partially offset by an increase in certain other expenses.

Capitalized Costs. In 2009, capitalized costs decreased by €17 million, or 21.8%, to €61 million from €78 million in 2008. The decrease in capitalized costs primarily resulted from our cessation of network expansion activity. In 2008, capitalized costs increased by €7 million, or 9.9%, to €78 million in 2008 from €71 million in 2007. The increase in capitalized costs principally related to increased installation activity and increased staff costs.

Depreciation, Amortization & Impairment Charges. In 2009, depreciation, amortization and impairment charges increased by €1 million, or 0.3%, to €390 million from €389 million in 2008. The increase was relatively small because we cancelled network expansion activities in mid-2008. In 2008 these charges increased by €46 million, or 13.4%, to €389 million from €343 million in 2007, primarily as a result of significant network construction activity in 2007.

Reversal of Provision. In 2008, we reversed provisions in the amount of €15 million. In prior years we had recognized certain provisions in connection with contributions to the National Universal Service Fund. In connection with a review of such provisions following a CMT decision, we reversed a portion of the provisions. In 2007, we reviewed our provisions, particularly those made in connection with our acquisition of Auna and, as a consequence of that review, recognized a reversal of provisions in the amount of €13 million.

Impairment and Gains or Losses on Disposal of Fixed Assets. In 2007, we performed an impairment test on the goodwill we recorded in connection with the acquisition of Auna. This test determined that the goodwill would not be recoverable and, therefore, an exceptional loss of €189 million was recognized. We also recognized other impairments in each period.

Other-losses/gains-net. In 2008, we recognized €39 million in other losses, primarily relating to restructuring and our headcount reduction plan. In 2007, we recognized €55 million in other losses, primarily relating to the reclassification of certain expenses and income that we were required to reclassify when we adopted Spanish GAAP in 2008.

Operating Profit

Our operating profit increased by €49 million, or 17.5%, to €329 million in 2009 from €280 million in 2008 and by €231 million, or 471.4%, to €280 million in 2008 from €49 million in 2007. Our operating profit margin was 3.0% in 2007, 17.5% in 2008 and 21.7% in 2009. The increases in our operating profit and operating profit margin are the result of the factors discussed above.

Net Financial Expense

The following table sets forth our net financial expense and the percentage change for the periods indicated:

	As and for the year ended December 31,			Percentage change	
	2007[1]	2008	2009	07/08	08/09
			(euro in millions)		
Financial income	5	7	4	40.0%	(42.9)%
Interest expense	(245)	(258)	(230)	5.3%	(10.9)%
Other financial charges	(44)	(53)	(30)	20.5%	(43.4)%
Changes in fair value of financial instruments	—	—	7	—	—
Impairment and gain or losses for financial instrument disposal	—	—	4	—	—
Net financial expense	**(284)**	**(304)**	**(245)**	**7.0%**	**(19.4)%**

(1) Unaudited and restated.

In 2009, net financial expense decreased by €59 million, or 19.4%, to €245 million from €304 million in 2008. This was due to the decline in Euribor rates towards the end of 2008 and the costs of an amendment of the Senior Facility carried out in 2008.

In 2008, net financial expense increased by €20 million, or 7.0%, to €304 million from €284 million in 2007. This was due to the cost of an amendment of the Senior Facility in July 2008 and the full drawing of our revolving credit facility under the Senior Facility, coupled with the higher Euribor interest rate. We fully drew our revolving credit facility because of the uncertainties surrounding the global financial crisis.

Income Tax Expense

Prior to 2009, we have incurred losses every year since we began operating except 2003. We book the related tax credits in our financial statements. In the year ended December 31, 2009 we generated a net profit before tax and accordingly recognized income tax of €31 million. Under Spanish corporate income tax law, tax losses can generally be carried forward for up to 15 years from the date such losses were incurred. Due to our tax loss carry-forwards, we did not pay cash tax in 2009.

Liquidity and Capital Resources

Our liquidity requirements arise primarily to meet our ongoing debt service obligations and to fund working capital and capital expenditure requirements. Our principal sources of funds are cash flow from operations, cash and cash equivalents on our balance sheet, borrowings under our Senior Facility and borrowings under other financing agreements. As of September 30, 2010, on a pro forma basis (after taking into account the October 2010 Refinancing and the issuance of the Notes and the use of the gross proceeds therefrom as described in "*Use of Proceeds*"), we would have had approximately €46 million of cash and cash equivalents and €242 million available lines under undrawn credit facilities, for a total liquidity as of September 30, 2010 of €288 million.

In the next three years we have significant debt maturity payments. As of September 30, 2010, on a pro forma basis and after taking into account the October 2010 Refinancing and the issuance of the Notes offered hereby and the use of the gross proceeds therefrom as described in "*Use of Proceeds*," €2,346 million of our debt (comprising debt under the existing Bank Tranches of the Senior Facility) will mature in 2013. We expect these maturities to be met through available cash and cash equivalents and operating cash flows, as well as further refinancings. The current macroeconomic environment as well as the outlook for the Spanish economy, particularly the increase in the unemployment rate and its impact on disposable income and business spending, will limit our ability to generate enough cash to meet such debt maturity payments as they become due. Accordingly, a substantial amount of these debt maturities will need to be refinanced. For a discussion of the risks related to our borrowings, see "*Risk Factors—Risks Relating to Our Financial Profile*".

In order to mitigate these risks, in 2008 we started a transformation plan that includes several initiatives designed to improve our financial position. These initiatives include the discontinuation of our network build-out, implementation of a headcount reduction plan, as well as other cost efficiency programs. The positive impact from these initiatives was evident in 2009 and the first nine months of 2010. See "*—Factors Affecting Our Business During the Period Under Review*" above.

In addition to the measures described above, during the first nine months of 2010 we undertook a refinancing plan whereby we amended our Senior Facility (i) to extend maturities by creating additional term loan tranches under the Senior Facility through "forward-start" facilities (such additional term loan tranches will mature on June 30, 2013 and will be drawn to partially extend maturities of tranches A, B and I of the Senior Facility falling due between June 30, 2010 and December 31, 2012); (ii) to create an additional €64 million revolving tranche that will mature on July 31, 2012; (iii) to facilitate future debt refinancing by permitting the creation in the future of additional term loan tranches under which the proceeds from debt capital markets instruments raised by a special purpose vehicle (such as the Senior Secured Notes issued as part of the October 2010 Refinancing) or new bank debt will be on-lent to the Company to partly refinance Existing Bank Tranches under the Senior Facility; (iv) to reset financial covenants; (v) to add PIK interest if certain conditions relating to the refinancing of Existing Bank Tranches are not met (this obligation has fallen away as a result of the October 2010 Refinancing) and (vi) to amend some definitions. After the amendment, the maximum available amount under the Senior Facility decreased from €3,600 million to €3,555 million. The purpose of the amendment was to provide us with additional flexibility to meet our principal amortization obligations and permit management to focus on continuing to enhance operations and increase cashflow. For a description of the Senior Facility, see "*Description of Other Indebtedness—Senior Facility*" and for a pro forma maturity calendar, adjusted to reflect the issuance of the Notes and the use of gross proceeds therefrom, see "*—Financing Arrangements*" below.

As part of the refinancing process, our shareholders contributed €125 million to us in the form of a deeply subordinated participative loan and a further €25 million currently held in escrow to be disbursed to us under similar arrangements if we do not meet certain liquidity conditions. See "*Shareholders and Beneficial Owners—PIK Loan and 2010 Downstream Loan*." Prior to the closing of the offering, it is intended that all of the subordinated participative loans will be capitalized into equity. See "*Shareholders and Beneficial Owners—Capitalization Transactions*".

As part of the October 2010 Refinancing, on October 22, 2010 we completed the issuance of the €700 million 8.875% Senior Secured Notes due 2018 by Nara Cable Funding. The proceeds therefrom were on-lent to Cableuropa pursuant to the Senior Secured Notes Tranche of the Senior Facility and were used to partially prepay drawn amounts under tranches A, B, I, E and I2 of the Senior Facility, thereby extending the overall maturity of our debt.

Historical Cash Flows

The following table sets forth our historical cash flows for each of the periods under review.

	Year ended December 31,			Nine months ended September 30,	
	2007[1]	2008	2009	2009	2010
	(euro in millions)			(unaudited)	
Cash flows from operating activities	207	229	312	168	275
Cash flows from investing activities	(551)	(373)	(223)	(149)	(177)
Cash flows from financing activities	341	481	(192)	(122)	(230)
Net increase/decrease in cash and cash equivalents	(3)	338	(104)	(103)	(132)

(1) Unaudited and restated.

Cash from operating activities. In the nine months ended September 30, 2010 cash flows from operating activities increased by €107 million, or 63.7%, to €275 million from €168 million in the nine months ended September 30, 2009 primarily due to working capital improvements driven by improved collection processes which reduced the average collection period, the receipt of €46.6 million from Sogecable as part of a court ruling and a reduction in our operating expenses and investments, which in turn led to a reduction in cash payments to suppliers, and due to the fact that the first nine months of 2009 included costs related to our redundancy plan.

Cash flows from operating activities increased by €83 million, or 36.2%, to €312 million in the year ended December 31, 2009 from €229 million in the year ended December 31, 2008, and increased by €22 million, or 10.6%, to €229 million in the year ended December 31, 2008 from €207 million in the year ended December 31, 2007. Our net cash flows from operating activities has continuously improved over the three years ended December 31, 2009, mainly as a result of the improvement in our operating results and, as mentioned above, due to working capital improvements driven by improved collection processes which have reduced the average collection period and due to the reduction in our operating expenses and investments, which in turn has led to a reduction in cash payments for suppliers.

Changes to Spanish law with respect to invoicing mean that our typical payment period of 85 days will be first reduced to 75 days as of January 2011 and then 60 days as of January 2013. Each of these reductions will have negative impacts on our working capital.

Cash flows from investing activities. In the nine months ended September 30, 2010 cash flows from investing activities increased by €28 million, or 18.8%, to €177 million from €149 million in the nine months ended September 30, 2009 due to the ongoing deployment of Docsis 3.0 technology. Cash flows from investing activities decreased by €150 million, or 40.2%, to €223 million in the year ended December 31, 2009 from €373 million in the year ended December 31, 2008, and decreased by €178 million, or 32.3%, to €373 million in the year ended December 31, 2008 from €551 million in the year ended December 31, 2007. The decreases reflected our decision to cease network expansion activity in mid-2008.

Cash flows from financing activities. Cash flows from financing activities for September 30, 2010 were a negative €230 million, reflecting the use of cash flows from operating activities and available cash to reduce borrowings under our Senior Facility and short-term credit lines and to make our final deferred payment relating to the acquisition of Auna.

Cash flows from financing activities in September 30, 2009 were a negative €122 million reflecting the use of available cash to make a deferred payment relating to the Auna acquisition and to reduce borrowings under our short-term credit lines.

Cash flows from financing activities for the year ended December 31, 2009 were a negative €192 million, reflecting the use of cash flows from operations and available cash to make a deferred payment relating to the Auna acquisition, repayment of borrowings under certain of our short-term credit lines and the first amortization payments required under our Senior Facility.

Cash flows from financing activities in 2008 were €481 million, reflecting our decision to fully draw our revolving credit facility in order to preserve liquidity and to avoid any counterparty risk that could arise from the financial crisis, resulting in a substantial increase of cash and cash equivalents to €342 million as of December 31, 2008.

Cash flows from financing activities for the year ended December 31, 2007 were €341 million, reflecting increased borrowings under our Senior Facility to finance our network expansion.

Capital Expenditures

Our capital expenditures primarily relate to set-top box purchases and other customer capital expenditures, installations, network build-out, upgrades, maintenance and other investments, computer hardware and software and content rights.

Capital expenditures amounted to €170 million for the nine months ended September 30, 2010 compared to €150 million for the first nine months ended September 30, 2009. We incurred capital expenditures of €220 million, €374 million and €554 million in 2009, 2008 and 2007 respectively. These decreases until 2010 were primarily due to the cessation of network expansion activities as part of our decision to preserve liquidity given the weak economic environment and the state of financial markets. We expect that our total capital expenditure in 2010 will be in the range of €230 million to €260 million and in 2011 in the range of €250 million to €300 million. The level and timing of capital expenditures we actually make will depend on the nature of network investments, maintenance and upgrades and the number of installations, among other things.

Financing Arrangements

In addition to cash flow from our operating activities, our other sources of liquidity include short and long-term debt facilities and cash and cash equivalents. As of September 30, 2010, we had €3,266 million outstanding under the Senior Facility. In addition, we had €450 million in Existing Subordinated Notes, €10 million outstanding under the Fond-ICO Participative Loan and an additional €6 million in short-term credit lines, mortgages and leases. We intend to refinance the Existing Subordinated Notes and repay the Fond-ICO Participative Loan with the gross proceeds of the offering and available cash (see "*Use of Proceeds*"). In addition to the foregoing indebtedness, as of September 30, 2010, we had approximately €22 million of Spanish state subsidized financing outstanding. This subsidized financing is backed mainly by guarantees under the Senior Facility. As of September 30, 2010, we had €242 million of undrawn availability under our credit facilities.

We may incur additional indebtedness in the future principally to fund our interest expenses, working capital needs and, to the extent not covered by operating cash flows, capital expenditures. Any drawings under the Senior Facility are subject to the satisfaction of certain conditions precedent and compliance with covenants, including the maintenance of certain ratios. See "*Description of Other Indebtedness*".

The pro forma maturity calendar of our outstanding debt as of September 30, 2010, having taken into account the October 2010 Refinancing and the issuance of the Notes and the use of the gross proceeds therefrom as described in "*Use of Proceeds*," is summarized in the following table:

	Expected Maturity Date												
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total borrowings**
Debt with credit entities													
Senior Facility[1]	—	49	171	2,346	—	—	—	—	700	—	—	—	**3,266**
Bank Tranches	—	49	171	2,346	—	—	—	—	—	—	—	—	**2,566**
Senior Secured Notes Tranche[2]	—	—	—	—	—	—	—	—	700	—	—	—	**700**
Other credit facilities[1]	—	4	1	1	—	—	—	—	—	—	—	—	**6**
Total debt with credit entities	**—**	**53**	**172**	**2,347**	**—**	**—**	**—**	**—**	**700**	**—**	**—**	**—**	**3,272**
Other debt													
Notes offered hereby	—	—	—	—	—	—	—	—	—	461	—	—	**461**
State subsidies & other	1	10	8	1	1	—	—	—	—	1	—	—	**22**
Total other debt	**1**	**10**	**8**	**1**	**1**	**—**	**—**	**—**	**—**	**462**	**—**	**—**	**483**
Total debt	**1**	**63**	**180**	**2,348**	**1**	**—**	**—**	**—**	**700**	**462**	**—**	**—**	**3,755**

(1) In nominal value and not including €3 million of accrued interest payable. As of September 30, 2010, we had €234 million of undrawn availability under our Senior Facility and we had €8 million of undrawn availability under other credit facilities.

(2) The Senior Secured Notes Tranche matures on the final maturity date of the Senior Facility (December 31, 2013) and its maturity will be automatically extended through a forward start agreement to match the maturity date of the Senior Secured Notes in December 2018. See *"Description of Other Indebtedness*".

Contractual Obligations

Our estimated contractual obligations (excluding the outstanding financial debt discussed above and the other financial obligations discussed below) as of September 30, 2010, are shown in the table below:

	Before December 31, 2010	**Between 1-2 from December 31, 2010**	**Between 2-5 from December 31, 2010**	**Between 5-8 from December 31, 2010**	**More than 8 years from December 31, 2010**	**Total**
			(euro in millions) (unaudited)			
Building lease obligations[1]	3	24	9	3	3	42
TV content purchase obligations[2]	9	46	28	5	—	88
Other contract purchase obligations[3]	41	166	135	80	226	648
Equity Value Certificates	—	15	—	—	—	15
Total	53	251	172	88	229	793

(1) Office and network related real estate leases.

(2) Television content purchase obligations.

(3) Fiber optic network rental obligations (including ENDESA, Iberdrola and ADIF), purchase commitments with network equipment suppliers (including Ericsson) and purchase commitments with customer premises equipments suppliers (including TiVo, Cisco and Huawei) and certain other purchase orders and provisions.

Set forth below is a description of our other contractual financial obligations, excluding financial debt and interest rate hedges.

Equity Value Certificates

In connection with the issuance of a series of notes in 2001 (which have been repaid), ONO Finance plc issued Equity Value Certificates ("EVCs"), comprising of 200,000 dollar- and 150,000 euro-denominated EVCs which originally evidenced the right to receive the cash value of 48.89512850 shares of Cableuropa in dollars, and of 45.98831311 shares of Cableuropa in euro, respectively, assuming €1.00 par value shares and subject to adjustment in certain circumstances.

The EVCs are due to be paid in 2011, although prepayment may be triggered under certain circumstances such as an initial public offering of the shares of Cableuropa. The EVCs are guaranteed by Cableuropa on a senior subordinated basis. In the July 2008 Senior Facility amendment process, GCO assumed responsibility for the total cost of retiring the EVCs on behalf of Cableuropa. Currently GCO owns over 88% of the EVCs. For a description of the EVCs, see "*Description of Other Indebtedness—Equity Value Certificates*".

Guarantees

We have secured guarantees from certain Spanish credit institutions that guarantee our compliance with specific performance commitments under our cable television and telecommunications licenses as well as our repayment of the subsidized loans. These guarantees were granted to, among others, the Spanish Ministry of Industry, Tourism and Commerce, City Councils and other organizations. The Senior Facility includes a tranche to cover the guarantees. As of September 30, 2010, €20 million of this tranche was drawn to cover the amount of guarantees relating to subsidized loans.

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 or currencies.

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, the Subordinated Notes or other financial debt from time to time in privately negotiated or open market transactions using funds available to us.

Interest Rate Risk

Borrowings under our Senior Facility (other than the Senior Secured Notes Tranche) bear interest at a floating rate determined by reference to Euribor plus a margin, which currently ranges from 1.75% to 3.00%, depending on the tranche. In addition, our other outstanding debt with credit entities usually bears interest at Euribor plus a margin.

Accordingly, as of September 30, 2010, on a pro forma basis and after taking into account the October 2010 Refinancing and the issuance of the Notes offered hereby and the use of proceeds therefrom, we had long-term floating rate debt outstanding of €2,594 million and are exposed to risk due to fluctuations of interest rates.

As of September 30, 2010, we had contracted €500 million of interest rate swaps to fix the interest rate applicable to our financial debt that matures on January 31, 2011. Accordingly, after January 31, 2011 all of our floating rate indebtedness is unhedged and we are therefore exposed to the risk of interest rate increases. See "*Risk Factors—Risks Related to Our Financial Profile—A substantial portion of our debt bears variable interest rates.*" We are evaluating whether to enter into any new hedging arrangements.

Currency Risk

Our operations are generally not subject to currency risk as our revenues and expenses are denominated in euros. All of our indebtedness is denominated in euros; however, following the issuance of the Notes offered hereby, we will have $225 million (€166 million equivalent) of U.S. dollar indebtedness outstanding relating to the Dollar Notes. Accordingly, following the offering of the Notes, we will be exposed to the risk of an increase in the value of the US dollar relative to the euro. See "*Risk Factors—Risks Related to our Financial Profile—Upon issuance of the Dollar Notes we will be subject to currency fluctuation risk*". We are evaluating whether to enter into any hedging arrangement with respect to all or a portion of our payment obligations under the Dollar Notes.

Critical Accounting Policies

We prepare our financial statements in accordance with Spanish GAAP, which differ in certain significant aspects from U.S. GAAP and IFRS. The preparation of financial statements in conformity with Spanish GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingent assets and contingent liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the consolidated financial statements, actual results may vary from these estimates.

Tax Credits

We assess the recoverability of deferred income tax assets and tax credits on the basis of estimates of future results. The recoverability will, in the final analysis, depend on our ability to generate taxable profits during the period in which the deferred income tax assets may be deducted. The analysis takes into account the taxable profits estimated on the basis of internal projections that are updated to reflect the most recent trends, assumptions and information. Actual flows of amounts received and paid for income tax may differ from our estimates as a result of changes in tax legislation or unforeseen future transactions that might affect the tax balances.

Valuation of Equity Value Certificates

The valuation of, and liabilities under, our EVCs issued in 2001 and maturing in 2011 are based on the estimated value of our shares as there is no current market price for the shares. The gain or loss resulting from a reassessment of the value of the liabilities associated with the EVCs is recorded as income or loss, as appropriate, in the consolidated income statement.

For a description of the EVCs, see "*—Liquidity and Capital Resources—Contractual Obligations—Equity Value Certificates*."

Impairment of Assets

The accounting treatment of investment in property, plant and equipment and intangible assets means that estimates must be made to determine their useful lives for the purposes of depreciation or amortization.

The determination of useful lives requires estimates regarding expected technological evolution and alternative uses of the assets. Assumptions regarding the technological environment and its future development imply a significant degree of judgment, inasmuch as the time and the nature of future technological changes are difficult to predict.

When impairment of fixed assets is identified, a value adjustment is recognized and charged to the income statement for the period. The determination of the need to recognize an impairment loss implies making estimates that include, among others, an analysis of the causes of the possible impairment and the time and the expected amount thereof. Likewise, factors such as technological obsolescence, the suspension of certain services and other changes in circumstances that create the need to assess possible impairment are taken into account.

Fair Value of Derivatives and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. We select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. We have used discounted cash flow analysis as well as third party valuations to determine the fair value of the derivatives and other financial assets and liabilities.

Provisions

Provisions are recognized when we have a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The obligation may be legal or constructive, derived from, among other factors, regulations, contracts, normal practices or public commitments that create a valid expectation for third parties that we will accept certain liabilities. The provision is measured by the best estimate of the payment that will be necessary to settle the relevant obligation, taking into consideration all the information available on the closing date for the financial statements, including the opinions of independent experts, such as legal advisors or consultants. Due to the unpredictability inherent in estimating the amount of provisions, the actual payments may differ from the amounts initially recognized on the basis of the estimates made.

INDUSTRY

Certain information set forth in this section has been derived from external sources, including reports of the Spanish Telecommunications Market Commission ("CMT"), the Spanish National Statistics Institute ("INE"), State Secretariat for Telecommunications and the Information Society ("SETSI") and Eurostat of the European Commission, as well as publicly available reports from telecommunications operators. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Overview

Spain's economy is the fifth largest in the European Union measured by a GDP of €1.1 trillion in 2009 according to Eurostat. Spain is also the fifth most populous country in the European Union, with an estimated 46.1 million inhabitants at the beginning of October 2010 according to INE. Like the majority of developed economies, the Spanish population is mostly concentrated in urban areas. According to INE, 52% of the population lived in city centers with more than 50,000 inhabitants as of January 2010. However, with 87 inhabitants per square kilometer in 2006, the Spanish population density is lower than in other major Western Europe economies. Population density and distribution are key factors for ONO and other telecom operators not subject to universal service obligation when deciding whether to concentrate infrastructure investments in particular areas.

The Spanish telecoms and TV market generated revenues of €41.8 billion in 2009, according to CMT. The largest sector is mobile telephony with €14.5 billion (34.6% of total), followed by fixed telephony with €6.5 billion (15.5% of total). ONO operates mostly in five sectors of the telecoms and television market: internet, pay-TV, fixed telephony, business communication and fixed wholesale. These sectors in total generated revenues of €16.5 billion in 2009, which represents 39.5% of the total telecoms market. These sectors showed growth of 2.7% per year in the period between 2003 and 2008, mainly driven by strong growth in internet usage. However, the recent economic downturn led to a 4.5% decrease in 2009 revenues partly due to customers reducing discretionary spending, such as fixed to mobile and international telephone calls and pay-TV services, and partially due to companies renegotiating contracts with significant reductions in tariffs.

Market revenue development in ONO's main markets

	2003	2004	2005	2006	2007	2008	2009	CAGR '03-'08	YoY '08-'09	% of total 2009
	(in euro billion, unless stated)									
Fixed telephony	8.3	8.3	8.3	7.5	7.2	7.1	6.5	(3.0)%	(8.3)%	15.5%
Internet	1.3	1.8	2.3	2.8	3.5	3.8	3.9	24.3%	2.2%	9.4%
Pay-TV	1.8	1.7	1.8	1.9	2.0	2.1	1.8	2.6%	(14.4)%	4.3%
Business communications	1.2	1.2	1.3	1.3	1.3	1.5	1.5	3.8%	2.8%	3.6%
Wholesale (fixed)	2.5	2.7	3.1	2.5	2.7	2.8	2.8	2.0%	(0.6)%	6.6%
Subtotal	**15.1**	**15.7**	**16.8**	**16.0**	**16.8**	**17.3**	**16.5**	**2.7%**	**(4.5)%**	**39.5%**
% YoY growth		3.8%	6.8%	(4.8)%	5.0%	2.9%	(4.5)%			
Mobile telephony	8.9	10.4	12.1	13.3	14.9	15.1	14.5	11.2%	(4.1)%	34.6%
TV advertising	2.4	2.8	3.1	3.3	3.6	3.3	2.6	6.1%	(20.5)%	6.2%
Other TV (non-pay TV)	0.2	0.1	0.1	0.1	0.2	0.2	0.2	3.4%	(12.1)%	0.4%
Wholesale (mobile, TV, other)	4.1	4.4	4.6	4.9	4.7	4.4	3.9	1.3%	(12.6)%	9.2%
Other	3.7	3.7	4.2	4.4	3.8	4.0	4.2	1.2%	6.1%	10.1%
Total market	**34.5**	**37.0**	**40.9**	**42.1**	**43.9**	**44.2**	**41.8**	**5.1%**	**(5.4)%**	**100.0%**
%YoY growth		7.5%	10.3%	3.0%	4.2%	0.7%	(5.4)%			

Source: CMT, 2009 Annual Report

The Spanish telecoms market has a relatively long history of competition. Deregulation of the market was a necessary consequence of Spanish accession into the European Union and the obligation to abide by EU free competition principles and traces back to Law 31/1987, which commenced the process of deregulation. Law 42/1995 on Cable Telecommunications contributed to further deregulation of the sector. However, the incumbent operator Telefónica retained a monopoly of fixed-line services until 1997, when the Telecommunications Liberalization Act (Law 12/1997) permitted other participants to begin offering their own services at a national basis. The Spanish telecommunications regulator (CMT) was also created in 1997. Acknowledging that effective competition would not be possible without measures intended to offset Telefónica's dominance, the regulator has been active in preventing Telefónica from abusing its dominant position. As a consequence of the drive to increase competition in the market, Telefónica was fully privatized in 1999 after a partial privatization in 1995.

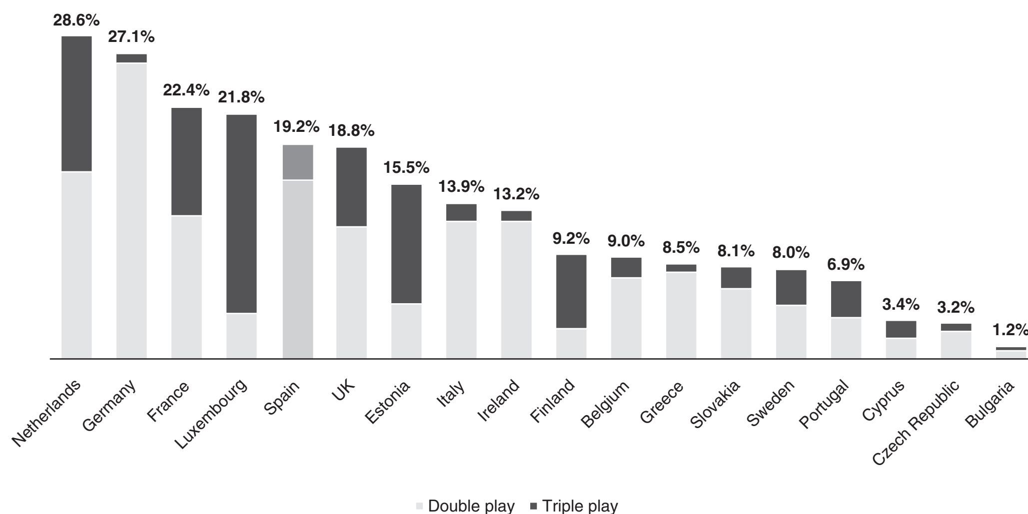
Following the passage of Law 12/1997, Spain's national radio and television utility Retevisión obtained a license in the fixed-line telephony market and commenced operations in January 1998. In May 1998, LINCE (mainly owned by France

Telecom) became the third participant to enter the market. With Law 11/1998 General on Telecommunications, the provision of telecommunication services were liberalized and telecommunication networks could be exploited under free competition. Competition then increased as additional participants entered the market and challenged Telefónica's dominance. Additional alternative players entered the market in the late 1990s and early 2000s.

The development of cable as an alternative technology added more competition in the telecommunications market and provided consumers with an alternative to legacy copper technology. Spain's cable industry is relatively young compared to other European countries. Commercial networks were first constructed in the mid 1990s, as compared to most other European countries where cable networks launched services in the 1970s and 1980s. ONO launched commercial services in 1998. The industry has already undergone a period of consolidation, with ONO emerging as a market leader after its acquisition of Auna in 2005.

The Spanish telecoms market is now moving towards convergence of voice, data and video networks and services. Telecom operators are rapidly introducing new products and services and trying to leverage their infrastructure by bundling services for consumers. The convergence process is driven by operators bundling services such as broadband internet access, television, fixed-line telephony and increasingly mobile into integrated offers (double, triple and quadruple play). In 2009, the number of bundled customers in the market increased by 743,000, which implies an 8.8% annual growth, to 9.2 million, according to CMT. At the end of 2009, approximately 45% of fixed telephony lines, 90% of internet services and 48% of pay-TV contracts were bundled with at least one other service. In that context, 89% of all internet customers were bundled with a fixed-line. Spain is relatively more advanced than the EU average in the convergence process. The number of bundled packages (either double or triple play) in Spain, according to the Fifteenth Progress Report on the Single European Electronic Communications Market, reached 19.2% of the population in July 2009, which is higher than most other European countries. In comparison, ONO is more advanced with 37.8% of its cable customers subscribing to a triple-play bundle as of September 30, 2010, up from 34.5% as of September 30, 2009.

Bundled offers per type as % of population, July 2009



Source: Fifteenth Progress Report on the Single European Electronic Communications Market, 2009

Technologies

Telecommunication and television needs of the consumers in the Spanish market are mainly addressed through PSTN (Public Switched Telephone Network), cable, satellite, DTT (Digital Terrestrial Television) and mobile technologies.

PSTN

Telefónica, as the incumbent operator, has a PSTN network that covers the majority of Spain for fixed-line services and fixed broadband (xDSL) services. Telefónica is also upgrading parts of its network to VDSL, allowing it to offer higher speed broadband services.

The General Law on Telecommunications (32/2003) and accompanying regulations impose obligations on Telefónica to unbundle its PSTN local loops. Alternative telecom operators are allowed to use Telefónica's copper-based network to provide their own services through a process referred to as "unbundling of the local loop" (ULL). ONO uses ULL as a complement to its cable network in those areas where it does not have cable coverage. Other alternative telecom operators using ULL in Spain include Vodafone, Orange and Jazztel. ULL operators depend on Telefónica's network, which reduces the control such operators have over the customer experience. Telefónica offers ULL operators broadband speeds of up to 30 Mbps. Telefónica and ONO are currently the only operators able to provide broadband speeds higher than 30 Mbps.

In addition to voice and broadband services, Telefónica's PSTN network is used to offer TV services via IPTV. IPTV is a technology through which digital TV services are delivered via internet protocol (IP) instead of traditional broadcasting methods like cable or satellite. IPTV, as is the case with cable, allows for interactivity, a difference that operators are focusing on when competing with satellite and DTT, both of which do not allow for interactive services. Growth in the pay-TV market for telecom operators could be one means to partly offset stagnating or declining fixed line revenues. Moreover, the development of fiber networks should facilitate the delivery of high quality network pay-TV services.

Cable

Cable operators have direct customer relationships and serve their clients via end-to-end networks without the necessity of using the incumbent's last mile access. Therefore, cable operators can directly influence the quality of service and the products offered to their customers. Cable infrastructure in Spain is, partly as a function of the relatively late build-out, in most cases fully able to bundle digital and interactive services. Furthermore, due to the use of hybrid fiber coax (HFC; fiber up to the terminal node and coax cable from the terminal node to the home), cable operators are generally able to offer higher bandwidth broadband services than PSTN-based telecom operators (twisted copper pair from central office to the home) and a greater choice of TV channels than offered via IPTV.

Reflecting the economics of network build-outs, cable coverage is better in denser urban areas than in rural areas. Until recently, operators continued to focus on increasing network coverage, but following the financial crisis, operators have substantially slowed or ceased network build-outs. Instead, operators are focused now on increasing subscriber penetration and leveraging their existing network infrastructure. When comparing market shares, it has to be taken into account that cable operators do not cover all Spanish households and therefore their market shares within their coverage footprint are higher than their market shares on a national level.

ONO is the largest cable operator in Spain and the only cable operator with national coverage. As of December 31, 2009, ONO's network had access to over 7 million homes in Spain and over 1.8 million residential cable customers subscribe to ONO's services. The other cable operators: Euskatel (Basque Region), Telecable de Asturias (Asturias) and R Cable (Galicia), are smaller regional operators and only compete with ONO on a limited basis.

Satellite

Satellite in Spain has traditionally been the dominant alternative technology for pay-TV distribution. At the end of 2009, there were 1.8 million households subscribing to satellite pay-TV services, down from 2.0 million in 2006. After the 2003 merger of Vía Digital and Canal Satelite Digital, Sogecable's Digital+ is the only participant in the market using satellite as a technological alternative for the distribution of pay-TV services. Telefónica owns 21% of Digital+.

Unlike its competitors, Sogecable cannot offer interactive or bundled services using only satellite technology. In order to compete with bundled offers from cable and other telecom operators or to provide services that require a return path, Sogecable has entered into agreements with telecom operators. For example Sogecable's agreement with Orange allows for the expanded distribution of Sogecable's Digital+ Móvil (mobile) service, in addition to a joint triple-play offer.

DTT

In its current form, DTT in Spain was launched in November 2005. The Spanish government supported the planned replacement of analog terrestrial television, which was previously the main form of free TV reception in the market. Furthermore, the government prepared a package of measures to prepare for an analog switch-off that was completed in April 2010. Alongside, the government obliged DTT operators to extend DTT coverage to 96% of the population by 2010 (98% for public TV networks) and required operators to use fully interoperable decoders in order to avoid customer lock-in risk. As a consequence of this transition process, customers now have a broader choice of channels they can access via DTT.

Pay-DTT became a reality in Spain after the government passed legislation in August 2009 (Royal Decree-Law 11/2009) and March 2010 (Law 7/2010 General on Audiovisual Communication). According to the legislation currently in force, national DTT broadcasters are allowed to provide total or partial pay-TV channels using up to 50% of the radio spectrum assigned.

Mobile

At the end of 2009, there were 51.1 million mobile telephony subscribers (excluding mobile broadband data cards) in Spain, implying a penetration rate of 109.3% of the population. The Spanish market is mainly served by four network operators: Telefónica, Vodafone, Orange and Yoigo. Mobile Virtual Network Operators (MVNOs) have a relatively small presence in the market, accounting for 3.1% of mobile subscribers in 2009. Traditionally focused on voice, the importance of data in the revenue mix of mobile operators has grown in the last three years. Whereas only 3.5% of mobile telephony revenues came from data in 2006, the share of data revenues grew to 10.4% in 2009. Conversely, voice has declined from 81.7% of the mobile telephony revenues in 2006 to 71.7% in 2009, with the remainder of revenues being handset and other revenues.

Telefónica's Movistar market share equalled 43.6%, followed by Vodafone and Orange with mobile subscriber shares of 30.4% and 20.4%, respectively, as of December 31, 2009. In line with the development of the fixed line market, low cost operators have greatly benefited during the economic recession. Yoigo has experienced a compounded average growth rate (CAGR) of 72.8% from 2007 to 2009, although from a low base of active mobile subscribers, to reach 1.3 million by the end of 2009.

Competition

There is significant competition in Spain from established and new companies that provide broadband internet, pay television and telephony services to residential customers, data telecommunications and telephony services to SMEs, large accounts and corporations, as well as carrier services to other telecommunication operators. The level of competition in each of these businesses is expected to increase.

The key considerations for consumers selecting a telecoms provider include the ability to offer bundled services, the speed and reliability of broadband internet service and features such as interactive TV, as well as price. The following table provides a comparison of the offered services among the main competitors:

	ONO	Telefónica	Digital+	ULL Operators	Free and Pay Digital Terrestrial Television
Broadband internet	X	X	—	X	—
Television	X	X	X	X	X
Telephony	X	X	—	X	—
Bundled Services	X	X	X[(1)]	X	—
Business Services	X	X	—	X	—

(1) Digital+ offers a bundled package in partnership with Orange.

The following table below sets forth the market share for ONO and other operators in the residential internet, pay-TV and residential telephony markets in Spain as of September 30, 2010.

Residential Internet		Pay-TV		Residential Telephony	
% market share		% market share		% market share	
1.Telefónica	48.5	1.Digital+	42.34	1.Telefónica	64.8
2.ONO	**17.4**	**2.ONO**	**22.8**	**2.ONO**	**14.0**
3.Orange	12.4	3.Imagenio (Telefónica)	18.4	3.Vodafone	6.0
4.Jazztel	8.3	4.Other Cable	8.2	4.Jazztel	5.4
5.Vodafone	7.4	5.Gol TV	6.6	5.Orange	5.2

Source: CMT, Q3 2010 Report

Residential Telephony

According to CMT, the Spanish retail fixed line telephony market generated revenues of approximately €6.5 billion in 2009, down from €7.1 billion in 2008. In line with the general trend across Western Europe, this largely saturated market is declining due to substitution with mobile communication and VoIP-based technology. Moreover, price competition has intensified as price-sensitive customers migrate to low-priced competitors and the commoditization of the service has become more evident. Fixed-line participants are becoming increasingly dependent on the quality of their broadband offering and telephony services are increasingly bundled with broadband offerings (double-play).

Fixed-line telephony in Spain is primarily based on the analog and digital access lines of the incumbent telephone network and the access lines of cable operators. At the end of 2009, there were 16.0 million fixed-line subscribers, a number that decreased by 1.2% on average per year from 16.6 million in 2006. The 16.0 million subscribers correspond to 20.3 million fixed lines in service as some subscribers, especially in the business segment, have more than one active line in service. This represents 43.5 lines per 100 inhabitants in Spain. The 16.0 million subscribers were split between 14.9 million direct and 1.1 million indirect subscribers.

Telefónica is the primary provider of direct access telephony services to residential customers and the only infrastructure operator to widely offer direct access telecommunications services to residential customers. At the end of 2009, Telefónica had 62.9% market share in residential telephony according to CMT.

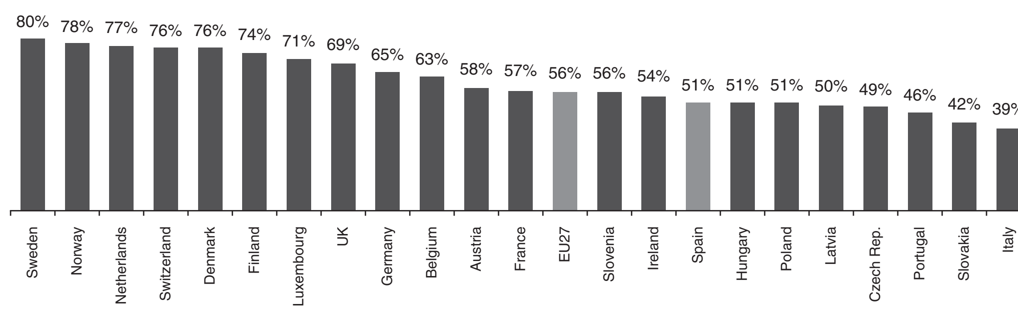
Other competitors include ONO (13.4% market share at the end of 2009) and other operators, including ULL providers (also known as alternative operators) such as Orange, Vodafone and Jazztel, among others. The alternative operators increased their market share during the recent economic crisis by offering lower cost packages. The aggregate market share of Vodafone, Orange and Jazztel grew from 1.3% in 2006 to 13.1% in 2009 based on total fixed line telephony customers.

ONO has defended its market position partly due to its state-of-the-art local network, whereby ONO can offer high quality services at competitive prices. Spain has yet to see a significant increase in internet based telephony (or voice over internet protocol, "VoIP") traffic in the residential market, though the market share of VoIP may increase in the future.

Broadband Internet

Fixed Broadband

According to CMT, the number of broadband subscribers in Spain totaled 9.8 million in 2009, of which 7.9 million were residential and 1.9 were attributable to the business segment. This implies a penetration rate of approximately 51% of Spanish households according to Eurostat, which is slightly below the EU average of 56%. The following table presents data on broadband penetration rates for selected European countries in 2009.



Source: Eurostat, 2009

Spain lags behind other advanced European economies in broadband penetration partially due to relatively high broadband prices. According to a CMT study published in December 2009, standalone broadband prices in Spain are significantly higher than the EU average. Comparing the cheapest alternative, low tier subscriptions (with download speeds of less than 2 Mbps) are on average 50% more expensive in Spain than the EU average. A significant price differential remains for mid (39%) and high tier (33%) subscriptions. When bundled with voice, prices are more in line with the EU average based on the best available prices.

Regarding the overall split of the market among the different alternative technologies, DSL's market share has slightly increased from 78.0% in 2006 to 79.1% in 2009. Conversely, cable's market share has declined from 21.5% to 20.1% partly due to broadband growth in areas that are not covered by cable networks and partly due to competition. Most importantly, both DSL and cable have taken advantage of strong market growth to achieve double digit subscriber growth over the period. Fiber connections (FTTx) only account for a negligible share of the market. However, the importance of FTTx is likely to increase as telecom operators are looking for methods to supply broadband connections with higher speeds in an effort to defend market shares against cable operators.

Spanish fixed-line broadband subscriber development

	Subscribers		Change	CAGR	Market share	
	2006	2009	'06-'09	'06-'09	2006	2009
	(in thousands, unless stated)					
xDSL	5,219	7,748	2,529	14.1%	78.0%	79.1%
Cable	1,436	1,968	533	11.1%	21.5%	20.1%
FTTx	0	19	19	n/a	0.0%	0.2%
Other	35	65	29	22.2%	0.5%	0.7%
Total fixed broadband	**6,690**	**9,799**	**3,109**	**13.6%**	**100.0%**	**100.0%**

Source: CMT, 2009 Annual Report

Telefónica is the leading provider of internet access in Spain and is the principal competitor for broadband internet services, with a 48.8% market share of residential broadband lines as of December 31, 2009. Ono's market share equaled 17.6%. Other DSL internet service providers such as Orange, Vodafone and Jazztel offer high-speed internet services either through indirect access over Telefónica's network (thus with lower control over the quality of their services) or through their own ULL infrastructures (thus allowing the ULL providers to control the quality provided to their customers to a large extent).

Mobile Broadband

As broadband connectivity becomes a ubiquitous service and customers increasingly value flexibility, the importance of mobile broadband is expected to increase in the coming years. The Spanish mobile broadband market is

relatively young. Orange, Telefónica and Vodafone all launched HSDPA services in June or July 2006. Since its inception, this segment has experienced strong growth. In 2009, the number of mobile broadband subscribers reached 2.0 million, a 65% year-on-year growth. This implies a population penetration of 4.2%. Although the strategies followed by telecom operators to serve this market vary, operators are generally looking to mobile broadband as a means of compensating for diminishing voice and SMS revenues and declining ARPUs.

There are several ways to obtain mobile internet connectivity in Spain. Through datacards, users can obtain connectivity on computers, notebooks or other portable devices. However, the most widely used mobile broadband devices are smartphones. In 2009, 42% of Spanish mobile devices were mobile broadband-ready according to CMT.

Mobile operators are deploying aggressive campaigns to increase the uptake of this service in their customer base. Mobile broadband is mostly priced at flat rates. However, there tends to be a cap on the maximum broadband consumption due to limited mobile network and spectrum capacity and speeds are lower than for fixed broadband. Significant increases in mobile broadband coverage have been hindered so far by Spain's complicated geography. The variety of terrains and significant differences in population density increase network infrastructure costs considerably. Mobile operators will need to find a way to reduce infrastructure investments and improve coverage in order to encourage wider adoption of mobile broadband services. In that context, Telefónica announced in March 2010 that its subscribers would soon enjoy a substantial increase in their current mobile broadband speed. Telefónica also announced an upgrade of its 3G network to HSPA+ (also known as Evolved High Speed Packet Access) within three years to enable an increase of data downloads speeds.

Broadband Speeds

Broadband speed and quality of service are key criteria for customers when selecting a broadband provider. The speed factor is likely to weight more in the consumer decision process as data consumption grows in the future. Whereas in 2006 69% of broadband subscriptions in Spain were classified as low-tier (less than 2 Mbps), in 2009 only 15% of subscriptions were included in this group. In 2009 the majority of subscriptions were classified as mid-tier (between 2 and 10 Mbps) and in the future high-tier subscriptions (more than 10 Mbps) are likely to increase.

This is a positive trend for cable operators, given their technological advantage over DSL participants. After the deployment of EuroDocsis 3.0 (also referred to as Docsis 3.0), cable operators will be able to offer speeds well above 50 Mbps, which DSL providers will not be able to match without investing in FTTx. However, the deployment of fiber over a significant share of the Spanish territory is likely to be a lengthy process, giving operators such as ONO an important temporal advantage. ONO is currently deploying Docsis 3.0 technology and expects to complete the upgrade in the first quarter of 2011. When the upgrade process is complete, ONO will have Docsis 3.0 deployed across almost all of its network. Data from 2009 suggests that consumers already perceive cable as being superior in delivering high speeds. While cable operators only account for 12.4% of the low-tier segment, their combined market share in the high-tier segment is 28.2%.

Spanish fixed-line broadband subscriber development

	Subscribers		Change	CAGR	Split		Cable	Market
	2006	2009	'06-'09	'06-'09	2006	2009	2009	share
	(in thousands, unless stated)							
<= 2 Mbps	4,632	1,479	(3,153)	(31.6%)	69.2%	15.1%	183	12.4%
> 2 Mbps <= 10 Mbps	1,800	7,110	5,310	58.1%	26.9%	72.6%	1,444	20.3%
>10 Mbps	258	1,210	953	67.5%	3.9%	12.4%	342	28.2%
Total fixed broadband	**6,690**	**9,799**	**3,109**	**13.6%**	**100.0%**	**100.0%**	**1,968**	**20.1%**

Source: CMT, 2009 Annual Report

In addition, cable is more reliable than xDSL in delivering promised speeds to the customer. According to SETSI's (part of the Spanish Ministry of Industry, Tourism and Trade) data for the second quarter of 2010, ONO's average real speed for 3 Mbps and 6 Mbps subscriptions was actually slightly higher than promised (3.1 Mbps and 6.1 Mbps). In contrast, the rest of the operators delivered lower than promised speeds. Telefónica's average speed for the 3 Mbps and 6 Mbps offer was 2.5 Mbps and 5.0 Mbps, respectively. As the gap between promised and delivered speeds widens for high-tier subscriptions, cable capabilities should be an even more important competitive factor in the context of increasing demand for faster broadband connections.

Customer care is another important criteria for consumers selecting their broadband provider. The table below compares ONO against the incumbent Telefónica and an industry average in several customer service metrics as well as broadband speeds.

	ONO	Telefónica	Industry average
Average speed for 3 Mbps offer (Mbps)	3.1	2.5	2.6
Average speed for 6 Mbps offer (Mbps)	6.1	5.0	5.2
Average time to access fixed telephony (days)	14	19	20
Average time to access internet (days)	8	9	18
Customer complaints (%)[1]	1.5%	2.8%	2.7%

(1) Number of customer complaints divided by average number of active customers in Q2 2010
Source: SETSI, Q2 2010 Report (Informe de seguimiento de calidad en los servicios)

Fiber Deployment

Aiming to foster investment in fiber networks, the CMT published a study on the deployment of FTTx networks in Spain in May 2009. According to the study, the payback of fiber deployment investments in cities with over 50,000 inhabitants will be around 9 to 12 years. The payback period in smaller cities or rural areas is usually longer.

Telefónica is likely to have an advantage in deploying a FTTx network. In order to incentivize Telefónica to invest in FTTx, CMT has given Telefónica freedom in the use of its fiber network, cancelling CMT's previous decision to grant access to Telefónica's competitors. However, the incumbent is obliged to offer bitstream services that enable competitors to replicate products with speeds of up to 30 Mbps. Furthermore, Telefónica will be required to provide competitors with wholesale access to its ducts and passive infrastructure. Furthermore, the first operator to deploy a fiber network inside a building will have to offer in-building wiring at reasonable wholesale prices to any other operator wishing to access the building in order to offer FTTx services.

Although Telefónica is currently the most advanced operator in terms of investments in fiber networks, other competitors are planning to join in order to counter Telefónica's scale advantages. In March 2009, Orange announced its intention to share the deployment of its fiber network with Jazztel and Vodafone to compete with Telefónica. However, those operators are expected to limit their network deployment efforts only to the most-densely populated areas (mainly Madrid and Barcelona), at least in the first stage of development. Due to the lack of private investment in FTTx deployment in some areas, public-led municipal projects are being developed by several local and regional authorities.

Television

The primary competitors in the television segment are public and private television broadcast companies, including free and pay digital terrestrial television providers. Additional competitors include, to varying degrees, other forms of communications and entertainment media, principally the internet, home cinema, movie theatres and video stores.

Pay-TV distribution platforms in Spain mainly consist of satellite, cable and IPTV, with the addition of DTT in 2009. The 4.6 million pay-TV subscribers (including mobile television) generated total pay-TV revenues of €1.8 billion in 2009, down by 14.4% from €2.1 billion in 2008, according to CMT. Based on subscriber numbers, as of the end of 2009 satellite pay-TV services held a share of 43.6%, cable 34.0%, IPTV 18.8% and DTT 3.6%. The total market has shown substantial growth over the last three years, with total pay-TV subscribers increasing from 3.7 million in 2006 to 4.2 million in 2009 (excluding mobile television), a CAGR of 4.2% and translating into an increase from 24.5% pay-TV household penetration in 2006 to 27.0% in 2009.

Spanish pay-TV subscriber development

	Subscribers		Change	CAGR	Market share	
	2006	2009	'06-'09	'06-'09	2006	2009
	(in thousands, unless stated)					
Satellite	2,044	1,846	(198)	(3.3)%	54.6%	43.6%
Cable	1,304	1,440	135	3.3%	34.8%	34.0%
IPTV	397	794	398	26.0%	10.6%	18.8%
DTT	—	153	153	n/a	—	3.6%
Total Pay-TV	**3,745**	**4,233**	**488**	**4.2%**	**100.0%**	**100.0%**

Source: CMT, 2009 Annual Report

The most significant competitor in the Spanish pay-TV market is Sogecable which offers Digital+, the direct-to-home satellite multi-channel television service. Digital+ currently offers a wide range of channels in a variety of price packages holding exclusive ownership of certain premium content. Since direct-to-home services are satellite based, Digital+ does not need a terrestrial network to provide services to its customers. However, direct-to-home customers need a satellite dish and a set-top box. Furthermore, direct-to-home providers such as Digital+ can only offer limited interactivity using a telephone return path, and do not currently have the technical capability to offer VoD services.

Telecom operators have gradually entered the pay-TV market over the last several years via IPTV offerings. IPTV has shown substantial growth over the past three years, doubling subscriber numbers to 0.8 million in 2009, accounting for the majority of the pay-TV market growth. IPTV at the end of 2009 accounted for 18.8% of the total pay-TV market. In 2005, Telefónica launched its "Imagenio" service, offering television services via DSL. This development allows Telefónica to offer bundled services to its customers and in December 2009, Telefónica announced that it had 699,000 subscribers, representing a 16.5% market share. Due to Telefónica's past and present links with satellite leader Sogecable, Spanish regulatory authorities have been proactive in monitoring that access to Sogecable's owned content is not granted to Imagenio at preferential conditions over other IPTV operators.

Other operators, such as Orange, have also launched video over DSL and are starting to market bundled services to their customers. Orange entered the Spanish IPTV market in July 2007 when Orange aquired Deutsche Telekom's internet service provider Ya.com, including its IPTV service. Initially restricted to a basic package of 24 TV channels, Orange has benefited from a content agreement with Sogecable. Orange reached a pay-TV market share of 2%, with 84,000 subscribers, at the end of 2009. Jazztel operated an IPTV service named Jazztelia, which failed to gain traction in the market. As a result, Jazztel stopped offering the service to new customers in 2010, although it is maintaining the service for current customers. Vodafone recently announced the launch of IPTV operations. According to CMT, Vodafone is currently the second largest mobile TV operator in the Spanish market with 97,000 subscribers at the end of 2009. It remains to be seen if Vodafone can leverage its mobile TV capabilities, coupled with its strong mobile franchise in Spain, to be a serious competitor in the pay-TV market via IPTV.

In addition, national digital terrestrial television ("DTT") providers, such as RTVE, Antena 3, Telecinco, Cuatro, la Sexta, NET TV and Veo TV, exert a competitive pressure on the Spanish television marketplace. Some of these providers have recently launched pay DTT channels. Mediapro, for example, offers the popular Gol TV football channel as a pay-DTT channel. Furthermore, other participants have started offering AXN and Canal+ 2 via DTT.

Content Rights

Traditionally, satellite television leader Sogecable has been the owner of the majority of pay-TV content rights, including rights for key content such as movies and sport events. Sogecable was formed from the merger of Canal Satellite Digital (participated in by Prisa) and Vía Digital (participated in by Telefónica) in 2003. Given the implications of this merger for the pay-TV market structure, the Spanish competition regulator imposed several conditions that had to be met before approval was granted. Among them, Sogecable must grant access to its content to third party providers of pay-TV services on fair, transparent and equitable terms, with special emphasis on not discriminating in favor of Telefónica's own IPTV venture. In fact, a content distribution agreement between Telefónica and Sogecable (Trio) was restricted by the Spanish regulator on competition concerns, whereas similar agreements of Sogecable with other operators (Orange) have been allowed.

Access to content rights has been affected by the most recent round of bidding for Spanish football rights. Initially focused on the free-to-air market, Mediapro entered the pay-TV market through Gol TV. While outbidding AVS (80% participated by Sogecable) in securing broadcasting rights for most of Spanish football clubs, Mediapro was deemed to have breached AVS rights and was ordered to pay €104 million in June 2010.

Uncertainty regarding content distribution rights in the Spanish football pay-TV decreased after an agreement between Sogecable and Mediapro was reached for the 2010/2011 season. Telecom operators offering pay-TV services may be indirectly affected by who owns the football broadcasting rights. However, it is likely that resale obligations will persist regardless of who ends up controlling the rights to broadcast Spanish football.

Business Services

There are different ways to define the business customer market. The CMT definition of the business segment includes data transmission to final clients, circuit lease to final clients and corporate communications. This definition largely relates to ONO's SME and Large Accounts & Corporations segments. As of the end of 2009, ONO accounted for 6.6% of the revenues in the business segment, with Telefónica leading the market with a 60.6% market share, according to CMT data.

SME Services

Small- and medium- sized enterprises ("SMEs") tend to receive a portfolio of services similar to that of residential customers (such as fixed and mobile telephony and broadband). They also receive additional services based on their specific needs such as PC maintenance or data solutions. SMEs form the vast majority of Spanish companies so they are an important market as a whole. According to the European Commission, companies are qualified as SMEs when they fulfill at least two of the following three criteria: (i) less than 250 employees; (ii) less than €50 million annual turnover; and (iii) total assets of less than €43 million.

Telefónica is the principal competitor in providing business telecommunications services to SMEs. ONO, BT, COLT, Jazztel, Orange and Vodafone are also competitors. Like ONO, Telefónica relies on its own infrastructure to offer such services.

Large Accounts and Corporations

Large accounts require tailored solutions to meet their specific needs. Telecom operators tend to employ a group of highly skilled account managers that look after a limited number of key accounts. In order to develop innovative and comprehensive solutions and improve the quality and breadth of the services offered to large corporations, some operators partner with consultants and other companies.

Telefónica is the principal competitor in providing data services to large corporations and public sector entities. ONO, BT, COLT, Vodafone and Orange also are competitors. Large corporations and public sector entities continue to demand more bandwidth to accommodate ever increasing data needs, and are demonstrating a strong preference for unified voice and data infrastructures.

Wholesale and Other

Telefónica is the principal competitor in providing carrier services and circuit rental, both national and international, using its own network. Other competitors include ONO, BT, COLT and Orange. As of the end of 2009, Telefónica had a 70.6% share of total revenues of €2.8 billion in the relevant wholesale markets where ONO is present. These markets include fixed interconnection, circuit lease and data transmission services. ONO’s market share stood at 4.9% at the end of 2009.

BUSINESS

Overview

We are the second largest provider of broadband internet, pay television and fixed telephony services in Spain. Through our proprietary state-of-the-art network, we offer our services to over 7 million homes across Spain, including the nine largest cities. We are the only cable operator in Spain with national coverage. As of September 30, 2010, we provide over 4.3 million services under the ONO brand to approximately 1.9 million residential (cable and ULL) customers and over 69,000 SMEs in Spain. We also offer products and services to large corporations and public sector entities as well as to the wholesale market. We are the principal competitor to the incumbent telecommunications and pay television operators in Spain. For the twelve months ended September 30, 2010, we generated revenues of €1,475 million, EBITDA of €725 million and an EBITDA margin of 49.2%. In the same period, our residential services generated revenues of €1,157 million (accounting for 78.4% of our total revenues), and our business and other services generated revenues of €318 million (accounting for 21.6% of our total revenues).

Residential Services

As of September 30, 2010, our residential cable customers totaled over 1.8 million, representing approximately 95.6% of our total residential customer base. We offer customers the opportunity to subscribe to a variety of "bundled" packages, which provides them with multiple services (broadband internet, pay television and telephony) charged in a single bill. "Double-play" packages bundle two of our services together, whereas "triple-play" packages allow customers to utilize each of our broadband internet, pay television and telephony services. As of September 30, 2010, 82.6% of our residential cable customers subscribed to a bundled package. The following is a summary of our services for residential cable customers:

Broadband Internet: We are a leading provider of residential broadband internet services in our areas of operation. Our internet customer base grew by 3.4% in 2009 and 2.7% in the first nine months of 2010. As of September 30, 2010, we had approximately 1.4 million internet customers, representing 75.3% of our total residential cable customer base. We were the first Spanish operator to launch broadband speeds of 50 Mbps and 100 Mbps and, with the ongoing implementation of Docsis 3.0, we anticipate soon having 50 Mbps broadband speeds available widely throughout our network.

Cable Television: We are a leading provider of pay television services in Spain with 948,000 customers as of September 30, 2010, representing 52.4% of our total residential cable customers. We offer a wide selection of digital cable television programming from basic to premium packages. Each of our TV packages also provides easy access to our pay-per-view and VoD services, where available. We recently signed a strategic agreement with TiVo (a U.S. digital video company) to deploy an innovative set of next generation TV services, which we expect to start offering in 2011 and to provide a seamless convergence between internet and traditional television content.

Telephony: We provide local, national and international telephony services to 1.7 million customers, representing 92.8% of our total residential cable customer base, as of September 30, 2010. We recently signed a strategic agreement with Huawei to upgrade and outsource our voice network. We believe this agreement will reduce operating costs while maintaining the quality of our telephony service.

We also offer services through ULL and other technologies, such as indirect access. As of September 30, 2010, we had over 84,000 ULL customers. In addition, we offer all our cable customers mobile telephony and internet services.

Business Services

We also provide telecommunication services to SMEs, large accounts and corporations and the wholesale market in Spain.

SME: We provide voice and data telecommunication services to small and medium sized enterprises. As of September 30, 2010, we had over 69,000 SME customers.

Large Accounts & Corporations: We provide a range of customized solutions (voice, internet, data and equipment) to corporations, institutions and public sector entities.

Wholesale & Other: We provide carrier services, voice traffic services, leased and dedicated lines and circuits and ISP solutions to other telecommunications operators. In addition, we provide intelligent network services.

Our History

Formation

Before commencing operations in 1998, we participated in a number of competitive public bids further to the adoption of Spain's Law 42/1995 on Cable Telecommunications. Between 1996 and 1998, we were awarded licenses to

provide cable television and telecommunications services in the following nine regions: Valencia, Alicante, Castellón, Murcia, Cádiz, Huelva, Cantabria, Mallorca and Albacete. In 2003, we were awarded a license to operate in Castilla la Mancha. In 2004, we acquired the telecommunications operator Retecal, covering the Castilla y Leon region.

In November 2005, we acquired Auna, a wireline and cable operator. The acquisition consolidated our presence in Spain and extended our coverage to seven additional regions, which included Spain's largest cities, Madrid and Barcelona. Following the Auna acquisition, we continued to pursue an expansion strategy of extending our network and acquiring new customers. Between 2006 and 2008 we invested substantially in expanding the footprint of our network infrastructure, with the number of homes released to market increasing by 1.2 million to over 7 million.

Transformation Process

Towards the end of 2008, faced with weakening international economic conditions, we commenced a transformation process. The transformation focused on adjusting our business model to the changed economic environment and stabilizing our operations following a period of rapid expansion, with the aim of creating a more efficient platform for future growth. This process also coincided with significant changes in our senior management. Largely completed by the end of 2009, the transformation process included a wide range of initiatives focused on maximizing cash flow, implementing cost efficiency improvements, reshaping our organization and attracting and retaining high-quality customers. As a result of the transformation, we believe we have become a more resilient and efficient company. Our EBITDA increased from €645 million in 2007 to €730 million in 2009, our EBITDA margin increased from 39.9% in 2007 to 48.3% in 2009 and operating free cash flow increased from €91 million in 2007 to €510 million in 2009.

During the transformation process, we focused primarily on:

Optimizing returns from assets: Having already invested to establish a network reach of over 7 million homes, we ceased our network expansion activities and focused on maintaining and enhancing our existing network. We have undertaken several platform upgrades, such as our ongoing implementation of Docsis 3.0 and improvement of our cable television service offerings. Other initiatives included improving our receivables collection cycle.

Reshaping our organization: We centralized our business operations, eliminating duplicate regional functions and reducing headcount. A shift towards internet sales and other more cost efficient sales channels led to a reduction of our direct sales force. In the first nine months of 2010, 22.2% of our sales were through the internet, compared to 4.6% in the same period in 2008. The average number of our employees has declined from 4,594 for 2008 to 3,314 for the nine months ended September 30, 2010. In addition, in April 2010 we sold our loss-making content aggregator, Teuve.

Cost efficiencies: We implemented a wide range of cost efficiency initiatives, resulting in our cost of sales, staff costs and other operating expenses (less capitalized costs) declining from €971 million in 2007 to €782 million in 2009, or 19.5%. In addition to the organizational changes described above, other key initiatives included selective outsourcing, renegotiating various contracts and migrating our customers to an e-billing system.

Focusing on high-quality customers: We placed a strong emphasis on attracting and retaining high-quality customers. We introduced a credit scoring initiative and increased activation and installation fees in order to reduce the number of new high-churn customers. In addition, we improved our customer care processes and offered our existing customers add-on services, such as mobile broadband and the Gol TV channel, in order to increase their loyalty. As a result, we reduced net churn from 19.6% in the third quarter of 2008 to 15.1% in the third quarter of 2010. We also shifted our marketing focus to promote double- and triple-play packages, which we believe can help us achieve higher ARPUs and greater loyalty. As part of this initiative, we offered to double the broadband internet speeds to the majority of our residential cable customers for an additional small monthly fee, with wide acceptance. We also launched a new marketing campaign emphasizing the superiority of cable versus DSL in terms of speed and quality of service. As a result of these and other measures, the percentage of our customers subscribing to triple-play services increased from 32.0% as of September 30, 2007 to 37.8% as of September 30, 2010 and our RGUs per customer increased from 2.00x as of December 31, 2007 to 2.20x as of September 30, 2010.

Refinancing

In the beginning of 2010, we initiated a multi-stage refinancing process. On May 21, 2010, we completed the first step of the refinancing process as part of which we amended our Senior Facility to extend the maturities of certain existing financing tranches and allow for additional financing tranches to facilitate future refinancings. As part of the refinancing process, we also received additional support from our shareholders in the form of a deeply-subordinated participative loan, of which €125 million was made available immediately and €25 million is currently held in escrow to be disbursed if certain liquidity conditions are not met. In October 2010, we completed the second step of our refinancing process which consisted of (i) the issuance of €700 million Senior Secured Notes by Nara Cable Funding the proceeds of which were on-lent to Cableuropa pursuant to a new tranche under the Senior Facility and (ii) the repayment of €700 million of existing bank tranches under the Senior Facility from the gross proceeds of the Senior Secured Notes. The present offering of Notes represents the third step of our refinancing process. Going forward, we plan to continue to access the capital markets, subject to favorable market conditions, in order to improve the maturity profile of our indebtedness.

Our Key Strengths

Our key strengths are:

- *Proprietary technologically-advanced network.* Our hybrid fiber coaxial network provides a high-speed, high-capacity, two-way communications pathway with direct access to our customers. By owning our own network, we believe we can offer higher quality and more reliable services and roll out new products more quickly. Being an infrastructure based provider also allows us to offer multiple services and improved services, such as higher broadband speeds and our proposed next generation TV services. As we own all of our network, we enjoy superior economics in terms of gross margin per subscriber compared to ULL-based competition.

- *Superior product and service offering.* We provide our customers with the fastest broadband internet service in the market with current speeds of up to 100 Mbps. According to a study published on October 20, 2010 by SETSI (*Secretaría de Estado de Telecomunicaciones y para la Sociedad de la Información*), part of the Spanish Ministry of Industry, Tourism and Commerce, our average real speed for 3 Mbps and 6 Mbps subscriptions was higher than promised (3.1 Mbps and 6.1 Mbps, respectively), which stands in contrast to the rest of the market. Our attractive cable television offering comprises up to 127 channels (including the recently added Canal+ channel) and video-on-demand availability and interactivity. We provide these products in a variety of bundles offering our customers the convenience of having a single provider for their fixed-line communication, entertainment and information needs. We believe that the combination of high internet speeds, high number of channels, innovative features, excellent quality of service and competitive pricing represents a superior offering to others available in the Spanish marketplace today. We believe our bundled offering results in increased penetration, higher customer loyalty and increased revenues from our customers.

- *Scale and potential for growth.* We are the second largest provider of broadband internet, pay television and fixed telephony services in Spain, with over 1.8 million residential cable subscribers as of September 30, 2010. Our state-of-the-art network gives us access to over 7 million homes across Spain including the nine largest cities. We believe that our relatively low penetration rate for residential cable services of 25.7% as of September 30, 2010 indicates significant potential for growth without the need to further expand our network coverage.

- *High-quality and loyal customer base.* We believe we have a high-quality and loyal customer base due to our selective customer acquisition strategy, superior product and service offerings and excellent customer service. We continue to focus on improving our customer service and enhancing our product offerings to existing and new customers. As a result we have been able to reduce our net churn, which has declined from 18.2% in the fourth quarter of 2007 to 15.1% in the third quarter of 2010. We believe that our high-quality and loyal customer base is a key element in our strategy going forward.

- *Resilient business.* Despite the challenging macroeconomic environment of recent years we have been able to limit the decline in our revenue from €1,616 million in 2007 to €1,512 million in 2009. Over this period we increased our residential cable RGUs by almost 200,000, while our residential cable customers declined by only 34,000 and residential cable revenues declined by 1.7%. We believe this is the result of our excellent customer care, our competitive and innovative service offering and our focus on high-quality customers through a selective customer acquisition strategy based on credit scoring. At the same time we increased our EBITDA from €645 million in 2007 to €730 million in 2009, improving our EBITDA margins from 39.9% in 2007 to 48.3% in 2009, primarily by implementing operational efficiencies which reduced our cost of sales, staff costs and other operating expenses (less capitalized costs) from €971 million in 2007 to €782 million in 2009, a decrease of 19.5%. We expect that a continuing focus on growing and retaining our customer base as well as controlling costs will enable us to maintain or improve our EBITDA margins.

- *Shareholder support and highly experienced management team.* Since we commenced operations in 1998, our shareholders have consistently supported the ONO Group, with contributions of €2 billion to GCO prior to May 2010. In May 2010 our shareholders made an additional contribution to enhance the liquidity of the business (with €125 million contributed to us in the form of a deeply subordinated participative loan and a further €25 million currently held in escrow to be disbursed to us under similar arrangements if we do not meet certain liquidity conditions). Our management team has extensive experience in managing telecommunications and media businesses in Spain, other countries in Europe and the United States. In addition, our management has a proven track record of delivering growth in the telecommunications business in a cost-efficient manner.

Our Strategy

Our strategy is to leverage our existing superior network infrastructure, to maintain and enhance our position as a leading provider of integrated broadband internet, cable television and telephony services and to improve our financial profile. In order to achieve these targets, we are continuing to focus on further developing our customer base and product offering as well as implementing initiatives with the objective of improving profitability, maximizing liquidity and reducing leverage:

- *Provide the best internet in the market.* Our strategy is to position ourselves as a high-quality, innovative service provider with competitive prices, taking advantage of our own state-of-the-art network. We strive for high quality of service and believe we compare favorably to competitors. The steps we have taken to implement this strategy include the delivery of "real" (i.e., as advertised) internet speeds and the ongoing Docsis 3.0 system upgrade (expected to be completed during the first quarter of 2011). The upgrade will enable us to provide faster and more reliable internet services with speeds significantly higher than our recently launched internet speed of 100 Mbps (we are currently the only provider in Spain to offer this speed).

- *Create the best TV experience in the market.* We seek to develop and offer a set of innovative products in the Spanish television market in order to grow our TV customer base, strengthen customer loyalty and increase revenues. We recently established an alliance with U.S. digital video company TiVo in order to offer a next generation TV service using set-top boxes manufactured by Cisco, which we expect will provide a seamless convergence between internet and traditional television content. We believe this will differentiate and significantly upgrade our television offerings compared to others in the market by providing users with a best-in-class experience and a wide variety of content that integrates broadcast and broadband television in a way that goes beyond the confines of traditional pay television.

- *Increase the number of high-quality customers.* We are undertaking a more focused customer acquisition strategy while at the same time protecting our customer base with loyalty initiatives. Our main strategy is to grow market share of our residential services, but we are particularly focused on higher-quality customers, which we believe can help us achieve higher ARPUs and lower net churn. Actions to implement this strategy include the use of credit scoring, the implementation of activation and installation fees, selective application of customer acquisition promotions and a change in marketing strategy to focus on more targeted campaigns. Our new advertising highlights the quality of our products in addition to the competitive prices at which we offer them.

- *Expand up-selling and cross-selling initiatives.* We seek to sell additional products and services to our existing customers, a practice to which we refer as cross-selling, or transfer them to higher value services, a practice to which we refer as up-selling. In particular, we intend to encourage our customers to subscribe for additional services by offering bundled services at prices lower than those provided by our competitors or by us on an individual basis, or to transfer customers to higher broadband speeds and broader TV packages at similar or slightly higher prices. We believe that providing existing customers with a variety of new and enhanced services with tiered pricing options encourages them to take more than one of our services. Bundling and new pricing options are expected to increase the number of our double- and triple-play customers and thereby increase our RGUs per customer and protect ARPU stability. We also intend to continue developing customer loyalty by offering value-added services such as mobile broadband internet and internet security software.

- *Grow our SME business.* We believe there is opportunity to grow our SME business and gain market share in this business area. Different types of SME customers have different telecommunications service needs and respond to different sales and marketing approaches. Quality is of paramount importance for SME customers and we believe that we are well-positioned to deliver a quality service by utilizing our established proprietary state-of-the-art network and by offering competitive solutions.

- *Maintain cost discipline and maximize cash generation.* We achieved positive free cash flow for the first time in 2009. We increased our free cash flow by €433 million between 2007 and 2009, and we aim to continue to improve free cash flow generation through the marketing and product development initiatives described above as well as through continuous cost control. In addition, we are continuing to identify specific projects to improve the overall level of efficiency in all our activities, such as our ongoing focus on more cost efficient internet sales and marketing, which accounted for only 4.6% of our sales in the first nine months of 2008 but 22.2% in the first nine months of 2010.

- *Reduce our leverage.* We believe that by focusing on the strategies above, we can improve our cash flows and intend to use such cash flows primarily to reduce our indebtedness.

Our Products and Services

We currently provide a broad array of broadband internet, cable television and telephony services to our residential customers as well as broadband internet services and telephony to SMEs, large accounts and corporations, and the wholesale market. The following table sets out certain information with respect to our residential and business customers as at September 30, 2010:

(in thousands of customers)	As at September 30, 2010
	(unaudited)
Total Residential	**1,893**
Residential cable	1,809
Residential ULL	84
Business[(1)]	
SME	69
Indirect Access Customers	30

(1) We do not report numbers of customers in the "large accounts & corporations" and "wholesale & other" business segments because such data is not meaningful.

Residential Cable Services

Overview

As of September 30, 2010, our proprietary state-of-the-art network gave us cable access to over 7 million homes with coverage across Spain, including the nine largest cities. Currently, our customers enjoy the same service offering despite their geographic location, except in the Canary Islands, La Rioja and Navarra where our customers continue to have an analog TV offering.

In October 2008, we were the first operator to launch 50 Mbps broadband speeds and the first operator to launch 100 Mbps broadband speeds in October 2010. At present, we offer a number of internet access services, including speeds of 6 Mbps, 12 Mbps, 30 Mbps, 50 Mbps and 100 Mbps (with the exception of the Canary Islands, La Rioja and Navarra where speed is limited to 6 Mbps) and three television packages: "Esencial" (with 71 channels), "Extra" (with 106 channels) and "Total" (with 127 channels). All these television offers include VoD in the areas where this service is available.

The table below sets out certain information with respect to our residential cable broadband internet, television and telephony services:

	As of and for the nine months ended September 30, 2010
	(unaudited)
Residential Cable	
Homes released to marketing (thousands)	7,025
Cable customers (thousands)	1,809
Penetration (percentage)	25.7%
Net churn (percentage)	15.1%
ARPU (euro; most recent quarter)	50.8
RGUs (thousands)	3,988
Internet	1,361
Television	948
Telephony	1,679
RGUs per customer	2.20x

Bundled Services

In order to maximize revenues from each home released to marketing, we actively encourage customers to subscribe to more than one service by offering cost savings and the convenience of having a single supplier and a single point of contact and billing for all communication, entertainment and information needs. As of September 30, 2010, 82.6% of our residential cable customers had a bundled service (37.8% triple-play and 44.8% double-play).

We have adopted an aggressive triple-play strategy, using a tiered offer of bundled products. Customers who subscribe for more than one service enjoy a significant discount compared to the price of the corresponding services on an individual basis.

We offer the following bundled services (all of which include telephony) to new customers across the whole of Spain:

Broadband[(1) (2)]/TV[(3)]	No TV	TV Esencial	TV Extra	TV Total
No Broadband	—	€34.9	€39.9	€44.9
6 Mbps/300 kbps	€39.9	€44.9	€49.9	€54.9
12 Mbps/1 Mbps	€49.9	€54.9	€59.9	€64.9
30 Mbps/1 Mbps	€51.9	—	€59.9	€64.9
50 Mbps/3 Mbps	€59.9	—	€64.9	€69.9
100 Mbps/10 Mbps	€64.9	—	€69.9	€74.9

(1) Download/upload speeds.

(2) 30 Mbps, 50 Mbps and 100 Mbps download internet speeds depend on geographical availability.

(3) Since the launch of our digital television services in 2003, we have discontinued the marketing of our analog television services in areas where we have digital television capabilities. We continue to provide bundled services with analog television programming to existing analog television customers.

Note: The table presents monthly final prices (VAT excluded) as of December 31, 2010. Promotional activity may affect these prices. We also offer at no extra cost, basic telephony services which include free local and national fixed line calls.

In addition to monthly charges, customers also pay variable charges related to telephony usage, pay-per-view television programs, VoD and other value-added services and one-off charges, such as installation when its not promoted.

Broadband Internet

Our broadband internet service connects our customers to our local networks via cable modems at a variety of different speeds and prices. We offer unlimited downloads with all our packages.

During 2008, we started the deployment of Docsis 3.0 which allows us to offer our customers greater quality and high internet speeds. With the deployment of Docsis 3.0 we became the first operator in Spain offering 50 Mbps and 100 Mbps packages. The 50 Mbps service service was initially available only in Madrid, but we launched it on a wider scale in August 2010. On October 4, 2010, we also launched a new pilot program offering download speeds of up to 100 Mbps in certain areas. At present we are deploying Docsis 3.0 nationwide and currently, approximately 70% of the network upgrade has been completed, representing 5.0 million homes. We expect to complete the project during the first quarter of 2011. When the Docsis 3.0 upgrade process is complete, it will cover almost all of our network.

We seek to upgrade our customers to higher speeds from time to time and offer upgrade promotions. For example, during 2010 we offered to double the upload and download speeds to our current customer base for an additional monthly cost of €2 per month. Therefore, our 3 Mbps customer base was able to enjoy 6 Mbps while our 6 Mbps customer base was able to enjoy 12 Mbps, providing a substantial increase in value with only a small increase in costs.

We offer all our broadband customers "Centinela", a security program for internet navigation including antivirus and firewall software as well as other value-added services such as electronic mail, with unlimited number of email accounts, and anti-spam services. We also offer other value-added services for an additional fee, including "Easy Broadband Internet" which facilitates internet access configuration, a comprehensive security software package and remote assistance for problems and questions about computing and internet browsing.

Cable Television

We provide our television customers with a multi-channel pay television ranging from basic to premium packages. In addition, we offer all our television customers pay-per-view and VoD service, broadcasting movie premieres and live football programming. To avoid piracy, we provide the television content encrypted. Therefore, a decoder is required to receive the service, which is rented to customers for a rental fee that is usually included in the monthly fee of the respective customers bundle services. As with our other services, customers can subscribe to our television services as part of a bundled package.

Following the launch of digital television services in 2003, we discontinued the marketing of analog services to new customers despite continuing to provide analog services to existing customers. Currently over 96% of our cable television customers enjoyed our digital offering. The introduction of digital television has allowed us to increase our channel line-up as well as the ratio of use of our pay-per-view and VoD services. We provide customers with more than 127 digital channels, as well as an electronic programming guide. From our digital television centers in Madrid, we broadcast to all of our customers using our national network.

In December 2005, we launched a full VoD service, named "Videoclub". As of September 30, 2010, "Videoclub" had almost 525,000 active customers. Using this service, our customers viewed more than 110 million events in 2009 (including both paid and free events).

We are currently developing a set of innovative solutions that we believe will help us increase TV customers and revenues. In June 2010, we entered into an agreement with U.S. digital video company TiVo, in order to offer next generation TV services which will allow customers to enjoy a convergence between internet content and traditional TV content. Under the contract, we will be the exclusive distributor in Spain of advanced television services from TiVo. The next generation TV service will use Cisco-manufactured set-top boxes and TiVo will become the exclusive software provider for these devices. Through the combination of our modern fiber optic network and TiVo's television user experience, we expect to be able to offer Spanish homes one of the most advanced television and video services on the market through a best-in-class user experience and a world of content that integrates broadcast and broadband television in a way that goes beyond the confines of traditional pay television. Following the introduction of next generation TV, we will no longer be using Motorola set-top boxes and Cisco will become our exclusive set-top box provider. We plan to commence offering next generation TV in selected areas in 2011 and will roll out the service to other areas over time.

We offer our television services in a range of packages at different price levels in order to address the broadest possible cable television audience. The programming offered to our customers contains a wide selection of television series, movies, sports, news, music, documentaries and children's channels including, among others, the following: AXN, CNN, Discovery channel, Disney channels, Eurosport, Fox, MTV and Paramount Comedy. We also offer VoD movies from Hollywood studios, U.S. independent producers, and Spanish and other European producers. In July 2009 we signed a contract with Mediapro, the new owner of the Spanish football league content, to provide us with a premier football channel (Gol TV) with matches from the Spanish football league, the European Champions League and the main leagues in Europe and South America. As of September 30, 2010, we reached over 113,000 customers with the Gol TV channel. Mediapro also provides additional content that is not included in the Gol TV channel on a pay-per-view basis, including Spanish league and King's Cup football matches. Unless extended or renewed, the Mediapro contract will expire after the 2011-2012 football season because Mediapro does not yet own the rights for subsequent seasons. However, due to the substantial size of our customer base, we expect to be able to negotiate access to premium football with the future owners after the 2011-2012 season. In November 2010, we signed a contract with DTS to provide us with Canal+ channel. We believe that this premium channel, which is included in all of our television packages on a pay-per-view basis, offers some of the best sports and cinema content in the Spanish market.

The table below shows the number and type of channels currently available to subscribers of our digital television service packages:

Digital offer	TV Esencial	TV Extra	TV Total
Standard channels	61	96	117
Pay-per-view channels[1]	10	10	10
VoD service (Videoclub)[2]	Included	Included	Included

(1) Includes six thematic channels (Baby, Barça, Canal+, Cazavisión, Gol TV and Playboy) and four other football channels.

(2) VoD services are provided on a free and pay basis. Programming includes music, feature films, TV series and adult content.

Telephony

Our residential telephony service offers direct access connectivity to our customers in our areas of operation . We seek to maximize the use of our own network when routing calls in order to minimize interconnection costs and capitalize on our control over quality of service. Currently our networks interconnect directly with the networks of Telefónica (operating under the Movistar brand), Orange and Vodafone, among others.

We also seek to attract new customers from other networks by allowing customers to maintain their existing telephone number. Like other Spanish operators, we charge a portability fee for transferring a number to the ONO network, but we routinely offer this service at a reduced promotional rate.

We offer an "all included" direct access telephony service with all our packages, which includes free calls to any standard fixed-line telephone number in Spain. In contrast, other operators charge for line rentals and do not offer flat rates. For all our customers, we also offer a range of add-on services to our basic telephony service including a second line, second home phone line, vouchers for international calls and vouchers for mobile phones providing savings for those customers with intensive voice service usage to ensure their loyalty. Additionally, all our customers are offered a number of value-added services (on a basic or premium plan). These include voicemail, call waiting, call return, short code dialing, caller identification, selective barring of outgoing and some incoming calls, call return and an alarm clock service. We also offer telephone handsets for sale or rental.

We also offer all our customers our information service number at a competitive price. This service allows customers to inquire about the location and telephone numbers of restaurants, cinemas and theatres. Our competitors typically charge premium rates for this service.

We monitor the tariffs and services offered by our competitors and adjust pricing and the type of services we offer on a regular basis to maintain our competitive position. Our tariffs are usually priced competitively against those of other operators.

Mobile Broadband and Voice Services

In June 2008, we launched mobile broadband services for our residential cable customers. This service offers speeds of up to 7.2 Mbps through the mobile network so customers can enjoy wireless broadband, anywhere at any time. This product is bundled together with the ONO broadband internet service and includes the SIM cards and USB modems for mobile and regular broadband connection.

In September 2009, we launched a mobile voice service for our residential cable customers. We offer several different tariffs including flat fee and pay-per-use, in order to better meet market needs. In addition, we recently started offering handsets as a complement to our SIM card. We believe this could help make our mobile voice service offering more attractive to our existing and potential customers.

We also recently started to offer these services to our SME customers.

Residential ULL

We also market our broadband, internet services and telephony through Telefónica's ULL. As of September 30, 2010, we had over 84,000 ULL customers. Our ULL operations are focused primarily in Madrid and Catalunya and we view them as a complement to our core cable business.

Business Services

Small and Medium Enterprises (SMEs)

We provide our SME customers with a wide range of voice and data communications services. The experience that we have gained since the launch of operations has provided us with insights into the needs of SME customers. This knowledge led us to develop new services and to redesign sales and marketing processes in order to fulfill the needs of SME customers. As of September 30, 2010, we had over 69,000 SME customers.

SME businesses demand simple and understandable products and services that provide them with effective solutions to their communications requirements, generally at flat rate prices. To this end, we offer a wide and varied portfolio of products and services, ranging from simple fixed telephony line services to the most advanced corporate data networking, flat-rate packages for voice and internet services, mobile voice and data services, leased lines, VoIP, voice portals, hosting and housing, security and on-line backup.

We also address the specific telephony needs of our customers with various value-added services contained in our product portfolio, such as voicemail, call waiting, call return, short code dialing, caller identification and selective barring of outgoing calls. We also offer our customers the possibility to outsource equipment, applications and technical tasks.

We currently offer our SME customers a comprehensive range of services, including:

- Telephony (including voicemail, call forwarding, three-way calling and last call identification) for both digital and analog direct lines and switchboard connections and Integrated Services Digital Network (ISDN);
- Premium-rate numbers;
- PBX (private branch exchange) related services;
- Infrastructure services such as housing of servers; and
- Other value-added services such as domain name registration, e-mail accounts and web hosting.

We also provide our SME customers with service level agreements and on-line billing information.

Large Accounts & Corporations

We also offer telecommunications solutions to larger corporations and public sector entities. We develop and manage customized solutions for our customers' client base through an integrated range of networks.

Corporate accounts demand more specific and sophisticated services than SME customers. Because communications are becoming increasingly integrated in the business processes of larger companies, the quality of the services provided is a key factor. For this reason, all the services we offer to our corporate customers are supported by specific service level agreements.

We also use telecommunications consultants who assess our customers' needs and provide innovative communication solutions, which are adapted to each customer. In addition, we have established strategic alliances with large corporations such as Cisco, Avaya, Microsoft and Indra, which help us to improve the quality and breadth of the services we offer.

We have developed dedicated provisioning, installation and customer attention teams and have set up an account management system to give these customers a single direct point of contact within ONO. With this system, we assign each large customer a specific person within ONO, which allows us to provide customized solutions on a proactive basis to our large customers' communications requirements. Currently, we provide a wide range of customized services to our corporate clients, including:

- Multiprotocol Label Switching ("MPLS") Virtual Private Networks, with a wide variety of access technologies including mobile and additional features;
- Virtual Private LAN Service ("VPLS") networks using Ethernet access technology;
- Complete voice solutions, including corporate telephony services over IP and the most sophisticated solutions on intelligent network services;
- Internet access;
- Firewall management and virtual ISP; and
- Business Platform services, including hosting, messaging and video streaming.

Wholesale & Other

Through our wholesale and other segment, we offer services to other operators aiming to use the excess capacity on our nationwide network. These services include infrastructure (carrier services) and traffic management services (voice traffic, prepayment and intelligent network).

- Our carrier services provide other operators with leased circuit lines on our network. We provide guaranteed bandwidth of all capacities, PDH, SDH, Ethernet and Lambdas.
- Our traffic management services provide national and international traffic services for the termination and reception of other operators' traffic. In addition, we offer prepayment services and intelligent network services.

Sales and Marketing

The "ONO" Brand

All our telecommunication and television services in the residential and business markets are offered under the "ONO" brand. The ONO brand is used in all advertising, sales materials, customer contracts, bills, employee uniforms, installation vans and elsewhere in our business. In addition, the ONO brand and services are promoted extensively to customers through a monthly magazine (which includes television programming schedules).

We conduct extensive advertising to support our brand, including through billboards, the regional and national press, radio television outlets and internet as well as other innovative methods. In addition, we support our local radio and television advertising with sponsorship of regional cultural events, sports teams, trade shows and festivals.

We believe that the ONO brand is a strong marketing tool and a well-recognized brand in our areas of operation. In August 2010 we launched a new and enhanced brand image. We want to communicate to our current and potential customers that ONO is the only telecommunication operator in the Spanish market which is able to offer nationwide high-speed broadband internet at "real" speeds through its proprietary state-of-the-art network, and that this differentiates us from our competitors.

In August 2010, we launched a new visual branding campaign which emphasizes the speed and quality of our modern fiber optic network which we believe differentiates us from our competitors. Starting from the premise that the definition of optical fiber is "transmission via light impulses", we have integrated the concept of "light" in our visual identity and in our marketing materials. To better differentiate ourselves from our competitors many of whom have a recognizable color, we have also introduced purple as our "official" color. This represents the most thorough update in our visual identity since we commenced operations.

Quality and Customer Service

Installation Services

Due to our geographical reach, we rely on approximately 1,000 engineers working for 23 different contractors to perform installations at customer premises. In 2009, they serviced 297,000 new residential customers, 16,000 new SME customers and performed 151,000 service upgrades. The average installation time was 4.27 days.

The installation process is the first contact we have with our customers once they have subscribed for our services and very often it is the only face to face contact between them and ONO. In 2010, we increased our efforts to track and improve the quality delivered by our technicians through our technician quality program. We do this by monitoring complaints and service failures within a short period following installation as well as the results of order closure calls.

In 2009, we implemented a major change in our internal processes by centralizing all our back office operations. This continues to deliver positive results in 2010 and has allowed us not only to increase the efficiency of the process by eliminating redundant resources and, more importantly, to unify the processes and deliver a better and more consistent quality in all our regions.

The implementation of these actions, among others, has led to a significant improvement in all installation quality parameters, as well as an improvement in technician productivity, which has enabled significant reductions in installation costs.

As a benchmark, an official report by the Spanish Ministry of Industry, Tourism and Commerce published in October 2010 lists ONO as the best operator in the Spanish market in all parameters related to provision and installation processes, consistently performing above all other competitors in the areas where we operate.

Billing Process

We have a single corporate billing system. Our billing system, called Infinys Rating and Billing, is widely used in the telecommunications industry and we believe it provides us with sufficient flexibility and functionality to enhance our customer service in the future.

Customer Care Platform

Our customer care platform is composed of ten call centers, three in-house and seven outsourced, of which three are in Spain and four are in Latin America.

In 2009, we launched a number of strategic initiatives to improve customer care operating metrics and customer satisfaction and these initiatives continue delivering positive results in 2010. For example, as part of our "flat resources" project, we have stabilized the number of customer service agents regardless of variations in call volumes from month to month. As a result, average handling time was reduced from 444 seconds to 368 seconds in 2009 and we increased customer satisfaction as measured by the net satisfaction index. In 2009, our calls centers received 8.9 million calls from residential customers, 88.8% of which were answered within 30 seconds, and 537,000 calls from SME customers, 90.4% of which were answered within 10 seconds.

We have optimized our automation strategy which aims to reduce costs and increase customer satisfaction. We have automated calls where agent involvement is not necessary (e.g., when a customer is paying by credit card). During 2009, 14% of customer care calls were attended without human intervention from beginning to end.

We have also recently obtained an ISO 9001:2008 certification for the services of residential and SME clients contact management, complaints management and trouble ticketing management.

Customer Loyalty and Retention

Customer loyalty and retention is a high priority for us given its impact on churn. We regularly analyze our performance and implement a wide range of initiatives to improve customer satisfaction, including:

- carrying out improvements in our network, so that our customers can have the best internet browsing experience in Spain;
- actively incentivizing customers to migrate to higher speeds for minimal extra fees;
- increasing the quality and variety of our television content;
- rolling out a new electronic program guide, enabling our customers to browse and access television content more easily;
- developing new mobile telephony services;

- increasing the range of mobile broadband packages tailored to the needs of each customer;
- implementing a new program for customers who have lost their jobs, with ONO subsidizing some of the customer's services for at least six months, as well as offering, at no additional charge, a premium package for use in job hunting;
- increasing the scope of our loyalty program, which had more than 250,000 members at the end of 2009, as well as the "member-get-member" promotions, which rewards customer loyalty with discounts;
- designing a new proactive process for calling customers and gathering information about possible improvements to our products and services; and
- offering innovative services in response to client demand, including bundled services, ultra high-speed internet, premium pay TV and VoD services, fixed rates to mobile numbers and flat rates for international calls.

We also have a team dedicated to customer retention in our call centers, which helps to resolve customer problems or complaints. This is part of our effort to increase ARPU and prevent service downgrades.

These and other measures, combined with the high quality of our services, improvements of our processes and procedures, the professionalism of our sales team and the resolution of faults in a timely manner, are all reasons why ONO is now perceived as the best telecommunications company in telephony and internet services in Spain according to an October 2010 market survey published by SETSI (*Secretaría de Estado de Telecomunicaciones y para la Sociedad de la Información*), part of the Spanish Ministry of Industry, Tourism and Commerce.

Sales Platform and Marketing

In 2009, we redesigned the mix of our sales channels with the aim of optimizing the process of acquiring residential customers and reducing costs. We currently use the following channels to market our residential products:

- Telephone sales platform: approximately 420 employees respond to calls from customers who are interested in subscribing to our services, and make proactive calls to potential customers to inform them about our products and services.
- Direct sales force: approximately 90 employees across Spain are responsible for direct sales.
- Own stores and franchise stores: ONO has 82 own stores and 54 franchises across Spain. These stores, located on main shopping streets, have been designed to showcase our products and our values to our customers.
- Indirect channels: ONO has over 700 indirect points of sale, including department stores such as El Corte Inglés mobile telephone stores such as the Phone House and other independent points of sale.
- On-line channel: in 2009 we prioritized our on-line channel, which provides low levels of disconnections and cancellations and which is low cost. In the first nine months of 2010, 22.2% of our sales were through the internet, compared to 13.4% in the same period in 2009.

In addition, we also have a small highly-skilled sales force focusing on business customers.

Our Areas of Operation

Our business areas cover approximately 14.8 million homes and approximately 2.9 million businesses. Since the end of 2008, our business is organized around four different regional clusters: Center, East, North and South. The following table sets out certain information relating to our regional clusters in Spain as of September 30, 2010:

Geographical Area		Total Homes(1)	Homes Released to Marketing(2)	Total Businesses(3)
			(in thousands)	
Central	Comunidad de Madrid, Región de Murcia and Castilla la Mancha	3,479	1,696	742
East	Catalunya, Comunitat Valenciana and Illes Balears	5,290	2,519	1,074
North	Cantabria, Castilla y León, Navarra, La Rioja and Aragón	2,370	1,326	370
South	Andalucía and Canary Islands	3,602	1,484	650
Total		**14,741**	**7,025**	**2,836**

(1) Total homes in each cluster. These figures are derived from the 2001 Spanish national census.

(2) Cable homes released to marketing as of September 30, 2010.

(3) Total business in each cluster has been obtained from the business central directory published by the National Statistics Institute of Spain (Instituto Nacional de Estadística-INE) as of January 1, 2009.

Central cluster: The Central cluster covers 98,803 square kilometers with a total of 3.5 million homes and 741,919 businesses and a total population of approximately 9.9 million. The Central cluster covers the regions of Madrid, Murcia and Castilla la Mancha. The principal cities in the cluster, all of which we cover, are Madrid, Murcia, Ciudad-Real, Cuenca, Guadalajara, Toledo, Albacete, Talavera de la Reina and the port city of Cartagena.

East cluster: The East cluster covers 60,360 square kilometers with a total of 5.3 million homes and 1,074,294 businesses and a total population of approximately 13.6 million. The East cluster covers the regions of Catalunya, Comunitat Valenciana and Illes Balears. The main cities in the cluster, all of which we cover, are Barcelona, Valencia, Alicante and Castellón de la Plana.

North cluster: The North cluster covers 162,702 square kilometers with a total of 2.4 million homes and 370,327 businesses and a total population of approximately 5.4 million. The North cluster covers the regions of Cantabria, Castilla y León, Navarra, La Rioja and Aragón. This cluster also includes Galicia and Asturias with ULL services. The main cities in the cluster, all of which we cover, are Valladolid, Burgos, León, Zamora, Santander, Pamplona and Logroño.

South cluster: The South cluster covers 95,044 square kilometers with a total of 3.6 million homes and 649,453 businesses and a total population of approximately 10.4 million. The South cluster covers the regions of Andalucía and Canary Islands. The principal cities in the cluster are Sevilla and Córdoba, both of which we cover.

Network Architecture

Access Networks

Our local access networks have been designed using a high-speed fiber optic based system, capable of providing a full range of analog and digital services. The local networks are capable of supporting broadband internet, cable television services and telephony. All our services are provided through the same distribution system thus creating economies of scale. Fiber routing is designed to provide route diversity to the fiber junctions, or nodes, thereby protecting against loss of service resulting from cable damage.

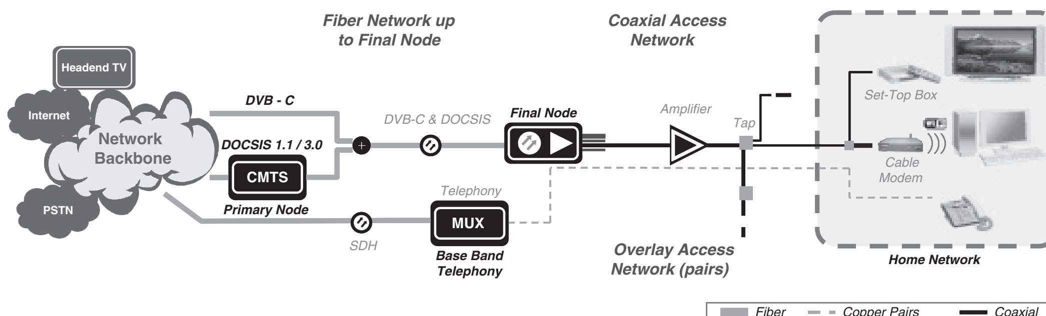
The broadband internet and cable television networks use a hybrid fiber coaxial transmission system (HFC). Our fiber optic ring architecture is used to transport signals from local operations centers to primary nodes, or hub points, serving 20,000 to 60,000 homes in urban areas. The local operations centers generally house a cable television head-end, a digital regional head-end and a telephony and data switch.

The television head-end assembles the cable television signals for transmission to the customers. The primary nodes, which house the cable modem head-end to provide internet service, wrap together both the TV signal and IP signal for broadband internet service multiplexed in the fiber. Primary nodes are connected to secondary nodes along a secondary fiber optic ring network. These secondary nodes are optical distribution points each serving between 2,000 to 6,000 homes, which distribute fiber to the home terminal nodes or final nodes. The home terminal nodes serve around 500 homes.

For telephony service in the most part of the territory, a copper Overlay Access Network is used, in which the final points for distribution to homes and small businesses are cross connect boxes located in secondary nodes, in terminal nodes or in intermediate points, depending on the deployment zone, from which the final connection to a customer's home is made using twisted-pair copper wire.

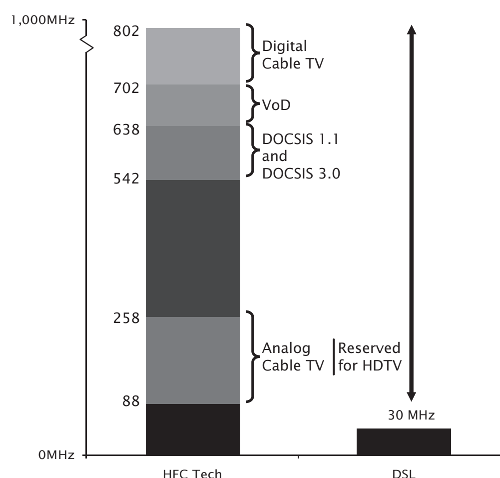
For broadband internet and TV services, both optical signals are transformed, in the final nodes back into electrical format and transmitted onwards to the customer's premises in coaxial cable format. Coaxial cables are used to transport the signals to homes, and amplifiers are used to boost the signal levels. Customer taps are used to serve individual dwellings. These typically serve four to eight homes per tap. Amplifiers are mounted in sealed units, generally on the façades of buildings. The final connection to the home, known as the drop, generally uses a combination of coaxial (carrying the broadband and cable television signals) and copper pair cable (carrying telephony services), except for Castilla y León and some municipalities where we use just coaxial cable, with voice over IP technology for the telephony service distribution. Additionally, two copper pairs are also incorporated in each drop to allow for second telephony lines. The networks are constructed with excess fiber and duct capacity in order to allow for future upgrades.

The diagram below provides a high-level, graphical depiction of our local network topology:



Our entire HFC network uses 862 MHz. The forward (downlink) path uses the range from 86 MHz to 862 MHz, and is capable of carrying voice, data, video, and television channels. The segment from 88 to 258 MHz is currently used for analog cable TV, but only in the Canary Islands and in old Tenaria (Logroño and Navarra), as the rest of the country has evolved to digital technology, although depending on ONO areas, digital television is broadcast over the range from 702 to 862 MHz. The range between 638 and 702 MHz is used for VoD service (in some areas the band is also used from 550 to 582 MHz). The band from 542 up to 638 MHz is currently used for broadband internet using Docsis 1.1 and Docsis 3.0. The analog segment (after migration to digital) is reserved for future usage, as HDTV or other services. The network is also designed to support reverse path operations on bandwidths of up to 65 MHz, allowing interactivity between individual homes and the head-ends.

The diagram below shows the possible uses of HFC technology as compared to DSL:



Source: Cableuropa

The digital television system collects all contributions centrally in Madrid (except for local channels which are inserted locally), digitalizes the content and distributes it (via our national backbone network) to the regional head-ends, which act as the insertion points for the digital contents into the metropolitan network.

The analog cable television service is distributed through an analog platform with head-ends located in each of our franchise areas. The programming material is collected at each head-end (not centrally), reconfigured to meet our specifications, and transmitted through fiber optics.

Complementary to TV service there is a VoD infrastructure split between National Headends (storage) and regional headends or primary nodes (storage & playout). We are planning to evolve our TV service to a Next Generation model, over which we could offer advanced services like PVR and HDTV, as well as a new generation of access-agnostic technology services (Over The Top TV, hybrid STBs, etc.).

To complement the main access network, we have deployed ULL in order to complete coverage in those areas where the deployment of our own cable infrastructure was not possible, mainly in parts of Madrid and Barcelona. ONO has DSL access equipment (DSLAMs) in up to 132 Central Offices of Telefónica providing ULL services (voice and internet ADSL), and also has up to 106 regional points of interconnection (POIs) enabled to provide Indirect Access (internet ADSL).

ONO also has an extensive fixed wireless access network, using wireless point to point to bring dedicated high capacity services to enterprise. Finally, we have complemented our enterprise deployment with different Fiber to the Building (“FTTB”) connections mainly in Madrid, Barcelona, Sevilla and Valencia.

There are more than 700 customers connected with SDH equipment and several more with Gigabit Ethernet Access. Both Point to Point and FTTB connections have been deployed on an on-demand basis.

Backbone Networks

Optical and SDH Transmission Layer

ONO’s network is built with around 45,000 kilometers Fiber Optic (“FO”) cables, about 15,000 kilometers of which belong to the national and regional backbone. More specifically, ONO’s FO network can be divided into national links (across the country) and metropolitan areas. The FO network for the national backbone is approximately 80% rented from public utilities (gas, electricity and railway) for a long term and the metropolitan FO network is mainly property of ONO, laid through ONO’s infrastructure.

Our optical backbone already supports 10 Gbps wavelengths all around the national backbone and also in some metropolitan links. This deployment was finished in 2006 with state-of-the-art wave division multiplex equipment.

For TDM services, a Synchronous Digital Hierarchy ("SDH") network is widely deployed across the country using SDH classical ring topology improved with a Multiplex Section-Shared Protection Ring ("MSSPRING") usage scheme. ONO also introduced Automatic Switched Transport Network ("ASTN") technology as the core of the national SDH backbone.

L2/L3 Packet Transport Layer

ONO's packet transport layer carries services across the country providing connectivity among ONO's residential customers and between them and the gateways towards international sites or other Spanish SPs. In addition, for business customers, the packet transport layer provides connectivity among their spread locations through state-of-the-art Virtual Private LAN Service ("VPLS") technology.

Multiprotocol Label Switching ("MPLS") technology is used in the whole network at aggregation and core parts, allowing for wire speed services. High resilience is achieved based on restoration mechanisms like Fast Re-Route and on the usage of redundant routers with double homing when possible.

The high amount of traffic carried at this layer (more than 186 Gbps carried through the national network to our customers, metropolitan packet traffic is higher) has driven the deployment of high speed interfaces (10 Gbps) lighting the L1- Dense Wavelength Division Multiplexing ("DWDM") links.

Switching Network

Switching network offers national coverage and it is composed of 68 exchanges (Local, Toll and International) uniformly distributed along the whole national territory, offering in addition to basic voice service, a wide set of value added services such as voice mails, Intelligent Network access (indirect access, premium-rate numbers, virtual private network and local number portability), Voice Portal, etc. Additionally, we have IP telephony services through TWO soft switches, as well as an IP Centrex service.

Mobile Network

ONO, as a full MVNO service provider, has developed a complete switching and service layer to offer mobility services, using Telefónica's (Movistar's) mobile ("TME") access network to provide coverage. In 2008, we focused the mobile offer in 3.5G Internet Access Services (Broadband mobile). In 2009, we launched SIM-only services using GSM and UMTS unlocked mobile handsets. In 2010, we have launched layer 3 VPN services over mobile, and new devices are planned.

Our mobile Network is distributed in two sites (Madrid and Barcelona) and can be summarized as:

- Access Layer: GSM/GPRS (including HSDPA and HSUPA) access from TME network.

- Control (Switching) Layer: Circuit Core infrastructure (HLR, MSC) in both sites. Voice connection to host at MSC level. Packet Core infrastructure (such as SGSN and GGSN) mainly in Madrid.

- Service Layer: Prepaid and IN services (VPN and twin card), IVR, convergent (fixed/mobile) Voice Mail, SMS, MMS, WAP Gateway, OTA platform for terminal configuration, centralized in Madrid.

Fixed Voice Network

In July 2010, we signed an agreement with Huawei, a leading provider of telecommunication equipments, to outsource our voice network. This agreement includes engineering, planning and quality management and we believe that it will allow us to reduce operating expenses while updating our voice network and maintaining the quality of our services.

Principal Suppliers

Equipment Suppliers

We rely on different suppliers depending on the business and product area. The table set forth below presents our main suppliers:

Supplier	Network Equipment	Next Generation TV	Voice Switching	Mobile Network	Digital TV	Set-top Boxes	Data & CM Headend
Cisco	X	X				X	X
Alcatel-Lucent	X		X				
Arris		X			X		
Ericsson	X			X	X		
Nokia-Siemens	X						
Italtel			X				
TiVo		X					
Huawei			X				
NAGRA		X					
NDS					X		
Juniper							X
Motorola					X	X	X

Content Suppliers

We rely on external content suppliers and currently have contracts with, among others, Disney, Mediapro, Sony, Turner, Universal and Viacom. Please see "*Risk Factors—Risks Relating to Our Business—We depend on others to provide premium programming for our cable television services*" for more information.

Properties

We lease and own certain properties for administrative and sales offices, hubs, stores, switches, head-end sites and warehouses. A significant portion of the properties are used for both administrative and technical purposes. Our main network operations centers are located in Madrid and Barcelona and our call centers are located in Valencia, Barcelona, Sevilla, Madrid, Valladolid, Santiago de Chile and Bogotá. We believe that our properties are suitable and adequate for the purposes for which they are intended, however, we are currently streamlining our property portfolio.

Employees

The table below sets forth our average number of total employees for each of the periods indicated:

	Year ended December 31,			Nine months ended
	2007	2008	2009	September 30, 2010
Total employees	4,618	4,594	3,549	3,314

On January 19, 2009, the Spanish Ministry of Labor approved an agreement between the ONO Group and the trade unions for the execution of a headcount reduction plan. The plan was carried out in April 2009 and a total of 845 employees were made redundant.

During the year ended December 31, 2009, we had an average of 3,549 fixed and temporary full time equivalent employees, a decrease of 1,045 as compared to the 2008 average. Most of our employees are covered by the cable industry collective bargaining agreement.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use and environmental protection in connection with our ownership of real property and other operations, including our use of fuels, coolants and batteries. While we could incur costs, such as clean-up costs, fines and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws or regulations, we believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks.

Legal Proceedings

We are engaged in litigation arising in the ordinary course of its business. We do not believe that the adverse determination of any pending litigation against us could have a material adverse effect on our business or financial condition.

Cableuropa's indirect parent, GCO, is currently engaged in litigation initiated by one of GCO's shareholders which may potentially have a negative impact on us. See "*Risk Factors—Risks Relating to Our Financial Profile—An adverse outcome of the litigation initiated against GCO by one of GCO's shareholders may have a negative impact on us*".

Other Legal and Regulatory Matters

The following legal and regulatory matters may have an impact on our business and financial condition:

- To date we have not been required by the CMT to contribute to the financing of universal service in Spain. The CMT has required other competitors, including Orange and Vodafone, to contribute to such costs in previous years and in certain cases these competitors are appealing the CMT's decision. We believe that we may be required to contribute to universal service costs for future years and potentially for past years if such appeals are successful. In December 2010, the first judgment in a case filed by Vodafone on cost distribution for the 2003-2005 period was published and it upheld the CMT criteria. Applying the holding of the court to our circumstances, we would not be required to contribute to the financing of universal service in Spain for the 2003-2005 period. However, this judgment could be appealed before the Spanish Supreme Court and other proceedings related to this matter are still pending. As a result, we have provisions in our financial accounts for these contingencies which we believe are adequate. For more information on universal service, see "*Regulation—Regulation of Electronic Communication Services—Universal Service Public Service obligations and Other Obligations of Public Character*."

- On December 1, 2009, our competitor Sogecable was ordered to pay us compensation in the amount of €44 million plus interest for a contractual breach of the channel distribution agreements for Gran Via and Cablesport. As at September 30, 2010, we have collected this amount in full; however, Sogecable is appealing the judgment against it.

- On March 9, 2010, Sogecable was ordered by a Spanish first instance court to pay compensation of €51.7 million plus interest to ONO for abuse of dominant position in relation with football content contracts for the 2003/2004 to 2008/2009 seasons. As of September 30, 2010, we have collected part of this amount and have agreed with Sogecable on a schedule for the payment of the remaining amount; however, Sogecable is appealing the judgment against it.

- Pursuant to the RTVE Financing Law, we are required on a yearly basis, to contribute 1.5% of our television revenues and other audiovisual communication revenues (since September 2009) and 0.9% of our telecommunication revenues (since January 2010) to subsidize the sustainability of the Spanish public broadcasting entity, RTVE. However, the RTVE Financing Law has been the subject of a number of legal and regulatory proceedings. In particular, in September 2010 the EU Commission announced its decision to request Spain to abolish the 0.9% contribution as it considered such contribution to be incompatible with EU telecommunications rules, which require specific charges on telecommunications operators to be specifically and directly related to covering the costs of regulating the telecommunications sector. The requests took the form of "reasoned opinions" under EU infringement procedures. According to EU law, Spain has to inform the Commission of measures taken to comply with EU telecommunications rules. If it fails to do so, or the reply is not deemed satisfactory, the Commission may refer the case to the EU Court of Justice. Meanwhile, operators, including Cableuropa, are challenging certain aspects of the 0.9% and 1.5% contribution requirements before the Spanish Supreme Court. Furthermore, Spain's National Competition Commission has issued a non-binding negative opinion on the RTVE Financing Law, primarily relating to its impact on competition matters. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations of ONOMidco—Factors Affecting Our Business During the Periods Under Review*" for additional information.

- Following the entry into force of the General Law on Audiovisual Communication on May 1, 2010, we became subject to a requirement to invest, under certain circumstances, 5% of our annual revenues relating to television and audiovisual services in the production of new original content. Under the law, 60% of this amount must be invested in Spanish-language productions. See "*Regulation—Regulation of Audiovisual Communication Services—General Law on Audiovisual Communication—Obligations*". As of September 30, 2010, our results of operations do not reflect the cost of complying with these provisions. However, we have now begun complying with this new legal requirement and our results in future periods will be affected accordingly.

REGULATION

Set forth below is a summary discussion of the current European and Spanish regulatory environments relating to telecommunications and audiovisual communication services. This discussion is intended to provide a general outline of the most relevant applicable regulations and is not intended as a comprehensive discussion of such regulations. You should consider the regulatory environment discussion below as it could have a material impact on our business and results of operations in the future.

Regulation of Electronic Communications Services

European Union Overview

Over the past decade, the telecommunications market in the European Union ("EU") has gradually been liberalized. In March 2002, with the aim of adopting a harmonized regulatory framework amongst Member States, the EU approved a Regulatory Framework (the "RF") for electronic communications. The RF consists of five Directives:

- *Framework Directive:* A common regulatory framework for electronic communications networks and services which sets up the general principles of the RF as well as the procedure to be followed by national regulatory authorities in order to impose ex ante obligations on operators holding significant market power ("SMP");

- *Universal Service Directive*: Regulates universal service and users' rights relating to electronic communications networks and services;

- *Access Directive:* Regulates access to and interconnection of electronic communications networks and associated facilities;

- *Authorization Directive*: Regulates authorization of electronic communications networks and services; and

- *Directive on Privacy and Electronic Communications*: Regulates the processing of personal data and privacy protection in electronic communications.

This regulatory package also included three important pieces of "soft" law: the European Commission's recommendation on relevant markets susceptible to ex ante regulation (the "Market Recommendation"); the guidelines on market analysis and the assessment of SMP (the "Guidelines"); and the decision on a regulatory framework for radio spectrum policy. The EU RF Directives were transposed into Spanish law on November 3, 2003 by Law 32/2003 on General Telecommunications (the "General Law on Telecommunications").

In November 2009, the electronic communications regulatory package was revised following a two year review carried out by the European Commission, the Parliament and the Council. The main changes relate to enhancing Commission powers to coordinate the use of the radio spectrum. The Commission now has the power to impose obligations on operators with SMP via national regulatory authorities when they are suspected of creating a barrier to the single market or violating EU Law. The modified Directives also contain a number of provisions relating to new generation networks, consumer rights and (as an exceptional measure) the introduction of functional separation of vertically integrated undertakings. This measure is taken where the national regulatory authority concludes that the obligations imposed by the national regulatory authorities on operators with SMP according to applicable SMP legislation has not achieved effective competition compliance and that there are important and persisting competition problems and/or market failures identified in relation to the wholesale provision of certain access markets. In November 2009, Parliament and the Council Regulation created the Body of European Regulators for Electronic Communications ("BEREC"), a European body of national regulatory authorities acting as a high advisory board to the Commission. BEREC came into force in January 2010 and the modified Directives in December 2009. They are required to be transposed into Spanish Law before May 26, 2011.

As part of the review, a new Market Recommendation was adopted by the Commission in December 2007 (repealing and replacing the former Market Recommendation of 2003) reducing the markets potentially subject to *ex ante* regulation from 18 to 7. This reduction included most retail markets, wholesale access to mobile networks and the broadcasting market.

National Regulatory Authorities in Spain

The Ministry of Industry, Tourism and Commerce (*Ministerio de Industria, Turismo y Comercio*) ("MITC") regulates and oversees electronic communication services and networks in addition to the audiovisual communication services in Spain. The MITC's principal role is to set policy, issue regulations and sanction electronic communications and television operators where necessary. Under the General Law on Telecommunications, among other things, the MITC appoints the operator (or operators) in charge of providing universal service, monitors their compliance with public service obligations, and approves certain standard contracts with users (such as those submitted to public services obligations and related to premium rate services). It also manages equipment and device conformity and the public domain radio spectrum.

An additional independent oversight body, the Telecommunications Market Commission (*Comisión del Mercado de las Telecomunicaciones*) ("CMT"), was created in 1996. The CMT supervises electronic communications operators in Spain. Audiovisual communication services in Spain will be supervised by the State Council for Audiovisual Media whose constitution is pending. In the meantime the MITC through the State Secretariat on Telecommunications and Information Society Services (*Secretaría de Estado de Telecommunications y para la Sociedad de la Información*) is the supervisory authority (for a further discussion on the audiovisual media national regulatory authorities, please see "*—Regulation of Audiovisual Communication Services*" below).

The CMT carries out reviews of markets identified by the European Commission's Market Recommendation as susceptible to ex ante regulation. The CMT establishes and supervises operators, promotes competition in the electronic communications and audiovisual markets, solves conflicts between operators and (as the case may be) arbitrates operator disputes at the request of the parties. The CMT has certain additional powers to safeguard the plurality of service offerings and to access networks and network interconnection. The CMT also holds powers of inspection and sanction in connection with matters such as price policy, specific market definition, declaration of SMP operators (to whom they are entitled to impose obligations) and merger control.

The authorities of the relevant autonomous Spanish communities also have certain powers over the audiovisual sector.

General Law on Telecommunications of 2003

The General Law on Telecommunications establishes the new regulatory framework for electronic communications services in accordance with applicable EU directives. Except for certain provisions, this repealed and replaced the General Law on Telecommunications of 1998 which liberalized the provision of telecommunications services in Spain. It is the primary legislation governing the provision of electronic communications services and networks and transposes the European RF (see above). The General Law on Telecommunications aims, among other things, to enhance effective competition in the telecommunications sector, safeguard operator compliance with public service obligations (especially those related to universal service), promote development of the telecommunications sector, ensure an efficient use of scarce resources (such as numbering and radio spectrum), defend users' rights and contribute to the development of the internal electronic communications market within the EU. According to the General Law on Telecommunications, telecommunications are considered services of general interest to be provided under free competition regardless of the fact that certain public service obligations are imposed upon the operators.

The General Law on Telecommunications grants universal rights of access to basic services and contains provisions with which an individual or legal entity must comply in order to be considered an electronic communications operator. It governs the privacy of communications, the protection of personal data, the configuration of networks and services, interconnection and access, public service obligations, users' protection, market definitions and SMP operators. Additionally, it provides rules and procedures for the certification of devices used for providing telecommunications services.

Its provisions are implemented through several regulations. The following are the most important approved regulations to date:

- Regulation providing the conditions necessary for electronic communications services, universal service and users protection (approved by means of Royal Decree 424/2005, of April 15, as amended) ("Services Regulation");

- Regulation providing for conditions of electronic communication services (approved by means of Ministerial Order ITC/912/2006, of March 29, developing Royal Decree 424/2005);

- User's rights and premium rate service regulation (approved by Ministerial Order PRE 361/2002, of October 14, as amended by Ministerial Order PRE 2410/2004, of July 20). In May 2009, the Spanish government approved the user's Rights Letters through Royal Decree 899/2009 of May 22;

- Regulation on the electronic communications market, network access and numbering (approved by means of Royal Decree 2296/2004, of December 10, as amended) ("Markets and Access Regulation"); and

- Regulation of the use of the radio spectrum (approved by means of Royal Decree 863/2008, of May 23).

The General Law on Telecommunications establishes that the CMT will define the relevant markets (following the European Commission's Market Recommendation and the Guidelines), determine whether markets are competitive and, if they are deemed not competitive, impose proportional and appropriate obligations on SMP operators.

In order to conform to the provisions of the EU Directives which were revised in December 2009 (see *—Regulation of Audiovisual Communication Services—European Union Overview*), it is expected that the General Law on Telecommunications will be amended before May 26, 2011.

Market Definition and Operators with SMP

Since the last quarter of 2005 and during 2006, the CMT concluded its first round of market reviews and adopted a substantial number of decisions which (in compliance with the RF and the General Law on Telecommunications) defined relevant markets and identified operators with SMP. The CMT consequently imposed certain regulatory obligations both on the traditional fixed telecommunications incumbent (Telefónica, operating under the Movistar brand), mobile network operators and alternative fixed-line telecommunications operators (such as, amongst others, cable companies).

In the second half of 2008, the CMT engaged in a new round of market analysis which is now concluded (see the outcome of these analyses for a number of relevant electronic communications markets below). The Commission's Market Recommendation of 2007 has reduced the list of markets potentially subject to ex ante regulation. However, CMT's new round of market analysis determined that due to lack of competition in the relevant markets, some of them should still be subject to ex ante regulation.

Principal Operators

According to Article 34 of Royal Decree-Law 6/2000 of June 23 on urgent measures to improve competition in the goods and services markets, individuals and legal entities holding (directly and indirectly) more than 3% of the total share capital/voting rights of two or more principal operator companies in, among other markets, the fixed-line and mobile-line telephony markets are not allowed to exercise their voting rights in excess of 3% of the total in more than one company, except with the prior authorization of the CMT. Principal operators are defined as one of the five operators with the largest market share in the relevant market ("Principal Operators"). In addition, no individual or legal entity is allowed to appoint, directly or indirectly, members of the management body of more than one Principal Operator in, among others, the fixed-line or mobile-line telephony markets, except with the prior authorization of the CMT. Additionally, individuals or legal entities considered Principal Operators are neither allowed to exercise more than 3% of the voting rights of another Principal Operator nor to appoint, directly or indirectly, members of the management body of any Principal Operator operator, except in both cases, with the prior authorization of the CMT.

In July 2002, June 2003, October 2004, September 2006, October 2007 and October 2008, the CMT declared the ONO Group as Principal Operator in fixed-line telephony. In September 2009, and October 2010 the CMT declared Cableuropa, S.A.U. as Principal Operator in the fixed-line telephony market together with Telefónica de España S.A.U., France Telecom España S.A., Vodafone España S.A.U. and Euskatel S.A. Additionally, in October 2010 Telefónica Moviles España S.A.U., Vodafone España S.A.U, France Telecom España S.A., Xfera Móviles S.A. (currently operating under the Yoigo brand) and Lebara Limited UK were declared the Principal Operators in the mobile market.

Status of Electronic Communications Operator

Under the General Law on Telecommunications, EU individuals, legal entities, and nationals of other non-EU member states (if so established by the relevant international treaty signed by Spain or in other cases, prior government authorization) are allowed to provide electronic communications services and to utilize electronic communications networks in Spain. The General Law on Telecommunications provides this right and a set form of notice to be delivered to the CMT. The MITC grants private rights for use of the radio spectrum.

CMT notification must declare compliance with the applicable rules of the service or utilization of the network. The CMT has 15 days to oppose such notification if it does not comply with the requirements established in the General Law on Telecommunications and the Services Regulation. If the requirements are met, the CMT records the operator at the Registry of Operators. Operators can provide electronic communications services and install and utilize electronic communications networks after the notification takes place.

Pursuant to the General Law on Telecommunications, individual licenses and general authorizations granted under the former General Law on Telecommunications of 1998 were extinguished. Their holders were automatically authorized to render the same services under the new Law, provided that they met the requirements of the General Law on Telecommunications and are recorded at the Registry of Operators ex officio by the CMT. These operators are now subject to the obligations and conditions established by the General Law on Telecommunications and the Services Regulation. The Services Regulation establishes general and specific obligations and conditions for operators utilizing public electronic communications networks and for operators providing fixed and mobile telephony services to the public.

The companies of the ONO Group are duly registered at the CMT as operators entitled to provide certain electronic communications services and to install and utilize certain electronic communications networks (fixed-line telephony services to the public, leased lines, reselling of fixed-line telephony services to the public, data transmission services such as internet access, frame relay and interconnection of local area networks). Filing with the CMT of the notification to become a mobile virtual network operator ("MVNO") took place in June 2006 for Cableuropa, S.A.U. and in June 2007 for Tenaria.

The right to provide electronic communications services and to utilize electronic communications networks is extinguished upon occurrence of any of the following circumstances:

- Definitive suspension of activity (the operator must notify the CMT);
- Extinction of the legal personality of the operator;
- Sanction imposed (after available appeals have been exhausted) by the relevant authority; or
- Failure to notify the CMT of the operator's intention to continue providing service or utilizing the network prior to filing the relevant administrative procedure where the CMT obtains evidence that the operator is effectively not providing service or utilizing any network. In May 2008, the companies of ONO Group gave notice of their intention to continue providing the services and utilizing the network.

Interconnection

In order for our customers to communicate with other operators' customers, we need to interconnect our networks with such other networks. The Access Directive, within the terms of the Framework Directive, harmonizes the way in which EU Member States regulate access to and interconnection with electronic communications networks and associated facilities. Its aim is to establish a regulatory framework (in accordance with internal market principles) to govern relationships between suppliers of networks and services that will result in sustainable competition, interoperability of electronic communications services and consumer benefits. This Access Directive and the General Law on Telecommunications establish rights and obligations for operators and undertakings seeking access to or interconnection with their networks or associated facilities. The Access Directive sets out national regulatory authority objectives for access and interconnection.

According to the General Law on Telecommunications, operators of public electronic communications networks have the right and (when so requested by other operators) obligation to negotiate mutual interconnection for the provision of electronic communications services to the public in order to guarantee the provision of services and their interoperability.

The Markets and Access Regulation governs interconnection, access to public networks and numbering. It establishes that, unless the parties agree otherwise, interconnection and access agreements must be reached within four months from the date of any request to start negotiations. There shall be no restrictions preventing operators from negotiating interconnection or access agreements among themselves. The CMT will decide the terms of the interconnection or access agreement in the event that the parties do not reach an agreement. The CMT is also entitled to solve other interconnection and access conflicts between operators. Access and interconnection conditions or obligations imposed on operators must be objective, transparent, proportional and non-discriminatory.

As a result of the first market review process, envisaged by the RF and the General Law on Telecommunications, the CMT approved a decision on call termination on individual public telephone networks provided at a fixed location according to which some fixed network operators (ONO included), in addition to Telefónica, were declared to have SMP. The CMT distinguished the obligations to be imposed on Telefónica, as an operator with SMP, from those to be imposed on the rest of fixed network operators (ONO included). The CMT imposed on alternative operators with SMP the obligation to set reasonable prices for call termination services offered to other operators (as opposed to Telefónica, subject to cost oriented prices). According to this decision, the CMT construed "reasonable prices" to be up to 30% higher than those applied by Telefónica, the incumbent, for local call termination on a "per minute" basis, resulting from its approved reference interconnection offer ("RIO") or the relevant regulated prices that would replace them.

The second market review took place in 2008. Despite the EU's opposition, the CMT, in a decision adopted on December 18, maintained the same market position on call termination on individual public telephone networks provided at a fixed location. This review maintained the set price (maximum of 30% greater than Telefónica's) for alternative networks with SMP and declared ONO (among others things) an operator with SMP.

Telefónica is obliged to publish a RIO. The last amendment to the RIO was approved by the CMT on November 18, 2010. This RIO set up the charges for fixed network termination service. These charges were modified in order to reduce the prices of single transit and double transit termination and to increase the price corresponding to local termination. Other relevant changes apply to the structure of time periods (peak/off-peak) which have been phased out so that only an average cost is set up. In addition, changes relating to Intelligent Network services (901 and 902) have been introduced.

Network Access and Regulation of Next Generation Access Networks

Telefónica's wholesale bitstream access was introduced in 1999 and a regulation was enacted in 2000 through the incorporation of two new methods: shared access and local loop unbundling. On this basis, Telefónica had the obligation to publish an access reference offer which regulates the economical and technical conditions of these wholesale services. Under the RF, the CMT set up the regulatory regime for access to SMP operators, after carrying out a market analysis which took into account (among other things) the feasibility of alternative network deployments and the competition problems that may result from denying access.

In January 2009, the CMT defined the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location and the market for wholesale broadband access, declaring Telefónica as the operator with SMP in both markets and imposing specific obligations on Telefónica to operate in the same. The CMT imposed an obligation on Telefónica to provide access to its copper local loops and infrastructure ducts (wholesale physical network infrastructure access) and a bitstream service (wholesale broadband access) of up to 30 MB in the whole national territory (no geographic segmentation) both at cost-oriented prices. In November 2009, the CMT approved Telefónica's offer to provide alternative operators access to its civil infrastructure with respect to the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location.

In February 2009, the CMT approved a decision to impose mutual obligations to provide third party access to new in-building fiber optic infrastructure deployed by operators (not just the incumbent) as part of the next generation network roll-out. The obligations set forth in this decision only affect new fiber optic deployment and do not affect access to building existing common telecommunications infrastructure such as cable (coax and copper pair).

Network Access for Virtual Mobile Network Operators

ONO is an MVNO with the capability to switch traffic. In order for ONO to provide mobile telephony services to the public as a MVNO, it needs to enter into a network access agreement with a mobile network operator. Telefónica is the host network operator in this case.

On December 18, 2008, the CMT also adopted a decision regarding call termination on individual public telephone networks provided at a mobile location. Both Mobile Network Operators (MNO) and MVNOs (such as ONO) were declared to have SMP in this market. MVNOs were obliged to set reasonable prices (as opposed to cost oriented prices) for call termination services offered to other operators. In order to implement such a decision, in July 2009, the CMT approved a glide-path on mobile termination rates for both MNOs and MVNOs from October 16, 2009 until April 15, 2012. At the end of the period, the glide-path indicated a 43% decrease compared to the current price. The first 12.47% reduction took place on October 20, 2009. The CMT regulates the termination rates for MVNOs in accordance with the host termination rates.

A draft royal decree on Measures on the Radioelectric Spectrum for the Development of the Digital Society ("*Real Decreto sobre Actuaciones en Materia de Espectro Radioeléctrico para el Desarrollo de la Sociedad Digital*") is currently being prepared by the Spanish government. If adopted, it will allow the awarding of three nation-wide mobile spectrum licenses in the 900 MHz frequency band; a possible nation-wide mobile spectrum license in the 1800 MHz frequency band; six nation-wide premium mobile spectrum licenses in the 800 MHz frequency band; twelve nation-wide mobile spectrum licenses and a certain number of region-wide mobile spectrum licenses in the 2.6 GHz frequency band, that is, a band that could be used to provide mobile broadband services. With respect to the region-wide mobile spectrum licenses, the draft royal decree would split the territory of Spain into five regions (Galicia, Extremadura, Asturias, País Vasco and Rest of Spain). In addition, this draft royal decree sets forth limitations in the use of frequency bands by the same operator and limitations for certain operators to participate in some of the future auctions.

Wholesale Services

ONO is also a provider of wholesale terminating segments of leased lines and wholesale trunk segments of leased lines. Through these wholesale services, ONO provides telecommunication services to fixed and mobile carriers, traffic resellers and premium rate services providers. Telefónica is the current operator with SMP in both markets, as per Resolutions dated July 23, 2009 and July 2, 2009. According to the same, Telefónica is obligated to publish a reference offer for the provision of these wholesale services, on terms established by the CMT. This offer is known as ORLA. In December 2010, the CMT approved the new ORLA regulating the wholesale terminating segments of leased lines.

Numbering and Operator Selection

In order to provide telecommunications services, operators need to be furnished with public numbering resources, i.e., the ability to allocate phone numbers among subscribers or users of telephony services in accordance with the applicable, government-approved, National Numbering Plan. The CMT has the authority to allocate numbers and is generally obliged to issue the relevant resolution allocating the numbers within a maximum period of three weeks from the date of the relevant application.

The General Law on Telecommunications and the Markets and Access Regulation address operator selection. "Operator Selection" is the ability of the subscriber or user to select a given operator for all or certain calls and to access the services of any operator interconnected with the user's operator that provides access to the public telephony network. The operator can be chosen ahead of time or on a call-by-call basis. Operators with SMP in the provision of connection to and use of the public telephony network at fixed locations (currently Telefónica) are obliged to provide Operator Selection to operators of fixed telephony services to the public interconnected with them. The Government is allowed to impose Operator Selection obligations on other types of networks.

Circular 2/2009, approved on June 18 by the CMT, implements the General Law on Telecommunications and the Markets and Access Regulation with respect to Operator Selection, superceding past Circulars issued by the CMT on this matter. It sets forth the instructions to implement the mechanisms necessary to provide Operator Selection in the fixed-line public telephony networks.

Number Portability

Under the General Law on Telecommunications and the Markets and Access Regulation, users or subscribers to telephony service to the public have the right to keep their existing telephone numbers when changing operators, service or physical location, or when any of these circumstances occur simultaneously. Operators of public telephony networks and those providing telephony services to the public are obliged to provide users with number portability right if so requested, in the terms of the applicable regulations. The General Law on Telecommunications and the Markets and Access Regulation require the operators to share some of the costs associated with this service. According to the Markets and Access Regulation the following types of number portability must be available:

- change of operator for the provision of fixed telephony services to the public, as long as the service and the geographical location do not change;
- change of operator for the provision of mobile telephony services to the public, even in the event of the type of mobile telephony service changing; and
- change of operator for special rate services and personal numbering, as long as the service does not change.

The CMT has approved Circulars 1/2008 and 3/2009 establishing the principles intended to guarantee number portability to users. In October 2007, the CMT published a decision on the regulation about portability cost for fixed telephony. The decision reduced the cost by approximately 30%. In December 2009, the CMT began proceedings to modify portability operations with the objective of reducing the time for a customer to change its telephony operator. The new portability term will be 24 hours or 48 hours instead of the current term of five days.

Occupancy Rights

Electronic communications operators deploying networks have the right to occupy the public domain, benefit from expropriation procedures and be granted rights of way or easements over the property of third parties, subject to certain conditions. The General Law on Telecommunications obliges authorities to encourage operators to enter into agreements for infrastructure sharing and for co-location in public and private property. Should an infrastructure sharing agreement not be reached, the CMT is entitled to solve the conflict.

Payments

Telecommunications operators are required to make certain payments. Most importantly, they are required to pay to the CMT a maximum annual fee of 0.20% (amounting to 0.10% as of January 1, 2011) of their gross telecommunications revenue less certain interconnection, connectivity and other related costs. Operators also pay a separate annual municipal fee (obtained in each Municipality) of, initially, 1.5% of gross revenue in order to use the local public domain and certain other local fees and taxes.

In addition, operators, pursuant to the RTVE Financing Law, on a yearly basis must pay 0.9% of their revenue (total income less wholesale income) of their nationwide electronic communications services (in the case of Cableuropa and Tenaria, mainly internet access, fixed and mobile telephony and business services and broadcast of channels over which they do not hold editorial responsibility) to finance the public broadcaster RTVE (as long as they simultaneously provide any audiovisual or other service including any type of publicity). This contribution requirement is established by Law 8/2009, of August 28 for the financing of the public broadcaster RTVE. In September 2010 the EU Commission announced its decision to request Spain to abolish the contribution as it considered such contribution to be incompatible with EU telecoms rules, which require specific charges on telecoms operators to be specifically and directly related to covering the costs of regulating the telecoms sector. The requests took the form of "reasoned opinions" under EU infringement procedures. According to EU law, Spain has to inform the Commission of measures taken to comply with EU telecoms rules. If it fails to do so or the reply is not deemed satisfactory, the Commission may refer the case to the EU Court of Justice. Meanwhile, operators, including Cableuropa, are challenging certain aspects of the contribution requirement before the Spanish Supreme Court.

Telephony Customer Charges

Telephony operators, other than operators with SMP, are generally free to set end-user prices.

In its second round of market analysis, the CMT issued a Decision in March 2009 defining the retail market for access to the public telephone network at a fixed location for residential and non-residential customers. It declared Telefónica an operator with SMP and imposed on Telefónica certain specific obligations. Among other things, the CMT obliged

Telefónica to provide line Operator Selection and retail access to users. Access prices are subject to control by the CMT. In particular, Telefónica's line rental is regulated under an IPC-X mechanism whereby IPC refers to the consumer price index and X (a factor which will be set by the CMT 12 months before implementation). Telefónica is not allowed to apply geographically differentiated line rental fees. According to a decision dated June 2010, for the fiscal year 2011 factor X is zero. Telefónica is obliged to inform the CMT of retail offers 21 days in advance so that the CMT can assess whether they are anticompetitive. This does not apply to the so-called "customized offers" to customers spending over €12,000 per year. Retail call prices are altogether deregulated, as is Telefónica's one-off connection fee.

A general provision against anticompetitive prices has also been adopted by the CMT in connection with Telefónica's retail offers when they include voice line rental and internet broadband access. In this regard, the criteria and methodology adopted by the CMT in a decision dated July 2007 (to assess when and under which conditions individual price offers, as well as double and triple-play bundles might be considered anticompetitive) are still applicable.

Universal Service, Public Service Obligations and Other Obligations of Public Character

The General Law on Telecommunications, coupled with the Service Regulation provides that electronic communications operators may be requested to provide certain universal services, comply with other public service obligations to be imposed for general interest reasons or with obligations of public character.

Universal service covers a range of electronic communications services which must be provided to all users at a reasonable price, regardless of their geographical location. This includes access to the fixed telephony network and to the provision of telephony services to the public (including functional access to the internet), availability of directory information, sufficient provision of public pay phones and access to fixed telephony for the disabled and those with special social needs (who will be offered different options or bundled tariffs than those offered under normal commercial conditions). The new General Law on Telecommunications provides that the MITC shall designate the operator(s) entrusted to ensure the universal service. The operator(s) may be different in each region and different services included within the scope of the universal service may be provided by different operators. Should other operators be interested in rendering these services, the General Law on Telecommunications provides for a public bidding procedure to designate the operator(s) in charge.

Telefónica is still considered the sole operator providing universal service across the entire territory of Spain until December 31, 2011. The term for the provision of directory services will expire on December 31, 2011. Other operators, besides Telefónica, may be required to provide universal service in the future.

The CMT may determine that providing universal service imposes a competitive disadvantage on the operators that provide these services and that the net cost of these services should be allocated among certain operators in accordance with criteria to be determined by the CMT. The mechanism to compensate for these costs will be the National Universal Service Fund. Contributions to the National Universal Service Fund must be made by the operators in accordance with the Services Regulation. It provides that a National Fund for Universal Service will be created and that the costs will eventually be allocated among operators on the basis of gross ordinary revenue. Contributions are required to be proportional to the activity carried out by the relevant operator obliged to contribute to the financing of the universal service and will be determined by the CMT pursuant to the rules established in the Services Regulation.

The CMT has calculated the cost of universal service in Spain for years 2003-2005 and has also established the criteria that will be used to distribute this cost among electronic communications operators, including Telefónica itself. In September 2008, the CMT confirmed that the net cost of universal service (€182.77 million in the aggregate for years 2003-2005) is to be paid by Telefónica, Movistar, Vodafone and Orange. The CMT decision on the cost of universal service has been appealed by Telefónica, Orange and Vodafone. The CMT decision on universal service cost distribution has also been appealed by Orange and Vodafone. In November 2010, the Court ruled against Vodafone's position and upheld the CMT distribution criteria. Applying the holding of the court to our circumstances, we would not be required to contribute to the financing of universal service in Spain for the 2003–2005 period. This judgment could be appealed before the Spanish Supreme Court. The judgment in a suit filed by Orange is still pending and is expected in the next few months.

The CMT had also approved a decision in March 2009 whereby the net cost of universal service provided by Telefónica in year 2006 is set at €75.34 million. This cost is to be paid by Telefónica (38.89%), Movistar (30.50%), Vodafone (19.95%) and France Telecom (10.66%). In December 2009, the CMT has set the universal service cost for 2007 at €71.09 million and according to a decision dated July 2010, the cost is to be paid by Telefónica (38.20 %), Movistar (30.38%), Vodafone (20.93%) and France Telecom (10.50%). Vodafone and Orange have also appealed the CMT Resolution on cost distribution for the 2006 and 2007 years. Finally, in December 2010, the CMT set the universal service cost for 2008 at €74.85 million.

The above decisions on distribution of the cost of universal service do not preclude the regulator changing the terms of distribution in the future, including requiring other operators to finance the cost of universal service.

In addition to universal service, the Government may impose other public service obligations on operators to assist with public safety or national defence. The Government may impose other public service obligations (pending a report from the CMT) for the following reasons: territorial cohesion, extending the use of new technologies and services, facilitating communications for groups with special circumstances and increasing availability of message notification services.

In the event of a breach by the relevant operator of its public service obligations, the Government is entitled to directly assume the provision of the relevant services or the utilization of the relevant networks as an exceptional temporary measure. Likewise, the State Administration is also entitled to directly assume (subject to prior Government decision) the provision of certain electronic communications services or the utilization of certain electronic communications networks to guarantee public safety and national defence as an exceptional temporary measure.

Regulation of Audiovisual Communication Services

European Union Overview

Audiovisual Europe has seen a tremendous change since 1989 when the Television Without Frontiers Directive defined the first set of rules for television broadcasting in the European Union.

In November 2007, the European Parliament and the Council approved the revision of the EU Directive "Television Without Frontiers" of 1989. The new framework offers a solution that preserves the core principles of the existing European rules for television and adapts them to the new audiovisual environment. The Directive covers both traditional television broadcasting and new on-demand services like on-demand films and news. The distinction between the two depends on who decides when a specific program is transmitted and whether a schedule exists and is independent of the method of broadcasting. Television services are "linear" because they follow a schedule arranged by the broadcaster, while on-demand (or "non-linear") services leave users to decide when to watch a particular program. While these services differ in how they are made available, they are both addressed to the general public. The Directive treats linear and on-demand services differently, taking into account the degree of user control over the service. On-demand services are thus subject to lighter regulation. Additionally, the Directive extends to all audiovisual media services the country of origin principle. It means that each service must comply with the rules of the country in which its provider is located. The enforcement of the rules is the responsibility of that Member State. At the same time, the principle promotes media pluralism by opening up national markets to competition from other EU countries.

Finally, in order to protect viewers, the Directive:

- introduces a set of rules for commercial communications and updates the rules on television advertising;
- sets rules for the so called product placement technique which is used to include or to refer to products in film scenes or as part of certain audiovisual programs;
- extends the existing ban on tobacco advertising to on-demand services (the same applies to the portrayal of alcohol, thus giving special consideration to the protection of minors); and
- addresses, for the first time, the issue of "fatty foods" in commercials linked to children's programs.

In May 2010, the European Parliament and the Council approved a consolidated version of the EU Directive "Television Without Frontiers", called "Directive for Audiovisual Media Services" since the amendment approved in 2007. This consolidated Directive repeals and replaces the original Television Without Frontiers Directive and its subsequent amendments of 1997 and 2007 (without prejudice to Member States obligations relating to time limits for transposition into national law of former Directives).

The Directive for Audiovisual Media Services has been implemented in Spain through the General Law on Audiovisual Communication that became effective in May 2010, save for certain provisions on audiovisual commercial communication, which came into force on August 1, 2010.

For a discussion on the media audiovisual national regulatory authorities, please see "*National Regulatory Authorities in Spain*" under "Regulation of Electronic Communications Services" above. Although the General Law on Audiovisual Communication introduces the State Council for Audiovisual Media (*Consejo Estatal de Medios Audiovisuales*), it has yet to be effectively incorporated.

General Law on Audiovisual Communication

The General Law on Audiovisual Communication is the primary law governing the provision of audiovisual communication services, regardless of the technology used for broadcasting, without prejudice to the powers held by the Spanish Autonomous Communities on audiovisual matters within the boundaries of their corresponding territory.

Audiovisual communication services (including both linear and on-demand services) are considered to be services of general interest provided under competition and in the terms of the obligations corresponding to services of general interest.

The General Law defines audiovisual communication services as those over which editorial responsibility corresponds to a service provider and have as primary purpose the provision, through electronic communications networks, of programs and content in order to inform and entertain the general public and to broadcast commercial communications. The provider of audiovisual communication services is the individual or legal entity having effective control (editorial direction) over the selection of programs, content and their organization (either in a chronological schedule, in the case of television broadcasts, or in a catalogue, in the case of on-demand audiovisual communication services). These definitions are of utmost importance because electronic communications operators broadcasting television channels or providing on-demand audiovisual services over which they do not hold editorial responsibility will not be considered audiovisual communication providers pursuant to the General Law on Audiovisual Communication with respect to the relevant television channels or catalogues.

The General Law on Audiovisual Communication establishes the right to provide audiovisual communication services. Service providers only have to notify the relevant authority of their intention to provide services prior to the start of the activity. As an exception in the case of services rendered through hertzian terrestrial waves, the relevant operator needs to obtain from the MITC an audiovisual license which will include the corresponding frequency right. Notifications and audiovisual licenses will be recorded at the State Registry for Audiovisual Communication Services Providers, incorporated in June 2010 by the CMT as a temporary measure, until the effective incorporation of the State Council for Audiovisual Media (the entity in charge of running it in accordance with the General Law on Audiovisual Communication).

According to the interim regime of the General Law on Audiovisual Communication, former administrative authorizations allowing the provision of cable radio and television services have been extinguished. Former title-holders are to be duly registered ex officio by the CMT at the State Registry for Audiovisual Communication Service Providers.

Cableuropa was granted authorization to provide cable radio and television services under the former cable television regulatory framework superseded by the General Law on Audiovisual Communication. Cableuropa is also authorized to provide pay-per view, nearly VoD and VoD services which are currently considered audiovisual communication services pursuant to the new EU audiovisual framework and the General Law on Audiovisual Communication (although prior to it coming into force, they were considered electronic communication services provided under the General Law on Telecommunications). At present, Cableuropa is registered at the State Registry for Audiovisual Communication Services Providers as a nationwide television broadcaster with respect to the channels over which it holds editorial responsibility (television, nearly VoD and pay-per-view channels) and as a nationwide on-demand audiovisual service provider (VoD services over which it holds editorial responsibility).

Ownership Restrictions

The General Law on Audiovisual Communication sets forth the following ownership restrictions on operators providing national television audiovisual communication services:

- Individuals or legal entities are forbidden from holding a significant stake (that is, holding directly or indirectly 5% of the share capital or 30% of the voting rights, or a lower percentage if such percentage is to be used to appoint, in the 24 months following the acquisition, a number of members to the board of directors representing more than half of the total) in more than one operator providing television audiovisual communication services of national scope, if the average audience of the television channels broadcast by the audiovisual communication service providers concerned exceeded 27% of the total audience in the past 12 consecutive months;

- Stake participation and voting rights of non-EEA individuals or legal entities in television audiovisual communication services providers are subject to the reciprocity principle. In the event of an increase in the existing participation by said non-EEA individuals or legal entities in a television audiovisual communication service provider after the entering into force of the General Law on Audiovisual Communication, such increase cannot exceed 50%; and

- Individuals and legal entities are not allowed to acquire a significant stake or voting rights in more than one provider of television audiovisual communication services:

  - when national providers in aggregate hold rights to use the spectrum exceeding the technical capacity corresponding to two multiplex channels;

  - when regional providers in aggregate hold rights to use the spectrum exceeding the technical capacity corresponding to one multiplex channel; and

  - no individuals or legal entities holding a stake in a national provider of television audiovisual communication services are entitled to acquire a significant stake or voting rights in another provider of the same service, if the acquisition prevents the existence of at least three different private providers of national television audiovisual communication services, because otherwise pluralism of information is not guaranteed.

Obligations

According to the General Law on Audiovisual Communication, Cableuropa (and others) are subject to the following primary obligations:

- Respect the rights of viewers set forth in the General Law on Audiovisual Communication;
- With respect to the television channels (including pay-per-view) over which it holds editorial responsibility, Cableuropa must reserve 51% of its channels for European audiovisual production (50% out of the 51% reserve must be reserved for European audiovisual productions in any of the Spanish languages and 10% of the total quota shall be reserved for independent producers of which 10% must have been produced in the last five years);
- With respect to on-demand audiovisual services over which it holds editorial responsibility, 30% of the catalogue of programs must be reserved for European audiovisual productions and half of the said 30% for European audiovisual productions in any of the Spanish languages;
- To contribute on a yearly basis 5% of the total income accrued for the preceding fiscal year, according to its exploitation account, to the pre-financing of the production of certain audiovisual works such as, amongst others, full-length feature films, television films and series and documentaries and animated series and short movies, as long as Cableuropa (either in chronological schedule or in a catalogue) or the channels it broadcasts without bearing editorial responsibility over them include full-length feature films, television films and series, as well as documentaries and animated series and movies of recent productions, that are less than seven years old as of their production date. This 5% contribution has to comply with the following rules:
    - 60% out of the referred 5% must be devoted to works whose original language is one of the existing official languages in Spain;
    - 50% out of the referred 5% must be devoted to works of independent producers;
    - 60% out of the referred 5% must be devoted to full-length feature films; and
    - 40% out of the referred 5% must be devoted to television films or television series or miniseries.

  Despite not providing audiovisual communication services, Tenaria is also subject to the above 5% quota, as per the General Law on Audiovisual Communication.

  This 5% quota obligation was also included in the former Spanish Law on Television Without Frontiers (currently replaced by the General Law on Audiovisual Communication). In April 2010, the Spanish Constitutional Court accepted the filing of a constitutional claim against the 5% quota obligation set forth in the former Spanish Law on Television Without Frontiers. Final decision is still pending;
- To comply with the rules regarding programming, advertising, teleshopping, sponsorships and programming legislation should be aimed at protecting children and people with vision and hearing disabilities; and
- To comply with EU provisions and national legislation on intellectual property.

In order to maintain informational and audiovisual pluralism, the public broadcaster RTVE must provide cable television operators with its radio and television channels for free broadcasting through their network. Nationwide digital terrestrial television operators must provide cable television operators with their main free-to-air television channels for broadcasting through their network, subject to prior to negotiating the relevant price to be paid by cable television operators for such carrier service.

Payments

According to the RTVE Financing Law, pay television and audiovisual communication services operators are required to pay 1.5% of their television and other audiovisual communication services revenue on a yearly basis for the financing of public broadcaster RTVE. This contribution cannot exceed 20% of the total income anticipated for the relevant year in RTVE. Cableuropa is challenging certain aspects of the contribution requirement before the Spanish Supreme Court.

MANAGEMENT

Directors and Senior Management

All decisions regarding our business, which are required to be taken at the Board of Directors level, are made by the Board of Directors of GCO, our ultimate corporate parent.

Description of GCO's Shareholders' Agreement

GCO's Shareholders' Agreement dated July 29, 2005, as amended ("the GCO's Shareholders' Agreement" or the "Shareholder Agreement"), provides that GCO's Board of Directors will consist of 13 directors. Pursuant to the Shareholders' Agreement, there must be two executive directors, the President (since November 2008, José María Castellano) and the Chief Executive Officer (since May 2009, Rosalía Portela). In addition, two of the directors must be independent directors, one of whom will be appointed by the shareholders who were shareholders of GCO prior to the date of the Shareholders' Agreement (the "Prior Shareholders") and approved by the shareholders who became shareholders following the date of effectiveness of the Shareholders' Agreement that is November 2005 (the "New Shareholders"). The other independent director will be appointed by the New Shareholders and approved by the Prior Shareholders. With respect to the remaining nine directors, owners of each stake of 11.11% of the share capital in GCO will be permitted to appoint one director. If the Board cannot be fully appointed in this manner, then shareholders with stakes or remaining portions less than 11.11% shall have the right to appoint directors in descending order of their stake or remaining portion of their stake.

While the GCO Board of Directors may delegate many of its powers to the President and the Chief Executive Officer, certain actions will require the prior approval of the Board of Directors. Certain corporate decisions (mainly amendments to the by-laws, merger, spin-off, liquidation, winding-up, issuance of convertible securities, dividend policy and treasury stock) require the favorable vote of the holders of at least two-thirds of GCO's voting shares.

Administration Agreement

On March 30, 2002, Cableuropa signed an Administration Agreement with GCO which was amended on March 28, 2003. Pursuant to this Administration Agreement, the GCO Board of Directors must approve all significant decisions affecting the business and corporate affairs of the ONO Group. In addition, GCO appoints the directors to the Cableuropa Board of Directors. Cableuropa's Chief Executive Officer and President, if necessary, execute all decisions that are not subject to a formal approval by the Cableuropa Board of Directors.

Directors of GCO

As of December 31, 2010, the Directors of GCO were as follows:

Name	Age	Title	Member of Board of Directors since	Terms Expires
José María Castellano[1]	63	Chairman and President	2006	2012
Rosalía Portela[1]	59	Director and CEO	2009	2012
John Hahn[2]	52	Director, First Vice Chairman	2005	2011
Val Telecomunicaciones Cartera, S.L. represented by Diego L. Lozano[3]	50	Director, Second Vice Chairman	2009	2012
Alejandro Valencia[4]	46	Director	2009	2012
Soren Oberg[5]	40	Director	2005	2011
Tom Walker[6]	49	Director	2005	2011
Joshua L. Steiner[7]	45	Director	2005	2011
Maurice Benisty[8]	40	Director	2006	2012
Eduardo Serra[9]	64	Director	2009	2012
Particitel International Limited Partnership represented by Robert Coallier[10]	53	Director	2010	2013
Tony Ball[11]	55	Director	2006	2012
José Luis Nueno[9]	50	Director	2009	2012

(1) Executive Directors.

(2) Appointed as proposed by Providence Equity Partners.

(3) Appointed as proposed by Val Telecomunicaciones.

(4) Appointed as proposed by Grupo Multitel.

(5) Appointed as proposed by Thomas H. Lee Partners.

(6) Appointed as proposed by CCMP Capital Advisors.

(7) Appointed as proposed by Quadrangle Capital Partners.

(8) Appointed as proposed by GE Structured Finance.

(9) Independent Director.

(10) Appointed as proposed by CDPQ.

(11) Appointed as proposed by Providence, Thomas H. Lee, CCMP Capital and Quadrangle.

José María Castellano is an Executive Director and is the Chairman of the Board and President of GCO since November 2008. He served on the Board of Directors of Inditex from 1985 to 2005, and was appointed Vice president and CEO in 1997. Previously, he worked at Aegon España, S.A. as IT Manager and was General Manager and Chief Financial Officer of Conagra España, S.A. He served on the Board of Directors of Fadesa, S.A. from June 2002 until 2005. Between 2005 and 2008 he joined the board of directors of several companies such as ONO, TOUS and Rothschild. He is currently Vice President of La Voz de Galicia. Mr. Castellano holds a PhD in Economics and Business studies and is also Professor of Financial Economy and Accounting at the University of La Coruña. Besides, he is member of the Economics Science Academy.

Rosalía Portela is the Chief Executive Officer of Cableuropa since May 2009. She held the Managing Director position for the residential segment at Telefónica España for six years. Previously, she worked for the U.S. multinational Kimberly Clark, first as head of the retail market area for Spain and Portugal and later as Europe's Vice-President. Ms. Portela has also held senior positions in marketing in companies such as Repsol and Procter & Gamble, where she worked for over 14 years. She holds a bachelors degree in Economics from the Universidad Complutense of Madrid and a Masters in Economics from the University of Memphis.

John Hahn is the First Vice Chairman of GCO. Mr. Hahn is also a Managing Director of Providence Equity Partners Ltd ("Providence") and is responsible for Providence's European investment activities. He is currently a member of the supervisory board of Kabel Deutschland GmbH and is also a director of Digital Platform İletişim Hizmetleri (Digiturk) and Nordic Cable Acquisition Company (Com Hem). Prior to joining Providence, Mr. Hahn was a Managing Director at Morgan Stanley & Co. Prior to Morgan Stanley, Mr. Hahn worked with Price Waterhouse and Federal Data Corporation. He received a Master of Business Administration from the Anderson School at the University of California at Los Angeles and a Bachelor of Business Administration from the University of Notre Dame.

Diego L. Lozano studied Law at Universidad Complutense. In 1984, he joined the Corps of State Lawyers and in 1991, was appointed Technical General Secretary for the Ministry for Public Work, Transport and Environment. After leaving public service in 1995, he practiced Law and was General Vice Secretary and Vice-Secretary of the Board of Directors of Group Telefónica from 1997 until 2001. Since 2006, he has been a partner of the law firm Ramon y Cajal Abogados. Prior to joining Ramon y Cajal, he occupied various positions at other law firms.

Alejandro Valencia joined Grupo Multitel, S.A. in 2004 as Managing Director. Since then, he has been actively involved in corporate transactions with regard to Grupo Corporativo. Prior to joining Multitel, he was Managing Director Spain & Portugal of Genesys Iberia for five years, a company he managed since startup to become the leading conferencing company in Spain. During his 18 year long career, he has also held different sales and marketing management positions in companies including British Telecom and IBM. Alejandro holds a Telecommunications Engineer degree from the Universidad Politécnica of Madrid and an MBA by IESE. He speaks five languages.

Soren Oberg is a Managing Director at Thomas H. Lee Partners ("THL"), where he worked from 1993 to 1996 and rejoined in 1998. Prior to THL, he worked at Morgan Stanley & Co. Incorporated in the Merchant Banking Division, and at Hicks, Muse, Tate & Furst. Mr. Oberg is currently a Director of Ceridian Corporation, Hawkeye Energy Holdings, LLC, and West Corporation. Mr. Oberg received an A.B. cum laude in Applied Mathematics from Harvard College and an M.B.A. from Harvard Business School. Mr. Oberg presently serves as a founding Board Member of the Canada Wide Virtual Science Fair and is active in various private and non-profit institutions.

Tom Walker is a Senior Member of the CCMP Capital Advisors (UK), LLP and is a member of the Investment Committee. Prior to joining CCMP in July 2002, Mr. Walker was Managing Director and European Head of Financial Sponsor Coverage for JPMorgan in London. Previously, Mr. Walker worked in the New York Investment Banking divisions of JPMorgan, Credit Suisse First Boston and Drexel, Burnham, Lambert. Mr. Walker holds a B.A. from the University of Wisconsin and an M.B.A. from the University of Chicago.

Joshua L. Steiner joined Quadrangle Group LLC in 2000 and is Co-President and a Managing Principal. Mr. Steiner also serves on the Board of Directors of West Corporation. He previously served on the boards of Datanet, Pathfire, ProSiebenSat.1 and NewSouth. Prior to joining Quadrangle, Mr. Steiner was a Managing Director at Lazard Frères & Co. LLC. Prior to joining Lazard, Mr. Steiner was Chief of Staff at the United States Department of the Treasury. He received a B.A. from Yale University and an M.St. from Oxford University.

Maurice Benisty is currently Chief Investment Officer at GE Corporate Finance Bank SAS, a division of GE capital. He has over seventeen years corporate finance experience having held a number of executive positions at Lehman Brothers, BNP Paribas, Bankers Trust and GE Capital. During this time, Mr. Benisty has covered the Support Services and Media, Telecommunications and Technology sectors. In this capacity he was active in providing advisory services and capital raising for companies such as GUS plc, Jobline, Virgin, One-2-One, Ginger Media Group and Channel 5. He has had significant non executive board level experience over the past ten years including Non-Executive Chairman of Host Europe WVS Limited (also known as PIPEX Communications Hosting Ltd.) and Non-executive Chairman of Quintessentially (UK) Limited. Mr. Benisty graduated from Nottingham University in 1991 with a degree in Law and Politics.

Eduardo Serra studied Law at ICADE and the Universidad Complutense of Madrid (UCM). In 1974, he joined the Corps of State Lawyers. Half of his professional life has been devoted to public services and he is the only Spaniard to hold public office with all three governing parties within democratic Spain. With Presidents Suarez and Calvo Sotelo of UCD (Union of Democratic Centre), he was Cabinet Minister of the Ministry of Industry and Energy (1977-1979), General Secretary of INI (National Institute of Industry) (1979-1982) and Under Secretary of Defence. With President González of PSOE (Spanish Socialist Party), he held the post of Under Secretary of Defence (1982-1984) and Secretary of State of Defence (1984-1987). With President Aznar of PP (Popular Party), he was Minister of Defence (1996–2000). In the private sector, he has held different senior management positions. He is currently President and founder of Eduardo Serra y Asociados, is a member of the Board of Directors to Zeltia, and is a member of the advisory board of several companies.

Robert Coallier is a board member of Agropur Cooperative, Averna Technologies, Sanimax and Industrielle Alliance. He served as Senior Vice President and CFO of Dollarama from 2005 to 2009. Prior to this, he spent a number of years working in Molson, C-Mac Industries and Caisse de Dépôt et Placement du Québec were he held different senior management positions in Canada and Brazil. Mr. Coallier has a degree in Economics from McGill University and an MBA from Concordia University.

Tony Ball is Chairman of Kabel Deutschland GmbH. He is a board member of the Olympic Delivery Authority for the 2012 London Olympic Games and a non-executive director of BT Group plc. He is also chairman of the Advisory Board of Portland PR. He served as CEO of BSkyB Plc from 1999 to 2003. Prior to this, he spent a number of years working in the USA where he was the CEO of FOX-LIBERTY Networks, which included the FX Networks, Fox Sports Net and over 20 Regional Sports Channels throughout the USA. He also served as President of Fox Sports International. Before going to the USA, he held a number of senior positions in UK broadcasting and television production. He is a former non-executive director of Marks and Spencer Plc and BAA Plc. He has an MBA from Kingston Business School. He is a Fellow of the Royal Television Society and holds an Honorary Doctorate from Middlesex University.

José Luis Nueno is a Professor in the Marketing department at IESE. He received his Doctorate of Business Administration (Marketing) at Harvard University, Master of Business Administration at IESE and Degree in Law at the Universidad of Barcelona. He has published a number of marketing related articles and taught at several business schools and management programs. He was a visiting professor at the University of Michigan and in joint programs with the University of Michigan and IESE in Switzerland and China. In 2003, he was part of the faculty team for the Harvard Business School, AMP Middle East Program and the Strategic Program for Retail Managers. He is a member of the boards of directors of a number of leading international companies. He is also a corporate consultant and advises national and international corporations in the area of marketing and strategy.

The Directors of GCO can be contacted at GCO's business address: Edificio Belagua, Calle Basauri 7-9, Urbanización La Florida, 28023 Aravaca, Madrid, Spain.

Directors of ONOMidco and Cableuropa

The Directors of ONOMidco and Cableuropa as of December 31, 2010 were as follows:

Name	Age	Title	Member of Board of Directors since	Termination
José María Castellano	63	Director and President	2008	2011
Rosalía Portela	59	Chief Executive Officer	2009	2012
Carlos Sagasta	40	Director	2010	2013

The Directors of ONOMidco and Cableuropa can be contacted at ONOMidco and Cableuropa's business address: Edificio Belagua, Calle Basauri 7-9, Urbanización La Florida, 28023 Aravaca, Madrid, Spain.

Board Practices

GCO's Board of Directors established a Remuneration and Appointments Committee and an Audit and Compliance Committee that perform their functions for all the companies in the ONO Group.

Remuneration and Appointments Committee

GCO's Remuneration and Appointments Committee is comprised of five members of its Board of Directors and ruled by the Committee's Regulations as approved in December 2005. Its purpose is to oversee the ONO Group's remuneration, recruitment and human resource policies. Decisions taken by this committee are then recommended to the Board of Directors of GCO for their approval or amendment.

The following table shows the members of GCO's Remuneration and Appointments Committee as of December 31, 2010:

Name	Title
John Hahn	Chairman
Joshua Steiner	Member
Robert Coallier (representing Particitel International Limited Partnership)	Member
Tony Ball	Member
Eduardo Serra	Member
Juan Luis Delgado	Secretary
José María Castellano	Observer
Rosalía Portela	Observer

Audit and Compliance Committee

GCO's audit and compliance committee is comprised of five members of its Board of Directors and ruled by the Committee's Regulations as approved in December 2005. It meets regularly and its purpose is to oversee the ONO Group's internal controls and audit policies, among others. Decisions taken by this committee are then recommended to the Board of Directors of GCO for their approval or amendment.

The following table shows the members of GCO's Audit and Compliance Committee as of December 31, 2010:

Name	Title
Diego L. Lozano (representing Val Telecomunicaciones)	Chairman
Soren Oberg	Member
Tom Walker	Member
Maurice Benisty	Member
José Luis Nueno	Member
Amalia Pelegrín	Secretary
José María Castellano	Observer
Rosalía Portela	Observer

Senior Management of GCO, Cableuropa and ONOMidco

The following table lists certain members of our senior management team as of the date hereof.

Name	Age	Title	Member of Management since
José María Castellano	63	President	2008
Rosalía Portela	59	Chief Executive Officer	2009
Carlos Sagasta	40	Chief Financial Officer	2010
Guillermo Mercader	41	Director of Residential	2010
Víctor Guerrero	41	Director of Business	2006
Paul Kearney	46	Director of Networks and Technology	2007
Carlos Moreno	42	Director of Information Systems	2000
Rafael Brull	44	Director of On-Line Channel	2010
Antonio de la Fuente	39	Director of Human Resources	2009
Nicolás Chapa	42	General Counsel	1997
Juan Luis Delgado	41	Secretary of the Board	1997
Mónica Martínez	44	Director of Innovation and Corporate Affairs	2010

Set forth below are the biographies of each of these senior managers, other than those provided above:

Carlos Sagasta is our Chief Financial Officer. Prior to joining Cableuropa in April 2010, Mr. Sagasta held the position of Financial Director and Controller of Abertis Telecom for over five years. In 2003, he assumed the role of Planning and Control Director at Retevisión Audiovisual (the main business unit of Abertis Telecom). Mr. Sagasta holds a degree in Business Administration and Finance from the University of Saint Louis (Missouri) and an MBA in Finance and Strategy from The Anderson School of UCLA (California).

Guillermo Mercader is our Director of Residential since January 2010. He was Chief Executive Officer of Ya.com, where he worked for seven years. Subsequently, when Ya.com was incorporated to Orange, Guillermo held the

position of Managing Director of Home. He has also held senior positions in other companies, such as Wella and Coopers & Lybrand. He holds a bachelor's in Business, Law and a Masters in Financial Markets from the Universidad Autónoma of Madrid.

Víctor Guerrero is our Director of Business. From July 2006 to January 2009, Mr. Guerrero was our Regional Director for the Andalucía Oriental cluster. Previously, he was International Controller, Director of Portugal and of the United Kingdom, and Managing Director of the international business of Telepizza, a fast food company in Spain. He holds a degree in Economics from ETEA—Universidad de Córdoba, Spain and an MBA from Instituto de Empresa, Madrid.

Paul Kearney is our Director of Networks and Technology. Mr. Kearney joined ONO in June 2007 from Netia (a fixed line operator in Poland), where he was Chief Technology Officer. Previously, he held various management positions in the telecommunications sector in the United Kingdom and Spain and has 25 years of experience in the sector. He holds a Diploma in Engineering from the Dundalk Institute of Technology and a MSc in Telecommunications Business from University College London.

Carlos Moreno is our Director of Information Systems since 2000. Prior to joining ONO, he worked as internet Consulting Area Director and as project consultant in the Defence sector for Thomson-CSF. Previously, he worked as a consultant in Spain and Portugal and as a project development engineer in Paris for Marben (Grupo ATOS). He holds a Master of Science in Communications Systems from University College of Swansea.

Rafael Brull is our Director of On-Line Channel. Mr. Brull was Director of Portals, Services and Operations at Ya.com and continued in such position after the company merged with Orange. Previously, he also held several positions in different internet companies of internet. He holds a Bachelors in Philosophy and an executive degree in e-business from the Universidad of Alcalá de Henares.

Antonio de la Fuente is our Director of Human Resources. Mr. De la Fuente joined ONO in 2004 as Labor Relations and Risks Prevention Director. Prior to joining ONO, he worked in the Legal Advisory Department of Vodafone Spain where he was Labor Manager. He also worked as Labor Advisor in DLF Consultants. He is a graduate in Law from the Complutense University of Madrid, has a post graduate diploma in Labor, Social Security Law and Labor Risk Prevention and is a member of the Royal Academy of Jurisprudence and Legislation.

Nicolás Chapa is our General Counsel. Mr. Chapa joined ONO in June 1997 and he is currently responsible for Legal Matters, Security and Risks and Real Estate Management. Previously, he worked as a lawyer in the Bufete Armero (law firm merged with Uría Menéndez) and as an international supervisor in the Organization for the Security and Cooperation in Europe (OSCE).

Juan Luis Delgado is the Secretary of the Board of ONO. Mr. Delgado joined the Company as manager for corporate development within the General Counsel area. Subsequently, Juan Luis was deputy General Counsel for over five years until being appointed Secretary of the Board. Previously, he worked as lawyer specialist in commercial affairs in a private law firm in Madrid. Mr. Delgado holds a Bachelors in Law from the University of Salamanca and a Masters in legal assessment from the I.E. Business School.

Mónica Martínez is our Director of Innovation and Corporate Affairs of ONO. Before joining ONO in May 2010, Mrs. Martínez was general Director of the "Foundation for Innovation" at Bankinter. Mrs. Martínez has held several positions in Brazil and Spain were she has managed the e-business and the electronic banking divisions at Bankinter. She holds a degree in Computer Engineering and an MBA from the Instituto de Empresa.

The Senior Management of GCO, Cableuropa and ONOMidco can be contacted at: Edificio Belagua, Calle Basauri 7-9, Urbanización La Florida, 28023 Aravaca, Madrid, Spain.

Compensation

The total compensation paid to the GCO Board of Directors in 2009 amounted to €2.5 million. The total compensation paid to senior management in 2009 amounted to €8.7 million.

There are no service contracts or severance benefits for any of our directors with GCO or the ONO Group upon termination of employment (other than service contracts customarily provided with respect to directors). GCO provided advances and loans to members of the Board of Directors and senior management in the amount of €26.9 million in 2009 for the purpose of buying shares in GCO under the stock purchase plan described below.

Share Ownership

None of our other directors and members of our administrative, supervisory or management bodies directly hold any ordinary shares of Cableuropa, ONOMidco or GCO.

Stock Purchase Plan

The Board of Directors and the General Shareholders' Meeting approved the establishment of an executive fidelity share purchase plan for up to a maximum of 3.75% of the share capital of GCO, which included certain of our directors and senior managers. This plan is being phased out because its members have left the Company.

SHAREHOLDERS AND BENEFICIAL OWNERS

Cableuropa Shareholder

As of December 31, 2010, Cableuropa's authorized share capital consisted of 43,816,966 ordinary shares, of €6.00 par value each. Prior to the issuance of the Notes offered hereby and subject to the Capitalization Transactions (as described below), Cableuropa will issue one share which will be fully subscribed for by ONOMidco, bringing the total authorized share capital of Cableuropa to 43,816,967 ordinary shares. All of Cableuropa's ordinary shares are held by ONOMidco, its sole shareholder.

ONOMidco Shareholder

As of December 31, 2010, ONOMidco's share capital was €131,464,043, consisting of 43,816,966 ordinary shares, of €3.0003 par value each. Prior to the issuance of the Notes offered hereby and subject to the Capitalization Transactions (as described below), ONOMidco will issue 100 shares which will be fully subscribed for by GCO, bringing the total authorized share capital of ONOMidco to 43,817,066 ordinary shares. All of ONOMidco's ordinary shares are held by GCO, its sole shareholder.

GCO Shareholders

As of December 31, 2010, the GCO share capital was €1,648,524,524, consisting of 1,648,524,524 ordinary shares, of €1.00 par value each. GCO's shareholders were at this date as follows:

Name and address of Beneficial Owner	Total percentage of shares beneficially owned over total capital
CCMP Capital Advisors, LLC[1] 1221 Avenue of the Americas, New York, New York 10020, USA	14.996%
Thomas H. Lee Partners, L.L.P.[1] 100 Federal Street, Boston, Massachusetts 02110, USA	14.996%
Providence Equity Partners Inc.[1] 50 Kennedy Plaza, Providence, Rhode Island 02903, USA	14.996%
Quadrangle Capital Partners[1] 375 Park Avenue, New York, New York 10152, USA	8.960%
Global Telecom Investments, LCC[2] 1209 Orange Street, Wilmington, Delaware 19801, USA	8.827%
Caisse de Dépôt et Placement du Québec[4] Centre CDP Capital, 1000, Place Jean-Paul Riopelle, Montréal, Québec H2Z 2B3 Canada	6.640%
Grupo Multitel, S.A.[3] Calle Juan de Mena 19, Madrid, 28014, Spain	6.339%
Val Telecomunicaciones Calle Juan de Mena 19, Madrid, 28014, Spain	5.398%
Ontario Teachers Pension Plan 5650 Yonge Street, Toronto, ON M2M, Canada	4.715%
Capital Riesgo Global, SRC S.A.[5] Avenida de Cantabria, S/n Ciudad Banco Santander, S.A., Boadilla del Monte, Madrid, Spain	4.424%
Sodinteleco, S.L.[6] Francisco Hernández Pacheco, 14, Valladolid, Spain	4.266%
Northwestern Mutual Life Insurance Company 720 East Wisconsin Avenue, Milwaukee, Wisconsin 53202, USA	2.262%
Bregal Co-Invest 48, Rue de Bragance L-1255, Luxembourg	1.375%
Other minority shareholders and treasury shares	1.806%
Total	**100.000%**

(1) Each of CCMP Capital Advisors, LLC, Providence Equity Partners Inc., Thomas H. Lee Partners, L.P. and Quadrangle Capital Partners is the beneficial owner of GCO shares held by various funds and investment vehicles formed or managed by them.

(2) Entity in which General Electric holds an interest.

(3) Grupo Multitel, S.A. includes Multitel Alfa and Telco Investment Europe shares.

(4) CDPQ's interest is held by said company itself and another company belonging to its group, Particitel International Limited.

(5) Entity wholly owned by Banco Santander, S.A.

(6) Entity into which most of the former shareholders of Retecal were integrated.

The amounts and percentages of shares beneficially owned by each shareholder are reported on the basis of SEC rules governing the determination of beneficial ownership, and the information is not necessarily indicative of beneficial ownership for other purposes. Under such rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or direct the voting of a security, or investment power, which includes the power to dispose of or direct the disposition of a security, and includes securities for which a person holds the right to acquire beneficial ownership within 60 days. Except as noted otherwise hereinafter, we believe, but are not in a position to verify, that each beneficial owner named in the table above has sole voting or investment power with respect to all shares beneficially owned by that owner.

The following is a brief description of each of the beneficial shareholders of GCO:

CCMP Capital Advisors, LLC ("CCMP") is a leading global private equity firm specializing in buyouts and growth equity investments in companies ranging from $500 million to more than $3 billion in size. CCMP Capital focuses on five primary industries: Consumer/Retail; Industrial; Energy; Healthcare; and Media. Selected investments under management include: ARAMARK Corporation, Chaparral Energy, Edwards Limited, Francesca's Collections, Generac Power Systems, Infogroup, Jetro Holdings, LHP Hospital Group and Warner Chilcott. CCMP Capital's founders have invested over $13 billion since 1984. CCMP Capital's latest fund, CCMP Capital Investors II, L.P., closed in September 2007 with commitments of $3.4 billion. CCMP Capital has offices in New York, Houston and London. Through active management, its global resources and its powerful value creation model, CCMP Capital has established a reputation as a world-class investment partner.

Thomas H. Lee Partners, L.P. ("Thomas H. Lee") is one of the oldest private equity firms in the U.S., focused on identifying and acquiring substantial ownership positions in growth companies. Founded in 1974, Thomas H. Lee has raised approximately $22 billion of equity capital and invested in more than 100 businesses. Notable transactions sponsored by the firm include: American Media Inc., Houghton Mifflin, Michael Foods, Nortek, ProSieben Sat.1 Media, Rayovac, Transwestern Holdings, Warner Chilcott, Dunkin' Brands and Warner Music Group.

Providence Equity Partners Inc. ("Providence") is a private investment firm specializing in equity investments in communications and media companies around the world. The principals of Providence manage funds with over $22 billion in equity commitments, and have invested in more than 100 companies globally since its inception in 1989. Providence's significant investments include: Bresnan Communications, Com hem, Hallmark International, Digiturk, Kabel Deutschland, Metro Goldwyn Mayer, Recoletos, TDC, Warner Music Group and Hulu.

Quadrangle Capital Partners ("Quadrangle") based in New York, is the private equity business of Quadrangle Group LLC, a private investment firm with over $3 billion in assets under management which also invests in distressed debt and public equity. Quadrangle invests in media and communications companies and its strategy focuses primarily on buyouts and growth stage investments. Quadrangle was founded in 2000 and has sponsored investments in ProSieben Sat.1 Media, Protection One, Inc., NTELOS, Inc, Metro Goldwyn Mayer, Cablevision and DataNet Communications.

GE Structured Finance, Inc. is a leading equity and debt investor and provider of structured financing for companies in communications, energy, commercial and industrial and transportation industries, as well as the project and trade finance markets. GE Structured Finance, Inc. is a unit of GE Commercial Finance, a financial services business of General Electric Company, a diversified manufacturing, technology and services company with worldwide operations.

Grupo Multitel is a holding company that was created by Eugenio Galdón, the former President of ONO in order to provide support in the definition, launching, management and control of Spanish telecommunications and media projects. In 1992, Multitel Group was the first company to launch cable activities in the telecommunications market in Spain.

Caisse de Dépôt et Placement du Québec ("CDPQ") is one of the largest financing institutions in Canada and North America, managing funds for public and private pension and insurance funds. Through certain subsidiaries, CDPQ offers private investment funds and real estate management services to external institutional investors. The leading institutional fund manager in Canada, CDPQ invests in the main liquid markets as well as in private equity and real estate.

Val Telecomunicaciones is a holding company which groups most of the former local shareholders of the original regional affiliates of Cableuropa.

Ontario Teachers Pension Plan ("OTPP") is Canada's largest single-profession pension plan. It was created for Ontario's teachers in 1917 and until 1990 was administered by the Teachers' Superannuation Commission of Ontario, with the pension fund investing in non-marketable Ontario debentures. The Ontario government established the Ontario Teachers' Pension Plan Board as an independent corporation in 1990.

Banco Santander, S.A. is Spain's largest bank, one of the major European financial institutions and the largest provider of financial services in Latin America. Banco Santander is the parent bank of Grupo Santander, which operates principally in Spain, the United Kingdom, Portugal, other European countries, Brazil, other Latin American countries and the United States, offering a wide range of financial products. Grupo Santander's main business areas are: Retail Banking, Global Wholesale Banking and Asset Management and Insurance.

Sodinteleco, S.L. is a holding company owned by most of the former shareholders of Retecal including: Caja España, Grupo Begar, Caja Segovia and Caja Ávila. Sodinteleco became a shareholder of GCO following the acquisition of Retecal in 2004.

Northwestern Mutual helps its policyowners and clients achieve financial security. The company offers a holistic approach to financial security solutions to help people in the areas of financial protection, wealth accumulation and estate preservation and distribution. As a mutual company with no shareholders, Northwestern Mutual seeks to share its gains with policyowners and deliver consistent and dependable value to clients over time.

Bregal Co-Invest ("Bregal") was formed as the private equity investment division of a European family business. Bregal's mission is to identify and partner with innovative high quality private equity teams in the U.S. and Europe. Bregal is constantly looking for the right mix of established top quartile funds and innovative new strategies, teams and opportunities. Bregal was established in 2002 to give added focus and scope to family private equity activities that stretch back over 20 years in Europe and North America.

GCO Shareholders' Agreement

GCO's shareholders entered into the GCO Shareholders' Agreement, dated July 29, 2005 (with effect from the date of closing of the Auna acquisition—November 4, 2005), which addresses matters relating to our corporate governance, including the election of the GCO Board of Directors, managing director and other senior managers of the ONO Group, major corporate decisions, change of control issues and voting rights. Under this agreement, the voting rights of each shareholder and the companies within its group have been capped to one-third of the total voting rights.

Each of GCO's current shareholders has agreed to launch an offer to the remaining shareholders for the acquisition of the total share capital of GCO if, either directly or indirectly, any such shareholder acquires or controls one-third or more of GCO's shares or voting rights.

Under the by-laws of GCO, each of the shareholders and GCO enjoy a preemptive right in the event of any share transfers, except those share transfers representing, together with any other transfers effected by the shareholders within one year, less than 1.5% of the total share capital of GCO, may be effected freely, up to a global limit (considering all share transfers by shareholders making use of this rule) of 5% of GCO's share capital annually.

The parties to the shareholders' agreement expressly agree that the Shareholders' Agreement takes precedence, between the parties, over the by-laws. The Shareholders' Agreement expires at the earlier of (i) November 4, 2013, (ii) an initial public offering of GCO stock, or (iii) an agreed sale of GCO.

PIK Loan and 2010 Downstream Loan

As a condition to the amendment of the Senior Facility in May 2010, the senior lenders of Cableuropa required the shareholders of GCO to contribute up to €200 million in Cableuropa. For these purposes, the Board of Directors of GCO passed certain resolutions on March 8 and 24, 2010 (the "Resolutions") authorizing GCO to enter into a profit participating PIK loan agreement with its shareholders for a maximum amount of €200 million (the "PIK Loan"). The PIK Loan was partially drawn in May 2010 in the amount of €125 million which has been loaned to Cableuropa in the form of deeply subordinated shareholder indebtedness (the "2010 Downstream Loan"). The 2010 Downstream Loan is independent from the PIK Loan and the proceeds under the 2010 Downstream Loan have been applied by Cableuropa to reduce the amount drawn under one of the Bank Tranches of the Senior Facility. The remaining €75 million was contributed and held in escrow, to be drawn and loaned to Cableuropa on the same terms if certain liquidity and refinancing conditions were not met.

On October 22, 2010 Nara Cable Funding Limited, an independent, stand-alone special purpose vehicle, completed the offering of €700 million Senior Secured Notes and on-lent the gross proceeds therefrom to Cableuropa as part of the October 2010 Refinancing. Cableuropa used the loan proceeds to reduce debt under certain existing Bank Tranches of its Senior Facility. As a result, on November 2, 2010, €50 million of the €75 million held in escrow was released and returned to the relevant shareholders of GCO. The remaining €25 million continues to be held in escrow and will be contributed to Cableuropa as a deeply subordinated participative loan in the following circumstances:

(a) the liquidity of Cableuropa (which amount includes available cash and available and undrawn amounts under the Senior Facility and which will be tested on a quarterly basis until and including December 31, 2011) is less than (i) €150 million; or (ii) if Cableuropa issues €700 million of indebtedness and uses the proceeds to reduce debt under the Bank Tranches, the greater of (y) €150 million minus the euro for euro actual increased interest burden of such new indebtedness in excess of €700 million over the interest burden previously paid by Cableuropa in connection with the quantum of prepaid Bank Tranches and (z) €125 million;

(b) Cableuropa fails to deliver the certificate required in connection with the liquidity tests referred to in paragraph (a) above and more than five business days have elapsed since the preceding liquidity test date.

If, on December 31, 2011, Cableuropa has complied with all the conditions described above, any funds held in escrow will be released to the shareholders.

Dispute with VAL

A minority shareholder (Val Telecomunicaciones, S.L., "VAL") of GCO has challenged in court the Resolutions despite the fact that it has subscribed for a substantial portion of its pro rata entitlement of the PIK Loan. The lawsuit seeks to invalidate the Resolution on the basis that the PIK Loan should have been authorized by a shareholders' meeting of GCO and that various Board members of GCO had a conflict of interest in adopting the Resolutions. Furthermore, VAL claims that the interest rate agreed in the PIK Loan, in addition to other ancillary terms, is unlawful, contrary to the by-laws of GCO and detrimental to the interests of GCO. In its lawsuit VAL is not currently making any claims in relation to the Downstream Loan nor is it making any claims against Cableuropa.

The VAL lawsuit has been contested by GCO which believes the VAL lawsuit to be without merit. The preliminary hearing on the case has been called to take place on February 8, 2011, and the decision of the first instance court deciding the case (a Madrid Commercial Court) is expected within an estimated period of 12-18 months, depending on the workload of the court. This first instance decision would be subject to appeal by either party before the Madrid Provincial Appeals Court, and eventually before the Supreme Court, all of which could add approximately four additional years to the duration of the VAL lawsuit.

GCO believes the VAL lawsuit is without merit and the risks of an adverse decision against GCO are low. In the unlikely event that VAL's lawsuit is successful and the Resolutions are declared null and void, GCO and its shareholders would have to renegotiate the terms of the PIK Loan and adopt new resolutions in compliance with the requirements of a potential adverse judgment. See "*Risk Factors—Risks Relating to Our Financial Profile—An adverse outcome of the litigation initiated against GCO by one of GCO's shareholders may have a negative impact on us*".

Capitalization Transactions

Prior to the issuance of the Notes offered hereby, it is intended that all subordinated participative loans between GCO as lender and Cableuropa as borrower will be capitalized into equity of ONOMidco and Cableuropa (the "Capitalization Transactions"). The following is a brief description of all such loans:

(i) the €955 million profit participative loan dated November 4, 2005 used to downstream to Cableuropa the funds contributed to GCO by certain financial sponsors in 2005 concurrently with the purchase of Auna;

(ii) the €6.5 million profit participative loan dated May 29, 2009 used to downstream to Cableuropa the funds necessary to cancel certain EVCs that matured in 2009;

(iii) the €0.5 million and $1 million profit participative loan dated June 22, 2009 used to downstream to Cableuropa the funds necessary to cancel certain EVCs that matured in 2009; and

(iv) the €125 million profit participative loan dated May 13, 2010 used to downstream to Cableuropa the funds contributed to GCO by shareholders of GCO in the context of the refinancing that took place in May 2010 (see "*—PIK Loan and 2010 Downstream Loan*").

RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates (as defined in the U.S. Securities Act) from time to time and in the ordinary course of our business. All such related party transactions to date have been approved or ratified by our Board of Directors and new related party transactions have to be approved by our Board of Directors if the amount of the transaction exceeds €500,000. Set forth below is a list of certain of our most relevant related party transactions:

- We maintain primary bank accounts with Banco Santander, S.A. and purchase equipment from affiliates of Banco Santander, S.A. and General Electric.

- Banco Santander, S.A. and other shareholders of GCO (or their affiliates) are lenders to Cableuropa under the Senior Facility. See "*Description of Other Indebtedness*".

- GCO's Shareholders' Agreement governs the relationship between GCO and its shareholders, but also has provisions affecting Cableuropa and its subsidiaries. For a description of GCO's Shareholders' Agreement as well as the Administration Agreement between GCO and Cableuropa, see "*Management*".

- As part of the July 2008 Senior Facility amendment process, GCO has agreed to provide Cableuropa with the funds to retire the EVCs at maturity. As a result of certain transactions, GCO currently holds approximately 88% of the outstanding EVCs. See "*Description of Other Indebtedness—Equity Value Certificates*".

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a summary of certain provisions of the documents listed below which govern our principal indebtedness and does not purport to be complete.

Senior Facility

On May 13, 2010, we amended our Senior Facility (i) to create additional term loan tranches to the Senior Facility that will act as "forward-start" facilities (such additional term loan tranches will mature on June 30, 2013 and will be drawn to partially extend maturities of tranches A, B and I of the Senior Facility falling due between June 30, 2010 and December 31, 2012); (ii) to create an additional €64 million revolving tranche that will mature on July 31, 2012; (iii) to facilitate future debt refinancing by permitting the creation in the future of additional term loan tranches under which the proceeds from debt capital markets instruments raised by a special purpose vehicle (such as the Senior Secured Notes offered as part of the October 2010 Refinancing) (please see *"—Senior Facility—New Notes Tranches"*) or new bank debt will be on-lent to the Company to partly refinance certain of the existing Bank Tranches under the Senior Facility; (iv) to reset financial covenants; (v) to add PIK interest if certain conditions relating to the refinancing of the existing Bank Tranches are not met; and (vi) to amend certain definitions. After this amendment, the maximum available amount under the Senior Facility decreased from €3,600 million to €3,555 million. The purpose of the amendment was to provide us with additional flexibility to meet our principal amortization obligations and permit management to focus on continuing to enhance operations and increase cashflow. The amended agreement became effective as of May 21, 2010, once all conditions precedent were satisfied.

On October 22, 2010, in connection with the issuance of the Senior Secured Notes, we further amended our Senior Facility to incorporate a new Senior Secured Notes tranche (the "Senior Secured Notes Tranche") in the amount of €700 million. The gross proceeds of the Senior Secured Notes were on-lent by Nara Cable Funding to Cableuropa pursuant to the Senior Secured Notes Tranche and were used to partially prepay drawn amounts under the existing tranches A, B, I, E and I2. The Senior Secured Notes Tranche bears interest at 8.875% and will mature on December 31, 2013, at which time it will be automatically extended to December 1, 2018 through the Forward Start Agreement (as described under "*—Senior Secured Notes of Nara Cable Funding—Forward Start Agreement*").

Under the Senior Facility, borrowing availability is subject to a number of conditions, including certain representations and warranties being correct and no early termination event having occurred and be continuing. No assurance can be given that such borrowing conditions will be fulfilled or that funds under the facility agreement will be made available to us. As of September 30, 2010, we had an outstanding balance of €3,266 million drawn under the Senior Facility (excluding the bank guarantees in respect of Facility S) after the repayment of €36 million on December 31, 2009 and €28 million on June 30, 2010. As of September 30, 2010, we had €170 million and €64 million available under tranches C and F, respectively, of our Revolving Credit Facilities).

Cableuropa's obligations under the Senior Facility (including the Senior Secured Notes Tranche) are senior to those under the Notes Proceeds Loans and the Notes Guarantees.

The Facilities: There are ten separate tranches under the Senior Facility:

Tranche A is a term loan facility in a maximum aggregate amount of €1,000 million, and is subdivided into three subtranches:

- Subtranche A1 has a maximum aggregate amount of €150 million, which was made available to partially fund the Auna acquisition, to partially refinance Auna's existing indebtedness and for our general corporate purposes;
- Subtranche A2 has a maximum aggregate amount of €450 million, which was made available to partially fund the Auna acquisition, partially refinance Auna's existing indebtedness, partially refinance our existing indebtedness, and fund the redemption in full of the 2011 Notes and can be used for our general corporate purposes; and
- Subtranche A3 has a maximum aggregate amount of €400 million, which can be used for our general corporate purposes.

Tranche B is a term loan facility in a maximum aggregate amount of €800 million, and is subdivided into four subtranches:

- Subtranche B1 has a maximum aggregate amount of €200 million, which was made available to partially fund the Auna acquisition;
- Subtranche B2 has a maximum aggregate amount of €350 million, which was made available to partially fund the Auna acquisition and partially refinance Auna's existing indebtedness;

- Subtranche B3 has a maximum aggregate amount of €100 million, which was made available to partially fund the redemption of the Floating Rate Notes; and

- Subtranche B4 has a maximum aggregate amount of €150 million, which was made available to partially fund the deferred Auna acquisition price and for our general corporate purposes.

Tranche C is a revolving credit facility in a maximum aggregate amount of €600 million, which can be used to fund the payment of the deferred Auna acquisition price to partially refinance or repay the Fond-ICO Participative Loan and for our general corporate purposes.

Tranche D is a term loan facility in a maximum aggregate amount of €700 million, and is divided into two subtranches:

- Subtranche D1 has a maximum aggregate amount of €550 million, which was made available to be used to partially refinance our existing indebtedness; and

- Subtranche D2 has a maximum aggregate amount of €150 million, which was made available to refinance the Subordinated Facility, to partially Refinance or repay the Loan upon its maturity, to fund the payment of interest, premium fees and other costs associated with the refinancing and the transaction and for general corporate purposes.

Tranche E is a term loan facility in a maximum amount of €1,424 million. It operates as a forward-start facility and is intended to refinance the repayment of scheduled amortizations of Tranche A and Tranche B corresponding to Tranche E Lenders, in the proportion that they hold in such Facilities (and pro rata among them).

Tranche F is a revolving credit facility in a maximum amount of €64 million to refinance the Bilateral Facilities and, thereafter, for our general corporate purposes.

Tranche I is a term loan facility in a maximum aggregate amount of €400 million, which was made available to partially refinance our existing indebtedness.

Tranche I2 is a term loan facility in a maximum amount of €180 million, which operates as a forward-start facility and is intended to partially refinance the repayment of scheduled amortizations of Tranche I.

The Senior Secured Notes Tranche is a term loan facility with a maximum amount of €700 million. This tranche was incorporated into the Senior Facility from the proceeds from the issuance by Nara Cable Funding of €700 million Senior Secured Notes and borrowings under this tranche were used to partially prepay drawn amounts under tranches A, B, I, E and I2.

Tranche S is a bank guarantees facility, for which the maximum aggregate amount on account or principal guaranteed may not exceed €100 million. Facility S was made available to be used to replace, in whole or in part, our existing bank guarantees, and to guarantee certain financing from governmental entities.

The total amount outstanding under the Senior Facility may now not exceed €3,520 million plus the maximum available amount in the Facility S of bank guarantees. Nevertheless, the total amount outstanding will be amended from time to time in order to include the amounts made available to us through new tranches or by a bilateral lender that desires to be incorporated into the Senior Facility as a lender of Tranche F.

Maturity: Tranche A and Tranche B mature on December 31, 2012; Tranche C matures on June 30, 2013; Tranche D matures on December 31, 2013; Tranche E matures on June 30, 2013; Tranche F matures on July 31, 2012; Tranche I matures on June 30, 2013; Tranche I2 matures on June 30, 2013; the Senior Secured Notes Tranche matures on December 31, 2013 (but will be extended through the Forward Start Agreement to December 1, 2018); and Tranche S matures on December 31, 2013.

Interest: Tranches A, B, C, D, E, F, I and I2 bear interest at a rate equal to the aggregate of a margin and EURIBOR.

In respect of Tranches A, B, C and I, margin is adjusted quarterly, as the case may be, pursuant to the following grid:

Total Debt to LTM EBITDA Ratio	Margin
Above 5.00	1.75% p.a.
Above 4.50 but not exceeding 5.00	1.60% p.a.
Above 4.00 but not exceeding 4.50	1.45% p.a.
Above 3.00 but not exceeding 4.00	1.30% p.a.
Not exceeding 3.00	1.15% p.a.

Margin for Tranche D is adjusted quarterly, as the case may be, pursuant to the following grid:

Total Debt to LTM EBITDA Ratio	Margin
Above 4.50	2.25% p.a.
Not exceeding 4.50	2.00% p.a.

In respect of Tranches E and I2, margin is adjusted quarterly, as the case may be, pursuant to the following grid:

Total Debt to LTM EBITDA Ratio	Margin
Above 5.00	3.00% p.a.
Above 4.50 but not exceeding 5.00	2.85% p.a.
Above 4.00 but not exceeding 4.50	2.70% p.a.
Above 3.00 but not exceeding 4.00	2.55% p.a.
Not exceeding 3.00	2.40% p.a.

The margin for Tranche F is 2.95%.

The Senior Secured Notes Tranche bears interest at a fixed rate of 8.875%.

Bank guarantees under Tranche S bear interest at a rate equal to the margin applicable to Tranche A.

There is also a commitment fee payable on each facility which accrues on a daily basis and is payable quarterly in arrears and is calculated on the undrawn and uncancelled portion of the relevant facility.

Repayment: Advances under Tranche C and Tranche F must be repaid on the last day of the relevant interest period, provided that if a notification is not made to repay such an advance, such advance shall automatically be rolled over into the next interest period. Advances under Tranches D, E and I2 must be repaid in full on its final maturity date. The Senior Secured Notes Tranche must be repaid in full on its final maturity date; however, notwithstanding the foregoing, on June 30, 2013, the Senior Secured Notes Tranche will be extended in full through the Forward Start Agreement entered into with Nara Cable Funding and will therefore mature on December 1, 2018. Advances under Tranche A and Tranche B must be repaid in accordance with an agreed repayment schedule as set forth below (after giving effect to the forward start facilities created under Tranche E):

Date	Percentage of Facility A to be repaid
December 31, 2011	4.31%
June 30, 2012	7.49%
December 31, 2012	7.49%
June 30, 2013	80.72%

Advances under Tranche I must be repaid in accordance with an agreed repayment schedule as set forth below (after giving effect to the forward start facilities created under Tranche I2):

Date	Percentage of Facility I to be repaid
December 31, 2011	1.10%
June 30, 2012	1.27%
December 31, 2012	2.54%
June 30, 2013	95.09%

Financial Covenants: The financial covenants under the Senior Facility require, among other things: maintenance of a minimum total interest coverage ratio, maintenance of a maximum consolidated leverage ratio (on a last twelve months basis), maintenance of a maximum senior leverage ratio (on a last twelve months basis), and maintenance of a maximum capital expenditure and debt service cover ratio.

The tables below set forth the minimum interest coverage ratio, the maximum consolidated leverage ratio, the maximum senior leverage ratio and the maximum capital expenditure under the Senior Facility:

Interest cover ratio:

Date	Ratio
December 31, 2009	2.42x
March 30, 2010	2.40x
June 30, 2010	2.32x
September 30, 2010	2.36x
December 31, 2010	2.48x
March 30, 2011	2.49x
June 30, 2011	2.54x
September 30, 2011	2.51x
December 31, 2011	2.52x
March 30, 2012	2.51x
June 30, 2012	2.52x
September 30, 2012	2.54x
December 31, 2012	2.57x
March 30, 2013	2.57x
June 30, 2013	2.58x
September 30, 2013	2.61x

Total debt/Consolidated LTM EBITDA:

Date	Ratio
December 31, 2009	6.40x
March 30, 2010	6.40x
June 30, 2010	6.40x
September 30, 2010	6.40x
December 31, 2010	6.25x
March 30, 2011	6.10x
June 30, 2011	6.00x
September 30, 2011	5.90x
December 31, 2011	5.80x
March 30, 2012	5.60x
June 30, 2012	5.40x
September 30, 2012	5.20x
December 31, 2012	5.00x
March 30, 2013	4.90x
June 30, 2013	4.80x
September 30, 2013	4.70x

Senior debt/Consolidated LTM EBITDA:

Date	Ratio
December 31, 2009	5.70x
March 30, 2010	5.70x
June 30, 2010	5.70x
September 30, 2010	5.60x
December 31, 2010	5.50x
March 30, 2011	5.40x
June 30, 2011	5.25x
September 30, 2011	5.20x
December 31, 2011	5.10x
March 30, 2012	4.90x
June 30, 2012	4.70x
September 30, 2012	4.50x
December 31, 2012	4.30x
March 30, 2013	4.20x
June 30, 2013	4.10x
September 30, 2013	4.00x

Maximum Capex (euro in millions):

Date	Limit
December 31, 2009	257
March 30, 2010	85
June 30, 2010	165
September 30, 2010	230
December 31, 2010	290
March 30, 2011	85
June 30, 2011	165
September 30, 2011	230
December 31, 2011	290
March 30, 2012	85
June 30, 2012	165
September 30, 2012	230
December 31, 2012	285
March 30, 2013	85
June 30, 2013	165
September 30, 2013	230

The Senior Facility contains a mechanism to adjust the minimum interest cover ratio to reflect the interest rate payable on any future New Notes Tranche so as to maintain the equivalent level of headroom in each period.

Guarantees: Cableuropa, as borrower, is currently the only guarantor and has jointly and severally guaranteed all amounts owed under the Senior Facility on a senior basis.

Material Subsidiaries: The Senior Facility also provides that Cableuropa will cause any new "Material Subsidiaries" (as defined in the Senior Facility) to become guarantors under the Senior Facility with similar terms to the existing guarantors. Subsequently, these companies may request the release of the relevant guarantees should they cease to be "Material Subsidiaries".

Security: The Senior Facility is secured by first-ranking pledges over (i) all the share capital of Cableuropa; (ii) the credit rights under certain profit participating loans granted by GCO in favor of Cableuropa which will be capitalized pursuant to the Capitalization Transactions; (iii) the credit rights arising under insurance policies owned by Cableuropa; (iv) the credit rights arising under the insurance account and the asset transfer account owned by Cableuropa; (v) the credit rights arising under the loans by virtue of which ONO Finance plc and ONO Finance II plc have advanced to Cableuropa the proceeds of the Existing Subordinated Notes; and (vi) the credit rights arising in favor of Cableuropa under the sale and purchase agreement in connection with the Auna acquisition. In addition, the Notes Proceeds Loans will be pledged on a first ranking basis in favor of the Senior Facility. The Senior Facility will also be secured by a first-ranking pledge over the share capital of any subsidiary that becomes a "Material Subsidiary" (as defined in the Senior Facility) during the time that any amounts are outstanding under the Senior Facility. In addition, Cableuropa has also agreed to grant a first ranking chattel mortgage over the telecommunications network owned by it, at the request of the senior lenders upon the occurrence of an early termination event under the terms of the Senior Facility that is not remedied or otherwise waived by the senior lenders.

Release Event: Under the terms of the Senior Facility, upon the occurrence of a "Release Event" (i) certain positive and negative covenants will cease to apply (basically eliminating restrictions to prepay subordinated debt, to upstream funds to shareholders and to implement asset sales); (ii) the mandatory prepayment obligations in connection with insurance proceeds and asset sales will cease to apply; (iii) all the security granted in connection with the Senior Facility will be released except for the pledge over all the share capital of Cableuropa and the pledges of credit rights arising under shareholder loans (excluding those which proceeds have been obtained from subordinated debt); and (iv) Cableuropa will not be obliged to deliver a certificate, verified by the auditors, setting forth the calculation of the Consolidated Excess Cash Flow.

For these purposes, "Release Event" means the occurrence of one of the following: (a) Cableuropa presents to the Senior Agent of the senior lenders two consecutive certificates of compliance with financial covenants stating that the result of the Total Debt to Consolidated Annualized EBITDA covenant has been less than 3.0x and the auditors certify compliance with such financial covenants for both consecutive quarters; or (b) Cableuropa, ONO Finance or ONO Finance II or any issuer of future high yield notes (and to the extent that issues are only guaranteed by the group or by a holding company, provided that in this case such holding company is only guaranteed or counter-guaranteed by ONO Midco or the group) achieve a credit rating provided by one of the following two agencies which is equal to or higher than: (i) BBB- from Standard & Poor's Rating Group; or (ii) Baa3 from Moody's Investor Service Inc.

A Release Event shall have no effect as from the date on which the circumstance triggering its occurrence (i.e., either of the circumstances mentioned in (a) and (b) above) ceases to occur until the date on which any circumstance triggers it again.

Other: The Senior Facility also contains other terms, including terms providing for: voluntary prepayment (subject to payment of breakage costs if prepayment is not made at the end of an interest period); mandatory prepayment in certain circumstances, including certain asset sales, an initial public offering and the generation of consolidated excess cash flow; covenants to, among other things, limit the incurrence of additional indebtedness, asset sales, sale and leaseback arrangements, acquisitions, the making of loans and guarantees, prepayment of other indebtedness, investments, dividends and future capital expenditures; covenants to, among other things, require the obligors to maintain their existence, comply with laws and regulations and maintain insurances; and early termination events in certain circumstances, including a cross-default to certain other debt of Cableuropa and its subsidiaries.

New Notes Tranches Under the Senior Facility

Pursuant to the amendment of the Senior Facility made in May 2010, Cableuropa is entitled to incorporate into the Senior Facility additional notes tranches similar to the Senior Secured Notes Tranche (a "New Notes Tranche"). The issuers of the debt capital market instrument underlying such additional New Notes Tranches will lend the gross proceeds of such debt to Cableuropa for the purpose of prepaying the existing Bank Tranches and will become lenders under the Senior Facility with the rights and restrictions described below. Furthermore, Cableuropa is entitled to incorporate into the Senior Facility new tranches consisting of term loans made available to Cableuropa by any banks or institutions active in the bank and institutional loan markets ("New Bank Tranches") for the purposes of prepaying the existing Bank Tranches. The incorporation of any New Notes Tranches into the Senior Facility will be made through an amendment agreement to the Senior Facility which will have attached an amended and restated facility to take account of the changes required to incorporate the New Notes Tranche.

The following provides an overview of the New Notes Tranche mechanism. The lender under any New Notes Tranche will be the issuer of the underlying debt instrument. The maturity of any New Notes Tranche will be December 31, 2013 (which is the final maturity date of the Senior Facility) although the issuer will execute with Cableuropa a forward start agreement whereby they will agree to extend the maturity of the New Notes Tranche to a date equal to the maturity of the underlying debt instruments either under (i) the same terms contained in the Senior Facility; (ii) the terms of any new senior facility that may extend or refinance the existing Senior Facility, *provided* that, the terms of any New Notes Tranche are not altered in any material manner and *provided further* that any New Notes Tranche continues to rank *pari passu* in payment and security with any other lender under such new senior facility; or (iii) the terms of a bilateral agreement or indenture between the issuer or the trustee and Cableuropa on substantially the same terms as the indenture governing the underlying debt, *provided* that Cableuropa's obligations thereunder continue to rank pari passu in payment and security with other senior debt. Interest will be fixed and will match the interest payable under the underlying debt instrument (plus a small margin to account for any required profit to be retained at the issuer level for tax or legal reasons). Interest periods will match those of the notes.

Cableuropa will be required to make a voluntary prepayment under any New Notes Tranche on the same terms (including payment of the same applicable premium) as those contained in the indenture governing the underlying debt in respect of any optional redemption of any underlying debt. Cableuropa will be entitled to make prepayments in case of a change of control or asset sale (in each case, as defined in the Senior Facility). However, because the definition of change of control and asset sale in the Senior Facility may not match the equivalent definitions in any indenture governing the underlying debt instrument, there is a risk that payments under any New Notes Tranche may not be made to the issuer in all circumstances where the issuer has payment obligations under the governing indenture. The issuer, as lender of any New Notes Tranche, will waive its right to receive certain private non-public information that the other lenders under the Senior Facility will normally receive.

Senior Secured Notes

On October 22, 2010, Nara Cable Funding, an independent, stand-alone special purpose vehicle, completed the offering of €700,000,000 8.875% Senior Secured Notes due 2018 (the "Senior Secured Notes") under an indenture (the "Senior Secured Notes Indenture") between Nara Cable Funding and The Bank of New York Mellon, as trustee. The Senior Secured Notes are not direct obligations of Cableuropa; however, the Senior Secured Notes benefit indirectly from Cableuropa's obligations under the Senior Secured Notes Tranche of the Senior Facility which is held by Nara Cable Funding and which is pledged for the benefit of holders of the Senior Secured Notes.

Covenant Agreement. Contemporaneously with the signing of the Senior Secured Notes Indenture, Cableuropa entered into a covenant agreement (the "Covenant Agreement") whereby it agreed to comply with certain covenants in the Senior Secured Notes Indenture.

Senior Secured Notes Tranche. Pursuant to the offering of the Senior Secured Notes, Nara Cable Funding loaned the gross proceeds from the sale of the Senior Secured Notes to Cableuropa as a term loan (the "Senior Secured Notes Tranche Loan") under the Senior Secured Notes Tranche in an aggregate principal amount equal to the aggregate principal amount of the Senior Secured Notes offered thereby. The obligations of Cableuropa under the Senior Secured Notes Tranche were guaranteed (the "Senior Secured Notes Tranche Guarantees") by all of the guarantors (currently Cableuropa, which is also the borrower under the Senior Secured Notes Tranche is the only obligor) under the Senior Facility and secured by a

pledge of Nara Cable Funding's credit rights in the Senior Secured Notes Tranche (the "Senior Secured Notes Tranche Pledge") and certain other agreements, as well as a pledge over the share capital of the Nara Cable Funding and a charge over certain of its bank accounts.

Forward Start Agreement. In connection with the offering of the Senior Secured Notes, Nara Cable Funding and Cableuropa entered into a forward start agreement (the "Forward Start Agreement") which complies with the requirements for the forward start facility specified under "*—New Notes Tranches Under the Senior Facility*" above and extends the maturity of the Senior Secured Notes Tranche to December 1, 2018 (i.e., the maturity date of the Senior Secured Notes).

Terms of the Senior Secured Notes. Nara Cable Funding will pay interest on the Senior Secured Notes on June 1 and December 1 each year, beginning on June 1, 2011 payable in arrears. The Senior Secured Notes will mature on December 1, 2018. Prior to December 1, 2013 Nara Cable Funding may redeem all or part of the Senior Secured Notes at a redemption price of 100% of the principal amount of such Senior Secured Notes plus accrued and unpaid interest and a "make whole" premium. Nara Cable Funding may redeem some or all of the Senior Secured Notes at any time on or after December 1, 2013 at a set redemption price which reduces with the passage of time until the redemption price is 100% of the principal amount of the Senior Secured Notes on December 1, 2016, plus accrued and unpaid interest. Prior to December 1, 2013 Nara Cable Funding may redeem up to 35% of the Senior Secured Notes with the net proceeds of certain public equity offerings by us. Holders of the Senior Secured Notes may require Nara Cable Funding to repurchase their Senior Secured Notes upon a change of control, if we sell certain of our assets or under certain other circumstances.

The Senior Secured Notes are subject to certain customary high-yield covenants contained in the Senior Secured Notes Indenture which apply indirectly to Cableuropa through the terms of the Covenant Agreement.

The Senior Secured Notes are senior obligations of Nara Cable Funding and rank pari passu in right of payment with all its existing and future senior indebtedness that is not subordinated to the Senior Secured Notes. The Senior Secured Notes are admitted for trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange.

Intercreditor Agreement

The Intercreditor Agreement is attached to this offering memorandum as Annex A. The following is a summary of the terms of the Intercreditor Agreement.

As a consequence of ONOMidco's incorporation and of ONOMidco's accession to the Intercreditor Agreement as an Obligor, the trustee under the indentures for the Existing Subordinated Notes acceded to the intercreditor agreement dated October 27, 2005 (the "Intercreditor Agreement"), between, among others, Cableuropa, certain lenders under the Senior Facility, the Subordinated Facility (which has already been repaid) and the Fond-ICO Participative Loan, Banco Español de Crédito, S.A. (now replaced by Sociéte Générale), as agent for the lenders under the Senior Facility, Fortis Bank, S.A./N.V., London Branch as agent for the lenders under the Subordinated Facility and Banco Español de Crédito, S.A. (now replaced by Sociéte Générale), as security agent and intercreditor agent (the "Intercreditor Agent"). The Intercreditor Agreement establishes the relative rights of, among others, the holders of the Subordinated Notes, the creditors under the Fond-ICO Participative Loan and the creditors of the Senior Facility. On the Issue Date, the Trustee and the Issuer will accede to the Intercreditor Agreement and the Notes will be treated as "Subordinated Notes" for purposes thereof. The Existing Subordinated Notes and the Fond-ICO Participative Loan will be redeemed or repaid with the gross proceeds of the offering of the Notes and available cash, see "*Use of Proceeds*".

Order of Priority and Application of Proceeds

The Intercreditor Agreement provides for the following order of priority to apply to the satisfaction of the obligations of Cableuropa, ONO Finance plc, ONO Finance II plc, ONOMidco and any future obligors under indebtedness that is subject to terms of the Intercreditor Agreement (each an "Obligor"):

- First, in payment of all amounts payable to the security agent (for its own account and in its capacity as agent of the Senior Facility) pursuant to the Senior Facility;
- Second, in payment of the following, on a *pari passu* basis: (a) debt owed to the lenders under the Senior Facility (together with certain hedging debt, the "Senior Debt"), (b) any amounts owed to the trustee of any existing subordinated notes, (c) any amounts owed to the agent of the Subordinated Facility, and (d) certain other administrative expenses relating to debt which is subordinated to Senior Debt;
- Third, in payment of certain hedging amounts to certain hedge entities;
- Fourth, on a *pro rata* basis, in payment of debt owed to the lenders under the Subordinated Notes;

- Fifth, in payment of debt owed to lenders under the Fond-ICO Participative Loan (together with any subordinated notes, the "Subordinated Debt"); and

- Sixth, in payment of the surplus to the Obligors.

In the event of the bankruptcy of any Obligor, each creditor will be required to pay any sum received or recovered by it from any of the Obligors or any third party on account of any Senior Debt or Subordinated Debt to a bank account specified by the Intercreditor Agent, and such sums will be applied in accordance with the order of priority described above.

In the event of the bankruptcy of any Obligor, the order of priority described above will apply among the creditors, regardless of the payment distribution provided by trustees in bankruptcy, the creditors, the general meeting or any composition agreement. In the event that any creditor's rights are declared subordinated for purposes of insolvency proceedings, however, the creditors that are parties to the Intercreditor Agreement agree that, in respect of their internal relations, such creditor so subordinated shall not receive amounts that would otherwise be required to re-establish its relative position under the Intercreditor Agreement.

Payment Blockage

Certain payment blockage provisions apply, including (and subject to certain limitations):

- Prohibitions on payment in respect of any Subordinated Debt if a payment default under the Senior Debt has occurred and is continuing beyond any applicable grace periods; and

- Prohibitions on payments in respect of any Subordinated Debt if any other default occurs and is continuing under the Senior Facility that permits the lenders thereunder to accelerate its maturity and such Senior Creditors provide the creditors of the Subordinated Debt (the "Subordinated Creditors") with a payment blockage notice.

Such prohibitions on payment will terminate at such time as (x) in the case of a payment default, when such default is cured or waived, or (y) in the case of a non-payment default, the earlier of (i) the date on which such non-payment default is cured or waived, (ii) the date of discharge of the Senior Debt, (iii) the date when the Subordinated Creditors receive notice that the payment blockage notice has been revoked, and (iv) 179 days after the date the payment blockage notice is received, unless the maturity of any Senior Debt has been accelerated.

At the end of the payment blockage period, the Obligors may resume paying the Subordinated Debt. Not more than one payment blockage notice with respect to the same default, or any other events of default existing and known to the person giving the payment blockage notice at the time of such notice, or any other events of default resulting from the occurrence which gave rise to the first event of default, may be given during any consecutive 360-day period unless such event of default or other events of default have been cured or waived for a period of at least 90 consecutive days.

Turnover of Subordinated Debt

If (i) any Subordinated Creditor receives or recovers a payment or distribution of any kind in respect or on account of any Subordinated Debt which is prohibited pursuant to the Intercreditor Agreement, or which exceeds the amount such Subordinated Creditor is properly entitled to, pursuant to the application of proceeds provisions of the Intercreditor Agreement, (ii) any Subordinated Creditor receives or recovers proceeds pursuant to any enforcement action which is not permitted under the Intercreditor Agreement, (iii) any company of the ONO Group makes any payment or distribution of any kind whatsoever in relation to the purchase or other acquisition of any Subordinated Debt that is not permitted by the Intercreditor Agreement, or (iv) any Subordinated Debt is discharged by set-off, combination of accounts or otherwise which is not permitted by the Intercreditor Agreement, and the Subordinated Creditors have actual knowledge that such payment is prohibited by the Intercreditor Agreement, then the recipient or beneficiary of such payment will hold the payment on account and for the benefit of the Intercreditor Agent on behalf of all of the creditors thereunder, and upon written request, will deliver the amounts so held to the Intercreditor Agent for application of such proceeds in accordance with the order of priority provisions of the Intercreditor Agreement. If no sums are due for payment in respect of the Senior Debt at such time, but such amounts may fall due in the future, the funds will be placed in a blocked account for future application towards the repayment of Senior Debt.

Grant of Senior Guarantee by ONOMidco

ONOMidco fully and unconditionally guarantees, on an unsecured, senior, joint and several basis, the full payment of any amounts due from the Obligors under any Subordinated Debt. ONOMidco also agrees that such obligations in respect of the Subordinated Debt may be extended or renewed, in whole or in part, without notice or further assent from ONOMidco, and that ONOMidco shall remain bound by the Intercreditor Agreement notwithstanding any such extension or renewal.

Release of Subordinated Guarantees and Accession of ONOMidco as Borrower

Each Obligor (other than ONOMidco) which is a guarantor under any Subordinated Debt (a "Subordinated Guarantor") will be automatically and unconditionally released from all obligations under its guarantee thereunder (a "Subordinated Guarantee"), and such Subordinated Guarantee will be terminated and was discharged and is of no further force and effect, concurrently with any sale by way of enforcement by the Senior Creditors of a security interest (an "Enforcement Sale") of (i) all the capital stock of such Subordinated Guarantor or any parent company of such Subordinated Guarantor, or (ii) all or substantially all of the assets of such Subordinated Guarantor, in each case so long as:

- The proceeds of such Enforcement Sale are in cash (or substantially all in cash) and are applied in accordance with the Intercreditor Agreement;
- Such Subordinated Guarantor is released from its obligations in respect of all other debt that is subordinated or junior in right of payment to the Subordinated Debt (subject to certain exceptions); and
- Such Enforcement Sale is made pursuant to either a public auction or a competitive bid process to obtain the best price reasonably available, given the then-current condition, earnings, business, assets and prospect of such Subordinated Guarantor and its subsidiaries.

After the release of its Subordinated Guarantees and concurrently with an Enforcement Sale of the capital stock of Cableuropa or all (or substantially all) of the assets of Cableuropa, Cableuropa's obligations under certain Subordinated Debt (including the Notes offered hereby and the guarantees thereunder and the Notes Proceeds Loans) will be automatically and unconditionally assumed by ONOMidco and Cableuropa will cease to be the borrower thereunder (subject to certain requirements).

Petition for Bankruptcy of the Obligors

Prior to the filing of a petition for bankruptcy of any of the Obligors by any creditor (a "filing creditor") that is a party to the Intercreditor Agreement:

- Such creditor shall communicate its intention to the Intercreditor Agent five business days prior to the filing of such petition;
- The Intercreditor Agent shall promptly notify the other creditors party to the Intercreditor Agreement; and
- If other creditors receiving notice of the proposed petition notify the filing creditor, such filing creditor shall make its filing together with any other creditors that want to join such filing.

The Fond-ICO Participative Loan

On October 27, 2005, certain members of the ONO Group, as guarantors and borrowers, entered into a Participative Loan with FOND-ICO, Fondo de Capital Riesgo, a fund managed by Axis Participaciones Empresariales, S.G.E.C.R., S.A.U, as lender, to provide up to €20 million in financing. The Participative Loan was subsequently novated on June 20, 2007. On May 13, 2010 the Fond-ICO Participative Loan was novated to reflect the terms and conditions agreed with the senior lenders under the Senior Facility. As of September 30, 2010, we had a balance of €10 million drawn under the Fond-ICO Participative Loan.

The Fond-ICO Participative Loan is deeply subordinated debt by operation of law and with a repayment date of May 15, 2011 which may be extended until May 15, 2014 at the option of Cableuropa. Cableuropa intends to repay the Fond-ICO Participative Loan with a portion of the proceeds from the issuance of the Notes. See "*Use of Proceeds*".

Equity Value Certificates

In connection with the issuance of the 2011 Notes in 2001, ONO Finance I issued Equity Value Certificates ("EVCs"), comprising of 200,000 dollar- and 150,000 euro-denominated EVCs which originally evidenced the right to receive the cash value of 48.89512850 shares of Cableuropa in dollars, and of 45.98831311 shares of Cableuropa in euro, respectively, assuming €1.00 par value shares and subject to adjustment in certain circumstances. As of September 30, 2010, the EVCs were carried on our balance sheet at €14.6 million.

The EVCs mature on February 15, 2011 and are due to be paid on March 15, 2011 although prepayment may be triggered under certain circumstances such as an initial public offering of the shares of Cableuropa. The EVCs are guaranteed by Cableuropa on a senior subordinated basis. In the July 2008 Senior Facility amendment process, GCO, our ultimate parent company, agreed to provide Cableuropa with the funds to retire the EVCs at maturity.

In September-October 2006, GCO conducted a cash tender offer for all of the EVCs. Prior to the launch of the tender offer, GCO owned approximately 64% of all outstanding EVCs and, following the tender offer, GCO owned approximately 85% of the EVCs issued. In 2007, this amount increased to approximately 87%.

In addition, on October 2, 2006, a reverse merger (the "Reverse Merger") occurred between the former Cableuropa, S.A.U. and Esto es ONO, S.A.U. (the former Auna Telecomunicaciones, S.A.U.), whereby Esto es ONO, S.A.U. was the resulting company. Esto es ONO, S.A.U. later changed its name to Cableuropa, S.A.U. As a result of the Reverse Merger and pursuant to the EVC Agreement, the various Equity Value Fractions had to be adjusted in order to ensure that the holder of each EVC shall be entitled to receive the value of ordinary shares upon payment of such EVC that such holder would have been entitled to receive had such EVC been payable immediately prior to the Reverse Merger.

As a consequence, the Equity Value Fractions for all Equity Value Certificates issued were adjusted as follows:

	Equity Value Fraction
2001 Dollar EVCs	1.96933774
2001 Euro EVCs	1.85226061

DESCRIPTION OF THE NOTES

The Issuer issued the Euro Notes and the Dollar Notes (collectively, the "Notes") offered hereby under an indenture (the "Indenture") dated as of the Issue Date, between, *inter alios,* the Issuer, the Notes Guarantors and The Bank of New York Mellon, as Trustee (in such capacity, the "Trustee"). References to the "Issuer" refer only to ONO Finance II plc and not to the Company or any of its Subsidiaries. The definitions of certain other terms used in this description are set forth throughout the text or under "—Certain Definitions."

On the Issue Date, the Issuer remitted the proceeds from the sale of the Euro Notes to Cableuropa as a senior subordinated term loan denominated in euros (the "Euro Notes Proceeds Loan") and the Issuer remitted the proceeds from the sale of the Dollar Notes to Cableuropa as a senior subordinated term loan denominated in U.S. dollars (the "Dollar Notes Proceeds Loan" and, together with the Euro Notes Proceeds Loan, the "Notes Proceeds Loans") in an aggregate principal amount equal to the aggregate principal amount of the Notes offered in this offering. See "—Notes Proceeds Loans."

The terms of the Notes include those set forth in the Indenture governing the Notes and those made part of such Indenture by reference to the Trust Indenture Act. The Indenture is not, however, required to be nor will it be qualified under the Trust Indenture Act and will not incorporate by reference all of the provisions of the Trust Indenture Act.

The Notes will initially be issued as global notes in registered form without coupons attached. The registered holder of a Note will be treated as its owner for all purposes. Only registered holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes will not be registered under the Securities Act and will therefore be subject to certain transfer restrictions.

The following description is a summary of the material terms of the Indenture, the Notes, the Intercreditor Agreement and certain other documents relating to the Notes. It does not, however, restate such documents in their entirety and where reference is made to particular provisions of such documents, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all the provisions of the relevant document. The Indenture, the Notes and the Intercreditor Agreement shall be deemed to be incorporated by reference herein and shall define your rights as a holder of the Notes. A copy of the Intercreditor Agreement is attached to this offering memorandum as Annex A. A copy of the form of the Indenture may be obtained by requesting it from the Company at the address indicated under "Where You Can Find More Information" or, if and so long as the Notes are admitted for trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, from the office of the paying agent in Luxembourg.

The Issuer has made an application to have the Notes admitted for trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange. If and so long as the Notes are admitted for trading on the Euro MTF market and listed on the Official List of the Luxembourg Stock Exchange, the Issuer will maintain a paying or transfer agent in Luxembourg. See "—Transfer; Payments on the Notes."

Principal, Maturity and Interest

The Issuer issued (a) €295,000,000 aggregate principal amount of the Euro Notes in this offering in denominations of €100,000 and integral multiples of €1,000 in excess thereof and (b) $225,000,000 aggregate principal amount of the Dollar Notes in this offering in denominations of $150,000 and integral multiples of $1,000 in excess thereof.

The Notes will mature on at their principal amount plus accrued and unpaid interest to the maturity date unless redeemed prior thereto as described herein. Subject to the covenant described under "—Certain Covenants—Limitation on Debt," the Issuer is permitted to issue additional Dollar Notes ("Additional Dollar Notes") and additional Euro Notes ("Additional Euro Notes and, together with the Additional Dollar Notes, the "Additional Notes") under the Indenture from time to time. The Notes and any Additional Notes that are issued will be treated as a single class for all purposes of the Indenture, including those with respect to waivers, amendments, redemptions and offers to purchase. Additional Notes may have different interest rates and be denominated in different currencies, in which case they will be issued in separate series. Unless the context otherwise requires, references to the "Notes" for all purposes of the Indenture and in this "Description of the Notes" include references to any Additional Notes that are issued.

Each Euro Note will bear interest at the rate of 11.125% per annum from the date of the Indenture or from the most recent interest payment date to which interest has been paid or provided for, whichever is later. Each Dollar Note will bear interest at the rate of 10.875% per annum from the date of the Indenture or from the most recent interest payment date to which interest has been paid or provided for, whichever is later. Interest will be payable on each Note on July 15 and January 15 of each year, commencing on July 15, 2011. Interest will be payable to holders of record on each Note in respect of the principal amount thereof outstanding as of the immediately preceding July 1 or January 1, as the case may be. Interest will be computed on the basis of a 360-day year comprising of twelve 30-day months and will be paid on overdue principal and other overdue amounts at the same rate.

Ranking of the Notes and the Notes Guarantees

The Notes

The Notes will:

(a) be the Issuer's general senior unsecured obligations;

(b) rank senior in right of payment to any and all of the Issuer's future indebtedness that is subordinated in right of payment to the Notes;

(c) rank equally in right of payment with all of the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes; and

(d) constitute the only Debt of the Issuer as of the Issue Date.

The Subsidiary Guarantors' Guarantees

Each Subsidiary Guarantor's Guarantee will:

(a) be a general unsecured obligation of the Subsidiary Guarantor that granted such Guarantee;

(b) be subordinated in right of payment to the payment in full in cash of all of such Subsidiary Guarantor's existing and future Senior Debt, including its obligations under the Senior Facility (including the Senior Secured Notes Tranche);

(c) rank equally in right of payment with any and all of such Subsidiary Guarantor's existing and future unsecured indebtedness that is not subordinated and is not senior in right of payment of its Subsidiary Guarantee;

(d) rank senior in right of payment to any and all of such Subsidiary Guarantor's existing and future indebtedness that is subordinated in right of payment to its Subsidiary Guarantee;

(e) be issued to the Trustee for the benefit of the holders of the Notes; and

(f) be subject to the restrictions on enforcement described below.

The Parent Guarantor's Guarantee

The Parent Guarantor's Guarantee will:

(a) be the Parent Guarantor's general unsecured obligation;

(b) rank senior in right of payment to any and all of the Parent Guarantor's existing and future indebtedness that is subordinated in right of payment to its Guarantee;

(c) rank equally in right of payment with all of the Parent Guarantor's existing and future unsecured indebtedness that is not subordinated in right of payment to its Guarantee;

(d) effectively be subordinated in right of payment to all existing and future secured indebtedness of the Parent Guarantor to the extent of the value of the assets securing such indebtedness;

(e) be structurally subordinated in right of payment to all existing and future indebtedness of the Parent Guarantor's Subsidiaries;

(f) be issued to the Trustee for the benefit of the holders of the Notes; and

(g) not be subject to the restrictions on enforcement described below applicable to each Subsidiary Guarantors' Guarantee.

Upon completion of the offering, the Issuer's only material assets will be (a) the obligation of Cableuropa to repay the proceeds of this offering lent by the Issuer to Cableuropa pursuant to the Notes Proceeds Loans, and (b) the obligations of Cableuropa to pay certain expenses of the Issuer pursuant to the Notes Proceeds Loans. As a result, the Issuer will rely on payments by Cableuropa under the Notes Proceeds Loans to provide the funds necessary to make the required payments of

principal of, premium, if any, and interest on the Notes and to pay other expenses of the Issuer. The payment of all obligations of Cableuropa under the Notes Proceeds Loans will be subordinated in right of payment to the payment when due of all existing and future Senior Debt of Cableuropa (including, but not limited to, the Senior Facility, which includes the Existing Senior Notes Tranche). To the extent that the Subsidiary Guarantees are enforceable by the holders of the Notes, payment under any Subsidiary Guarantee will also be subordinated in right of payment to the payment when due of all existing and future Senior Debt of the relevant Subsidiary Guarantor. See "Risk Factors—Risks Relating to the Notes—The Subsidiary Guarantees are subordinated to all of our existing and future senior debt and are subject to limitations on the ability of the holders of the Notes to enforce their rights under the Subsidiary Guarantees." In addition, on the Issue Date or shortly thereafter, the Issuer will provide a first ranking security interest in its rights and claims under the Notes Proceeds Loans in favor of the senior lenders under the Senior Facility and certain hedge counterparties.

As of September 30, 2010, on a pro forma basis, after giving effect to the October 2010 Refinancing and the issuance of the Notes and the proposed use of proceeds, the only Debt of the Issuer outstanding on an unconsolidated basis would have been the Notes.

As of September 30, 2010, on a pro forma basis, after giving effect to the October 2010 Refinancing and the offering of the Notes and the proposed use of proceeds, Cableuropa would have had outstanding third party Debt of €3.755 billion (in nominal value, and not including €18 million of accrued interest payable) and its Subsidiaries would have had no outstanding third party Debt. As of September 30, 2010, on a pro forma basis after giving effect to the October 2010 Refinancing and the offering of the Notes and the proposed use of proceeds, the Parent Guarantor would have had consolidated outstanding Debt of €3.755 billion (in nominal value, and not including €18 million of accrued interest payable).

Although the Indenture will contain limitations on the amount of additional Debt which the Issuer, the Company and the Restricted Subsidiaries may Incur, the amounts of such Debt could be substantial. The Indenture will not contain limitations on the amount of additional Debt which the Subsidiaries or Affiliates of the Company that are not Restricted Subsidiaries may Incur. Subsidiaries and Affiliates of the Company that are not Restricted Subsidiaries generally will not be subject to the restrictive covenants set forth in the Indenture.

Notes Proceeds Loans

On the Issue Date, the Issuer remitted the proceeds from the sale of the Notes to Cableuropa under the Notes Proceeds Loans. The Euro Notes Proceeds Loan and the Dollar Notes Proceeds Loan are denominated in euro and U.S. dollars, respectively, in aggregate principal amounts equal to the aggregate principal amounts of the Euro Notes and the Dollar Notes, respectively.

The Notes Proceeds Loans will bear interest at a rate at least equal to the interest rates of the Euro Notes and the Dollar Notes plus a de minimis margin, as applicable. Interest on the Notes Proceeds Loans will be payable semi-annually in arrears prior to each interest payment date in respect of the Notes. The Notes Proceeds Loans will provide that Cableuropa will pay the Issuer interest and principal due and payable on the Notes and any additional amounts due thereunder. The maturity date of the Notes Proceeds Loans will be the same maturity date as the maturity date of the Notes.

Except as otherwise required by law, all payments under the Notes Proceeds Loans will be made without deductions or withholding for, or on account of, any applicable tax. In the event that Cableuropa is required to make any such deduction or withholding, it shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made. The Notes Proceeds Loans will provide that Cableuropa will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes.

The Notes Proceeds Loans will be senior subordinated unsecured obligations of Cableuropa and will contain substantially similar subordination provisions as described under "—Subordination Pursuant to the Intercreditor Agreement and the Indenture" with respect to the Subsidiary Guarantees.

The Notes Proceeds Loans will be pledged by the Issuer in favor of the senior lenders under the Senior Facility and certain hedge counterparties on a first-ranking basis.

The Notes Guarantees

The obligations of the Issuer under the Indenture, including the repurchase obligation resulting from a Change of Control, will be (a) fully and unconditionally guaranteed, jointly and severally, on a senior subordinated unsecured basis by the Subsidiary Guarantors, comprising Cableuropa and all the existing and future Material Subsidiaries and (b) fully and unconditionally guaranteed on a senior unsecured basis by the Parent Guarantor. On the Issue Date, it is expected that there will be no Subsidiary Guarantors other than Cableuropa. Cableuropa currently generates substantially all of the Parent Guarantor's consolidated revenues.

Each Notes Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Notes Guarantor without rendering the Notes Guarantee, as it relates to such Notes Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. However, under Spanish and New York law, each of the Notes Guarantees may nevertheless be subject to a claim that the relevant Notes Guarantee should be limited, subordinated or voided in favor of existing or future creditors of the relevant Notes Guarantor. While the Notes Guarantees by their terms are governed by New York law, if any such claim were to be made, it is unclear which law would be applied to the Notes Guarantees or what the outcome of any such claim would be. See "Risk Factors—Risks Relating to the Notes—Fraudulent transfer statutes may limit your rights as a holder of Notes", "—Irish, Spanish and other local insolvency laws may not be as favorable to you as those of another jurisdiction with which you may be familiar" and "—Enforcing your rights under the Notes or the guarantees across multiple jurisdictions may prove difficult."

Subordination Pursuant to the Intercreditor Agreement and the Indenture.

On the Issue Date, the Issuer and the Trustee acceded to the Intercreditor Agreement, which is governed by Spanish law. The Indenture will be subject to the terms of the Intercreditor Agreement described below and any Additional Intercreditor Agreement. Pursuant to the Intercreditor Agreement and the Indenture, the Subsidiary Guarantees will be subordinated under the terms described below in "—Enforcement Standstills," "—Payment Blockage Provisions," "—Subordination on Insolvency" and "—Turnover."

Enforcement Standstills

Pursuant to the terms of the Intercreditor Agreement and the Indenture, no Subsidiary Guarantee may become due, and neither the holders of the Notes nor the Trustee may take any Enforcement Action against a Subsidiary Guarantor without the prior consent of the applicable Representative unless:

(a) certain insolvency or reorganization events have occurred in relation to such Subsidiary Guarantor; or

(b) the holders of Designated Senior Debt have taken any Enforcement Action in relation to such Subsidiary Guarantor; or

(c) a Default has occurred under the Notes (other than solely due to a cross-default by reason of a default under the Senior Facility or certain hedging agreements); and

    (i) the holders of Notes or the Trustee has notified the applicable Representative; and

    (ii) a period of not less than 179 days has passed from the date the applicable Representative was notified of the default (a "Standstill Period"); and

    (iii) at the end of the Standstill Period, the Default is continuing and has not been waived by the holders of the Notes.

Payment Blockage Provisions

Pursuant to the terms of the Intercreditor Agreement and the Indenture, a Subsidiary Guarantor may not make any payment in respect of its Subsidiary Guarantee (except for payments in Permitted Junior Securities or from the trust, if any, described under "—Legal Defeasance or Covenant Defeasance of Indenture") if:

(a) a payment default on Designated Senior Debt of such Subsidiary Guarantor has occurred and is continuing beyond any applicable grace period; or

(b) any other default occurs and is continuing on any Designated Senior Debt of such Subsidiary Guarantor that permits the holders of such Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice") from the Issuer or the holders of such Designated Senior Debt.

Payments on any such Subsidiary Guarantee may and will be resumed:

    (i) in the case of a payment default, when such default is cured or waived; or

    (ii) in the case of a non-payment default, upon the earlier of the date on which such non-payment default is cured or waived and 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated.

Not more than one Payment Blockage Notice with respect to the same event of default, any other events of default existing and known to the person giving such notice at the time of such notice, or any other events of default arising directly as a result of the occurrence which gave rise to the first-mentioned event of default, in each case in respect of the same issue of Designated Senior Debt, may be given during any consecutive 360-day period unless such event of default or such other events of default have been cured or waived for a period of not less than 90 consecutive days.

Subordination on Insolvency

Pursuant to the terms of the Intercreditor Agreement and the Indenture, in the event of any distribution to the creditors of a Subsidiary Guarantor:

(a) in a total or partial liquidation, dissolution or winding up of such Subsidiary Guarantor;

(b) in an insolvency, bankruptcy, reorganization, composition, receivership, administration, voluntary arrangement, judicial intervention or similar proceeding (*concurso*) relating to such Subsidiary Guarantor or any of its properties;

(c) in an assignment for the benefit of the creditors of such Subsidiary Guarantor; or

(d) in any marshalling of any such Subsidiary Guarantor’s assets and liabilities;

the holders of Senior Debt of such Subsidiary Guarantor will be entitled to receive payment in full in cash of all obligations in respect of such Senior Debt (including interest after the commencement of any proceeding at the rate specified in the applicable Senior Debt whether or not allowed or allowable in any such proceeding) before the holders of Notes will be entitled to receive any payment with respect to the Subsidiary Guarantee of such Subsidiary Guarantor (except that holders of Notes may receive and retain Permitted Junior Securities and payments made from the trust, if any, described under “—Legal Defeasance or Covenant Defeasance of Indenture”).

As a result of the enforcement standstills, payment blockage provisions and other subordination provisions described above, holders of Notes may recover less, ratably, in the event of an insolvency, bankruptcy, liquidation or reorganization of any Subsidiary Guarantor than other creditors of such Subsidiary Guarantor, including trade creditors.

Turnover

Pursuant to the terms of the Intercreditor Agreement and the Indenture, if the Trustee receives a payment in respect of the Notes (except for payments in Permitted Junior Securities or from the trust, if any, described under “—Legal Defeasance or Covenant Defeasance of Indenture”) when:

(a) the payment is prohibited by the provisions of the Intercreditor Agreement or the Indenture described in this “—Subordination Pursuant to the Intercreditor Agreement and the Indenture” section; and

(b) the Trustee has actual knowledge that payment is so prohibited;

then the Trustee will hold the payment in trust for the benefit of the holders of the relevant Senior Debt and, upon the proper written request of the holders of the relevant Senior Debt, the Trustee will deliver the amounts in trust to the applicable Representative or any other proper representative of the holders of the relevant Senior Debt.

Each holder of a Note, by accepting such Note, will be deemed to have:

(a) appointed and authorized the Trustee to give effect to such subordination enforcement standstills, payment blockage provisions and other provisions;

(b) authorized the Trustee to become a party to the Intercreditor Agreement;

(c) agreed to be bound by such enforcement standstills, payment blockage provisions and other subordination provisions in the Intercreditor Agreement and the Indenture described above; and

(d) irrevocably appointed the Trustee to act on its behalf to enter into and comply with such enforcement standstills, payment blockage provisions and other subordination provisions and the other provisions of the Intercreditor Agreement.

Additional Intercreditor Agreements

The Indenture will provide that at the request of the Company, at the time of, or prior to, the Incurrence by the Issuer, the Company or any Notes Guarantor of any Debt permitted pursuant to the Indenture, and without the Issuer being required to obtain the consent of any holder of the Notes, the Company, the Issuer, the relevant Notes Guarantors and the Trustee (or one or more of them amongst others) will enter into with the holders of such Debt (or their duly authorized representatives) (a) an amendment to the Intercreditor Agreement providing for the accession of the holders of such Debt (or their duly authorized representatives) to the Intercreditor Agreement or (b) an additional intercreditor agreement (an "Additional Intercreditor Agreement") on substantially the same terms as the Intercreditor Agreement (or terms more favorable to the Issuer and the holders of the Notes); *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee under the Intercreditor Agreement.

The Indenture will also provide that, at the direction of the Company and without the Issuer being required to obtain the consent of any holder of the Notes, the Trustee, the Company, the Notes Guarantors and the Issuer (or one or more of them amongst others) will from time to time enter into one or more amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement (collectively, the "Intercreditor Agreements") to: (i) cure any ambiguity, omission, defect or inconsistency in any of the Intercreditor Agreements, (ii) increase the amount of Debt of the types covered by any of the Intercreditor Agreements that may be Incurred by the Issuer, the Company or a Notes Guarantor that is subject to any of the Intercreditor Agreements in a manner not prohibited by the Indenture and in a manner substantially consistent with the ranking and other terms of the Intercreditor Agreement, (iii) add Notes Guarantors to any of the Intercreditor Agreements, (iv) further secure any Senior Debt or the Notes (subject to compliance with the provisions of the Indenture), (v) make provision for the security securing any Senior Debt or the Notes (subject to compliance with the provisions of the Indenture), (vi) provide for the discharge of any of the Intercreditor Agreements to the extent that Debt thereunder has been discharged or is to be refinanced, (vii) provide for the issuance of Additional Notes or other Debt permitted to be Incurred under the Indenture and (viii) make any other such change to any of the Intercreditor Agreements that does not adversely affect the Issuer or the holders of the Notes in any material respect. The Company may only direct the Trustee to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee under such Intercreditor Agreement.

Release of the Subsidiary Guarantees

Subject to the following paragraph, the Subsidiary Guarantee of a Subsidiary Guarantor, once it becomes due, is a continuing guarantee and shall (a) remain in full force and effect until payment in full of all of its obligations under the Subsidiary Guarantee, (b) be binding upon each Subsidiary Guarantor and its successors and (c) inure to the benefit of, and be enforceable by, the Trustee, the holders and their successors, transferees and assigns.

Each Subsidiary Guarantor will automatically and unconditionally be released from all obligations under its Subsidiary Guarantee, and such Subsidiary Guarantee shall thereupon terminate and be discharged and be of no further force or effect, concurrently with any sale by way of enforcement by the senior lenders under the Senior Facility of a security interest therein of (x) all of the Capital Stock of such Subsidiary Guarantor or any parent company of such Subsidiary Guarantor or (y) all or substantially all of the assets of such Subsidiary Guarantor, in each case so long as:

(a) the proceeds of such sale are in cash (or substantially all in cash) and are applied in the manner described under "—Subordination on Insolvency";

(b) such Subsidiary Guarantor is released from its obligations in respect of all other Debt that is subordinated or junior in right of payment to the Notes and all other Debt ranking equally with the Notes; *provided, however*, that nothing in this clause (b) shall require the release by the Subsidiary Guarantors or any of their Subsidiaries of any of its or their obligations in respect of any other Debt that is senior in right of payment to the Notes, including any of their obligations in respect of the Senior Facility; and

(c) the sale is made pursuant to either a public auction or a competitive bid process to obtain the best price reasonably obtainable given the then-current condition (financial or otherwise), earnings, business, assets and prospects of such Subsidiary Guarantor and its Subsidiaries, the senior lenders under the Senior Facility having consulted with an internationally recognized investment bank (including without limitation and to the extent appropriate a lender under the Senior Facility or a relationship bank of the Company or its Subsidiaries) or an internationally recognized accounting firm regarding the appropriate procedures for obtaining the best price for the shares or assets, considered the recommendations of that investment bank or accounting firm and used its reasonable efforts to cause the procedures recommended by that investment bank or accounting firm to be implemented in all material respects in relation to the sale and to permit holders to participate in the sale process as bidders; *provided*, *however*, that the senior lenders under the Senior Facility shall not be under any further obligation to cause such recommendation to be implemented to the extent not implemented in connection with such sale by the relevant court, authority or other third party required to act in connection with such sale; *provided further*, *however*, that such reasonable efforts will, to the extent permitted by applicable law, include attempting to conduct such sale process other than through a court or legal proceeding.

Upon the presentation of an Officer's Certificate with respect to the occurrence of an event specified in the preceding paragraph, the Trustee will (at the Company's expense) execute any documents reasonably required in order to evidence such release, discharge and termination in respect of the Subsidiary Guarantee.

Neither the Issuer, the Trustee nor any Subsidiary Guarantor will be required to make a notation on the Notes to reflect the Subsidiary Guarantee or any such release, termination or discharge. In the event that the Subsidiary Guarantor is released from its obligations under the Subsidiary Guarantee at a time when the Notes are listed on the Euro MTF market , the Issuer will, to the extent required by the rules of the Luxembourg Stock Exchange publish notice of the release of the Subsidiary Guarantee in a daily leading newspaper with general circulation in Luxembourg (expected to be the *Luxemburger Wort*) and send a copy of such notice to the Luxembourg Stock Exchange or a copy of such notice may also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

In addition, the Subsidiary Guarantee of a Subsidiary Guarantor will be released:

(i) in connection with any sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer, the Parent Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the covenants set forth under the heading "—Certain Covenants—Limitation on Sale of Certain Assets" and "—Certain Covenants—Merger, Consolidation and Sale of Property";

(ii) in connection with any sale or other disposition of all of the Capital Stock of such Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer, the Parent Guarantor or a Restricted Subsidiary, if the sale or other disposition does not violate the covenant set forth under the heading "—Certain Covenants—Limitation on Sale of Certain Assets" and "—Certain Covenants—Merger, Consolidation and Sale of Property";

(iii) upon Legal Defeasance of the Issuer's obligations or satisfaction and discharge of the Indenture and described under "Satisfaction and Discharge"; or

(iv) upon designation of such Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture, including the covenant described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries."

Release of the Parent Guarantee

The Parent Guarantee of the Parent Guarantor will be released upon payment in full of the principal, interest and all other obligations with respect to the Notes, upon defeasance or discharge of the Notes, as provided under "—Legal Defeasance or Covenant Defeasance of Indenture" and "—Satisfaction and Discharge" or as provided under "—Certain Covenants—Merger, Consolidation and Sale of Property."

Form of Notes

Euro Notes issued to qualified institutional buyers (as defined in Rule 144A under the Securities Act) will initially be represented by one global note in registered form without interest coupons attached (the "Rule 144A Euro Global Note") and Euro Notes issued to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act will initially be represented by one global note in registered form without interest coupons attached (the "Regulation S Euro Global Note" and, together with the Rule 144A Euro Global Note, the "Euro Global Notes").

Dollar Notes issued to qualified institutional buyers (as defined in Rule 144A under the Securities Act) will initially be represented by one global note in registered form without interest coupons attached (the "Rule 144A Dollar Global Note") and Dollar Notes issued to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act will initially be represented by one global note in registered form without interest coupons attached (the "Regulation S Dollar Global Note" and, together with the Rule 144A Dollar Global Note, the "Dollar Global Notes"). The Euro Global Notes and the Dollar Global Notes are collectively referred to herein as the Global Notes.

The Euro Global Notes will be deposited, on issue, with a common depositary for Euroclear S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream Banking") or its nominee, and the Dollar Global Notes will be deposited, on issue, with a custodian for the Depository Trust Company ("DTC"). Ownership of interests in the Global Notes, referred to as "book-entry interests," will be limited to Persons that have accounts with Euroclear, Clearstream Banking or DTC, as applicable, or Persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear, Clearstream Banking or DTC, as applicable, and their participants. Except under the limited circumstances described in "Book-Entry, Delivery and Form", Notes will not be issued in definitive form.

Transfer; Payments on the Notes; Paying Agent

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "Notice to Investors."

All transfers of book-entry interests between participants in Euroclear, Clearstream Banking or DTC, as applicable, will be effected by Euroclear, Clearstream Banking or DTC, as applicable, pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear, Clearstream Banking or DTC and their respective participants. See "Book-Entry; Delivery and Form." In addition, the Indenture will provide for the transfer of the Notes by the Luxembourg Transfer Agent so long as the Notes are listed on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

The Issuer will maintain one or more paying agents (each a "Paying Agent", and together, the "Paying Agents") for the Notes in each of (i) the City of London (the "Principal Paying Agent"), (ii) the Borough of Manhattan in the City of New York, for so long as any Dollar Notes are outstanding, and (iii) Luxembourg for so long as the Notes are listed on the Euro MTF market.

The Issuer will maintain one or more registrars (each a "Registrar") and transfer agent (each, a "Transfer Agent") with offices in each of (i) the City of London, (ii) the Borough of Manhattan in the City of New York, for so long as any Dollar Notes are outstanding, and (iii) Luxembourg for so long as the Notes are listed on the Euro MTF market.

Initially, that Principal Paying Agent and Transfer Agent in London will be the corporate trust office of the Trustee. The Bank of New York Mellon, New York will act as Paying Agent, Registrar and Transfer Agent in New York. The Bank of New York Mellon (Luxembourg), S.A. will act as Listing Agent, Paying Agent, Registrar and Transfer Agent in Luxembourg. Subject to the requirement to maintain an agent in London and New York, the Issuer may change any paying agent, transfer agent or registrar without prior notice to the holders of the Notes. The Issuer will make all payments in same-day funds. Payments on the Global Notes will be made to the common depositary or the custodian, as applicable, as the registered holder of the Global Notes.

The Issuer undertakes that, if European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 is brought into force, it will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to such Directive.

No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer, exchange or redemption.

Additional Amounts

All payments that the Issuer makes under or with respect to the Notes or that any Notes Guarantor makes under or with respect to any Notes Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature (collectively, "Taxes") imposed or levied by or on behalf of any jurisdiction in which the Issuer, any Notes Guarantor or any surviving Person is incorporated, organized or otherwise resident or deemed to be resident for tax purposes or from or through which any of the foregoing makes any payment on the Notes or the Notes Guarantees or by or within any department or political subdivision thereof (each, a "Relevant Taxing Jurisdiction"), unless the Issuer or such Notes Guarantor, as the case may be, is required to withhold or deduct Taxes by law or by the interpretation or administration of law. If the Issuer or a Notes Guarantor is required to withhold or deduct any amount for, or on account of, Taxes of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or the Notes Guarantees, the Issuer or such Notes Guarantor, as the case may be, will pay additional amounts ("Additional Amounts") as may be necessary to ensure that the net amount received and retained by each holder or beneficial owner of the Notes (including Additional Amounts) after such withholding, deduction, imposition or levy will be not less than the amount the holder or beneficial owner would have received and retained if such Taxes had not been required to be withheld or deducted.

Neither the Issuer nor any Notes Guarantor will, however, pay Additional Amounts to a holder or beneficial owner of Notes in respect or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction (other than the mere acquisition, receipt or holding of Notes or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under any Notes or the Indenture);

(b) any Taxes that are imposed or levied by reason of the failure of the holder or beneficial owner of Notes, following the Issuer's written request addressed to such holder or beneficial owner at least 30 calendar

days prior to the relevant date on which a payment under, or with respect to, the Notes or any Notes Guarantee is due and payable, to comply with any certification, identification, information or other reporting requirements, whether required by law, statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(d) any Tax that is payable otherwise than by withholding or deduction from payments made under, or with respect to, the Notes or any Notes Guarantee;

(e) any Tax that is imposed or levied by reason of the presentation (where presentation is required in order to receive payment) of such Notes for payment on a date more than 30 calendar days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever is later, except to the extent that the holder or beneficial owner thereof would have been entitled to Additional Amounts had the Notes been presented for payment on any date during such 30 day period;

(f) any withholding or deduction in respect of any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(g) any Tax that is imposed on or with respect to a payment made to a holder or beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another paying agent in a Member State of the European Union.

In addition, neither the Issuer nor any Notes Guarantor will pay Additional Amounts to any holder who is a fiduciary or partnership or any person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of such Note.

The Issuer and any Notes Guarantor will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes or the Notes Guarantees is due and payable, if the Issuer or any Notes Guarantor will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes or the Notes Guarantees is due and payable, in which case it will be promptly thereafter), the Issuer or any Notes Guarantor, as applicable, will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders or beneficial owners on the payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer will promptly publish a notice in accordance with the provisions set forth in "—Notices" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

Upon request, the Issuer or any Notes Guarantor, as the case may be, will furnish to a holder of the Notes copies of tax receipts evidencing the payment of any Taxes by the Issuer or such Notes Guarantor in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer or such Notes Guarantor. If, notwithstanding the efforts of the Issuer or any Notes Guarantor, as applicable, to obtain such receipts the same are not obtainable, the Issuer or such Notes Guarantor will provide such holder or beneficial owner with other evidence reasonably satisfactory to the holder of such payments by the Issuer or such Notes Guarantor.

In addition, the Issuer and any Notes Guarantor will pay any present or future stamp, issue, registration, court documentation, excise or property taxes or other similar taxes, charges and duties, including interest and penalties with respect thereto, imposed by or in any Relevant Taxing Jurisdiction in respect of the execution, issue or delivery of the Notes or any other document or instrument referred to thereunder and any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

Whenever the Indenture or this "Description of the Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note, such reference includes the payment of Additional Amounts, if applicable. The Issuer and each Notes Guarantor agree to indemnify the holders for any such taxes paid by the holders.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable under the Euro Notes. Any amount received or recovered in respect of the Euro Notes or any Notes Guarantee in respect of the Euro Notes in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, a Notes Guarantor or otherwise) by a holder of the Euro Notes in respect of any sum expressed to be due to such holder from the Issuer or a Notes Guarantor will constitute a discharge of such obligation only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase euro on that date, on the first date on which it is possible to do so). If the euro amount that could be recovered following such a purchase is less than the euro amount expressed to be due to the recipient under any Euro Note, the Issuer and any Notes Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of euro in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the holder to certify that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on that date had not been possible, on the first date on which it would have been possible).

U.S. dollars is the sole currency of account and payment for all sums payable under the Dollar Notes. Any amount received or recovered in respect of the Dollar Notes or any Notes Guarantee in respect of the Dollar Notes in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, a Notes Guarantor or otherwise) by a holder of the Dollar Notes in respect of any sum expressed to be due to such holder from the Issuer or a Notes Guarantor will constitute a discharge of such obligation only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase U.S. dollar on that date, on the first date on which it is possible to do so). If the U.S. dollar amount that could be recovered following such a purchase is less than the U.S. dollar amount expressed to be due to the recipient under any Dollar Note, the Issuer and any Notes Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of U.S. dollar in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the holder to certify that it would have suffered a loss had the actual purchase of U.S. dollar been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollar on that date had not been possible, on the first date on which it would have been possible).

These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and any Notes Guarantor's other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any holder of a Note; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Optional Redemption

At any time prior to January 15, 2014, the Issuer may redeem all or a part of the Euro Notes upon not less than 30 nor more than 60 calendar days' prior notice, at a redemption price equal to 100% of the principal amount of the Euro Notes redeemed plus the Applicable Premium for the Euro Notes (calculated as of a date no more than three Business Days prior to the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption.

At any time prior to January 15, 2014, the Issuer may redeem all or a part of the Dollar Notes upon not less than 30 nor more than 60 calendar days' prior notice, at a redemption price equal to 100% of the principal amount of the Dollar Notes redeemed plus the Applicable Premium for the Dollar Notes (calculated as of a date no more than three Business Days prior to the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption.

At any time and from time to time, prior to January 15, 2014, Cableuropa may, at its option, use the proceeds of one or more Public Equity Offerings to make prepayments under the Euro Notes Proceeds Loan to enable the Issuer to, and the Issuer will be required to use any such prepayments to redeem an aggregate principal amount of the Euro Notes and any Additional Euro Notes equal to the principal amount of the Euro Notes Proceeds Loan prepaid (up to a maximum of 35% of the aggregate principal amount of the then outstanding Euro Notes (calculated giving effect to any issuance of Additional Euro Notes)) at a redemption price equal to 111.125% of the principal amount of the Euro Notes plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that after giving effect to any such redemption, at least 65% of the aggregate principal amount of the Euro Notes remains outstanding (calculated giving effect to any issuance of Additional Euro Notes).

At any time and from time to time, prior to January 15, 2014, Cableuropa may, at its option, use the proceeds of one or more Public Equity Offerings to make prepayments under the Dollar Notes Proceeds Loan to enable the Issuer to, and the Issuer will be required to use any such prepayments to redeem an aggregate principal amount of the Dollar Notes and any Additional Dollar Notes equal to the principal amount of the Dollar Notes Proceeds Loan prepaid (up to a maximum of 35% of the aggregate principal amount of the then outstanding Dollar Notes (calculated giving effect to any issuance of Additional Dollar Notes)) at a redemption price equal to 110.875% of the principal amount of the Dollar Notes plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that after giving effect to any such redemption, at least 65% of the aggregate principal amount of the Dollar Notes remains outstanding (calculated giving effect to any issuance of Additional Dollar Notes).

At any time on or after January 15, 2014, upon not less than 30 nor more than 60 calendar days' notice, the Issuer may redeem all or part of the Euro Notes and all or part of the Dollar Notes. These redemptions will be in amounts of (a) in the case of the Euro Notes, €1,000 or integral multiples thereof; *provided* that in no event shall any holder hold less than €100,000 in Euro Notes and (b) in the case of the Dollar Notes, $1,000 or integral multiples thereof; *provided* that in no event shall any holder hold less than $150,000 in Dollar Notes, in each case at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on January 15 of the years set forth below.

Year	Euro Notes Redemption Price	Dollar Notes Redemption Price
2014	111.125%	110.875%
2015	105.563%	105.438%
2016	102.781%	102.719%
2017 and thereafter	100.000%	100.000%

The Senior Facility, the Senior Secured Notes Indenture and the Intercreditor Agreement may restrict Cableuropa from making prepayments under the Notes Proceeds Loans which would enable the Issuer to repurchase the Notes pursuant to the redemption provisions described herein.

Any redemption of the Notes, including, without limitation, any redemption of the Notes with the net cash proceeds of one or more Public Equity Offerings, may, at the Issuer's option, be subject to satisfaction of one or more conditions precedent.

Notwithstanding anything in this section to the contrary, a redemption notice may be mailed more than 60 calendar days prior to the redemption date if the notice is given in connection with a discharge of the Indenture under the satisfaction and discharge provisions of the Indenture, a Legal Defeasance or a Covenant Defeasance.

Optional Tax Redemption

The Indenture will provide that if, as a result of:

(a) any amendments after the date of the Indenture to, or changes after the date of the Indenture in the laws (or regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction; or

(b) any changes after the date of the Indenture in the official application or official interpretation of the laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of any Relevant Taxing Jurisdiction,

the Issuer, any Notes Guarantor or any surviving Person would be obligated to pay, on the next date for any payment and as a result of any such amendment or change, Additional Amounts, as described above under "—Additional Amounts," with respect to the Relevant Taxing Jurisdiction, which the Issuer, any Notes Guarantor or any surviving Person cannot avoid by the use of reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new paying agent), then the Issuer may redeem all, but not less than all, of the Notes at any time thereafter, upon not less than 30 nor more than 60 calendar days' notice, at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. Prior to the giving of any notice of redemption described in this paragraph, the Issuer will deliver to the Trustee (based on information provided by the Company):

(i) an Officer's Certificate of the Issuer stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer or any Notes Guarantor or surviving Person taking reasonable measures available to it; and

(ii) a written opinion of independent legal counsel to the Issuer of recognized standing to the effect that the Issuer or any Notes Guarantor or surviving Person has or will become obligated to pay such Additional Amounts as a result of any such change or amendment as described above.

The Trustee will accept, and will be entitled to rely on, such Officer's Certificate and opinion of counsel delivered in compliance with clauses (i) and (ii) above, as sufficient evidence of the existence of the conditions described above, in which event it will be conclusive and binding on the holders of the Notes.

For the avoidance of doubt, measures will be deemed not to be "reasonable" if they would breach the provisions of the Indenture.

Notice of Optional Redemption

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the provisions of the Indenture described under "—Notices" or a copy of such notice may also be published on the website of the Luxembourg Stock Exchange (www.bouse.lu). If the Notes are listed at such time on the Euro MTF market, the Issuer will inform the Luxembourg Stock Exchange of the principal amount of the Notes that have not been redeemed in connection with any optional redemption. If fewer than all the Notes are to be redeemed at any time, the Trustee will select the Notes by a method that complies with the requirements, as certified to the Trustee by the Issuer, of the principal securities exchange, if any, on which the Notes are listed at such time or, if the Notes are not listed on a securities exchange, pro rata, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate; *provided, however,* that no such partial redemption shall result in any holder holding less than €100,000 in Euro Notes or $150,000 in Dollar Notes. The Trustee shall not be liable for the selection made by it in accordance with this paragraph.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes prior to their maturity. Under certain circumstances, however, the Issuer may be required to offer to purchase the Notes as described under the captions "—Repurchase at the Option of Holders Upon a Change of Control" and "—Certain Covenants—Limitation on Sale of Certain Assets." The Issuer, the Company and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

No Sinking Fund

There will be no mandatory sinking fund payments with respect to the Notes.

Repurchase at the Option of Holders Upon a Change of Control

Upon the occurrence of a Change of Control, each holder of Notes shall have the right to require the Issuer to repurchase all or any part (equal to €1,000 or $1,000, as the case may be, or an integral multiple thereof; *provided* that in no event shall any holder hold less than €100,000 in Euro Notes or $150,000 in Dollar Notes) of such holder's Notes pursuant to the offer (the "Change of Control Offer") described below at a purchase price (the "Change of Control Purchase Price") equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 calendar days following any Change of Control, the Issuer and the Company shall:

(a) cause a notice of the Change of Control Offer to be sent to the Dow Jones News Service and Reuters News Service or similar business news services (and, if and so long as Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange shall so require, publish a notice (setting forth the information required in clause (b) below) in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*)); and

(b) in the event the Notes are in the form of definitive Notes, send, by first-class mail, with a copy to the Trustee, to each holder of Notes, at such holder's address as it appears on the registration books of the Registrar, a notice stating:

  (i) that a Change of Control has occurred and a Change of Control Offer is being made pursuant to the covenant entitled "Repurchase at the Option of Holders Upon a Change of Control" and that all Notes timely tendered will be accepted for payment;

  (ii) the Change of Control Purchase Price and the Change of Control Purchase Date, which shall be, subject to any contrary requirements of applicable law, a Business Day no earlier than 30 calendar days nor later than 60 calendar days from the date such notice is given;

  (iii) the circumstances and relevant facts regarding the Change of Control; and

  (iv) the procedures that holders of Notes must follow in order to tender their Notes (or portions thereof) for payment, and the procedures that holders of Notes must follow in order to withdraw an election to tender Notes (or portions thereof) for payment.

The Issuer and each of the Notes Guarantors will comply, in each case to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations, including any securities laws of the United Kingdom, Ireland, Spain and Luxembourg and the requirements of the Luxembourg Stock Exchange or any other securities exchange on which the Notes are listed, in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Indenture, the Issuer and each of the Notes Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the covenant described hereunder by virtue of such compliance.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Change of Control repurchase feature is a result of negotiations between the Issuer, the Company and the Initial Purchasers of the Notes. The Company does not have, and the Issuer does not believe that GCO has, a present intention to engage in a transaction involving a Change of Control, although it is possible that GCO or the Company would decide to do so in the future. Subject to certain covenants described below, GCO or the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Debt outstanding at such time or otherwise affect the Company's capital structure or credit ratings.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by the holders of the Notes seeking to accept the Change of Control Offer. Given that the Issuer is a special purpose vehicle with no material assets other than the Notes Proceeds Loans, the Issuer's ability to pay cash to the holders of the Notes upon a Change of Control will be limited by Cableuropa's ability to repay the Notes Proceeds Loans, which in turn may be limited by the Company's and Cableuropa's then existing financial resources, and sufficient funds may not be available when necessary to make any required repayments and repurchases.

The Senior Facility provides that the occurrence of certain, but not all, of the events that would constitute a Change of Control under the Indenture would constitute a change of control and consequently an event of default under the Senior Facility. If such a change of control event occurs under the Senior Facility and the lenders decide to accelerate the Senior Facility, the principal amount of the Senior Facility will become due and payable. The Senior Facility may also restrict Cableuropa from making prepayments under the Notes Proceeds Loans which would enable the Issuer to purchase any Notes, including pursuant to a Change of Control Offer (without first obtaining the consent of the lenders party thereto (or their Representative)) even if a change of control event has not occurred under the Senior Facility. The Senior Secured Notes Indenture also requires the Senior Secured Notes to be repurchased at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, upon a Change of Control. In addition, other future Debt of the Issuer, the Company or the other Notes Guarantors may contain prohibitions on certain activities which would result in a Change of Control or require such Debt to be repurchased upon a Change of Control.

To the extent other Debt of the Issuer, the Company or any of the other Notes Guarantors is subject to similar repurchase obligations in the event of a Change of Control and such Debt is Senior Debt (including the Senior Facility and the Senior Secured Notes Tranche), all available funds will first be expended for the repurchase of such Debt. Moreover, the exercise by holders of Notes of their right to require the Issuer to repurchase such Notes could cause a default under existing or future Debt of the Company or the other Notes Guarantors, even if the Change of Control itself does not constitute a default thereunder, due to the financial effect of such repurchase on the Issuer, the Company or such other Notes Guarantors.

As a result of these factors, there can be no assurance that sufficient funds will be available when necessary to make prepayments under the Notes Proceeds Loans to enable the Issuer to make any required repurchases. The Issuer's failure to repurchase Notes in connection with a Change of Control, unless waived or modified, would result in a Default under the Indenture which may, in turn, constitute a default under existing (and may constitute a default under future) Debt of the Issuer, the Company and any other Notes Guarantors. If such Debt constitutes Designated Senior Debt, the subordination provisions in the Indenture and the Intercreditor Agreement with respect to the Subsidiary Guarantees (and the subordination provisions in the Notes Proceeds Loans) would likely restrict payment to holders of Notes. The provisions under the Indenture regarding the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified (at any time prior to the occurrence of such Change of Control) with the written consent of the holders of a majority in aggregate principal amount of the outstanding Notes. See "—Amendments, Supplements and Waivers."

Certain Covenants

Limitation on Debt

The Indenture will provide that the Issuer shall not Incur, directly or indirectly, any Debt (including Acquired Debt) unless, after giving pro forma effect to the application of the proceeds thereof, no Default or Event of Default would occur as a consequence of such Incurrence or be continuing following such Incurrence and such Debt is Permitted Debt of the Issuer.

The Company shall not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, Incur, directly or indirectly, any Debt (including Acquired Debt) unless, after giving pro forma effect to the application of the proceeds thereof, no Default or Event of Default would occur as a consequence of such Incurrence or be continuing following such Incurrence and either (a) the Debt of the Company and the Restricted Subsidiaries, on a consolidated basis, including any Debt Incurred pursuant to the exceptions set forth in the second following paragraph (Permitted Debt of the Company and the Restricted Subsidiaries), shall be less than the product of Pro Forma EBITDA for the Company and the Restricted Subsidiaries for the most recently ended four full fiscal quarters for which interim financial statements are available immediately preceding the date on which such additional Debt is Incurred, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Debt had been Incurred at the beginning of such period, multiplied by 5.5, or (b) such Debt is Permitted Debt of the Company and the Restricted Subsidiaries.

The term "Permitted Debt of the Issuer" is defined to include the following:

(a) Debt of the Issuer evidenced by the Notes (not including the Additional Notes); and

(b) Debt of the Issuer (including any Additional Notes) the proceeds of which are loaned to Cableuropa or any Restricted Subsidiaries under an agreement or agreements substantially similar to the Notes Proceeds Loans; *provided, however*, that the Company and the Restricted Subsidiaries shall have the ability to Incur the Debt under any such agreement or agreements under the terms of this covenant.

The term "Permitted Debt of the Company and the Restricted Subsidiaries" is defined to include the following:

(a) Debt of the Company and the Restricted Subsidiaries (i) evidenced by the Notes Guarantees relating to the Notes and (ii) under the Notes Proceeds Loans;

(b) Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed €3.555 billion (including the Senior Secured Notes Tranche), minus the amount of any permanent repayments or prepayments of such Debt with the proceeds of Asset Sales made in accordance with "—Certain Covenants—Limitation on Sale of Certain Assets" (but only to the extent of any corresponding commitment reduction if such Debt is revolving credit borrowings);

(c) Debt of the Company owing to and held by any Restricted Subsidiary and Debt of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, *however*, that any subsequent issue or transfer of Capital Stock or other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of any such Debt (except to the Company or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Debt by the borrower thereof;

(d) Debt under Interest Rate Agreements entered into by the Company or a Restricted Subsidiary for the purpose of limiting interest rate risk in the ordinary course of the financial management of the Company or such Restricted Subsidiary as the case may be, and not for speculative purposes; *provided*, *however*, that the obligations under such agreements are directly related to payment obligations on Debt otherwise permitted by the terms of this covenant;

(e) Debt under Currency Exchange Protection Agreements entered into by the Company or a Restricted Subsidiary for the purpose of limiting currency exchange rate risks directly related to transactions entered into by the Company or such Restricted Subsidiary, as the case may be, in the ordinary course of business and not for speculative purposes;

(f) Debt in connection with one or more standby letters of credit, bankers' acceptances or performance bonds issued by the Company or a Restricted Subsidiary in the ordinary course of business or pursuant to workers' compensation claims or self-insurance obligations and, in each case, not in connection with the borrowing of money or the obtaining of advances or credit;

(g) Debt of the Company or any Restricted Subsidiary outstanding on the Issue Date not otherwise described in clauses (a) through (f) above (including, without limitation, (i) until the purchase, repurchase, redemption, legal defeasance, satisfaction, discharge, acquisition or retirement for value in the manner contemplated under "Use of Proceeds", the Participative Loan and (ii) the Existing Equity Value Certificate Guarantee and the Existing EVC Funding Agreement) other than the Existing Shareholder Debt;

(h) (i) Debt represented by Capital Lease Obligations, mortgage financing or purchase money obligations, in each case, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the Telecommunications Business and (ii) Debt under the Subsidized Loans and short-term credit facilities, as amended, restated or

otherwise modified from time to time, in an aggregate principal amount, including all Permitted Refinancing Debt Incurred to renew, refund, refinance, replace, defease or discharge any Debt Incurred pursuant to this paragraph (h), at any one time outstanding not to exceed €200.0 million;

(i) Debt of the Company or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Debt is covered within five Business Days;

(j) Debt of the Company or any Restricted Subsidiary consisting of advance or extended payment terms in the ordinary course of business;

(k) Debt of the Company or any Restricted Subsidiary arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price, or similar obligations, in each case Incurred or assumed in connection with the disposal of any business, assets or Capital Stock of a Subsidiary, other than Guarantees of indebtedness of the Subsidiary disposed of or Incurred or assumed by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Debt shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposal;

(l) [Reserved];

(m) Guarantees by the Company or any Restricted Subsidiary of Debt of the Company or a Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; *provided, however*, that if the Debt being Guaranteed is subordinated in right of payment to the Notes, the Notes Proceeds Loans or the Notes Guarantees, then such Guarantees shall be subordinated to the same extent as the Debt Guaranteed;

(n) Subordinated Shareholder Indebtedness, including the Existing Shareholder Debt;

(o) Debt of the Company and the Restricted Subsidiaries (other than Debt permitted pursuant to clauses (a) through (n) above) in an aggregate principal amount outstanding at any one time not to exceed the greater of (i) €25.0 million and (ii) 25% of the Pro Forma EBITDA of the Company and its Restricted Subsidiaries for the most recently ended four full fiscal quarters for which interim financial statements are available immediately preceding the date on which such Debt is Incurred; and

(p) Permitted Refinancing Debt Incurred in respect of Debt Incurred pursuant to clause (a) of the second paragraph of this covenant and clauses (a) and (g) of this paragraph.

For purposes of determining compliance with this “Limitation on Debt” covenant, in the event that an item of Debt meets the criteria of more than one of the types of Debt described in the above clauses, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Debt and only be required to include the amount and type of such Debt in one of such clauses; *provided*, *however*, that the Company need not classify such item of Debt solely by reference to one provision permitting such Debt, but instead may classify such item of Debt in part by reference to one such provision and in part by reference to one or more other provisions of this covenant; *provided further* that Debt Incurred under clause (b) of the definition of Permitted Debt of the Company and the Restricted Subsidiaries may not be reclassified pursuant to this paragraph. Debt under the Senior Facility (including the Senior Secured Notes Tranche) outstanding on the Issue Date will initially be deemed to have been Incurred on such date in reliance on the exception provided by clause (b) of the definition of Permitted Debt of the Company and the Restricted Subsidiaries.

Limitation on Restricted Payments

The Indenture will provide that the Issuer shall not make, directly or indirectly, any Issuer Restricted Payment other than Permitted Issuer Maintenance Payments.

The Indenture will provide that the Company shall not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, make, directly or indirectly, any Restricted Payment if at the time of, and after giving effect thereto,

(a) a Default or Event of Default shall have occurred and be continuing,

(b) the Company could not Incur at least €1.00 of additional Debt pursuant to clause (a) of the second paragraph of the covenant described under “—Certain Covenants—Limitation on Debt”; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made since the Issue Date (the amount of any Restricted Payment, if made other than in cash, to be based upon Fair Market Value) would exceed an amount equal to the sum of:

(i) 50% of Consolidated Net Income accrued during the period (treated as one accounting period) from January 1, 2010 to the end of the most recent fiscal quarter ending at least 45 calendar days prior to date of the Restricted Payment (or in case such Consolidated Net Income will be a deficit, minus 100% of such deficit);

(ii) Capital Stock Sale Proceeds received after January 1, 2010;

(iii) the aggregate Net Cash Proceeds received by the Company or any Restricted Subsidiary from the issuance or sale after January 1, 2010 of convertible or exchangeable Debt that has been converted into or exchanged for Capital Stock (other than Disqualified Stock) of the Company;

(iv) the aggregate cash proceeds received by the Company or any Restricted Subsidiary in connection with the Incurrence of any Subordinated Shareholder Indebtedness after January 1, 2010; and

(v) an amount equal to the sum of (A) any dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from any Unrestricted Subsidiary, and (B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; *provided*, *however*, that the foregoing sum shall not exceed the amount of Investments previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary.

Notwithstanding the foregoing limitation, the Company may take the following actions:

(a) pay dividends on its Capital Stock within 60 calendar days of the declaration thereof if, on said declaration date, such dividends could have been paid in compliance with the Indenture; *provided*, *however*, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(b) purchase, repurchase, redeem, legally defease, acquire or retire for value Capital Stock of the Company or Subordinated Obligations in exchange for, or out of the proceeds of the substantially concurrent sale of Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees); *provided*, *however*, that the Capital Stock Sale Proceeds from such exchange or sale will be excluded from the calculation pursuant to clause (c)(ii);

(c) purchase, repurchase, redeem, legally defease, acquire or retire for value any Subordinated Obligations in exchange for, or out of the proceeds of the substantially concurrent sale of, Permitted Refinancing Debt;

(d) (i) make payments in respect of the Existing Equity Value Certificate Guarantee and under the Existing EVC Funding Agreement or (ii) repurchase, redeem or otherwise acquire for value any Existing Equity Value Certificates, *provided* that such payment or redemption, repurchase or acquisition has been funded by the Incurrence of Subordinated Shareholder Indebtedness; *provided, further* that the amount of any such Subordinated Shareholder Indebtedness will be excluded from the calculation of amount available under clause (c)(iv) of the preceding paragraph and shall not constitute Excluded Contributions;

(e) (i) repurchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or any Holdco of the Company or any Restricted Subsidiary held by any current or former officer, director or employee of the Company or any Restricted Subsidiary that are issued on the Issue Date or issued to such Persons following the Issue Date pursuant to any share option scheme, compensation plan, incentive scheme or similar arrangement; or (ii) the purchase, in the open market, at any time following the Public Equity Offering of Cableuropa, the Company or a Holdco of the Company of listed ordinary shares of Cableuropa, the Company or a Holdco of the Company to be reserved for Issuance upon exercise of options issued to any current or former officer, director or employee of Cableuropa, the Company or a Holdco of the Company or any Restricted Subsidiary pursuant to any share option scheme, compensation plan, incentive scheme or similar arrangement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired, retired or purchased Capital Stock referred to in clauses (i) and (ii) may not exceed €4.0 million in any twelve-month period;

(f) [Reserved];

(g) the repurchase, redemption or other acquisition for value of Capital Stock of the Company or a Holdco of the Company or any Restricted Subsidiary representing fractional shares of such Capital Stock in connection with a share dividend distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Company, such Holdco or such Restricted Subsidiary, in each case permitted under the Indenture;

(h) following a Public Equity Offering, the payment of dividends on Capital Stock of Cableuropa or the Company (as applicable) up to 6% per annum of the net cash proceeds received by Cableuropa or the Company (as applicable) in any such Public Equity Offering or any subsequent public offering of such ordinary shares or net cash proceeds of any such Public Equity Offering or subsequent public offering of such Capital Stock by any Holdco of the Company that are contributed in cash to the Company's equity (other than through the issuance of Disqualified Stock) or loaned to the Company in the form of Subordinated Shareholder Indebtedness; *provided* that if such Public Equity Offering was of Capital Stock of a Holdco of the Company, then that proceeds of any such dividends are used to fund an equal dividend on the ordinary shares of such Holdco; *provided further, however*, that at the time of such payment no Default or Event of Default has occurred and is continuing;

(i) cash payments, advances, loans, expense reimbursements, dividends or other distributions made to GCO or any other Holdco of the Company to permit GCO or any such Holdco to pay general operating expenses (including management, consulting or similar fees payable to Affiliates of the Company other than executive officers of the Company), accounting, legal, reporting and administrative expenses incurred in the ordinary course of its business, in each case to the extent related to the ownership, management or operation of the business of the Company, any of its Restricted Subsidiaries or the Existing Subordinated Notes Issuer I, the Senior Secured Notes Issuer or the Issuer (or any other special purpose vehicle that issues Public Debt which is loaned to the Company subject to compliance with "—Certain Covenants—Limitation of Debt");

(j) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (j) does not exceed €50.0 million in the aggregate in any fiscal year; *provided further*, *however* that at the time of such payment no Default or Event of Default has occurred and is continuing;

(k) any purchase or acquisition from, or withholding on issuances to, any employee of the Company or any Restricted Subsidiary of Capital Stock of the Company or Capital Stock of any direct or indirect parent of the Company, in order to satisfy any applicable national, federal, state or local tax payments in respect of the receipt of such Capital Stock;

(l) any withholding on issuances to any employee of the Company or any Restricted Subsidiary of Capital Stock of the Company, or Capital Stock of any direct or indirect parent of the Company, in order to pay the purchase price of such Capital Stock or similar instruments pursuant to a stock option, equity incentive or other employee benefit plan or agreement of the Company or any Restricted Subsidiary;

(m) the repurchase of Capital Stock deemed to occur upon the exercise of options or warrants if such Capital Stock represents all or a portion of the exercise price thereof;

(n) the purchase, repurchase, redemption, legal defeasance, satisfaction, discharge, acquisition or retirement for value of the Existing Subordinated Notes, the Existing Subordinated Notes Proceeds Loans and the Participative Loan in the manner contemplated under "Use of Proceeds";

(o) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock or Subordinated Obligations or Subordinated Shareholder Indebtedness of the Company or any parent company in exchange for, or out of or with the net cash proceeds received by the Company of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Capital Stock of the Company or any parent company (other than Disqualified Stock) or Subordinated Shareholder Debt or from the substantially concurrent contribution of such proceeds to the capital of the Company in any form other than Disqualified Stock; provided that the amount of any such net cash proceeds will be excluded from the calculation of amounts under clause (c)(ii) or (c)(iv) of the preceding paragraph and shall not constitute Excluded Contributions;

(p) Restricted Payments that are made with Excluded Contributions; and

(q) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Debt of the Company or any of its Restricted Subsidiaries pursuant to provisions similar to those described under the captions "—Repurchase at the Option of Holders Upon a Change of Control" and "Certain Covenants—Limitation on Sale of Certain Assets"; *provided* that all Notes validly tendered by holders of Notes in connection with a Change of Control Offer or Prepayment Offer, as applicable, have been repurchased, redeemed or acquired for value.

The actions described in clauses (a) and (g) of this paragraph are Restricted Payments that will be permitted to be made in accordance with this paragraph but that reduce the amount that would otherwise be available for Restricted Payments under clause (c) of the first paragraph of this section.

Limitation on Liens

(a) The Indenture will provide that the Issuer will not, directly or indirectly, Incur or suffer to exist, any Lien (other than Permitted Liens) upon any of its Property, whether owned at the Issue Date or thereafter acquired, or any interest therein or any income or profits therefrom.

(b) The Indenture will provide that the Company will not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, directly or indirectly, Incur or suffer to exist, any Lien (other than Permitted Liens or Liens securing Senior Debt) upon any of its Property (including Capital Stock of any other Person), whether owned on the Issue Date or thereafter acquired, or any interest therein or any income or profits therefrom (the "Initial Lien"), unless

(i) if such Initial Lien secures Senior Subordinated Debt, the Notes Proceeds Loans and the applicable Notes Guarantee are secured on an equal and ratable basis with such Debt; and

(ii) if such Initial Lien secures Subordinated Obligations, such Initial Lien shall be subordinated to a Lien securing the Notes Proceeds Loans and the applicable Notes Guarantee in the same Property as that securing such Initial Lien to the same extent as such Subordinated Obligations are subordinated to the Notes Proceeds Loans and the applicable Notes Guarantee.

Any Lien created, Incurred, assumed or suffered to exist pursuant to clause (b) above will be automatically and unconditionally released and discharged concurrently with (a) any unconditional release of the Initial Lien; *provided* that no such release shall occur until all other Liens (other than Permitted Liens or Liens securing Senior Debt) on such Property securing Debt are also unconditionally released, (b) upon the full and final payment of all amounts payable by the Issuer under the Notes and the Indenture, or (c) upon the defeasance or discharge of the Notes in accordance with "—Legal Defeasance and Covenant Defeasance of Indenture" or "—Satisfaction and Discharge".

Limitation on Sale of Certain Assets

(a) The Indenture will provide that the Issuer shall not, directly or indirectly, consummate any Asset Sale of the Issuer.

(b) The Indenture will provide that the Company shall not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, directly or indirectly, consummate any Asset Sale unless:

(i) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the Property subject to such Asset Sale; and

(ii) unless such Asset Sale is a Permitted Asset Swap, at least 75% of the consideration paid to the Company or such Restricted Subsidiary in connection with such Asset Sale is in the form of cash or cash equivalents or the assumption by the purchaser of liabilities of the Company or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes Proceeds Loans or the applicable Notes Guarantee) as a result of which the Company and the Restricted Subsidiaries are no longer obligated with respect to such liabilities.

The Net Available Cash (or any portion thereof) from Asset Sales shall be applied by the Company or a Restricted Subsidiary, to the extent the Company or such Restricted Subsidiary elects (or is required by the terms of any Debt):

(a) to repay Senior Debt of any Subsidiary Guarantor (excluding, in any such case, any Debt owed to the Company or an Affiliate of the Company);

(b) to invest or reinvest in Additional Assets (including an Investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary that is invested in such Restricted Subsidiary); or

(c) any combination of the foregoing.

Any Net Available Cash from an Asset Sale not applied in accordance with the preceding paragraph within 360 calendar days from the date of the receipt of such Net Available Cash or that is not segregated from the general funds of the Company for investment in identified Additional Assets in respect of a project that shall have been commenced, and for which binding contractual commitments have been entered into, prior to the end of such 360-day period and that shall not have been

completed or abandoned shall constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds €40.0 million (taking into account income earned on such Excess Proceeds, if any), Cableuropa will be required to make an offer to make prepayments under the Notes Proceeds Loans sufficient to enable the Issuer to purchase Notes pursuant to the Prepayment Offer (as defined below), and the Issuer shall be required to make an offer to purchase (the "Prepayment Offer") the Notes which offer shall be in the amount of the Allocable Excess Proceeds, on a pro rata basis according to principal amount, at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures (including prorating in the event of over-subscription) set forth in the Indenture; *provided* that in no event shall any holder hold less than €100,000 in Euro Notes or $150,000 in Dollar Notes. To the extent that any portion of the amount of Net Available Cash remains after compliance with the preceding sentence and provided that all holders of Notes have been given the opportunity to tender their Notes for purchase in accordance with the Indenture, the Company or such Restricted Subsidiary may use such remaining amount for any general corporate purpose and the amount of Excess Proceeds will be reset to zero.

The term "Allocable Excess Proceeds" will mean the product of (a) the Excess Proceeds and (b) a fraction, the numerator of which is the aggregate principal amount of the Notes outstanding on the date of the Prepayment Offer and the denominator of which is the sum of the aggregate principal amount of the Notes outstanding on the date of the Prepayment Offer and the aggregate principal amount of other Debt of the Company or any Restricted Subsidiary outstanding on the date of the Prepayment Offer that is *pari passu* in right of payment with the Notes Proceeds Loans or the applicable Notes Guarantee and subject to terms and conditions in respect of Asset Sales similar in all material respects to the covenant described hereunder and requiring the Company or such Restricted Subsidiary to make an offer to purchase such other Debt at substantially the same time as the Prepayment Offer.

Within five Business Days after the Issuer is obligated to make a Prepayment Offer as described in the preceding paragraphs, the Issuer shall send a notice pursuant to the section entitled "—Notices," accompanied by such information regarding the Issuer, the Company and the Restricted Subsidiaries as the Issuer in good faith believes will enable the holders to make an informed decision with respect to such Prepayment Offer. Such notice shall state, among other things, the purchase price and the purchase date, which shall be, subject to any contrary requirements of applicable law, a Business Day no earlier than 30 calendar days nor later than 60 calendar days from the date such notice is given.

The Issuer and each of the Notes Guarantors will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the covenant described hereunder. To the extent that the provisions of any securities laws or regulations conflict with provisions of the covenant described hereunder, each of the Issuer and the Notes Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the covenant described hereunder by virtue thereof.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Indenture will provide that the Company shall not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, directly or indirectly, create or otherwise cause or suffer to exist any consensual restriction on the right or ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock, or pay any Debt or other obligation owed, to the Company or any other Restricted Subsidiary;

(b) make any loans or advances to the Company or any other Restricted Subsidiary;

(c) transfer any of its Property to the Company or any other Restricted Subsidiary; or

(d) satisfy its obligations under the Notes Proceeds Loans.

The foregoing limitations will not apply:

(a) with respect to clauses (a), (b), (c) and (d), to restrictions:

  (i) in effect or entered into on the Issue Date;

  (ii) relating to Debt of a Restricted Subsidiary and existing at the time it became a Restricted Subsidiary if such restriction was not created in connection with or in anticipation of the transaction or series of transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company;

  (iii) relating to the Senior Facility;

(iv) under (x) the Indenture, the Notes Guarantees or the Notes or (y) any customary encumbrance or restriction that is contained in an agreement or instrument governing or relating to any Debt Incurred; *provided*, *however*, that the restrictions contained in any such agreement or instrument are no less favorable in any material respect, taken as a whole, to the holders of Notes than the restrictions contained in the Indenture, the Notes Guarantees or the Notes; *provided further* that such agreement or instrument may nevertheless contain customary net worth, leverage, invested capital and other financial covenants, customary covenants regarding the merger of or sale of all or any substantial part of the assets of the Company or any Restricted Subsidiary, customary restrictions on transactions with Affiliates, customary subordination provisions governing future Debt to be Incurred by the Company or any Restricted Subsidiary and provisions prohibiting redemptions or repurchases of Notes in the event of a Change of Control;

(v) that result from the Refinancing of Debt Incurred pursuant to an agreement referred to in clause (a)(i), (ii), (iii) or (iv) above or in clause (b)(i) below; *provided*, *however*, such restriction with respect to such Refinanced Debt is no less favorable in any material respect, taken as a whole, to the holders of Notes than those under the agreement evidencing the Debt so Refinanced; or

(vi) relating to Hedging Obligations or the Subsidized Loans; and

(b) with respect to clause (c) of the first paragraph of this covenant only, to restrictions:

(i) relating to Debt that is permitted to be Incurred and secured without also securing the Notes Proceeds Loans or the applicable Notes Guarantee pursuant to the covenants described under "—Certain Covenants—Limitation on Debt" and "—Certain Covenants— Limitation on Liens" that limit the right of the debtor to dispose of the Property securing such Debt;

(ii) encumbering Property at the time such Property was acquired by the Company or any Restricted Subsidiary, so long as such restriction relates solely to the Property so acquired and was not created in connection with or in anticipation of such acquisition;

(iii) resulting from customary provisions in leases or customary provisions in other agreements that restrict assignment of such agreements or rights thereunder;

(iv) customary restrictions contained in asset sale agreements limiting the transfer of such Property pending the closing of such sale;

(v) encumbrances or restrictions existing by reason of customary merger or acquisition agreements for the purchase or acquisition of the Capital Stock or assets of the Company or any of its Subsidiaries by another Person;

(vi) customary restrictions contained in operating leases for real property and restricting only the transfer of such real property or effective only upon the occurrence and during the continuance of a default in the payment of rent;

(vii) encumbrances or restrictions arising as a result of applicable law or regulation; or

(viii) encumbrances or restrictions that may be imposed by governmental licenses, concessions, franchises or permits.

Limitation on Transactions with Affiliates

(a) The Indenture will provide that the Company shall not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, directly or indirectly, conduct any business or enter into or suffer to exist any transaction or series of related transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any Property or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "Affiliate Transaction"), unless:

(i) the terms of such Affiliate Transaction are (x) set forth in writing and (y) no less favorable, in any material respect, taken as a whole, to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's length transaction with a Person that is not an Affiliate of the Company as determined in good faith by any Officer of the Company;

(ii) if such Affiliate Transaction involves aggregate payments or value in excess of €10.0 million, the Board of Directors (including a majority of the disinterested members of the Board of Directors) approves such Affiliate Transaction and, in its good faith judgment, believes that such Affiliate Transaction complies with clause (a)(i)(y) of this paragraph as evidenced by a board resolution promptly delivered to the Trustee; and

(iii) if such Affiliate Transaction involves aggregate payments or value in excess of €50.0 million, the Company obtains a written opinion from an Independent Appraiser to the effect that the consideration to be paid or received in connection with such Affiliate Transaction is fair, from a financial point of view, to the Company or such Restricted Subsidiary, as the case may be.

(b) Notwithstanding the foregoing limitation, the following shall not be Affiliate Transactions:

(i) any transaction or series of transactions between the Company and one or more Restricted Subsidiaries or between two or more Restricted Subsidiaries in the ordinary course of business;

(ii) transactions effected pursuant to agreements in effect on the Issue Date and any amendment, modification or replacement of such agreement (so long as such amendment or replacement is not, in the good faith judgment of the Company's Board of Directors, materially more disadvantageous to the holders of the Notes, taken as a whole, than the original agreement as in effect on the Issue Date);

(iii) any Restricted Payment or Issuer Restricted Payment permitted to be made pursuant to the covenant described under "—Certain Covenants—Limitation on Restricted Payments" or any Permitted Investment of the Company or the Restricted Subsidiaries;

(iv) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors;

(v) loans and advances to employees made in the ordinary course of business and consistent with the past practices of the Company or any Restricted Subsidiary, as the case may be; *provided*, *however*, that such loans and advances do not exceed €10.0 million in the aggregate at any one time outstanding; *provided further*, *however* that the Company or any Restricted Subsidiary may make loans or advances to employees in connection with a Public Equity Offering in an amount not to exceed €15.0 million (*provided* that no employee may receive loans or advances in connection with a Public Equity Offering in excess of €2.5 million);

(vi) arrangements in existence on the Issue Date (including any construction and equipment purchase contracts and any consultancy agreements) and any renewal thereof; *provided, however*, that any such renewal is on terms no less favorable in any material respect, taken as a whole, than the terms of any such existing agreement;

(vii) arrangements relating to the offer and sale of Capital Stock of the Company or any Restricted Subsidiary that the Board of Directors determines in good faith to be customary for such an offer and sale;

(viii) any Guarantee or grant of any Lien by the Company or a Restricted Subsidiary in connection with any Debt (other than Subordinated Obligations) permitted pursuant to the covenant described under "—Certain Covenants—Limitation on Debt";

(ix) any payments or other transactions pursuant to a tax sharing agreement between the Company and any other Person with which the Company files a consolidated tax return or with which the Company is part of a consolidated group for tax purposes;

(x) (A) the provision by the Permitted Holders or their Affiliates of investment banking or commercial banking or similar services to the Company and the Restricted Subsidiaries; and (B) any agreement with any Permitted Holder or their Affiliates to construct the telecommunications networks of the Company and the Restricted Subsidiaries, which, in the case of each of (A) and (B), are fair to the Company and the Restricted Subsidiaries, in the reasonable determination of the Board of Directors of the Company or an Officer thereof, or are on terms no less favorable in any material respect, taken as a whole, to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of the Company as determined in good faith by any Officer of the Company;

(xi) any issuance or sale of (A) Capital Stock (other than Disqualified Stock) of the Company or options, warrants or other rights to acquire such Capital Stock or (B) Subordinated Shareholder Debt; *provided* that the interest rate, maturity and other financial terms of such Subordinated Shareholder Debt are approved by a majority of the members of the Board of Directors in their reasonable determination;

(xii) the purchase by the Company or any Restricted Subsidiary from GCO or any other Holdco of the Company of Existing Equity Value Certificates at or below their respective book value (such book value to be determined as of the latest fiscal quarter for which interim financial statements are available immediately preceding the respective date of such purchase); and

(xiii) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person.

Limitation on Sale and Leaseback Transactions

The Indenture will provide that the Company shall not, and shall not permit any Restricted Subsidiary to, nor shall any Restricted Subsidiary, enter into any Sale and Leaseback Transaction with respect to any Property unless:

(a) the Company or such Restricted Subsidiary would be entitled to (i) Incur Debt in an amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction pursuant to the covenant described under "—Certain Covenants—Limitation on Debt" and (ii) create a Lien on such Property securing such Attributable Debt without also securing the Notes Proceeds Loans and the applicable Notes Guarantee pursuant to the covenant described under "—Certain Covenants—Limitation on Liens";

(b) such Sale and Leaseback Transaction is effected in compliance with the covenant described under "—Certain Covenants—Limitation on Sale of Certain Assets"; and

(c) the net proceeds received in connection with such Sale and Leaseback Transaction are at least equal to the Fair Market Value of such Property.

Limitation on Layered Debt

The Indenture will provide that Cableuropa shall not, and shall not permit any other Subsidiary Guarantor to, nor shall any other Subsidiary Guarantor, Incur, create, issue, assume, Guarantee or otherwise become liable for any Debt that is both subordinate or junior in right of payment to any Senior Debt of Cableuropa or such Subsidiary Guarantor and senior in any respect in right of payment to any Senior Subordinated Debt of Cableuropa or such Subsidiary Guarantor or any other Debt of Cableuropa or such Subsidiary Guarantor ranking equally with Senior Subordinated Debt of Cableuropa or such Subsidiary Guarantor.

Designation of Restricted and Unrestricted Subsidiaries

Unless so designated as an Unrestricted Subsidiary, any Person that becomes a Subsidiary of the Company will be classified as a Restricted Subsidiary. The Indenture will provide that the Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(a) no Default or Event of Default shall have occurred or be continuing at the time of or after giving effect to such designation;

(b) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Debt of, or own or hold any Lien on any Property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(c) such designation and the Investment of the Company in such Subsidiary complies with "—Certain Covenants—Limitation on Restricted Payments."

Except as provided in the second sentence of the immediately preceding paragraph, no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary. Neither the Company nor any Restricted Subsidiary shall at any time be directly or indirectly liable for any Debt that provides that the holder thereof may (with the passage of time or notice or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its Stated Maturity upon the occurrence of a default with respect to any Debt, Lien or other obligation of any Unrestricted Subsidiary (including any right to take enforcement action against such Unrestricted Subsidiary). Upon designation of a Restricted Subsidiary as an Unrestricted Subsidiary in compliance with this covenant, such Restricted Subsidiary shall, by execution and delivery of a supplemental indenture in form satisfactory to the Trustee, be released from any Notes Guarantee previously made by such Restricted Subsidiary.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary, provided that immediately after giving effect to such designation:

(a) no Event of Default shall have occurred or be continuing at the time of or after giving effect to such designation;

(b) the Company could Incur at least €1.00 of additional Debt under clause (a) of the second paragraph under "—Certain Covenants—Limitation on Debt" and

(c) if required by the covenant described under "—Certain Covenants—Future Subsidiary Guarantors", such Unrestricted Subsidiary executes and delivers to the Trustee a Notes Guarantee at the time such Unrestricted Subsidiary becomes a Restricted Subsidiary.

Any such designation or redesignation by the Board of Directors will be evidenced to the Trustee by filing with the Trustee a board resolution giving effect to such designation or redesignation and an Officers' Certificate of the Company (a) certifying that such designation or redesignation complies with the foregoing provisions and (b) giving the effective date of such designation or redesignation, such filing with the Trustee to occur within 45 calendar days after the end of the fiscal quarter of the Company in which such designation or redesignation is made (or, in the case of a designation or redesignation made during the last fiscal quarter of the Company's fiscal year, within 90 calendar days after the end of such fiscal year).

Limitation on the Company's Business

The Indenture will provide that the Company shall not, and the Company and the Restricted Subsidiaries as a group shall not, engage in any business other than a Telecommunications Business.

Limitation on Issuer Activities

The Indenture will provide that the Issuer will not engage in any business activity or undertake any other activity, except any activity:

(a) relating to the offering, sale or issuance of the Notes or Additional Notes (including activities relating to those described under "Use of Proceeds") or the Incurrence of other Debt permitted under the Indenture;

(b) relating to the lending of the proceeds of such sale of Notes, Additional Notes or such other Debt permitted under the Indenture to the Company and the Restricted Subsidiaries;

(c) undertaken with the purpose of, and directly related to, fulfilling its obligations or exercising its rights under the Notes, the Indenture, the Intercreditor Agreement, the Notes Proceeds Loans, the Notes Guarantees or any other document relating to the Notes or Additional Notes, the Notes Proceeds Loans or other Debt permitted under the Indenture, including the Incurrence of Permitted Liens of the Issuer and the making of Permitted Investments of the Issuer;

(d) directly related to or reasonably incidental to the establishment and maintenance of the Issuer's corporate existence; or

(e) directly related to investing the amounts received (other than amounts not corresponding to required payments under the Notes) in such manner not otherwise prohibited by the Indenture.

All of the proceeds of the offering will be lent to Cableuropa by the Issuer pursuant to the Notes Proceeds Loans on the Issue Date. The Issuer shall not:

(a) issue any Capital Stock (other than to Capita);

(b) consummate any Asset Sale of the Issuer;

(c) take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended; or

(d) transfer or assign the Notes Proceeds Loans except pursuant to the pledge to be granted in favor of the senior lenders under the Senior Facility and certain hedge counterparties.

Whenever the Issuer receives a payment or prepayment under the Notes Proceeds Loans, it shall use the funds received solely to satisfy its obligations (to the extent of the amount owing in respect of such obligations) under the Indenture (including any premium paid to holders of the Notes), except as otherwise provided pursuant to the subordination and other provisions of the Notes Proceeds Loans, the Indenture and the Intercreditor Agreement. The Issuer will be prohibited from transferring its shares to any Person other than Capita.

Future Subsidiary Guarantors

The Indenture will provide that the Company shall cause each Person that becomes a Material Subsidiary following the Issue Date to execute and deliver to the Trustee a Subsidiary Guarantee at the time such Person becomes a Material Subsidiary. The Company, however, will not be obligated to cause any Material Subsidiary to become a Subsidiary Guarantor if the provision by such Material Subsidiary of a Subsidiary Guarantee would result in any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company (including any "whitewash" or similar procedures that would be required in order to enable such Subsidiary Guarantee to be provided in accordance with applicable law).

Use of Proceeds by the Issuer

The Indenture will provide that the gross proceeds to the Issuer from the offering of the Notes shall be lent by the Issuer to Cableuropa pursuant to the Notes Proceeds Loans, which shall be used for the purposes described under "Use of Proceeds."

Payments for Consent

The Indenture will provide that neither the Issuer nor the Company or any Restricted Subsidiary will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports to Holders

The Indenture will provide that, so long as any Notes are outstanding, the Company will furnish to the Issuer and the Trustee:

(a) within 120 calendar days following the end of each fiscal year, beginning with the fiscal year ending December 31, 2010, information including "Selected Historical Consolidated Financial Information of the Company," "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company" and "Business" sections with scope and content similar to the corresponding sections of this offering memorandum (after taking into consideration any changes to the business and operations of the Company after the Issue Date), information regarding the Company's share capital, constitutional documents and any material contracts to which the Company or the Restricted Subsidiaries are party other than contracts entered into in the ordinary course of business, consolidated audited income statements, balance sheets and cash flow statements and the related notes thereof for the Company for the two most recent fiscal years in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission, together with an audit report thereon by the Company's independent auditors;

(b) within 60 calendar days following the end of the first three fiscal quarters in each fiscal year, quarterly reports containing consolidated unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and condensed footnote disclosure for the Company in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X of the Commission, together with a "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for such quarterly period;

(c) promptly from time to time after the occurrence of a material acquisition or disposition that would constitute a Significant Subsidiary (as defined in Regulation S-X of the Commission), financial statements of the acquired business and a pro forma consolidated balance sheet and statement of operations of the Company (*provided* that such financial statements will not differ from the financial statements of Cableuropa in any material respect) giving effect to the acquisition or disposition to the extent practicable utilizing available information (which need not be required to contain any U.S. GAAP information or otherwise comply with Regulation S-X of the Commission); and

(d) promptly from time to time after the occurrence of an event at the Company or any of its Restricted Subsidiaries required to be reported therein, such other reports containing substantially the same information required to be contained in Form 6-K (or any successor form) of the Commission.

The Indenture will provide that the Company may at its option provide consolidated financial information with respect to Cableuropa rather than the Company (*provided* that such financial statements will not differ from the financial statements of the Company in any material respect) to comply with the obligations set forth in the foregoing paragraph.

The Indenture will also provide that, so long as any Notes are outstanding, the Issuer will furnish to the Trustee within 120 days following the end of each fiscal year, beginning with the fiscal year ending December 31, 2010, the Issuer's financial statements and such other information as is required to be filed with the Luxembourg Stock Exchange.

The Indenture will also provide that, so long as any Notes are outstanding, the Issuer will also furnish to the Trustee promptly from time to time after the occurrence of an event at the Issuer required to be reported therein, such other reports containing substantially the same information required to be contained in Form 6-K (or any successor form) of the Commission.

In addition, so long as any Notes are outstanding and during any period during which the Company and the Issuer are not subject to Section 13 or 15(d) of the Exchange Act or exempt therefrom, each of the Company and the Issuer will furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

The Company will also make available copies of all reports furnished to the Trustee within 15 calendar days after the Company furnishes such reports to the Trustee: (a) on the website of the Company; (b) to the newswire service of Bloomberg, or, if Bloomberg does not then operate, any similar agency; and (c) if and so long as the Notes are listed on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, at the specified office of the paying agent in Luxembourg.

Merger, Consolidation and Sale of Property

The Indenture will provide that the Issuer shall not merge, consolidate or amalgamate with or into any other Person or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all its Property in any one transaction or series of related transactions (whether or not the Issuer is the surviving Person).

Except with respect to an enforcement sale as described under "—Release of the Subsidiary Guarantees," the Company shall not merge, consolidate or amalgamate with or into any other Person (other than a merger of a Restricted Subsidiary into the Company) or sell, transfer, assign, lease, convey or otherwise dispose of all or substantially all its Property in any one transaction or series of related transactions, and the Company will not permit any Restricted Subsidiary to enter into any such transactions or series of transactions if such transaction or series of transactions, in the aggregate, would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all the Property of the Company and its Restricted Subsidiaries on a consolidated basis to any other Person, unless:

(a) the Company or any other Notes Guarantor shall be the surviving Person (the "Surviving Person") or the Surviving Person (if other than the Company or such other Notes Guarantor, as applicable) formed by such merger, consolidation or amalgamation or to which such sale, transfer, assignment, lease, conveyance or disposition is made shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia or a member state of the European Union as of December 31, 2003;

(b) the Surviving Person (if other than the Company or such other Notes Guarantor) expressly assumes, by supplemental indenture in form reasonably satisfactory to the Trustee, executed and delivered to the Trustee by such Surviving Person, all the obligations of the Company or such other Notes Guarantor (as applicable) under the Indenture, the applicable Notes Guarantee and if applicable, the Notes Proceeds Loans;

(c) in the case of a sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all the Property of the Company, such Property shall have been transferred as an entirety or substantially as an entirety to one Person, which is the Surviving Person;

(d) immediately before and after giving effect to such transaction or series of related transactions on a pro forma basis, no Default or Event of Default will have occurred and be continuing;

(e) immediately after giving effect to such transaction or series of related transactions on a pro forma basis the Surviving Person would be able to Incur €1.00 of additional Debt pursuant to clause (a) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Debt"; and

(f) the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such transaction complies with this covenant and that all conditions precedent herein provided for relating to such transaction have been satisfied.

Except with respect to an enforcement sale as described under "—Release of the Subsidiary Guarantees" or as provided in the preceeding paragraph, a Notes Guarantor (other than the Company) may not:

(a) directly or indirectly consolidate or merge with or into another Person (whether or not such Notes Guarantor is the surviving corporation); or

(b) sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets, taken as a whole, in one or more related transactions, to another Person, unless:

(1) immediately after such transaction, the Company certifies to the Trustee that no Default or Event of Default exists;

(2) either:

(a) (i) such Notes Guarantor is the surviving corporation; or (ii) the Person formed by or surviving any such consolidation or merger (if other than such Notes Guarantor) or to which such sale, assignment, transfer, conveyance or other distribution has been made is a corporation organized or existing under the laws of the United States of America, any State thereof or the District of Columbia or a member state of the European Union as of December 31, 2003, and immediately after such transaction, such Surviving Person expressly assumes, by supplemental indenture in form reasonably satisfactory to the Trustee, executed and delivered to the Trustee by such Surviving Person, all the obligations of such Notes Guarantor under the Indenture, the applicable Notes Guarantee and if applicable, the Notes Proceeds Loans; or

(b) in the case of the sale of all or substantially all of the assets of such Notes Guarantor (other than a transaction or series of transactions that would result in the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all the Property of the Company and its Restricted Subsidiaries on a consolidated basis), the Net Cash Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture; and

(3) other than in respect of a merger of one Restricted Subsidiary with or into another Restricted Subsidiary or the sale, assignment, transfer, conveyance or other disposal of all or substantially all of the assets of one Restricted Subsidiary to another Restricted Subsidiary, the Company delivers, or causes to be delivered, to the Trustee, in form reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such transaction and the supplemental indenture comply with this covenant and that all conditions precedent herein provided for relating to such transaction have been satisfied.

Except with respect to an enforcement sale as described under "—Release of the Subsidiary Guarantees," the Surviving Person (other than the Company or any other Notes Guarantor) shall succeed to, and be substituted for, and may exercise every right and power of the Company or such other Notes Guarantor under the Indenture, the applicable Notes Guarantee and, if applicable, the Notes Proceeds Loans, but the predecessor company in the case of (a) a sale, transfer, assignment, conveyance or other disposition (unless such sale, transfer, assignment, conveyance or other disposition is of all the assets of the Company (or such other Notes Guarantor) as an entirety or substantially as an entirety) or (b) a lease, shall not be released from any of the obligations or covenants under the Indenture, the Notes Proceeds Loans and the applicable Notes Guarantee.

Events of Default

The Indenture will provide that each of the following will be an "Event of Default" under the Indenture:

(a) default for 30 calendar days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity;

(c) failure to comply with the covenant described under "—Certain Covenants—Merger, Consolidation, and Sale of Property";

(d) failure to comply with any other covenant or agreement in the Notes or in the Indenture (other than as specified in clause (a), (b) or (c) above) and such failure continues for a period of 30 calendar days or more after written notice is given to the Issuer and the Company as provided below;

(e) a default under any Debt by the Issuer, the Company or any Restricted Subsidiary that results in acceleration of the maturity of such Debt, or failure to pay any such Debt at maturity, in an aggregate amount greater than €50.0 million or its foreign currency equivalent at the time (the "cross-acceleration provisions");

(f) any judgment or judgments for the payment of money in an aggregate amount in excess of €50.0 million (or its foreign currency equivalent at the time) that shall be rendered against the Issuer, the Company or any Restricted Subsidiary and that shall not be waived, satisfied or discharged for any period of 30 consecutive calendar days during which a stay of enforcement shall not be in effect (the "judgment default provisions");

(g) certain events involving bankruptcy, insolvency, court protection or reorganization of the Issuer, the Company or any Restricted Subsidiary (the "bankruptcy provisions");

(h) any Notes Guarantee ceases to be, or shall be asserted in writing by any Notes Guarantor, or any Person acting on behalf of any Notes Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than in accordance with the terms of the Indenture);

(i) the Notes Proceeds Loans cease to be in full force and effect or the Notes Proceeds Loans are declared null and void or unenforceable or the Notes Proceeds Loans are found to be invalid or Cableuropa denies its liability under the Notes Proceeds Loans or payments under the Notes Proceeds Loans become subject to any Lien; and

(j) an event of default under, or modification which is adverse to the Issuer or the holders of the Notes of, the Notes Proceeds Loans.

A Default under clause (d) is not an Event of Default under the Indenture until the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding notify the Company of the Default and the Company does not cure (or cause the Restricted Subsidiaries to cure) such Default within the time specified after receipt of such notice. Such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

Each of the Issuer and the Company shall deliver to the Trustee, within 10 Business Days after the occurrence thereof, written notice in the form of an Officers' Certificate of any event that with the giving of notice and the lapse of time would become an Event of Default, its status and what action the Issuer and the Company is taking or proposes to take with respect thereto.

The Indenture will provide that if an Event of Default with respect to the Notes (other than an Event of Default resulting from certain events involving bankruptcy, insolvency or reorganization with respect to the Company) shall have occurred and be continuing, the Trustee or the registered holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare to be immediately due and payable the principal amount of all the Notes then outstanding plus accrued but unpaid interest to the date of acceleration. In case an Event of Default resulting from certain events of bankruptcy, insolvency or reorganization with respect to the Company shall occur, such amount with respect to all the Notes and the Notes Proceeds Loans shall be due and payable immediately without any declaration or other act on the part of the Trustee or the holders of the Notes. Whenever amounts are due and payable under the Indenture, the same amounts due to the Issuer under the Notes Proceeds Loans will be due and payable. After any such acceleration, but before a judgment or decree based on acceleration is obtained by the Trustee, the holders of a majority in aggregate principal amount of the Notes then outstanding may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the non-payment of accelerated principal, premium or interest, have been cured or waived as provided in the Indenture. Upon any such rescission and annulment of any such declaration and its consequences with respect to the Notes, the declaration and consequences under the Notes Proceeds Loans shall be rescinded.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the Notes, unless such holders shall have offered to the Trustee an indemnity and/or security satisfactory to it. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Notes.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuer with the intention of avoiding payment of the premium that the Issuer would have had to pay if the Issuer then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs during any time that the Notes are outstanding, by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Issuer with the intention of avoiding the prohibition on redemption of the Notes, then the premium specified in the Indenture that would have been payable upon redemption at the time the Event of Default occurs shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuer and the Trustee, may rescind such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest and Additional Amounts on all Notes then outstanding;

(ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes; and

(iv) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

The Indenture will provide that the holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the relevant Notes, waive any past defaults under the relevant Indenture, except a default:

(a) in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note; or

(b) in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holders of 90% of the outstanding Notes.

No holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder unless, subject to the provisions of the Indenture described under "—Subordination Pursuant to the Intercreditor Agreement and the Indenture," the holders of at least 25% in aggregate principal amount of the relevant Notes then outstanding have made a written request and offered indemnity and/or security satisfactory to the Trustee to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 30 calendar days after receipt of such notice and the Trustee within such 30-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

If a Default or an Event of Default occurs and is continuing and is known to the Trustee, the Trustee will mail to each holder of the Notes notice of the Default or Event of Default within 15 Business Days after its occurrence. Except in the case of a Default or an Event of Default in payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the notice to the holders of such Notes if a committee of its trust officers in good faith determines that withholding the notice is in the interests of the holders of the Notes.

The Indenture will also provide that the Company will be required to furnish to the Trustee annual statements as to the performance of the Company and the Restricted Subsidiaries under the Indenture and as to any default in such performance.

Amendments, Supplements and Waivers

The Indenture will provide that, subject to certain exceptions, the Indenture may be amended or supplemented with the consent of the Issuer, the Notes Guarantors and the holders of a majority in aggregate principal amount of the outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes) and any existing Default or compliance with any provisions may also be waived (except a default in the payment of principal, premium or interest and certain covenants and provisions of the Indenture which cannot be amended without the consent of the holders of 90% of the outstanding Notes) with the consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes. However, without the consent of the holders of 90% of the outstanding Notes, no amendment or supplement may:

(a) reduce the amount of Notes whose holders must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on any Note;

(c) reduce the principal of or extend the Stated Maturity of any Note;

(d) make any Note payable in money other than that stated in the Note;

(e) impair the right of any holder of the Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Notes Guarantee;

(f) release any security interest that may have been directly granted in favor of the holders of the Notes other than pursuant to the terms of such security interest or the Indenture;

(g) reduce the amount payable upon the redemption of any Note or change the time at which any Note must be redeemed, as described under "—Optional Redemption";

(h) reduce the amount payable upon a Change of Control or, at any time after a Change of Control has occurred, change the time at which the Change of Control Offer relating thereto must be made or at which the Notes must be repurchased pursuant to such Change of Control Offer;

(i) at any time after the Issuer is obligated to make a Prepayment Offer with the Excess Proceeds from Asset Sales, change the time at which such Prepayment Offer must be made or at which the Notes must be repurchased pursuant thereto;

(j) amend or modify the provisions described under "—Additional Amounts";

(k) make any change to the subordination provisions of the Indenture, the Intercreditor Agreement or the Notes Proceeds Loans that would adversely affect the holders of the Notes;

(l) release any Notes Guarantor's Guarantee (except in accordance with the Indenture) or make any change in any Notes Guarantee that would adversely affect the holders of the Notes; or

(m) release Cableuropa from any of its obligations under the Notes Proceeds Loans otherwise than in accordance with the terms of the Notes Proceeds Loans or the Indenture.

Without the consent of any holder of the Notes, the Issuer, the Notes Guarantors and the Trustee may amend or supplement the Indenture, the Notes Proceeds Loans, the Intercreditor Agreements or the Notes Guarantees to (i) cure any ambiguity, omission, defect or inconsistency; (ii) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code or in a manner such that the uncertificated Notes are in the form described in Section 163(f)(2)(B) of the Code); (iii) add additional security or guarantees for the benefit of the Notes; (iv) add to the covenants of the Issuer or the Company and the Restricted Subsidiaries for the benefit of the holders of the Notes; (v) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of other Debt permitted under the Indenture; (vi) conform the text of the Indenture, the Notes Proceeds Loans, the Intercreditor Agreement and any Additional Intercreditor Agreement to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation or a fair and complete summary of a provision thereof; (vii) evidence and provide for the acceptance and appointment under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee pursuant to the requirements thereof or to provide for the accession by the Trustee; (viii) as provided in "—Certain Covenants—Additional Intercreditor Agreements"; (ix) provide for the assumption by a successor Person of the obligations of the Company or the Subsidiary Guarantors under the Notes Guarantees and, if applicable, the Notes Proceeds Loans; (x) issue Additional Notes or other Debt (if permitted under "—Certain Covenants—Limitation on Debt") in a currency different than euro or the U.S. dollar or with different interest rates, which will be treated as a single class with the Notes for all purposes of the Indenture; (xi) make any change to the subordination provisions of the Indenture or the Intercreditor Agreement that would limit or terminate the benefits available to any holder of Senior Debt under such provisions (subject to the second following paragraph) or (xii) make any change that does not adversely affect the rights of any holder of the Notes in any material respect.

In formulating its opinion on any of these matters, the Trustee is entitled to require and to rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel.

No amendment may be made to the subordination provisions of the Indenture, or the Notes Proceeds Loans without the consent of the lenders under the Senior Facility (or their Representative) while the Senior Facility is outstanding, and no such amendment may be made that adversely affects the rights of any other holder of Senior Debt then outstanding unless the holders of such Senior Debt (or their Representative) consent to such change (to the extent such consent is required pursuant to the terms of the Senior Debt). The consent of the holders of the Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent of the holders of the Notes approves the substance of the proposed amendment. After an amendment under the Indenture becomes effective, the Issuer is required to send a notice briefly describing such amendment pursuant to the section entitled "—Notices." However, the failure to give such notice to all holders of the Notes, or any defect therein, will not impair or affect the validity of the amendment.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer, the Company any Holdco or the other Notes Guarantors, as such, shall have any liability for any obligations of the Issuer or the Company or the other Notes Guarantors under the Notes, the Notes Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the Notes by accepting a Note waives and releases all such liability, to the extent permitted by applicable law. The waiver and release are part of the consideration for issuance of the Notes and the Notes Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the Commission that such a waiver is against public policy.

Unclaimed Money, Prescription

If money deposited with the Trustee or any paying agent for the payment of principal of, premium, if any, or interest on, the Notes remains unclaimed for two years, the Trustee and such paying agent shall return the money to the Issuer at its written request. After that, holders of Notes entitled to the money must look to the Issuer for payment unless applicable abandoned property law designates another person and all liability of the Trustee and such paying agent shall cease. Other than as set forth in this paragraph, the Indenture does not provide for any prescription periods for the payment of principal of, premium, if any, or interest on, the Notes.

Legal Defeasance or Covenant Defeasance of Indenture

The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer and any Notes Guarantors discharged with respect to the outstanding Notes ("Legal Defeasance"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on, such Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and any Notes Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and any Notes Guarantors released with respect to certain covenants set forth in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to nonpayment, bankruptcy, insolvency, receivership, court protection and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee, for the benefit of the holders of the Notes, cash in euro, European Government Obligations, or a combination thereof (in the case of the Euro Notes), or cash in U.S. dollars or U.S. government obligations, or a combination thereof (in the case of the Dollar Notes), in such amounts as will be sufficient without reinvestment, in the opinion of an internationally recognized firm of independent certified public accountants, to pay and discharge the principal of, premium, if any, and interest on, the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer, or the Company, as the case may be, must (i) specify whether the Notes are being defeased to maturity or to a particular redemption date and (ii) if applicable, have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes of such principal, premium, if any, or interest;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (x) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (y) since the date of the Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Legal Defeasance, the Issuer delivers to the Trustee an opinion of counsel in each of the Republic of Ireland, the Kingdom of Spain and any other jurisdiction in which the Issuer, Cableuropa or the Company is conducting business in a manner which causes the holders of the Notes to be liable for taxes on payments under the Notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, or, in the case of any successor to the Issuer, Cableuropa or the Company, the jurisdiction in which such successor is organized (each a "relevant jurisdiction") to the effect that holders of the Notes will not recognize income, gain or loss in the relevant jurisdiction as a result of such Legal Defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(d) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(e) in the case of Covenant Defeasance, the Issuer delivers to the Trustee an opinion of counsel in each of the Republic of Ireland, the Kingdom of Spain and any other jurisdiction in which the Issuer, Cableuropa or the Company is conducting business in a manner which causes the holders of the Notes to be liable for taxes on payments under the Notes for which they would not have been so liable but for such conduct of business in such other jurisdiction, or, in the case of any successor to the Issuer, Cableuropa or the Company, the jurisdiction in which such successor is organized (each a "relevant jurisdiction") to the effect that holders of the Notes will not recognize income, gain or loss in the relevant jurisdiction as a result of such Covenant Defeasance and will be subject to taxes in the relevant jurisdiction (including withholding taxes) on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(f) no Default or Event of Default will have occurred and be continuing (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or (ii) insofar as bankruptcy or insolvency events described in clause (g) of "—Events of Default" above is concerned, at any time during the period ending on the 185th day after the date of such deposit;

(g) such Legal Defeasance or Covenant Defeasance shall not cause the Trustee for the Notes to have a conflicting interest as defined in the Indenture with respect to any of the Issuer's securities;

(h) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), any material agreement or instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(i) such Legal Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the U.S. Investment Company Act of 1940 unless such trust shall be registered under such act or exempt from registration thereunder;

(j) the Issuer must have delivered to the Trustee an opinion of independent counsel in the country of the Issuer's incorporation to the effect that after the 185th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, court protection, reorganization or similar laws affecting creditors' rights generally and an opinion of independent counsel reasonably acceptable to the Trustee that the Trustee shall have a perfected security interest in such trust funds for the ratable benefit of the holders of the Notes;

(k) the Issuer must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors;

(l) no event or condition shall exist that would prevent the Issuer from making payments of the principal of, premium, if any, and interest on the Notes on the date of such deposit or at any time during the period ending on the 185th day after the date of such deposit; and

(m) the Issuer must have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Notes Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will provide that the Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

(a) the Issuer has irrevocably deposited or caused to be deposited with the Trustee as funds in trust for such purpose an amount in euro or European Government Obligations (in the case of the Euro Notes), or in U.S. dollars or U.S. government obligations (in the case of the Dollar Notes), sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be, and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of Notes at Maturity or on the redemption date, as the case may be and either:

(i) all the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or

(ii) all the Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise), (y) will become due and payable at Stated Maturity within one year or (z) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the Issuer's name and at the Issuer's expense;

(b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Indenture; and

(c) the Issuer has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that:

(i) all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; and

(ii) such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer, the Company or any of its Subsidiaries is a party or by which the Issuer, the Company or any Subsidiaries is bound.

Notices

The Indenture will provide that Notices regarding the Notes will be:

(a) (i) made available to the newswire service of Bloomberg or, if Bloomberg does not then operate, any similar agency and (ii) if at the time of such notice the Notes are admitted for trading on the Euro MTF market and the rules and regulations of the Luxembourg Stock Exchange so require, either published (A) in the *Luxemburger Wort* (or another leading newspaper having a general circulation in Luxembourg) or (B) on the website of the Luxembourg Stock Exchange (*www.bourse.lu*); and

(b) in the case of certificated Notes, mailed to holders of such Notes by first-class mail at their respective addresses as they appear on the registration books of the registrar.

Notices given by first-class mail will be deemed given five calendar days after mailing and notices given by publication will be deemed given on the first date on which publication is made.

If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. If and so long as any Notes are represented by one or more Global Notes and ownership of Book-Entry Interests therein are shown on the records of Euroclear, Clearstream Banking, DTC or any successor clearing agency appointed by the Book-Entry Depositary at the request of the Issuer, notices will also be delivered to each such clearing agency for communication to the owners of such Book-Entry Interests.

The Trustee

The Indenture, directly or by reference, will contain limitations on the rights of the Trustee under the Indenture in the event such Trustee becomes a creditor of the Issuer or any Notes Guarantor. These include limitations on the Trustee's rights to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise.

The Indenture will also contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

Governing Law

The Indenture and the Notes will be governed by and construed in accordance with the laws of New York.

Consent to Jurisdiction and Service of Process

The Indenture will provide that each of the Issuer and the Notes Guarantors will irrevocably appoint CT Corporation Systems or any other person performing similar functions as its agent for service of process in any suit, action or proceeding with respect to the Indenture or the Notes brought in any federal or state court located in New York City and that each of the parties submit to the jurisdiction thereof. If for any reason CT Corporation Systems is unable to serve in such capacity, the Issuer and each of the Notes Guarantors shall appoint another agent reasonably satisfactory to the Trustee.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for other capitalized terms used herein for which no definition is provided.

"**€180 million 2014 Notes**" means the 10 ½% notes due 2014 issued by the Existing Subordinated Notes Issuer I and outstanding on the Issue Date.

"**€270 million 2014 Notes**" means the 8% notes due 2014 issued by the Existing Subordinated Notes Issuer II and outstanding on the Issue Date.

"**Acquired Debt**" means, with respect to any specified Person, Debt of any other Person (the "Acquired Person") existing at the time such Acquired Person merged with or into or became a Subsidiary of such specified Person, including Debt Incurred in connection with, or in contemplation of, such Acquired Person merging with or into or becoming a Subsidiary of such specified Person.

"**Acquired Person**" has the meaning specified in the definition of "Acquired Debt."

"**Additional Assets**" means (a) any Property (other than cash, cash equivalents and securities) to be used in a Telecommunications Business; or (b) Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or another Restricted Subsidiary from any Person; *provided*, *however*, that, in the case of clause (b), such Restricted Subsidiary is engaged in a Telecommunications Business.

"**Affiliate**" of any specified Person means (a) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person or (b) any other Person who is a director or officer of:

(i) such specified Person;

(ii) any Subsidiary of such specified Person; or

(iii) any Person described in clause (a) above.

For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. For purposes of the covenant described under "—Certain Covenants—Limitation on Transactions with Affiliates," "Affiliate" shall also mean any beneficial owner of shares representing 5% or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Company or of rights or warrants to purchase such Voting Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

“**Applicable Premium for the Dollar Notes**” means, with respect to any Dollar Note on any redemption date, the greater of:

(i) 1.0% of the principal amount of such Dollar Note; and

(ii) the excess of:

(A) the present value at such redemption date of (x) the redemption price of the Dollar Note at January 15, 2014 (such redemption price being set forth in the table appearing above under the caption “Optional Redemption”) plus (y) all required interest payments due on the Dollar Note through January 15, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(B) the principal amount of such Dollar Note, if greater.

For the avoidance of doubt, calculations of the Applicable Premium for the Dollar Notes shall not be a duty or obligation of the Trustee or any Paying Agent.

“**Applicable Premium for the Euro Notes**” means, with respect to any Euro Note on any redemption date, the greater of:

(i) 1.0% of the principal amount of such Euro Note; and

(ii) the excess of:

(A) the present value at such redemption date of (x) the redemption price of the Euro Note at January 15, 2014 (such redemption price being set forth in the table appearing above under the caption “Optional Redemption”) plus (y) all required interest payments due on the Euro Note through January 15, 2014 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(B) the principal amount of such Euro Note, if greater.

For the avoidance of doubt, calculations of the Applicable Premium for the Euro Notes shall not be a duty or obligation of the Trustee or any Paying Agent.

“**Asset Sale**” of the Company or a Restricted Subsidiary means any sale, lease, transfer, issuance or other disposition (or series of related sales, leases, transfers, issuances or dispositions) by the Company or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a “disposition”), of (a) any shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares) or (b) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary other than, in the case of clauses (a) and (b) above:

(i) any disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to another Restricted Subsidiary;

(ii) any disposition that constitutes a Permitted Investment or Restricted Payment permitted by the covenant described under “—Certain Covenants—Limitation on Restricted Payments”;

(iii) any disposition effected in compliance with the second paragraph of the covenant described under “—Certain Covenants—Merger, Consolidation and Sale of Property”; and

(iv) any disposition or series of related dispositions with a Fair Market Value of €5.0 million or less.

“**Asset Sale of the Issuer**” means any sale, lease, transfer, issuance or other disposition (or series of related sales, leases, transfers, issuances or dispositions) by the Issuer, including any disposition by means of a merger, consolidation or similar transaction of any assets of the Issuer.

“**Attributable Debt**” in respect of a Sale and Leaseback Transaction means, at any date of determination, (a) if such Sale and Leaseback Transaction is a Capital Lease Obligation, the amount of Debt represented thereby according to the definition of “Capital Lease Obligation” and (b) in all other instances, the greater of:

(i) the Fair Market Value of the Property subject to such Sale and Leaseback Transaction; and

(ii) the present value (discounted at the interest rate borne by the Notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for which such lease has been extended).

"**Average Life**" means, as of any date of determination, with respect to any Debt or Preferred Stock, the quotient obtained by dividing (a) the sum of the product of the numbers of years (rounded to the nearest one-twelfth of one year) from the date of determination to the dates of each successive scheduled principal payment of such Debt or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (b) the sum of all such payments.

"**Board of Directors**" means the Board of Directors of the Company or any committee thereof duly authorized to act on behalf of such Board of Directors.

"**Bund Rate**" means (i) the rate borne by direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) having a constant maturity most nearly equal to the period from the redemption date, January 15, 2014, to and (ii) if there are no such obligations, the rate determined by linear interpolation between the rates borne by the two direct obligations of the Federal Republic of Germany maturing closest to, but straddling, such date, in each case as published in the *Financial Times*.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which banking institutions in the State of New York, London or Madrid or a place of payment are authorized or required by law to close.

"**Cableuropa**" means Cableuropa, S.A.U.

"**Capital Lease Obligation**" means any obligation under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP; and the amount of Debt represented by such obligation shall be the capitalized amount of such obligations determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of "—Certain Covenants—Limitation on Liens," a Capital Lease Obligation shall be deemed secured by a Lien on the Property being leased.

"**Capital Stock**" means, with respect to any Person, any shares or other equivalents (however designated) of any class of corporate stock or partnership interests or any other participations, rights, warrants, options or other interests in the nature of an equity interest in such Person, including Preferred Stock, but excluding any debt security convertible or exchangeable into such equity interest.

"**Capital Stock Sale Proceeds**" means the aggregate cash proceeds received by the Company from the issuance or sale (other than to a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees) by the Company of its Capital Stock (other than Disqualified Stock) after the Issue Date, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Capita**" means Capita Trust Corporate Limited, a professional trust corporation.

"**Change of Control**" means the occurrence of any of the following events:

(a) prior to the first Public Equity Offering, any Person, other than a Permitted Holder, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause (a) such Person shall be deemed to have "beneficial ownership" of all shares that any such other Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time and except that no Person shall be deemed to be a beneficial owner of shares held by another Person that is party to a shareholders' agreement simply by virtue of becoming a party to such shareholders' agreement), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of Cableuropa (for the purposes of this clause (a), such Person shall be deemed to beneficially own any Voting Stock of an entity held by any other entity (the "parent entity"), if such other Person is the beneficial owner (as defined in this clause (a)), directly or indirectly, of more than 50% of the voting power of the Voting Stock of such parent entity);

(b) on or after the first Public Equity Offering during any period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of Cableuropa (together with (i) any new directors whose election or appointment by the board of directors of Cableuropa, or whose nomination for election by the shareholders of GCO or the Company was approved by a vote of a majority of the directors of Cableuropa then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved or (ii) any new directors whose nomination for election by the shareholders of GCO or the Company was approved by a majority of Permitted Holders) cease for any reason to constitute a majority of the board of directors of Cableuropa then in office;

(c) the sale, transfer, assignment, lease, conveyance or other disposition, directly or indirectly, of all or substantially all the assets of the Company or the Restricted Subsidiaries, considered as a whole (other than a disposition of such assets as an entirety or substantially as an entirety to a Wholly Owned Subsidiary or to one or more Permitted Holders) shall have occurred, or Cableuropa or any Holdco of Cableuropa merges, consolidates or amalgamates with or into any other Person (other than one or more Permitted Holders) or any other person (other than one or more Permitted Holders) merges, consolidates or amalgamates with or into Cableuropa or any Holdco of Cableuropa in any such event pursuant to a transaction in which the outstanding Voting Stock of Cableuropa or any Holdco of Cableuropa is reclassified into or exchanged for cash, securities or other Property, other than any such transaction where (i) the outstanding Voting Stock of Cableuropa or any Holdco of Cableuropa is reclassified into or exchanged for Voting Stock of the surviving corporation and (ii) the holders of the Voting Stock of Cableuropa or any Holdco of Cableuropa immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving corporation immediately after such transaction and in substantially the same proportion as before the transaction; or

(d) Capita or another professional trust corporation (which is not an Affiliate of or otherwise related to the Company or its Affiliates) shall cease to directly or indirectly hold at least 98% of the Capital Stock of the Issuer pursuant to the terms of an Irish law charitable trust.

"**Commission**" means the U.S. Securities and Exchange Commission.

"**Company**" means ONO Midco, S.A.U., which is the direct parent of Cableuropa

"**Consolidated Interest Expense**" means, for any period, the total interest expense of the Company and its consolidated Restricted Subsidiaries determined in accordance with GAAP, plus, to the extent not included in such total interest expense, and to the extent Incurred by the Company or its Restricted Subsidiaries:

(a) interest expense attributable to leases constituting part of a Sale and Leaseback Transaction and to capital leases;

(b) amortization of debt discount and debt issuance cost, including commitment fees;

(c) capitalized interest (other than with respect to Subordinated Shareholder Indebtedness);

(d) cash or non-cash interest expenses (other than with respect to Subordinated Shareholder Indebtedness);

(e) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(f) net costs associated with Hedging Obligations (including amortization of fees);

(g) Disqualified Stock Dividends;

(h) Preferred Stock Dividends;

(i) interest incurred in connection with Investments in discontinued operations;

(j) interest accruing on any Debt of any other Person to the extent such Debt is Guaranteed by the Company or any Restricted Subsidiary; and

(k) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Debt Incurred by such plan or trust.

"**Consolidated Net Income**" means, for any period, the net income (loss) of the Company and its consolidated Restricted Subsidiaries determined in accordance with GAAP; *provided*, *however*, that there shall not be included in such Consolidated Net Income:

(a) any net income (loss) of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:

(i) subject to the exclusion contained in clause (c) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution; and

(ii) the Company's equity in a net loss of any such Person other than an Unrestricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(b) for purposes of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only, any net income (loss) of any Person acquired by the Company or any of its consolidated Subsidiaries in a pooling of interests transaction for any period prior to the date of such acquisition;

(c) any gain (but not loss) realized upon the sale or other disposition of any Property of the Company or any of its consolidated Subsidiaries (including pursuant to any Sale and Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business;

(d) any extraordinary or exceptional gain or loss (other than bad debt provisions);

(e) the cumulative effect of a change in accounting principles;

(f) any non-cash compensation expense realized for grants of performance shares, stock options or other rights to officers, directors and employees of the Company or any Restricted Subsidiary; *provided* that such shares, options or other rights can be redeemed at the option of the holder only for Capital Stock of the Company (other than Disqualified Stock); and

(g) unrealized non-cash exchange gains and losses including, without limitation, gains and losses arising from a conversion of the financing currency.

Notwithstanding the foregoing, for purposes of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or a Restricted Subsidiary to the extent such dividends, repayments or transfers increase the amount of Restricted Payments permitted under such covenant pursuant to clause (c)(v) thereof.

"**Credit Facility**" or "**Credit Facilities**" means one or more debt facilities, or commercial paper facilities with banks, insurance companies or other institutional lenders, the Issuer or any other special purpose finance entities providing for revolving credit loans, term loans, including the Senior Facility, letters of credit or other forms of guarantees and assurances or other credit facilities, including overdrafts, notes or bonds, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"**Currency Exchange Protection Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates.

"**Debt**" means, with respect to any Person on any date of determination (without duplication):

(a) the principal of and premium (if any) in respect of (i) debt of such Person for money borrowed and (ii) debt evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(b) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale and Leaseback Transactions entered into by such Person;

(c) all obligations of such Person issued or assumed as the deferred purchase price of Property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or accrued expenses arising in the ordinary course of business);

(d) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (a) through (c) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(e) the amount of all obligations of such Person with respect to the Repayment of any Disqualified Stock or, with respect to any Restricted Subsidiary of such Person, any Preferred Stock of such Restricted Subsidiary (but excluding, in each case, any accrued dividends);

(f) all obligations of the type referred to in clauses (a) through (e) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee;

(g) all obligations of the type referred to in clauses (a) through (f) of other Persons secured by any Lien on any Property of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such Property or the amount of the obligation so secured; and

(h) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

The amount of Debt of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation. For the purposes of this definition, "Debt" shall not include Subordinated Shareholder Indebtedness. The amount of Debt represented by a Hedging Obligation shall be equal to (i) zero if such Hedging Obligation has been Incurred pursuant to clause (d) or (e) of the third paragraph of the covenant described under "—Certain Covenants—Limitation on Debt" or (ii) the notional amount of such Hedging Obligation if not Incurred pursuant to such clauses.

"**Default**" means any event which is, or after the giving of notice or the passage of time or both would be, an Event of Default.

"**Designated Senior Debt**" means (a) any Senior Debt that has, at the time of determination, an aggregate principal amount outstanding of at least €25.0 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) that is specifically designated in the instrument evidencing such Senior Debt and is designated in a notice delivered by the Company to the holders or a Representative of the holders of such Senior Debt and in an Officers' Certificate of the Company delivered to the Trustee as "Designated Senior Debt" of the Company for purposes of the Indenture and (b) the Senior Facility.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in either case at the option of the holder thereof) or otherwise:

(i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(ii) is or may become redeemable or repurchaseable at the option of the holder thereof, in whole or in part; or

(iii) is convertible or exchangeable at the option of the holder thereof for Debt or Disqualified Stock,

on or prior to, in the case of clause (i),(ii) or (iii), the first anniversary of the Stated Maturity of the Notes.

"**Disqualified Stock Dividends**" means all dividends with respect to Disqualified Stock of the Company held by Persons other than a Wholly Owned Subsidiary. The amount of any such dividend shall be equal to the quotient of such dividend divided by the difference between one and the maximum statutory federal or national income tax rate (expressed as a decimal number between 1 and 0) then applicable to the Company.

"**Dollar Notes**" means $225,000,000 aggregate principal amount of dollar-denominated 10.875% Senior Notes due 2019 due to be issued pursuant to the Indenture.

"**EBITDA**" means, for any period, an amount equal to, for any Person:

(a) the sum of Consolidated Net Income for such period (exclusive of any gain or loss realized in such period upon an Asset Sale), plus the following to the extent reducing Consolidated Net Income for such period:

(i) the provision for taxes based on income or profits or utilized in computing net loss;

(ii) Consolidated Interest Expense;

(iii) amortization or depreciation of start-up costs, deferred expenses and tangible assets;

(iv) amortization of intangibles and goodwill; and

(v) any other non-cash items (other than any such non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period), minus

(b) all non-cash items increasing Consolidated Net Income for such period (other than any such non-cash item to the extent that it will result in the receipt of cash payments in any future period), all for such Person and its subsidiaries (or, in the case of the Company, the Restricted Subsidiaries) determined in accordance with GAAP consistently applied.

"**Enforcement Action**" means, in relation to any Debt of the Issuer or any Notes Guarantor, any action (whether taken by the relevant creditor or creditors or an agent or Trustee on its or their behalf) to:

(a) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of such Debt or to require the Issuer or a Notes Guarantor to redeem or purchase any part of such Debt;

(b) recover all or any part of such Debt (including, by exercising any rights of set-off or combination of accounts);

(c) exercise or enforce any security right against sureties or any other rights under any other document or agreement in relation to (or given in support of) all or any part of such Debt (including under any security documents);

(d) commence legal or arbitration proceedings against any Person; or

(e) apply or petition or vote for (or take any other steps which may reasonably be expected to lead to) a total or partial liquidation, dissolution or winding up of any Notes Guarantor or an insolvency, bankruptcy, reorganization, composition, receivership (*concurso*), administration, voluntary arrangement, judicial intervention or similar proceeding relating to any Notes Guarantor or any of such Notes Guarantor's Property,

provided that neither (i) any legal proceedings not falling within clauses (a) through (d) above necessary to preserve the validity and existence of claims, including the commencement of such claims before any court or governmental authority nor (ii) legal proceedings against the Issuer or any Notes Guarantor to challenge the basis on which any sale or disposal is being implemented nor (iii) legal proceedings against any person in connection with any securities violation or fraud shall, in each case, constitute Enforcement Action.

"**EU IFRS**" means IFRS as adopted by the European Union.

"**euro**" or "**€**" means the lawful currency of the member states of the European Union who have agreed to share a common currency in accordance with the provisions of the Maastricht Treaty dealing with European monetary union.

"**Euro Notes**" means **€**295,000,000 aggregate principal amount of euro-denominated 11.125% Senior Notes due 2019 due to be issued pursuant to the Indenture.

"**European Government Obligations**" means direct obligations (or certificates representing an ownership interest in such obligations) of the German government or French government (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such German government or French government is pledged and which are not callable or redeemable at the Issuer's option.

"**Event of Default**" has the meaning set forth under "—Events of Default."

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Excluded Contributions**" means the Net Cash Proceeds received by the Company or any Restricted Subsidiary after the Issue Date from:

(i) contributions to its common equity capital (other than by a Company or a Subsidiary of the Company), and

(ii) the sale (other than to the Company or a Subsidiary of the Company) of Capital Stock (other than Disqualified Stock) of the Company or a Restricted Subsidiary,

in each case designated as "Excluded Contributions" pursuant to an Officers' Certificate of the Company (which shall be designated no later than the date on which such Excluded Contribution has been received by the Company), the Net Cash Proceeds of which are excluded from the calculation set forth in the clauses (c) (ii), c(iii) and (c)(iv) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

"**Existing Equity Value Certificates**" means the 200,000 Equity Value Certificates of the Existing Subordinated Notes Issuer I evidencing the right to receive the cash value of 393,867.55 ordinary shares of Cableuropa in dollars and the 150,000 Equity Value Certificates of the Existing Subordinated Notes Issuer I evidencing the right to receive the cash value of 277,839.09 ordinary shares of Cableuropa in euro, all dated February 9, 2001.

"**Existing Equity Value Certificate Guarantee**" means the Guarantee by Cableuropa of the obligations of Existing Subordinated Notes Issuer I under the Existing Equity Value Certificates.

"**Existing EVC Funding Agreement**" means the agreement dated as of February 9, 2001, as amended from time to time, between Cableuropa and the Existing Subordinated Notes Issuer I pursuant to which Cableuropa will pay to the Existing Subordinated Notes Issuer I an amount sufficient to fund the obligations of Existing Subordinated Notes Issuer I under the Existing Equity Value Certificates.

"**Existing Shareholder Debt**" means Subordinated Shareholder Indebtedness in existence on the Issue Date.

"**Existing Subordinated Notes**" means the €180 million 2014 Notes and the €270 million 2014 Notes.

"**Existing Subordinated Notes Issuer I**" means ONO Finance plc.

"**Existing Subordinated Notes Issuer II**" means the Issuer (as the issuer of the €270 million 2014 Notes).

"**Existing Subordinated Notes Proceeds Loans**" means (i) the loans dated as of May 17, 2004 pursuant to which the Existing Subordinated Notes Issuer I loaned the proceeds of its €180 million 2014 Notes to Cableuropa and (ii) the loans dated as of February 7, 2006 pursuant to which the Existing Subordinated Notes Issuer II loaned the proceeds of its €270 million 2014 Notes to Cableuropa.

"**Fair Market Value**" means, with respect to any Property, the price that could be negotiated in an arm's-length, free market transaction, for cash, between a willing seller and a willing buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value shall be determined (a) if such Property has a Fair Market Value equal to or greater than €10.0 million, by any Officer of the Company, or (b) if such Property has a Fair Market Value in excess of €25.0 million, by a majority of the Board of Directors and evidenced by a board resolution, dated within 60 calendar days of the relevant transaction, delivered to the Trustee.

"**Financial Sponsors**" means J.P.Morgan Partners (BCHA) Luxembourg, S.à.r.l.; J.P.Morgan Partners (PTC) Luxembourg, S.à.r.l.; J.P.Morgan Partners Global Investors Luxembourg, S.à.r.l.; JPMP GCO Equity Investments, S.à.r.l.; J.P.Morgan Partners Global Investors (Paul) Luxembourg, S.à.r.l.; J.P.Morgan Partners Global Investors (Selldown) Luxembourg, S.à.r.l.; J.P.Morgan Partners Global Investors (Cayman/Selldown) III Luxembourg, S.à.r.l.; J.P. Morgan Partners Global Investors (Selldown II) Luxembourg, S.à.r.l.; PEP GCO S.á.r.l.; PEP GCO Co-invest, S.á.r.l.; PEP GCO HL Co-invest, S.á.r.l.; QCP GCO Investments S.á.r.l.; QCP GCO Investments II S.á.r.l.; QCP GCO Investments A S.á.r.l.; QCP GCO Investments II-A S.á.r.l.; Quadrangle Capital Partners LP; QCP GCO Equity Investors, S.á.r.l.; THL GCO Investments I, S.á.r.l.; THL GCO Investments II, S.á.r.l.; THL GCO Investments III, S.á.r.l.; THL GCO Investments HL, S.á.r.l.; THL GCO Investments IV, S.á.r.l.; THL GCO GmbH & Co KG, PEP ESP S.á.r.l.; any investment vehicle controlled, managed or advised directly or indirectly by any of the foregoing and any Affiliate of any of the foregoing.

"**Fitch**" means Fitch Ratings Service or any successor to the rating agency business thereof.

"**GAAP**" means generally accepted accounting principles in Spain, consistently applied, which are in effect from time to time.

At any time after the Issue Date, the Company may elect to apply IFRS or EU IFRS in lieu of GAAP and, upon such election, references herein to GAAP shall thereafter be construed to mean IFRS or EU IFRS as in effect from time to time after such election; *provided* that any such election once made shall be irrevocable; *provided further*, that any such election, once made, shall be irrevocable and that, upon first reporting its fiscal year results under IFRS or EU IFRS, the Company shall restate its financial statements on the basis of IFRS or EU IFRS for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of IFRS or EU IFRS. The Company shall give notice of any such election to the Trustee and the holders.

"**GCO**" means Grupo Corporativo ONO, S.A., and its successors.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee against loss in respect thereof (in whole or in part); *provided*, *however*, that the term "Guarantee" shall not include (i) endorsements for collection or deposit in the ordinary course of business or (ii) a contractual commitment by one Person to invest in another Person for so long as such Investment is reasonably expected to constitute a Permitted Investment under clause (b) of the definition of Permitted Investments. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligation**" of any Person means any obligation of such Person pursuant to any Interest Rate Agreement, Currency Exchange Protection Agreement or any other similar agreement or arrangement.

"**Holdco**" means any entity that owns 100% of the share capital of another company (whether directly, or through wholly-owned subsidiaries).

"**holder**" means (i) in the case of Global Notes, each Person shown in the records of the Book-Entry Depositary as a holder of a certificated depositary interest in respect of such Global Notes and (ii) in the case of Definitive Notes, the Person in whose name a Definitive Note is registered on the Registrar's books.

"**IFRS**" means the accounting standards adopted by the International Financial Reporting Standards Board and its predecessor.

"**Incur**" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by merger, conversion, exchange or otherwise), extend, assume, Guarantee or otherwise become liable in respect of such Debt or other obligation or the recording, as required pursuant to GAAP or otherwise, of any such Debt or obligation on the balance sheet of such Person (and "Incurrence" and "Incurred" shall have meanings correlative to the foregoing); *provided*, *however*, that a change in GAAP that results in an obligation of such Person that exists at such time, and is not theretofore classified as Debt, becoming Debt shall not be deemed an Incurrence of such Debt; *provided further*, *however*, that solely for purposes of determining compliance with "—Certain Covenants—Limitation on Debt," amortization of debt discount shall not be deemed to be the Incurrence of Debt, *provided* that in the case of Debt sold at a discount, the amount of such Debt Incurred shall at all times be the aggregate principal amount at Stated Maturity.

"**Independent Appraiser**" means an investment banking firm of international standing or any third party appraiser of international standing, *provided* that such firm or appraiser is not an Affiliate of the Company.

"**Intercreditor Agreement**" means the intercreditor agreement, dated as of October 27, 2005, as amended from time to time, by and among certain senior lenders, certain hedging entities, certain subordinated high yield bridge lenders, certain subordinated lenders, FOND-ICO, Fondo de Capital Riesgo, Banco Español de Credito, S.A., Fortis Bank, S.A./N.V., Cableuropa and certain of the Company's Subsidiaries.

"**Interest Rate Agreement**" means, for any Person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement designed to protect against fluctuations in interest rates.

"**Investment**" by any Person means any direct or indirect loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of such Person), advance or other extension of credit or capital contribution (by means of transfers of cash or other Property to others or payments for Property or services for the account or use of others, or otherwise) to, or Incurrence of a Guarantee of any obligation of, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person. For purposes of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" and "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" and of the definition of "Restricted Payment," "Investment" shall include the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary at the time that such Subsidiary is designated an Unrestricted Subsidiary. In determining the amount of any Investment made by transfer of any Property other than cash, such Property shall be valued at its Fair Market Value at the time of such investment.

"**Issue Date**" means the date on which the Notes are initially issued.

"**Issuer**" means ONO Finance II plc, a public limited company incorporated under the laws of Ireland.

"**Issuer Restricted Payment**" means, with respect to the Issuer;

(a) any dividend or distribution (whether made in cash, securities or other Property) declared or paid on or with respect to any shares of Capital Stock of the Issuer (including any payment in connection with any merger or consolidation with or into the Issuer);

(b) the purchase, repurchase, redemption, acquisition or retirement for value of any Capital Stock of the Issuer or any securities exchangeable for or convertible into any such Capital Stock, including the exercise of any option to exchange any Capital Stock;

(c) the purchase, repurchase, redemption, acquisition or retirement for value, prior to the date for any scheduled maturity, sinking fund or amortization or other installment payment, of any Subordinated Obligation (other than the purchase, repurchase or other acquisition of any Subordinated Obligation purchased in anticipation of satisfying a scheduled maturity, sinking fund or amortization or other installment obligation, in each case due within one year of the date of acquisition); or

(d) any Investment (other than Permitted Investments of the Issuer) in any Person.

"**Lien**" means, with respect to any Property of any Person, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien, charge, easement (other than any easement not materially impairing usefulness or marketability), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such Property (including any Capital Lease Obligations, conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing or any Sale and Leaseback Transaction).

"**Material Subsidiary**" means any Restricted Subsidiary of the Company which individually represents 5% or more of: (i) the total consolidated assets of the Company; (ii) the consolidated revenues of the Company; or (iii) consolidated EBITDA of the Company; provided, however, that Tenaria, S.A. shall not be a Material Subsidiary.

"**Maturity**" means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"**Moody's**" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"**Net Available Cash**" from any Asset Sale means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Debt or other obligations relating to the Property that is the subject of such Asset Sale or received in any other non-cash form), in each case net of:

(a) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, national, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale;

(b) all payments made on any Debt that is secured by any Property subject to such Asset Sale, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such Property, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law, be repaid out of the proceeds from such Asset Sale;

(c) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the asset subject to the Asset Sale; and

(d) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the Property disposed in such Asset Sale and retained by the Company or any Restricted Subsidiary after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee.

"**Net Cash Proceeds**" means, with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "—Certain Covenants—Limitation on Restricted Payments," the proceeds of such issuance or sale in the form of cash or cash equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or cash equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Notes Guarantees**" means a guarantee on the terms set forth in the Indenture by the Parent Guarantor and the Subsidiary Guarantors of the Issuer's obligations with respect to the Notes.

"**Notes Guarantors**" means the Parent Guarantor and the Subsidiary Guarantors.

"**Notes Proceeds Loans**" means the Euro Notes Proceeds Loan and the Dollar Notes Proceeds Loan.

"**Officer**" means any director, the Chief Executive Officer, the President, the Chief Financial Officer or any person performing similar functions, of the Company, a Restricted Subsidiary or the Issuer, as applicable.

"**Officers' Certificate**" means a certificate signed by two Officers of the Company, a Restricted Subsidiary or the Issuer, as applicable, at least one of whom shall be the principal executive officer or principal financial officer of the Company, such Restricted Subsidiary or the Issuer, as applicable, and delivered to the Trustee.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company, the Restricted Subsidiaries or the Issuer or the Trustee.

"**Parent Guarantee**" means a guarantee on the terms set forth in the Indenture by the Parent Guarantor of the Issuer's obligations with respect to the Notes.

"**Parent Guarantor**" means the Company.

"**Participative Loan**" means the Participative Loan dated as of October 27, 2005, between Cableuropa and certain of its Subsidiaries, as borrowers and guarantors, and FOND-ICO, Fondo de Capital Riesgo, as lender, as amended, restated, augmented, modified, renewed, refunded, replaced, or refinanced in whole or in part from time to time.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of assets used or useful in a Telecommunications Business or a combination of such assets and cash between the Company or any of its Restricted Subsidiaries and another Person; *provided* that any such exchange must be for assets of comparable market value, as determined in good faith by the Company, which in the event of an exchange of assets with a Fair Market Value in excess of (a) €10.0 million shall be evidenced by an Officer's Certificate of the Company and (b) €25.0 million shall be set forth in a resolution approved in good faith by at least a majority of the Board of Directors of the Company; *provided further*, that any cash received in excess of the value of any cash sold or exchanged must be applied in accordance with the covenant described under "—Certain Covenants—Limitation on Sale of Certain Assets".

"**Permitted Debt**" has the meaning given to such term under "—Certain Covenants—Limitation on Debt."

"**Permitted Holders**" means (a) the Financial Sponsors, Grupo Multitel, S.A., Telco Investment Europe, S.à.r.l., Multitel Alfa, S.L.U.; Multitel Beta, S.L.; Multitel Beta, S.à.r.l.; Multitel Gamma, S.L.U.; Multitel Epsilon, S.L.U.; Multitel, S.á.r.l.; Multitel Group, S.P.R.L.; Banco Santander, S.A.; Capital Riesgo Global SCR de Régimen Simplificado, S.A.; Val Telecomunicaciones, S.L.; Sodinteleco, S.L.; Caisse de Dépôt et Placement du Quebec; Particitel International Limited Partnership; General Electric Company; Global Telecom Investments, LLC; Bregal Investments; Candover Partners Limited; Five Arrows Capital AG; Five Arrows Mezzanine Debt Holder, S.A.; Luxono, S.à.r.l.; OTPP Power Luxembourg; Parinvest, S.A.S.; Paris Orleans, S.A.; PO Invest 1, S.A.; The Northwestern Mutual Life Insurance Company (USA); Bregal Co-Invest, S.à.r.l.; and any other legal entity in which one or more of the above-mentioned companies holds directly or otherwise controls at least 66.66% of the voting rights; (b) any officers, employees or directors of the Company or its Affiliates who become shareholders in GCO upon the allocation of shares in GCO pursuant to a stock option plan directly or through directly or indirectly controlled companies; and (c) any financial institution acting in the capacity of an underwriter in connection with a public or private offering of shares of Cableuropa or any Holdco of Cableuropa.

"**Permitted Investment**" means any Investment by the Company, a Restricted Subsidiary or the Issuer, as specifically set forth below, in:

(a) in the case of the Company and the Restricted Subsidiaries, the Company, any Restricted Subsidiary or any Person that will, upon the making of such Investment, become a Restricted Subsidiary; *provided*, *however*, that such Restricted Subsidiary is engaged in the Telecommunications Business;

(b) in the case of the Company and the Restricted Subsidiaries, any Person if as a result of such Investment such Person is merged or consolidated with or into, or transfers or conveys all or substantially all its Property to, the Company or a Restricted Subsidiary; *provided*, *however*, that such Person is engaged in the Telecommunications Business;

(c) in the case of the Company, the Restricted Subsidiaries and the Issuer, Temporary Cash Investments;

(d) in the case of the Company and the Restricted Subsidiaries, receivables owing to the Company or a Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Company or such Restricted Subsidiary deems reasonable under the circumstances;

(e) in the case of the Company and the Restricted Subsidiaries, payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(f) in the case of the Company and the Restricted Subsidiaries, (x) loans and advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary, as the case may be; *provided*, *however*, that such loans and advances do not exceed €10.0 million at any one time outstanding and (y) loans and advances to employees in connection with a Public Equity Offering in an amount not to exceed €15.0 million at any one time outstanding; *provided further*, *however*, that no employee may receive loans or advances pursuant to this clause (y) in excess of €2.5 million;

(g) in the case of the Company and the Restricted Subsidiaries, stock, obligations or other securities received in settlement of debts created in the ordinary course of business and owing to the Company or such Restricted Subsidiary or in satisfaction of judgments;

(h) in the case of the Company and the Restricted Subsidiaries, any Person to the extent such Investment represents the non-cash portion of the consideration received in connection with an Asset Sale consummated in compliance with the covenant described under "—Certain Covenants—Limitation on Sale of Certain Assets";

(i) in the case of the Company and the Restricted Subsidiaries, other Investments made for Fair Market Value that do not exceed €40.0 million outstanding at any one time in the aggregate; and

(j) in the case of the Issuer, the loan of the proceeds of (x) the Notes by the Issuer to Cableuropa under the Notes Proceeds Loans and (y) other Debt of the Issuer to Cableuropa and any other Subsidiary Guarantors under an agreement or agreements substantially similar to the Notes Proceeds Loan.

"**Permitted Issuer Maintenance Payments**" means amounts paid to Capita to the extent required to permit Capita to pay reasonable amounts required to be paid by it to maintain the Issuer's corporate existence and to pay reasonable accounting, legal, management and administrative fees and other bona fide operating expenses (to the extent such amounts were not already paid by the Company or its Subsidiaries or any other Person), in an aggregate annual amount not to exceed €500,000 per annum.

"**Permitted Junior Securities**" means, with respect to any Person: (a) Capital Stock in such Person; or (b) debt securities of such Person that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent that, Subordinated Guarantees are subordinated to Senior Debt pursuant to the Indenture.

"**Permitted Liens**" means (A) with respect to the Company and the Restricted Subsidiaries:

(a) Liens to secure Debt permitted to be Incurred under clauses (b), (d) and (e) of the third paragraph (the definition of "Permitted Debt of the Company and the Restricted Subsidiaries") of the covenant described under "—Certain Covenants—Limitation on Debt";

(b) Liens for taxes, assessments or governmental charges, levies or claims on the Property of the Company or any Restricted Subsidiary if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings promptly instituted and diligently concluded; *provided*, *however*, that any reserve or other appropriate provision that shall be required in conformity with GAAP shall have been made therefor;

(c) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens, on the Property of the Company or any Restricted Subsidiary arising in the ordinary course of business and securing payment of obligations that are not more than 60 calendar days past due or are being contested in good faith and by appropriate proceedings;

(d) Liens on the Property of the Company or any Restricted Subsidiary Incurred in the ordinary course of business to secure performance of obligations with respect to statutory or regulatory requirements, performance or return-of-money bonds, surety bonds or other obligations of a like nature and Incurred in a manner consistent with industry practice, in each case which are not Incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of Property and which do not in the aggregate impair in any material respect the use of Property in the operation of the business of the Company and the Restricted Subsidiaries taken as a whole;

(e) Liens on Property existing at the time the Company or any Restricted Subsidiary acquired such Property, including any acquisition by means of a merger or consolidation with or into the Company or any Restricted Subsidiary; *provided*, *however*, that any such Lien may not extend to any other Property of the Company or any Restricted Subsidiary; *provided, further*, *however*, that such Liens shall not have been Incurred in anticipation of or in connection with the transaction or series of related transactions pursuant to which such Property was acquired by the Company or any Restricted Subsidiary;

(f) Liens on the Property of a Person existing at the time such Person becomes a Restricted Subsidiary; *provided*, *however*, that any such Lien may not extend to any other Property of the Company or any other Restricted Subsidiary that is not a direct Subsidiary of such Person; *provided, further*, *however*, that any such Lien was not Incurred in anticipation of or in connection with the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary;

(g) pledges or deposits by the Company or any Restricted Subsidiary under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Company or any Restricted Subsidiary is party, or deposits to secure public or statutory obligations of the Company or any Restricted Subsidiary, or deposits for the payment of rent, in each case Incurred in the ordinary course of business;

(h) easements, rights of way, restrictions on the use of properties and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character;

(i) Liens on the Property of the Company or any Restricted Subsidiary to secure any Refinancing, in whole or in part, of any Debt secured by Liens referred to in clause (a), (e) or (f) above or (p) or (r) below; *provided*, *however*, that any such Lien shall be limited to all or part of the same Property that secured the original Lien (together with improvements and accessions to such Property) and the aggregate principal amount of Debt that is secured by such Lien shall not be increased to an amount greater than the sum of (i) the outstanding principal amount, or, if greater, the committed amount, of the Debt secured by Liens described under clause (a), (e) or (f) above or (p) or (r) below, as the case may be, at the time the original Lien became a Permitted Lien under the Indenture and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, incurred by the Company or such Restricted Subsidiary in connection with such Refinancing;

(j) Liens on Property of any Unrestricted Subsidiary; *provided*, *however*, that such Liens do not extend to any Property of the Company and the Restricted Subsidiaries;

(k) Liens in favor of the Company, the Issuer or any Restricted Subsidiary;

(l) Liens on Property of the Company or any Restricted Subsidiary pursuant to conditional sale or title retention agreements;

(m) Liens on Property of the Company or any Restricted Subsidiary relating to judgments being contested in good faith by the Company or such Restricted Subsidiary;

(n) Liens on the Property of the Company or any Restricted Subsidiary pursuant to good faith contract deposits;

(o) Liens on Property of the Company or any Restricted Subsidiary arising as a result of immaterial leases of such Property to other persons;

(p) Liens relating to escrow accounts established for the benefit of holders of Public Debt of Cableuropa, the Company, the Senior Secured Notes Issuer, the Existing Subordinated Notes Issuer I, the Issuer or any future special purpose vehicle which provides financing to the Company or any Restricted Subsidiary;

(q) Liens to secure Debt permitted to be Incurred under the Subsidized Loans pursuant to clause (h) of the third paragraph (the definition of "Permitted Debt of the Company and the Restricted Subsidiaries") of the covenant described under "—Certain Covenants—Limitation on Debt";

(r) Liens on the Property of the Company or any Restricted Subsidiary for the purpose of securing Capital Lease Obligations, mortgage finance or purchase money obligations, or securing the payment of all or a part of the purchase price of, or securing other Debt Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired in the ordinary course of business; *provided* that (a) the aggregate principal amount of Debt secured by such Liens is otherwise permitted to be Incurred under the Indenture and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Debt and any improvements or accessions to such assets and property;

(s) Liens existing on the Issue Date not otherwise described in clauses (a) through (r) above; and

(t) Liens Incurred in the ordinary course of business of the Company or any subsidiary of the Company with respect to obligations that do not exceed €50.0 million at any one time outstanding;

(u) Liens on the Property of the Company or any Restricted Subsidiary created over financial assets and receivables; *provided* that the aggregate amount of obligations secured under this clause (u) shall not exceed €100.0 million at any one time outstanding; and

(v) Liens on the Property of the Company or any Restricted Subsidiary to secure financial guarantees such as bank guarantees or counter-guarantees (other than those guaranteeing other Permitted Debt) and performance guarantees; *provided* that the aggregate amount of obligations under such financial guarantees

(other than those guaranteeing other Permitted Debt) and performance guarantees shall not exceed €225.0 million at any one time outstanding; *provided further* that such financial guarantees (other than those guaranteeing other Permitted Debt) and performance guarantees have been granted in the ordinary course of business and are directly related to the Telecommunications Business,

and (B) with respect to the Issuer:

(a) Liens created for the benefit of (or to secure) the Notes;

(b) Liens relating to escrow or trust accounts established for the benefit of holders of Public Debt of the Issuer;

(c) Liens to secure other Debt of the Issuer permitted under the Indenture the proceeds of which are loaned to Cableuropa or a Restricted Subsidiary under terms substantially similar to the Notes Proceeds Loans;

(d) Liens for taxes, assessments or governmental charges, levies or claims on the Property of the Issuer if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings promptly instituted and diligently concluded; *provided*, *however*, that (x) any reserve or other appropriate provision that shall be required in conformity with GAAP shall have been made therefor and (y) if applicable, the Issuer shall have notified the Company that a payment under the Notes Proceeds Loans in respect thereof may be due; and

(e) the pledge of the Notes Proceeds Loans for the benefit of senior lenders under the Senior Facility (or any replacement thereof) and certain hedge counterparties.

"**Permitted Refinancing Debt**" means any Debt that Refinances any other Debt, including any successive Refinancings, so long as:

(a) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being Refinanced and (ii) an amount necessary to pay any fees, expenses and accrued interest, including premiums and defeasance costs, related to such Refinancing;

(b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being Refinanced;

(c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being Refinanced; and

(d) the new Debt shall not be senior in right of payment to the Debt that is being Refinanced,

provided, *however*, that Permitted Refinancing Debt shall not include Debt of the Company or a Restricted Subsidiary that Refinances Debt of an Unrestricted Subsidiary.

"**Person**" means any individual, corporation, company (including any limited liability company), association, partnership, joint venture, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**" means any Capital Stock of a Person, however designated, which entitles the holder thereof to a preference with respect to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of any other class of Capital Stock issued by such Person.

"**Preferred Stock Dividends**" means all dividends with respect to Preferred Stock of Restricted Subsidiaries held by Persons other than the Company or a Wholly Owned Subsidiary. The amount of any such dividend shall be equal to the quotient of such dividend divided by the difference between one and the maximum statutory federal income rate (expressed as a decimal number between 1 and 0) then applicable to the Issuer of such Preferred Stock.

"**pro forma**" means, with respect to any calculation made or required to be made pursuant to the terms hereof, a calculation made in good faith by a responsible financial or accounting officer of the Company.

"**Pro Forma EBITDA**" means for any Person, for any period, the EBITDA of such Person as determined on a consolidated basis in accordance with GAAP consistently applied after giving effect to the following: (i) if, during or after such period, such Person or any of its Subsidiaries shall have made any Asset Sale, Pro Forma EBITDA of such Person and its Subsidiaries for such period shall be reduced by an amount equal to the Pro Forma EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for the period or increased by an amount equal to the Pro Forma EBITDA (if negative) directly attributable thereto for such period and (ii) if, during or after such period, such Person or any of its Subsidiaries completes an acquisition of any Person or business which immediately after such acquisition is a Subsidiary of

such Person or whose assets are held directly by such Person or a Subsidiary of such Person, Pro Forma EBITDA shall be computed so as to give pro forma effect to the acquisition of such Person or business; *provided* that, with respect to the Company, all of the foregoing references to "Subsidiary" or "Subsidiaries" shall be deemed to refer only to a "Restricted Subsidiary" or "Restricted Subsidiaries."

"**Property**" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock in, and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

"**Public Debt**" means any bonds, debentures, notes or other indebtedness of a type that could be issued or traded in any market where capital funds are traded, including private placement sources of debt as well as organized markets and exchanges, whether such indebtedness is issued in a public offering or in a private placement to institutional investors or otherwise.

"**Public Equity Offering**" means an underwritten public offering of ordinary shares of Cableuropa or any Holdco of Cableuropa, following which at least 15% of the total issued and outstanding ordinary shares of Cableuropa or any Holdco of Cableuropa is listed on a nationally recognized stock exchange or automated quotation system in the United States or in a member state of the European Union.

"**Refinance**" means, in respect of any Debt, to refinance, extend, renew, refund, repay, prepay, repurchase, redeem, defease or retire, or to issue other Debt, in exchange or replacement for, such Debt. "Refinanced" and "Refinancing" shall have correlative meanings.

"**Relevant Taxing Jurisdiction**" has the meaning given to such term under "—Additional Amounts."

"**Repay**" means, in respect of any Debt, to repay, prepay, repurchase, redeem, legally defease or otherwise retire such Debt. "Repayment" and "Repaid" shall have correlative meanings. For purposes of the covenant described under "—Certain Covenants—Limitation on Sale of Certain Assets," Debt shall be considered to have been Repaid only to the extent the related loan commitment, if any, shall have been permanently reduced in connection therewith.

"**Representative**" means the trustee, agent or representative expressly authorized to act in such capacity, if any, for any Senior Debt or if no person is so authorized, the holders of such Senior Debt.

"**Restricted Payment**" means;

(a) any dividend or distribution (whether made in cash, securities or other Property) declared or paid on or with respect to any shares of Capital Stock of the Company or any Restricted Subsidiary (including any payment in connection with any merger or consolidation with or into the Company or any Restricted Subsidiary), except for:

 (i) any dividend or distribution that is made solely to the Company or a Restricted Subsidiary;

 (ii) any dividend or distribution that is made by a Restricted Subsidiary that is not a Wholly Owned Subsidiary to a shareholder other than the Company or a Restricted Subsidiary; *provided* that (x) the dividend or distribution has been paid to all shareholders (including the Company and/or any Restricted Subsidiary) on a *pro rata* basis, or on a basis that results in the receipt by the Company or a Restricted Subsidiary of dividends or distributions of greater value than it would receive on a *pro rata* basis and (y) the aggregate amount of such dividends or distributions permitted by this exception (ii) does not exceed €500,000 per year; or

 (iii) any dividend or distribution payable solely in shares of Capital Stock (other than Disqualified Stock) of the Company or such Restricted Subsidiary;

(b) the purchase, repurchase, redemption, acquisition or retirement for value of any Capital Stock of the Company (other than from the Company or a Restricted Subsidiary) or any securities exchangeable for or convertible into any such Capital Stock, including the exercise of any option to exchange any Capital Stock of the Company (other than for or into Capital Stock of the Company that is not Disqualified Stock);

(c) the purchase, repurchase, redemption, acquisition or retirement for value from any direct or beneficial shareholder of the Company of any Capital Stock of any Restricted Subsidiary or any securities exchangeable for or convertible into any such Capital Stock, including the exercise of any option to exchange any Capital Stock of a Restricted Subsidiary (other than for or into Capital Stock of a Restricted Subsidiary that is not Disqualified Stock);

(d) the purchase, repurchase, redemption, acquisition or retirement for value, prior to the date for any scheduled maturity, sinking fund or amortization or other installment payment, of any Subordinated Obligation (other than the purchase, repurchase or other acquisition of any Subordinated Obligation purchased in anticipation of satisfying a scheduled maturity, sinking fund or amortization or other installment obligation, in each case due within one year of the date of acquisition or in exchange for Capital Stock of a Restricted Subsidiary); or

(e) any Investment (other than Permitted Investments) in any Person.

"**Restricted Subsidiaries**" means (a) any Subsidiary of the Company unless such Subsidiary shall have been designated an Unrestricted Subsidiary as permitted or required pursuant to the covenant described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" and (b) an Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary as permitted pursuant to such covenant.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to Property now owned or hereafter acquired whereby the Company or a Restricted Subsidiary transfers such Property to another Person and the Company or a Restricted Subsidiary leases it from such Person.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated by the Commission thereunder.

"**Senior Debt**" of any Person means:

(a) all obligations consisting of any amount (including the principal, premium, if any, and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company to the extent post-filing interest is allowed in such proceeding)) arising under or in respect of (i) Debt for borrowed money and (ii) Debt evidenced by notes, debentures, bonds or other similar instruments permitted under the Indenture;

(b) all Capital Lease Obligations and all Attributable Debt in respect of Sale and Leaseback Transactions;

(c) all obligations of any Person:

(i) for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction;

(ii) under Hedging Obligations; or

(iii) issued or assumed as the deferred purchase price of Property and all conditional sale obligations and all obligations under any title retention agreement permitted under the Indenture; and

(d) all obligations of other Persons of the type referred to in clauses (a), (b) and (c) above for the payment of which such Person is responsible or liable as Guarantor; *provided*, *however*, that Senior Debt shall not include:

(A) Debt that is by its terms subordinate or *pari passu* in right of payment to the Notes Proceeds Loans, any Senior Subordinated Debt or any Subordinated Obligations;

(B) any Debt Incurred in violation of the provisions of the Indenture;

(C) accounts payable or any other obligations to trade creditors created or assumed in the ordinary course of business in connection with the obtaining of materials or services (including Guarantees thereof or instruments evidencing such liabilities other than provided pursuant to Credit Facilities);

(D) any liability for federal, state, local, foreign or other taxes owed or owing;

(E) any obligation of the Company or any Restricted Subsidiary to any Restricted Subsidiary (other than obligations of the Company to any Restricted Subsidiary which represent amounts provided to such Restricted Subsidiary under Senior Debt which such Restricted Subsidiary has lent to the Company); or

(F) any obligations with respect to any Capital Stock of the Company.

"**Senior Facility**" means the senior bank facility, dated as of October 27, 2005, among Cableuropa and certain of its Subsidiaries, as guarantors and borrowers, a series of international banks as arrangers and Société Générale, London Branch, as Agent, as further amended, restated, augmented, modified, renewed, refunded, replaced, or refinanced in whole or in part from time to time.

"**Senior Secured Notes**" means the 8.875% Senior Secured Notes due 2018 issued by the Senior Secured Notes Issuer and outstanding on the Issue Date.

"**Senior Secured Notes Indenture**" means the indenture dated as of October 22, 2010 in respect of the Senior Secured Notes.

"**Senior Secured Notes Issuer**" means Nara Cable Funding Limited.

"**Senior Secured Tranche**" means the loans under an existing tranche of the existing Senior Facility pursuant to which the Senior Secured Notes Issuer loaned the proceeds of the Senior Secured Notes to Cableuropa.

"**Senior Subordinated Debt**" means, with respect to Cableuropa, the Notes Proceeds Loans and any other Debt of Cableuropa that specifically provides that such Debt is to rank *pari passu* with the Notes Proceeds Loans and is not subordinated by its terms to any other Debt or other obligation of Cableuropa which is not Senior Debt of Cableuropa; and

"**Senior Subordinated Debt**" of any Restricted Subsidiary or any other Subsidiary Guarantor shall have a correlative meaning.

"**Spanish Government Obligations**" means direct obligations (or certificates representing an ownership interest in such obligations) of the Kingdom of Spain (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the Kingdom of Spain is pledged and which are not callable or redeemable at the issuer's option.

"**Stated Maturity**" means, with respect to any Debt or security, the date specified in such Debt or security as the fixed date on which the payment of principal of such Debt or security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"**Subordinated Obligation"** means any Debt of any Notes Guarantor (whether outstanding on the Issue Date or thereafter Incurred) that is subordinate or junior in right of payment to the Notes Proceeds Loans or the applicable Notes Guarantee pursuant to a written agreement to that effect.

"**Subordinated Shareholder Indebtedness**" means subordinated indebtedness issued by the Company or any Restricted Subsidiary to any Holdco of the Company or any shareholder of or any Holdco of the Company that by its terms or pursuant to the terms of any subordination agreement to which it is subject:

(i) does not (including upon the happening of any event) mature and is not (including upon the happening of any event) mandatorily redeemable (other than through conversion into Capital Stock), pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part (other than through conversion into Capital Stock), and does not include any provision requiring re-purchase by the Company or any Restricted Subsidiary (including upon the happening of any event) prior to the date that is one year after the date on which the Notes mature;

(ii) does not (including upon the happening of any event) require or provide for the payment in cash or otherwise, of interest or any other amounts prior to its final Stated Maturity (*provided* that interest may accrete while such subordinated indebtedness is outstanding and accreted interest may become due upon acceleration of maturity as permitted by clause (iii) of this definition and any interest may be satisfied at any time by the issues to the holders thereof of additional Subordinated Shareholder Indebtedness);

(iii) does not provide (including upon the happening of any event) for the acceleration of its maturity or the exercise of remedies prior to the date that is one year after the date on which the Notes mature and are repaid other than by converting it into Capital Stock (other than Disqualified Stock);

(iv) is not secured by a Lien on any asset of the Company or any Restricted Subsidiary and is not Guaranteed by the Company or any Restricted Subsidiary;

(v) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes, the Notes Proceeds Loans or the Notes Guarantees;

(vi) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date that is one year after the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Stock); and

(vii) such Subordinated Shareholder Indebtedness shall be fully subordinated and junior in right of payment to the Notes Proceeds Loans and the Notes Guarantees pursuant to subordination, payment blockage and enforcement limitation terms.

"**Subsidiary**" means, in respect of any Person, any corporation, company (including any limited liability company), association, partnership, joint venture or other business entity of which a majority of the total voting power of the Voting Stock is at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more subsidiaries of such Person or (c) one or more subsidiaries of such Person.

"**Subsidiary Guarantee**" means a guarantee on the terms set forth in the Indenture by each Subsidiary Guarantor of the Issuer's obligations with respect to the Notes.

"**Subsidiary Guarantor**" means Cableuropa and any other Person that becomes a Notes Guarantor, other than the Parent Guarantor, pursuant to the covenant described under "—Certain Covenants—Future Subsidiary Guarantors."

"**Subsidized Loans**" means loans or other Credit Facilities provided by any national or regional public authority in Spain or the European Union, and any guarantee to secure such loans or Credit Facilities.

"**Telecommunications Business**" means (a) the business of operating or owning a license, authorization or concession to operate a cable or telephone or telecommunications (including Internet) system or service principally in the European Union and (b) any business reasonably related, ancillary or complementary thereto; *provided* that the determination of what constitutes a Telecommunications Business shall be made in good faith by the Board of Directors.

"**Temporary Cash Investments**" means any of the following:

(a) Investments in European Government Obligations or Spanish Government Obligations maturing within 365 days of the date of acquisition thereof;

(b) Investments in checking accounts, time deposit accounts, certificates of deposit and money market deposits maturing within 90 calendar days of the date of acquisition thereof issued by a bank or trust company organized under the laws of the United States of America or any state thereof or any foreign country recognized by the United States of America having capital, surplus and undivided profits aggregating in excess of €500.0 million and whose long-term debt is rated "A-3" or "A-" or higher according to Moody's or Fitch (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act));

(c) repurchase obligations with a term of not more than 30 calendar days for underlying securities of the types described in clause (a) entered into with (i) a bank meeting the qualifications described in clause (b) above or (ii) any primary government securities dealer reporting to the Market Reports Division of the Federal Reserve Bank of New York;

(d) Investments in commercial paper, maturing not more than 90 calendar days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any Investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to Fitch (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act); and

(e) direct obligations (or certificates representing an ownership interest in such obligations) of any state of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such state is pledged and which are not callable or redeemable at the issuer's option; *provided* that (i) the long-term debt of such state is rated "A-3" or "A-" or higher according to Moody's or Fitch (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act)) and (ii) such obligations mature within 180 calendar days of the date of acquisition thereof.

"**Treasury Rate**" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market date selected by the Company in good faith)) most nearly equal to the period from the redemption date to January 15, 2014; *provided, however*, that if the period from the redemption date to January 15, 2014, is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to January 15, 2014, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"**Trust Indenture Act**" means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Unrestricted Subsidiary**" means any Subsidiary or Affiliate of the Company that is designated after the Issue Date as an Unrestricted Subsidiary as permitted or required pursuant to the covenant described under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" and not thereafter redesignated as a Restricted Subsidiary as permitted pursuant thereto.

"**U.S. dollar**" or "**dollar**" means the lawful currency of the United States of America.

"**Voting Stock**" of any Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"**Wholly Owned Subsidiary**" means, at any time, a Restricted Subsidiary all the Voting Stock of which (except directors' qualifying shares) is at such time owned, directly or indirectly, by the Company and its other wholly owned Subsidiaries.

BOOK-ENTRY; DELIVERY AND FORM

General

Notes issued to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) will be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Note"). The Rule 144A Global Notes representing any Notes denominated in euros (the "Euro Rule 144A Global Notes") will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Rule 144A Global Notes representing any Notes denominated in U.S. dollars (the "Dollars Rule 144A Global Notes") will be deposited upon issuance with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC (or any other DTC nominee).

Notes issued outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Regulation S Global Notes representing any Notes denominated in euros (the "Euro Regulation S Global Notes" and, together with the Euro Rule 144A Global Notes, the "Euro Global Notes") will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Regulation S Global Notes representing any Notes denominated in U.S. dollars (the "Dollar Regulation S Global Notes" and, together with the Dollar Rule 144A Global Notes, the "Dollar Global Notes") will be deposited upon issuance with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC (or any other DTC nominee).

Ownership of interests in the Rule 144A Global Note (the "Restricted Book-Entry Interests") and ownership of interests in the Regulation S Global Note (the "Unrestricted Book-Entry Interests" and, together with the Restricted Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear, Clearstream or DTC, as applicable, or persons that hold interests through such participants.

Euroclear, Clearstream and DTC will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream or DTC, as applicable, and their respective participants. The laws of some jurisdictions, including some states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear, Clearstream or DTC, as applicable, will be considered the sole holder(s) of the Global Notes for all purposes under the indenture governing the Notes. In addition, participants must rely on the procedures of Euroclear, Clearstream or DTC, as applicable, and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders under the indenture governing the Notes. Neither we, the Principal Paying Agent, the Transfer Agent, the Registrar nor the Trustee will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and Additional Amounts, if any) will be made by us to the common depositary or its nominee for Euroclear and Clearstream (in the case of the Euro Global Notes) or to the custodian for DTC (in the case of the Dollar Global Notes). The common depositary or the custodian for DTC or their respective nominees will distribute such payments to participants in accordance with their procedures. Payments of all such amounts will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made by any applicable law or regulation of Luxembourg or otherwise as described under "*Description of the Notes—Additional Amounts*," then, to the extent described under "*Description of the Notes—Additional Amounts*," such Additional Amounts will be paid as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that payments by participants to owners of Book-Entry Interests held through those participants will be governed by standing customer instructions and customary practices. Under the terms of the indenture governing the Notes, we, the Principal Paying Agent, the Transfer Agent, the Registrar and the Trustee will treat the registered holder of the Global Notes (e.g., Euroclear, Clearstream or DTC (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Principal Paying Agent, the Transfer Agent, the Registrar the Trustee nor any of our or their respective agents have or will have any responsibility or liability for:

(1) any aspect of the records of Euroclear, Clearstream or DTC, as applicable, or of any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or for maintaining, supervising or

reviewing the records of Euroclear, Clearstream or DTC, as applicable, or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;

(2) Euroclear, Clearstream or DTC, as applicable, or any participant or indirect participant; or

(3) the records of the common depositary.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes will be paid to holders of interest in such Notes (the "Euroclear/Clearstream Holders") through Euroclear or Clearstream in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (the "DTC Holders") through DTC in U.S. dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in U.S. dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euros.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in U.S. dollars in accordance with Euroclear and/or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euros in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such holder's election to receive payments in sterling or euros. All costs of conversion resulting from any such election will be borne by such holder.

Action by Owners of Book-Entry Interests

Euroclear, Clearstream and DTC have advised us that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear, Clearstream or DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an Event of Default under the Notes, Euroclear, Clearstream or DTC reserve the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear, Clearstream and DTC will be effected in accordance with Euroclear's, Clearstream's and DTC's rules, as applicable and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear, Clearstream or DTC, as applicable, and in accordance with the procedures set forth in the indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth in "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Notice to Investors."

Transfer of Restricted Book-Entry Interests to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to such transfer restrictions. Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any Unrestricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the indenture governing the Notes) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the U.S. Securities Act.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of an Unrestricted Book-Entry Interest for a Restricted Book-Entry Interest in a Dollar Global Note will be carried out by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Unrestricted Global Note and a corresponding increase in the principal amount of the corresponding Restricted Global Note. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the indenture governing the Notes, owners of the Book-Entry Interests will receive Definitive Registered Notes only:

(1) if Euroclear or Clearstream (with respect to the Euro Global Notes) or DTC (with respect to the Dollar Global Notes) notifies us that it is unwilling or unable to continue to act and a successor is not appointed by us within 90 days; or

(2) if Euroclear or Clearstream (with respect to the Euro Global Notes) or DTC (with respect to the Dollar Global Notes) so requests following an Event of Default under the indenture governing the Notes.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

DTC has advised the Issuer that it is:

- a “banking organization” under New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations such as the Initial Purchasers. DTC’s owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with Euroclear and Clearstream participants, either directly or indirectly.

As DTC, Euroclear and Clearstream Banking can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream Banking systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited.

Trustee's Powers

In considering the interests of the holders of the Notes, while title to the Notes is registered in the name of a nominee for a clearing system, the Trustee, the Principal Paying Agent, the Transfer Agent and the Registrar may have regard to any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Notes and may consider such interests as if such accountholders were the holders of the Notes.

Enforcement

For the purposes of enforcement of the provisions of the Indenture governing the Notes against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture governing the Notes to the extent of the principal amounts of their interests in Notes set out in the certificate of the holder, as if they were themselves the holders of Notes in such principal amounts.

TAXATION

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium, if any, and sale or redemption of the Notes or any interest therein.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35% . The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium replaced this withholding tax with a regime of exchange of information to the Member State of residence as from January 1, 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On November 13, 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on April 24, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

Irish Taxation

The following is a summary based on the laws and practices currently in force in Ireland regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20%), is required to be withheld from payments of Irish source interest. However, an exemption from withholding on interest payments exists under Section 64 of the Taxes Consolidation Act, 1997 (the "1997 Act") for certain interest bearing securities issued by a body corporate (such as the Issuer) which are quoted on a recognized stock exchange (which would include the Luxembourg Stock Exchange) ("quoted Eurobonds").

Any interest paid on such quoted Eurobonds can be paid free of withholding tax provided:

1. the person by or through whom the payment is made is not in Ireland; or

2. the payment is made by or through a person in Ireland, and either:

2.1. the quoted Eurobond is held in a clearing system recognized by the Irish Revenue Commissioners (Euroclear, Clearstream Banking SA and Clearstream Banking AG are so recognized), or

2.2. the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to the person by or through whom the payment is made in the prescribed form.

So long as the Notes are quoted on a recognized stock exchange and are held in Euroclear, Clearstream Banking SA or Clearstream Banking AG, interest on the Notes can be paid by the Issuer and any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax.

If, for any reason, the quoted Eurobond exemption referred to above does not or ceases to apply, the Issuer can still pay interest on the Notes free of withholding tax provided it is a qualifying company within the meaning of Section 110 of the 1997 Act (a "Qualifying Company") and provided the interest is paid to a person resident in a member state of the European Union (other than Ireland) or in a country with which Ireland has signed a double taxation agreement (such a country being a "Relevant Territory"). For this purpose, residence is determined by reference to the law of the country in which the recipient claims to be resident. This exemption from withholding tax will not apply, however, if the interest is paid to a company in connection with a trade or business carried on by it through a branch or agency located in Ireland.

In certain circumstances, Irish tax will be required to be withheld at the standard rate from interest on any quoted Eurobond, where such interest is collected by a bank or other agent in Ireland on behalf of any holder of Notes who is Irish resident.

Taxation of Noteholders

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax. Interest paid on the Notes may have an Irish source and therefore be within the charge to Irish income tax and levies. Ireland operates a self assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

However, interest on the Notes will be exempt from Irish income tax if the recipient of the interest is resident in a Relevant Territory provided either (i) the Notes are quoted Eurobonds and are exempt from withholding tax as set out above (ii) in the event of the Notes not being or ceasing to be quoted Eurobonds exempt from withholding tax, if the Issuer is a Qualifying Company, or (iii) if the Issuer has ceased to be a Qualifying Company, the recipient of the interest is a company and the jurisdiction concerned imposes a tax that generally applies to interest receivable in that jurisdiction by companies from sources outside that jurisdiction.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Noteholders receiving interest on the Notes which does not fall within any of the above exemptions may be liable to Irish income tax on such interest.

Capital Gains Tax

A holder of Notes will be subject to Irish tax on capital gains on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time. Registered notes are generally regarded as situated where the principal register of noteholders is maintained or is required to be maintained, but the Notes may be regarded as situated in Ireland regardless of their physical location or the location of the register as they secure a debt due by an Irish resident debtor and they may be secured over Irish property. Accordingly, if such Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponer or the donee/successor.

Stamp Duty

Provided the Issuer remains a Qualifying Company no stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes whether they are represented by Global Notes or Definitive Notes (on the basis of an exemption provided for in Section 85(2)(c) to the Stamp Duties Consolidation Act, 1999 provided the money raised on the issue of the Notes is used in the course of the Issuer's business).

EU Savings Directive

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the "European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)".

Ireland has implemented the directive into national law. Any Irish paying agent making an interest payment on behalf of the Issuer to an individual, and certain residual entities defined in the 1997 Act, resident in another EU Member State and certain associated and dependent territories of a Member State will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

In November 2008 the European Commission proposed that a number of changes be made to the directive following a report on its operation since adoption. If any of these proposed changes are adopted they are likely to broaden the scope of the directive.

Spanish Taxation

The following summary sets forth the main Spanish tax consequences of the ownership and disposal of the Notes by a holder who beneficially owns the Notes and who is a corporation resident in Spain for tax purposes or a permanent establishment in Spain of a non-Spanish tax resident (each, a "Spanish holder"). The discussion below is based upon the provisions of the Spanish tax laws and regulations, the Spanish tax authorities practice and interpretation thereof as of the date of offering, and such provisions, practice and interpretation may be repealed, revoked or modified. Prospective investors considering the purchase, ownership or disposition of the Notes, should consult their own tax advisers regarding the Spanish tax consequences in their particular circumstances.

For the purposes of this section, we have assumed that the Issuer is a company resident for tax purposes in Ireland and for the purposes of the Spain/Ireland Tax Treaty (as defined below).

Spanish Holders

Interest on the Notes

Under Spanish law, interest collected by a Spanish holder of the Notes is subject either to the Corporate Income Tax ("*Impuesto sobre Sociedades*") or to the Non-Resident Income Tax ("*Impuesto sobre la Renta de no Residentes*"), as the case may be. In the event that such interest becomes subject to withholding tax in Ireland, as Irish source income, Spanish tax resident corporations would be entitled to a tax credit for the avoidance of double taxation when determining their tax liability, in accordance with the provisions of the Corporate Income Tax Law or the Treaty for the avoidance of double taxation executed between Spain and Ireland dated February 10, 2004 (the "Spain/Ireland Tax Treaty"). In addition, in accordance with the Non-Resident Income Tax Law, permanent establishments in Spain of non-Spanish tax residents would also be eligible for a tax credit to avoid double taxation with respect to any Irish withholding tax on interest payments.

Disposal of the Notes

As a general rule, a disposal, whether in the form of a transfer, redemption or reimbursement, of the Notes by a Spanish holder may give rise to a taxable income or an allowable loss for the purposes of either the Corporate Income Tax or the Non-Resident Income Tax, as the case may be. Some restrictions, however, may apply in the case of a permanent establishment in Spain of non-Spanish tax residents based on the nature of the permanent establishment.

The profit or loss arising from the disposal of the Notes for a Spanish holder shall be subject to either the Corporate Income Tax or to the Non-Resident Income Tax, as the case may be, at the relevant applicable tax rates.

Should for any reason a Spanish tax resident corporation be subject to tax in Ireland on the income it obtains upon the disposal of the Notes, it will be entitled to a tax credit for the avoidance of double taxation in accordance with the provisions of the Corporate Income Tax Law or the Spain/Ireland Tax Treaty. Moreover, permanent establishments in Spain of non-Spanish tax residents are eligible for a tax credit under the Non-Resident Income Tax Law to avoid double taxation with respect to any such Irish source income.

Expenses of Transfer

The transfer of the Notes is exempt in Spain from any Transfer Tax ("*Impuesto sobre Transmisiones Patrimoniales*") or Value Added Tax. Additionally, no Stamp Duty (*"Actos Jurídicos Documentados"*) is levied on such transfers.

Spanish Withholding Tax on the Notes

No withholding on account of Spanish taxes is levied in Spain on any income arising from Notes held by a Spanish holder if the Notes are traded on an OECD country official stock market. However, the financial institution (if resident in Spain or acting through a permanent establishment in Spain) acting as paying agent or intervening in any transfer, redemption or refund of the Notes will be obliged to calculate the taxable income of the Spanish holder arising from the relevant transaction and to report such income to the Spanish holder and to the Spanish tax authorities. In addition, the financial institution must provide the Spanish tax authorities with information regarding the persons participating in the transaction.

If the Notes are not traded on an OECD country official stock market and the Notes are deposited with or managed by a financial institution resident in Spain, or acting through a permanent establishment in Spain, in accordance with the Spanish tax laws in force, such financial institution, acting as depositary or manager of such Notes, will be responsible for making the relevant Spanish withholding on account of tax on any payment to a Spanish holder deriving from the Notes. It should be noted that the financial institution acting as depositary or manager of the Notes may become obliged to comply with the formalities contained in the Spanish Corporate Income Tax Regulations (approved by Royal Decree 1777/2004, of July 30, as amended) when intervening in the repayment and/or transfer of the Notes.

If Spanish withholding tax would be imposed as a result of the connection between the Spanish holder and the Kingdom of Spain, such Spanish holder would not be entitled to the payment of Additional Amounts. See "*Description of the Notes—Additional Amounts*" for more information on the Issuer's and Cableuropa's obligation to pay Additional Amounts.

U.S. Taxation

General

The discussion of U.S. tax matters set forth in this offering memorandum is not intended or written to be used, and cannot be used by any person, for the purpose of avoiding U.S. federal tax, state or local penalties, and was written to support the promotion or marketing of the offering. Each taxpayer should seek advice based on such person's particular circumstances from an independent tax adviser.

The following summary contains a description of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes acquired for cash at original issuance at a price equal to their issue price (the first price at which a substantial amount of the Notes are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). This summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In particular, this summary of U.S. federal income tax matters deals only with holders that will hold the Notes as capital assets for U.S. federal income tax purposes (generally, assets held for investment) and does not address special tax situations, such as the U.S. federal income tax treatment of holders that are (i) subject to special tax rules (e.g., financial institutions, banks, securities or currency dealers, brokers, insurance companies, regulated investment companies, tax-exempt organizations, securities traders that elect mark-to-market tax accounting, certain U.S. expatriates and persons subject to alternative minimum tax), (ii) holding Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction or (iii) "U.S. Holders" (as defined below) with a currency other than the U.S. dollar as their functional currency.

This summary is based upon the U.S. Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), the Treasury regulations issued thereunder and official interpretations thereof, each as in effect on the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect. Prospective purchasers of the Notes should consult their own tax advisers as to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, in addition to the effect of any state or local tax laws or tax laws of any jurisdiction other than the United States.

As used herein, a "U.S. Holder" means a beneficial owner who is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States or of any State (including the District of Columbia), (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or of any State, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source and (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust or if the trust has made a valid election under Treasury regulations to be treated as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership that holds Notes, the Holder is urged to consult its own tax adviser regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

Tax Treatment of the Notes

Characterization of the Notes; Passive Foreign Investment Company Treatment. The Issuer intends to characterize the Notes as indebtedness for U.S. federal income tax purposes. This summary is based upon the assumption that the Notes will be characterized as indebtedness for U.S. federal income tax purposes. Prospective purchasers should recognize, however, that there is some uncertainty regarding the appropriate characterization of instruments such as the Notes, and no rulings have been or will be sought from the IRS with respect to the appropriate characterization of the Notes for U.S. federal income tax purposes. It is possible that the IRS might contend that the Notes should be treated not as indebtedness but as equity interests in ONO Finance II for U.S. federal income tax purposes. Any such recharacterization might result in material adverse consequences to U.S. Holders of the Notes, including possible application of the passive foreign investment company (''PFIC'') rules. In the event that the PFIC rules apply to the Notes, a U.S. Holder would be required to pay an interest equivalent charge together with tax calculated at maximum ordinary income rates (rather than capital gains) on gain realized on the disposition of a Note or on certain increased interest payments with respect to a Note and comply with additional annual reporting requirements. Prospective purchasers of the Notes should consult their own tax advisers about the consequences in the event that the Notes are treated as equity for U.S. federal income tax purposes.

Payments of Interest. This discussion assumes that the Notes will be issued with no more than a de minimis amount of original issue discount for U.S. federal income tax purposes. Stated interest on the Notes (including any Additional Amounts) will be includible in a U.S. Holder's gross income as ordinary interest income upon receipt or as it accrues in accordance with such U.S. Holder's usual method (cash or accrual) of tax accounting.

In the case of stated interest received on a euro-denominated Note, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the euro received on the date of receipt. If a cash method U.S. Holder disposes of any euros received on the date of receipt, then such holder generally will not have any exchange gain or loss.

The amount of stated interest recognized by an accrual basis U.S. Holder of a euro-denominated Note will be determined for any accrual period in euro and then translated into U.S. dollars using the average U.S. dollar-euro exchange rate in effect for the accrual period (or, with respect to an accrual period that spans two taxable years, using the average exchange rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder can elect to translate stated interest at the spot rate on the last day of the accrual period (and, in the case of a partial accrual period, the spot rate on the last day of the accrual period in the taxable year) or on the date the interest payment is received if such date is within five business days of the end of the accrual period. A U.S. Holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in euro, the accrual basis U.S. Holder will recognize U.S. source exchange gain or loss, taxable as ordinary income or loss, in an amount equal to the difference if any between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Interest on the Notes (including any Additional Amounts) constitutes income from sources outside the United States for foreign tax credit purposes. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Sale, Exchange, Retirement or other Disposition of a Note. A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement or other disposition of a Note in an amount equal to the difference between the U.S. dollar value of the amount realized upon such sale, exchange, retirement or other disposition (other than amounts attributable to accrued and unpaid interest, which will be treated like a payment of interest and be accounted for in the manner described above under "Payments of Interest") and such U.S. Holder's adjusted tax basis in the Note. Any gain or loss (other than foreign currency gain or loss described below) will be capital gain or loss and generally will be long-term capital gain or loss if the Note is held for more than one year. Under current law, net long-term capital gains of a noncorporate U.S. Holder are, under certain circumstances, taxed at lower U.S. federal income tax rates than are items of ordinary income. The deductibility of capital losses by a U.S. Holder, however, is subject to significant limitations.

A U.S. Holder will recognize U.S. source exchange rate gain or loss, taxable as ordinary income or loss, on the sale or retirement of a euro-denominated Note equal to the difference, if any, between the U.S. dollar value of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale, exchange, retirement or other disposition and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realized only to the extent of total gain or loss realized on the sale, exchange, retirement or other disposition.

Gain or loss realized on the sale, exchange, retirement or other disposition of a Note (including foreign currency gain or loss) generally will be treated as U.S. source income or loss for foreign tax credit purposes.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments of principal, and interest on the Notes and the proceeds from the sale, exchange or other disposition of the Notes unless the U.S. Holder establishes that it is exempt under the information reporting rules. If information reports are required to be made, a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any filing or reporting requirements that may apply to their purchase, ownership and disposition of Notes, including reporting that may be required if they have significant losses with respect to the Notes.

ERISA AND OTHER CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of Notes by (i) employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (iii) any plan, account or arrangement (including, without limitation, governmental and non-U.S. plans) that, while not subject to Title I of ERISA or Section 4975 of the Code, is subject to similar provisions of any federal, state, local, non-U.S. or other law, rule or regulation (collectively, "Similar Law"), and (iv) entities whose underlying assets are considered to include "plan assets" (within the meaning of ERISA or Similar Law) of any such plans, accounts and arrangements described in (i), (ii) or (iii) (each, a "Plan"). This summary is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any employee benefits plan, consult with their own counsel to determine whether such employee benefits plan is subject to Title I of ERISA, Section 4975 of the Code or any other Similar Law, in which case you may be prohibited from purchasing, acquiring or holding the Notes.

In analyzing these considerations with your own counsel, prospective purchasers of the Notes should consider, among other things, that (i) the Notes may be treated as equity for federal income tax purposes, see "*Taxation—United States Taxation,*" (ii) it is not clear whether the Notes would be treated as an "equity interest" by the Plan Asset Regulations (as defined below), and (iii) it is not clear whether the Notes would be treated as issued by the Issuer, ONOMidco, Cableuropa, or another entity related to the Issuer, ONOMidco or Cableuropa.

General Fiduciary Considerations

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an "ERISA Plan") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation, direct or indirect, to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

When considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any other Similar Law relating to the fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other Similar Law.

Prohibited Transaction Considerations

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of Section 3(14) of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption or exception is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The acquisition or holding of the Notes by an ERISA Plan with respect to which we and any of our affiliates are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory or administrative exemption or exception. In this regard, the U.S. Department of Labor (the "DOL") has issued prohibited transaction class exemptions ("PTCEs") that may apply to the acquisition and holding of the Notes. These exemptions include, without limitation, PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house asset manager) and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code could provide relief from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that any of the PTCEs or any other exemption or exception will be available with respect to any particular transaction involving the Notes, or that, if any of the PTCEs or another exemption or exception is available, it will cover all aspects of any particular transaction.

Because of the foregoing, the Notes should not be purchased, held or disposed of by any Plan or any person acting on behalf of any Plan, unless (i) such Plan or person has obtained the written approval of the Issuer to subscribe for and

purchase the Notes in the offering directly from the Initial Purchasers and (ii) such purchase, holding or disposition, as applicable, would not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any other Similar Law.

Plan Asset Considerations

Regulations promulgated under ERISA by the DOL, as modified by Section 3(42) of ERISA (together, the "Plan Asset Regulations"), provide that when an ERISA Plan acquires an "equity interest" in an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the U.S. Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by "benefit plan investors" is not "significant" or that the entity is an "operating company," in each case as defined in the Plan Asset Regulations. For purposes of the Plan Asset Regulations, equity participation in an entity by benefit plan investors will not be significant if benefit plan investors hold, in the aggregate, less than 25% of the value of each class of equity interests of such entity, excluding equity interests held by any person (other than a benefit plan investor) who has discretionary authority or control with respect to the assets of the entity or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such person. For purposes of this 25% test, "benefit plan investors" include ERISA Plans and any entity whose underlying assets include, or are deemed to include, their "plan assets" by reason of such ERISA Plan's investment in the entity under the Plan Asset Regulations, but exclude governmental and non-U.S. plans.

While it is not clear whether the Notes would be treated as an "equity interest" by the Plan Asset Regulations and whether the Notes would be treated as issued by the Issuer, ONOMidco, Cableuropa, or another entity related to the Issuer, ONOMidco or Cableuropa, the Notes may also be classified as equity for federal income tax purposes, see "*Taxation—United States Taxation,"* and therefore there exists the risk that the Notes will be treated as an "equity interest" for Plan Asset Regulations purposes. In addition, it is anticipated that (i) the Notes will not constitute "publicly offered securities" for purposes of the Plan Asset Regulations, (ii) we will not be an investment company registered under the Investment Company Act, (iii) we will not qualify as an operating company within the meaning of the Plan Asset Regulations and (iv) we will not be able to monitor whether investment in the Notes by benefit plan investors will be "significant" for purposes of the Plan Asset Regulations after their offering to the Initial Purchasers.

If our assets were deemed to be "plan assets" of an ERISA Plan holding the Notes, this would result in, among other things, (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by us, and (ii) the possibility that certain transactions that we might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the Code and might have to be rescinded.

Because of the foregoing, the Notes may not be purchased by, transferred to or otherwise held by any Plan or any person acting on behalf of any Plan, except that such a Plan or person may notify the Issuer of such fact in writing and, with the Issuer's written approval, shall be permitted to subscribe for and purchase the Notes in the offering directly from the Initial Purchasers. Any Plan that purchases the Notes in accordance with the immediately preceding sentence, and any successor to any such Plan, shall be referred to herein as an "Approved Plan." In no case, however, shall benefit plan investors be authorized by the Issuer to subscribe for and purchase, in the aggregate, 25% or more of any class of equity interests of the Issuer. Any purported purchase, transfer or holding in violation of these limitations will be void. If such purchase or transfer is not treated as being void for any reason, the Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the Plan will acquire no right in the Notes.

Representations

Accordingly, each purchaser and holder of the Notes (or any interest therein) will be deemed to have represented (and will be required to represent in writing, in the case of an Approved Plan) that (A) either (i) it is not a Plan and is not acting on behalf of any Plan, or (ii) (1) it is an Approved Plan, and (2) its purchase, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or under any other Similar Law for which an exemption is not available, and (B) it will not transfer the Notes to any transferee that is a Plan or any person acting on behalf of any Plan.

Any purported purchase, transfer or holding in violation of these representations will be void. If such purchase or transfer is not treated as being void for any reason, the Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Notes.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the Initial Purchasers named on page (x) under *"Presentation of Financial and Other Data"*. Subject to the terms and conditions contained in the purchase agreement among the Issuer, the Company and the Initial Purchasers dated the date of this offering memorandum, the Initial Purchasers have agreed to purchase, and the Issuer has agreed to sell, all of the Notes. The purchase agreement with respect to the Notes provides that the obligations of the Initial Purchasers to purchase and accept delivery of the Notes are subject to the approval by their counsel of certain legal matters and to certain other conditions.

The purchase price for the Notes is the initial offering price set forth on the cover page of this offering memorandum less an initial purchaser discount. The Initial Purchasers propose to offer the Notes at the initial offering price. After the Notes are released for sale, the Initial Purchasers may change the offering price and other selling terms.

The Notes have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of any Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the U.S. Securities Act.

The Notes were delivered against payment therefor on January 28, 2011, which was the fifth business day following the date of pricing (such settlement cycle being referred to as "T+5").

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. These activities by the Initial Purchasers may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

Each Initial Purchaser also agrees that: (1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from, or otherwise involving the United Kingdom; and (2) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us.

Selling Restrictions

Each Initial Purchaser has severally and not jointly represented, warranted and agreed that:

- it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Irish European Communities (Markets in Financial Instruments) Regulations 2007, including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

- it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

- it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland; and

- it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

No action has been taken in any jurisdiction, including the United States, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering materials or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to purchase or a solicitation of an offer to sell in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this offering memorandum and resale of the Notes. See "*Notice to Investors*".

The Issuer and the Company have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act. The Company will pay the fees and expenses related to this offering.

The Initial Purchasers or their affiliates have from time to time performed certain investment banking and other financial services for us and our affiliates in the ordinary course of business, for which they received customary fees and reimbursement of certain expenses. Certain Initial Purchasers or their affiliates are lenders under our Senior Facility, which will be partially repaid from the proceeds of the Notes Proceeds Loans, and shareholders of GCO. In particular, an affiliate of J.P. Morgan Securities Ltd., CCMP, owns 14.996% of the share capital of GCO, and Tom Walker, one of our directors, is a Senior Member of CCMP. See "*Shareholders and Beneficial Owners*" and "*Management*". In addition, the Initial Purchasers and their affiliates may in the future provide investment banking or other financial services to us, for which they will receive customary fees.

NOTICE TO INVESTORS

The Notes have not been registered under the U.S. Securities Act and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except to (a) qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) that are also qualified purchasers (as defined in Section 2(a)(51) of the Investment Company Act of 1940) in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer and also a qualified purchaser, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Notes for its own account or for the account of a qualified institutional buyer that is also a qualified purchaser or (B) is not a U.S. person and is purchasing the notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the U.S. Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the notes, such notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer and a qualified purchaser in a transaction meeting the requirements of Rule 144A, and (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser (A) either (i) is not acquiring or holding the Notes (or any interest therein) for or on behalf of (1) any "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, (2) any "plan" as described in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (3) any plan, account or arrangement that, while not subject to Title I of ERISA or Section 4975 of the Code, is subject to similar provisions of any federal, state, local, non-U.S. or other law, rule or regulation (collectively, "Similar Law"), or (4) any entity whose underlying assets constitute "plan assets" (within the meaning of ERISA or any other Similar Law) of any plan, account or arrangement described in (A)(i)(1)-(3), or (ii) (1) has received written approval from the Issuer to subscribe for and purchase Notes in the offering directly from the Initial Purchasers and (2) its purchase, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any other Similar Law, and (B) will not transfer the Notes to any plan, account or arrangement or entity described in (A)(i)(1)-(4) or any person acting on behalf of such a plan, account or arrangement or entity.

(4) The purchaser understands that the Notes will bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS THAT ARE ALSO QUALIFIED PURCHASERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT IS ALSO A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT OF 1940) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

THE HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN) SHALL BE DEEMED TO REPRESENT, COVENANT AND AGREE THAT (A) EITHER (I) IT IS NOT ACQUIRING OR HOLDING THIS NOTE (OR ANY INTEREST HEREIN) FOR OR ON BEHALF OF (1) ANY "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")) THAT IS SUBJECT TO TITLE I OF ERISA, (2) ANY "PLAN" AS DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (3) ANY PLAN, ACCOUNT, OR ARRANGEMENT THAT, WHILE NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, IS SUBJECT TO SIMILAR PROVISIONS OF ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAW, RULE OR REGULATION (COLLECTIVELY, "SIMILAR LAW"), OR (4) ANY ENTITY WHOSE UNDERLYING ASSETS CONSTITUTE "PLAN ASSETS" (WITHIN THE MEANING OF ERISA OR ANY OTHER SIMILAR LAW) OF ANY PLAN, ACCOUNT OR ARRANGEMENT DESCRIBED IN (A)(I)(1)-(3), OR (II) (1) IT HAS RECEIVED WRITTEN APPROVAL FROM THE ISSUER TO SUBSCRIBE FOR AND PURCHASE NOTES IN THE OFFERING DIRECTLY FROM THE INITIAL PURCHASERS, AND (2) ITS PURCHASE, HOLDING OR DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA, SECTION 4975 OF THE CODE OR ANY OTHER SIMILAR LAW, AND (B) IT WILL NOT TRANSFER THIS NOTE TO ANY PLAN, ACCOUNT OR ARRANGEMENT OR ENTITY DESCRIBED IN (A)(I)(1)-(4) OR ANY PERSON ACTING ON BEHALF OF SUCH A PLAN, ACCOUNT OR ARRANGEMENT OR ENTITY.

(5) The purchaser acknowledges that neither the Issuer, the Initial Purchaser nor any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. The purchaser acknowledges that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. The purchaser has had access to such financial and other information concerning the Issuer and the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

LEGAL MATTERS

The validity of the Notes and certain other matters relating to the offering will be passed upon for ONO Finance II, ONOMidco and Cableuropa by Clifford Chance LLP (with respect to New York and United States Federal law), by Clifford Chance, S.L. (with respect to Spanish law) and by A&L Goodbody (with respect to Irish law). Certain legal matters relating to the offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP (with respect to New York and United States Federal law) and Uría Menéndez Abogados, S.L.P. (with respect to Spanish law).

INDEPENDENT AUDITORS

ONOMidco's Audited Financial Statements as of December 31, 2008 and 2009 and for the years ended December 31, 2008 and 2009 included in this offering memorandum have been audited by PricewaterhouseCoopers Auditores, S.L., independent accountants, as stated in their report appearing herein.

ONO Finance II's Audited Financial Statements as of December 31, 2008 and 2009 and for the years ended December 31, 2008 and 2009 included in this offering memorandum have been audited by PricewaterhouseCoopers, chartered accountants, as stated in their report appearing herein.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

The Issuer is incorporated in Ireland and its board members and executive officers reside in Ireland or other countries outside the United States. ONOMidco and Cableuropa are incorporated in Spain and their board members and executive officers reside in Spain or other countries outside the United States. Substantially all of the Issuer's, ONOMidco's and Cableuropa's assets and the assets of their respective board members and executive officers are located outside the U.S. Consequently, it may not be possible for investors:

- to effect service of process within the U.S. on us or on such persons; or
- to enforce against them judgments of U.S. courts based on the civil liability provisions of U.S. federal or state securities laws.

We have been advised by A&L Goodbody, the Issuer's Irish counsel, that:

- subject to various conditions and exceptions, a final judgment for a definite sum of money obtained in the federal or state courts of New York based upon the civil liability provisions of the federal securities laws of the U.S. generally would be accepted by Irish courts; and
- subject to various conditions and exceptions, the Irish courts would give effect to the provisions of agreements governed by and construed in accordance with the laws of the State of New York.

We have been advised by Clifford Chance, S.L., ONOMidco's and Cableuropa's Spanish counsel, that the United States and Spain are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments. In the absence of any such treaty or proof that similar Spanish judgments are not recognized and enforced in the jurisdiction rendering the judgment (in which case the judgment will not be recognized in Spain), such judgment will be recognized and enforced in Spain provided that it meets the following requirements:

(i) the judgment must be final, translated into Spanish and apostilled;

(ii) the judgment shall not be contrary to Spanish public policy;

(iii) there shall not be a pending proceeding between the same parties and in relation to the same issues in Spain;

(iv) there shall not be a judgment rendered between the same parties and for the same cause of action in Spain or in another country provided that in this latter case the judgment has been recognized in Spain;

(v) where rendering the judgment, the courts rendering it must have not infringed an exclusive ground of jurisdiction provided for in Spanish law or have based their jurisdiction on exorbitant grounds;

(vi) the rights of defense of the defendant should have been protected where rending the foreign judgment, including but not limited to a proper service of process carried out with sufficient time for the defendant to prepare its defense and appear before the courts;

(vii) the legal action has to be taken with acknowledgment and appearance of the defendant in the proceeding; and

(viii) the obligation that the petitioner tries to execute has to be lawful in Spain.

The Issuer and the Guarantors have agreed that any suit, action or proceeding arising out of or based upon the Indenture, the Notes or the Guarantees may be instituted in any Federal or state court located in New York City, and the Issuer and the Guarantors have appointed CT Corporation System as their agent for service of process in any such suit, action or proceeding.

GENERAL INFORMATION

1. We have made an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted for trading on the Luxembourg Stock Exchange's Euro MTF market in accordance with the rules and regulations of that exchange. The issuance of the Notes was authorized by the Issuer, and the Guarantees were authorised by the Guarantors, on January 28, 2011.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF market, copies of our Articles of Association and the Indenture (which includes the Guarantees) will be available free of charge at the specified office of the Paying Agent in Luxembourg referred to in paragraph 5 below. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF market and the rules of such exchange shall so require, copies of all ONOMidco's annual financial statements and those for all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of such Paying Agent.

3. The address of ONO Finance II is Block C, Second Floor, Maynooth Business Campus, Maynooth, Co. Kildare, Ireland. The address of Cableuropa and ONOMidco is Edificio Belagua, Calle Basauri 7-9, Urbanización La Florida, 28023 Aravaca, Madrid, Spain.

4. ONO Finance II was incorporated on January 19, 2006 under the laws of Ireland as a public limited company with registered number 414099. ONOMidco was incorporated on May 3, 2006, by means of a public deed granted before the Notary Public of Madrid, Mr. Francisco Javier Cedrón López-Guerrero, under the number 1,139 in the notary's official records and registered with the Commercial Registry of Madrid at book 22,717, sheet 1, section 8th, page M-406404, 1st record, and with NIF number A84699024. Cableuropa, S.A.U. was incorporated on February 9, 2000, by means of a public deed granted before the Notary Public of Barcelona, Mr. Antonio López Carón y Carón, under the number 700 in the notary's official records and registered with the Commercial Registry of Madrid at book 22,913, sheet 162, page M-410376, 32nd record, and with NIF number A-62186556.

5. The Bank of New York Mellon (Luxembourg) S.A. will act as the Issuer's Paying Agent in Luxembourg.

6. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published either in a Luxembourg newspaper of general circulation or via the website of the Luxembourg Stock Exchange (www.bourse.lu). Copies of this offering memorandum will be made available for inspection and/or collection at the office of the Luxembourg Paying Agent referred to in paragraph 5 above.

7. Throughout the term of the Notes and from the date hereof, copies of (i) the Memorandum of Association and Articles of Association of ONO Finance II, ONOMidco and Cableuropa, (ii) ONOMidco's most recent audited annual consolidated financial statements and its the most recent quarterly unaudited interim consolidated financial statements and (iii) the most recent audited annual financial statements of ONO Finance II may be obtained free of charge at the office of Cableuropa, Edificio Belagua, Calle Basauri 7-9, Urbanización La Florida 208023 Aravaca, Madrid, Spain.

8. Except as disclosed in this offering memorandum, since September 30, 2010, there has been no material adverse change in the consolidated financial position of ONO Finance II or the ONO Group.

9. Except as disclosed in this offering memorandum, neither ONO Finance II nor ONOMidco nor Cableuropa is involved in, nor has any knowledge of a threat of, any litigation, administrative proceedings or arbitration which is or may be material in the context of the issue of the Notes.

10. The Euro Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 058438944 and 058438952, respectively. The ISIN number for the Euro Notes sold pursuant to Regulation S is XS0584389448 and the ISIN number for the Euro Notes sold pursuant to Rule 144A is XS0584389521.

    The Dollar Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of DTC under common codes 058550850 and 058550515, respectively. The ISIN number for the Dollar Notes sold pursuant to Regulation S is USG6751UAB01 and the ISIN number for the Dollar Notes sold pursuant to Rule 144A is US67102BAA98. The CUSIP number for the Dollar Notes sold pursuant to Regulation S is G6751U AB0 and the CUSIP number for the Dollar Notes sold pursuant to Rule 144A is 67102B AA9.

WHERE YOU CAN FIND MORE INFORMATION

Each purchaser of Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

1. such person has been afforded an opportunity to request from us and the Issuer and to review, and has received from us and the Issuer, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

2. such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decisions; and

3. except in each case as provided pursuant to (i) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein, and if given or made, such other information or representation should not be relied upon as having been authorized by us, the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(A)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request to the Company of any such holder or beneficial owner.

Neither we nor the Issuer are currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, we and the Issuer will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports to Holders*".

So long as the Notes are admitted to trading on the Euro MTF market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of the Issuer's organizational documents, the Indenture and our most recent published consolidated financial statements of ONOMidco, will also be available for review during the normal business hours on any business day at the specified office of the Paying Agent in Luxembourg.

In addition, certain other documents shall be available for inspection or may be obtained free of charge at our office. See "*General Information*".

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ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2010 AND 31 DECEMBER 2009
(Thousands of Euros)

ASSETS

	Note	30 September 2010(*)	31 December 2009
NON-CURRENT ASSETS		**5,433,552**	**5,612,568**
Intangible assets	3	105,111	112,267
Property, plant and equipment	3	4,226,712	4,339,510
Non-current investments in group and associated companies		2,895	3,060
Non-current financial investments	4.a	6,782	6,540
Deferred tax assets		1,092,052	1,151,191
CURRENT ASSETS		**262,131**	**385,335**
Assets classified as held for sale	10	14,907	14,907
Inventories		2,235	2,210
Trade and other receivables	4.a	117,372	119,423
Current financial investments	4.a	17,889	5,122
Prepayments and accrued income		4,319	5,883
Cash and cash equivalents		105,409	237,790
TOTAL ASSETS		**5,695,683**	**5,997,903**

NET EQUITY AND LIABILITIES

	Note	30 September 2010(*)	31 December 2009
Equity		**1,346,485**	**1,188,050**
Capital	6.a	131,464	131,464
Reserves		125,795	125,795
Prior years losses		(31,927)	(88,686)
Shareholders contributions	6.b	1,087,718	962,718
Result for the period		33,435	56,759
Changes in value adjustments		**(3,795)**	**(38,336)**
Hedging transactions	4.b	(3,795)	(38,336)
Grants, donations and legacies received		**797**	**1,166**
Minority interests		**3,830**	**3,450**
TOTAL NET EQUITY		**1,347,317**	**1,154,330**
NON-CURRENT LIABILITIES		**3,712,519**	**3,665,166**
Long-term provisions	7	96,489	119,649
Long-term debt	4.b	3,615,404	3,544,729
Deferred tax liabilities		341	500
Deferred income		285	288
CURRENT LIABILITIES		**635,847**	**1,178,407**
Short-term provisions	7	32,370	32,864
Short-term debt	4.b	143,282	686,552
Amounts payable to group companies, associated and related	4.b	5,978	13,019
Trade and other payables	4.b	353,430	393,678
Deferred income	5	100,787	52,294
TOTAL EQUITY AND LIABILITIES		**5,695,683**	**5,997,903**

(*) Unaudited

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009
(Thousands of Euros)

	Note	Nine month periods ended 30 September	
		2010(*)	2009(*)
Net Revenue	8	1,103,119	1,140,303
Cost of sales		(233,290)	(259,743)
Work carried out by the group for its assets		49,322	45,176
GROSS MARGIN		**919,151**	**925,736**
Staff Costs		(122,507)	(128,643)
Other operating expenses		(259,261)	(254,040)
Depreciation and amortisation	3	(289,325)	(293,013)
Impairments and gains or losses on assets disposals		1,211	(1,603)
CONSOLIDATED OPERATING PROFIT		**249,269**	**248,437**
Finance income		1,433	3,178
Interest expense		(158,494)	(174,737)
Other financial charges		(13,378)	(15,262)
Impairment and results from financial instruments disposals		—	3,475
CONSOLIDATED NET FINANCIAL LOSS		**(170,439)**	**(183,346)**
CONSOLIDATED PROFIT BEFORE INCOME TAX		**78,830**	**65,091**
Income tax		**(45,015)**	**(22,425)**
Result attributable to minority interests		**(380)**	**(843)**
PROFIT FOR THE PERIOD		**33,435**	**41,823**

(*) Unaudited

The above consolidated income statement should be read in conjunction with the accompanying notes.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009
(Thousands of Euros)

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009

(Thousands of Euros)

	30 September 2010(*)	30 September 2009(*)
A) Profit for the period	**33,435**	**41,823**
Income and expenses recognised directly in equity		
Cash-flow hedges	49,345	(3,596)
Tax effect	(14,804)	1,079
B) Total income and expenses recognised directly in equity	**34,541**	**(2,517)**
Transfers to the consolidated income statement		
Grants, donations and legacies received	(528)	(528)
Tax effect	159	159
C) Total transfers to the consolidated income statement	**(369)**	**(369)**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSES FOR THE PERIOD	**67,607**	**38,937**

(*) Unaudited

The above consolidated statement of recognised income and expenses should be read in conjunction with the accompanying notes.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY—(Continued)
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009
(Thousands of Euros)

B) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009

(Thousands of Euros)

	Capital	Share Premium	Reserves	Other shareholder's contributions	Prior year losses	Result for the nine months	Changes in value adjustments	Grants, donations and legacies received	Minority interests	Total
BALANCE AT 1 JANUARY 2009	**262,902**	**23,852**	**125,795**	**955,000**	**(221,484)**	**(22,492)**	**(48,868)**	**1,976**	**7,150**	**1,083,831**
Total recognised income and expense	—	—	—	—	—	41,823	(2,517)	(369)	—	38,937
Other variations in consolidated equity	—	—	—	—	(22,492)	22,492	—	—	—	—
Transactions with equity-holders	—	—	—	—	—	—	—	—	—	—
—Shareholders contributions (note 6)	—	—	—	7,718	—	—	—	—	—	7,718
—Minority interests	—	—	—	—	—	—	—	—	843	843
BALANCE AT 30 SEPTEMBER 2009(*)	**262,902**	**23,852**	**125,795**	**962,718**	**(243,976)**	**41,823**	**(51,385)**	**1,607**	**7,993**	**1,131,329**
BALANCE AT 1 JANUARY 2010	**131,464**	**—**	**125,795**	**962,718**	**(88,686)**	**56,759**	**(38,336)**	**1,166**	**3,450**	**1,154,330**
Total recognised income and expense	—	—	—	—	—	33,435	34,541	(369)	—	67,607
Other variations in consolidated equity	—	—	—	—	56,759	(56,759)	—	—	—	—
Transactions with equity-holders										
—Shareholders contributions (note 6)	—	—	—	125,000	—	—	—	—	—	125,000
—Minority interests	—	—	—	—	—	—	—	—	380	380
BALANCE AT 30 SEPTEMBER 2010(*)	**131,464**	**—**	**125,795**	**1,087,718**	**(31,927)**	**33,435**	**(3,795)**	**797**	**3,830**	**1,347,317**

(*) Unaudited

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED STATEMENT OF CASH-FLOWS
FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER 2010 AND 2009
(Thousands of Euros)

	Nine month periods ended 30 September	
	2010(*)	**2009(*)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Result for the nine month period before tax	**78,830**	**65,091**
Adjustments to the result for the year	**458,553**	**478,323**
Fixed Asset Depreciation	289,325	293,013
Fixed Assets Disposals	(1,211)	1,603
Finance Income	(1,433)	(6,653)
Finance Expense	171,872	189,999
Other adjustments	—	361
Changes in working capital	**(33,460)**	**(152,527)**
Inventories	2,226	5,558
Debtors and other receivables	44,864	(33,061)
Creditors and other payables	(52,921)	(53,453)
Other current liabilities	(27,629)	(71,571)
Other cash flows from operating activities	**(229,326)**	**(222,466)**
Payment/proceeds of interest	(229,326)	(222,466)
	274,597	**168,421**
CASH FLOWS FROM INVESTING ACTIVITIES		
Outflows on investments:	**(169,888)**	**(150,462)**
Tangible/Intangible assets	(169,888)	(150,462)
Inflows from disinvestments:	**5,808**	**1,079**
Tangible/Intangible assets	261	1,079
Assets held for sale	5,547	—
Cash flows from other financial assets	**(12,784)**	**74**
	(176,864)	**(149,309)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments from equity instruments	**125,000**	**—**
Proceeds and payments from financial liability instruments	**(355,114)**	**(122,116)**
Senior Bank Facility	(197,559)	—
Other credit lines	(73,708)	(30,410)
Subsidised loans	(11,049)	(13,098)
Other debts	(1,331)	(7,141)
Deferred Payment from Auna	(71,467)	(71,467)
	(230,114)	**(122,116)**
NET INCREASE/DECREASE IN CASH & CASH EQUIVALENTS	**(132,381)**	**(103,004)**
Cash or cash equivalents at beginning of the period	237,790	341,549
Cash or cash equivalents at end of the period	105,409	238,545

(*) Unaudited

The above consolidated statement of cash-flows should be read in conjunction with the accompanying notes.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2010 (Thousands of Euros)

1. General information

The primary activity of ONO Midco, S.A.U. and its consolidated subsidiaries (hereinafter also, "ONO Midco Group") is the development and operation of integrated cable television and telecommunications networks in Spain through the transmission of voice and data.

ONO Midco, S.A.U. is the sole shareholder of Cableuropa, S.A.U. and does not engage any other activity than holding Cableuropa, S.A.U. shares.

ONO Midco Group, which operates in the market under the trade mark ONO, comprises principally operating companies that are legally authorised to provide different telecommunications and audiovisual services.

ONO Midco, S.A.U. (hereinafter also "the parent Company") was incorporated on 3 May 2006 for an indefinite term. The Company's registered office for mercantile and tax purposes is located at Belagua, calle Basauri 7-9, urbanización La Florida, Aravaca, Madrid.

The consolidated financial statements for the year ended 31 December 2009 were duly drawn up by the Board of Directors on 25 March 2010.

2. Basis of presentation and other information

a) Basis of presentation, accounting policies and use of estimates

This consolidated interim financial information for the nine month period ended 30 September 2010 has been prepared in accordance with the Law 1/2008 on "Interim financial information" published by the Spanish Exchange Commission (Comisión Nacional del Mercado de Valores) in January 2008, which aims to ensure increased convergence with International Accounting Standard (IAS) 34, on "Interim Financial Reporting".

This consolidated interim financial information has been prepared to provide an update on the consolidated financial statements for the year ended 31 December 2009. It focuses on new activities, events and circumstances that are significant to an understanding of the changes in financial position and performance of ONO Midco Group during the nine month period ended 30 September 2010 and do not duplicate information previously reported. Accordingly, this consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009, which have been prepared in accordance with Spanish GAAP.

The accounting policies adopted in the preparation of the consolidated interim financial statements for the nine month period ended 30 September 2010 are consistent with those of the consolidated financial statements for the year ended 31 December 2009 (note 3) and have been uniformly applied by all the companies in ONO Midco Group.

ONO Midco Group is not listed on the stock market and has not identified business or geographical segments. Accordingly, this consolidated interim financial information does not disclose earning per share information in accordance with IFRS 33 "Earnings per Share" or segment information in accordance with IFRS 8 "Operating Segments".

There is no accounting principle that may have a significant effect on the consolidated interim financial statements has not been applied on its preparation.

During the nine month period ended 30 September 2010, there were no changes in estimates reported in the consolidated financial statements for the year ended 31 December 2009.

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual effective income tax rate changes.

In spite of the current macroeconomic environment, ONO Midco Group believes that it will generate sufficient profit to offset its tax credits. Nevertheless, there are risks and uncertainties in the general economic environment and the financial markets that may adversely affect ONO Midco Group's ability to generate enough profits to offset all of these tax credits in a timely manner.

The figures shown in the documents that comprise this consolidated financial information are in thousands of Euros, unless otherwise stated.

b) Consolidation policies

The consolidation policies applied in preparing these consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended 31 December 2009.

c) Comparative information

The information contained in these consolidated interim financial statements concerning the nine month period ended 30 September 2009 is presented solely for comparison purposes with the information concerning the nine month period ended 30 September 2010.

d) Seasonality of operations

The historical consolidated results do not indicate that ONO Midco Group's transactions, taken as a whole, are subject to significant variations between the different periods of the year.

e) Materiality

Materiality has been assessed in deciding how to recognize, measure, classify or disclose the interim period financial data. In making assessments of materiality, interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

3. Property, plant and equipment and intangible assets

Movement in "Property, plant and equipment" for the nine month period ended 30 September 2010 and 2009 is as follows:

	Property, plant and equipment	
	30 September 2010(*)	30 September 2009(*)
	Thousands of Euros	
Cost		
Balance at 1 January	**6,996,067**	**6,859,548**
Additions	151,270	133,244
Disposals	(8,144)	(15,788)
Transfers	—	(7,813)
Balance at 30 September	**7,139,193**	**6,969,191**
Accumulated depreciation		
Balance at 1 January	**(2,587,553)**	**(2,248,443)**
Depreciation charge	(263,452)	(267,534)
Depreciation disposals	6,634	2,876
Depreciation transfers	—	864
Balance at 30 September	**(2,844,371)**	**(2,512,237)**
Impairment losses		
Balance at 1 January	**(69,004)**	**(70,430)**
Impairment losses applied/ (recognised) in the period	894	—
Balance at 30 September	**(68,110)**	**(70,430)**
Net book value		
Balance at 1 January	**4,339,510**	**4,540,675**
Balance at 30 September	**4,226,712**	**4,386,524**

(*) Unaudited

Additions under "Property, plant and equipment" for the nine month ended 30 September 2010 and 2009 mainly correspond to network investment.

Movement in "Intangible assets" for the nine month period ended 30 September 2010 and 2009 is as follows:

	Intangible assets	
	30 September 2010(*)	30 September 2009(*)
	Thousands of Euros	
Cost		
Balance at 1 January	**283,109**	**254,367**
Additions	18,618	17,218
Disposals	(1)	(72)
Transfers	—	7,558
Balance at 30 September	**301,726**	**279,071**
Accumulated depreciation		
Balance at 1 January	**(170,842)**	**(138,242)**
Depreciation charge	(25,873)	(25,479)
Depreciation disposals	100	69
Depreciation transfers	—	(609)
Balance at 30 September	**(196,615)**	**(164,261)**
Net book value		
Balance at 1 January	**112,267**	**116,125**
Balance at 30 September	**105,111**	**114,810**

(*) Unaudited

During the nine month period ended 30 September 2010 and 2009 no impairment adjustments were recognised for property, plant and equipment or intangible assets.

As at 30 September 2010 and 2009 there is no significant property, plant and equipment or intangible assets subject to ownership restrictions or pledged to secure liabilities.

ONO Midco Group has several insurance policies to cover the risks the property, plant and equipment is exposed to. The insurance coverage is considered sufficient.

4. Financial instruments

a) Financial assets

The carrying amounts of each one of the financial assets categories established in the "Financial instruments" accounting policy, except "Investments in the equity of associated companies" and "Cash and cash equivalents", as at 30 September 2010 and 31 December 2009 are as follows:

	Non-current financial assets							
	Equity instruments		Securities representing debt		Credits, Derivatives and Other		Total	
	2010(*)	2009	2010(*)	2009	2010(*)	2009	2010(*)	2009
	Thousands of Euros							
Held to maturity financial assets	1,059	1,059	—	—	—	—	1,059	1,059
Loans and receivables	—	—	—	—	5,723	5,481	5,723	5,481
	1,059	**1,059**	**—**	**—**	**5,723**	**5,481**	**6,782**	**6,540**

	Current financial assets							
	Equity instruments		Securities representing debt		Credits, Derivatives and Other		Total	
	2010(*)	2009	2010(*)	2009	2010(*)	2009	2010(*)	2009
	Thousands of Euros							
Loans and receivables	—	—	—	—	135,261	124,545	135,261	124,545
	—	**—**	**—**	**—**	**135,261**	**124,545**	**135,261**	**124,545**

(*) Unaudited

Loans and receivables

The breakdown of loans and receivables as at 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010(*)	31 December 2009
	Thousands of Euros	
Long-term loans and receivables		
—Loans to employees	250	250
—Deposits	5,473	5,231
	5,723	**5,481**
Short-term loans and receivables		
—Trade receivables and sundry debtors	299,740	274,813
—Receivables from related parties (note 11)	12	6,646
—Public authorities	552	695
—Impairment provision	(182,932)	(162,731)
Trade and other receivables	117,372	119,423
—Deposits and other		
Credits from related parties (note 11)	9,559	—
Other deposits	8,330	5,122
	17,889	5,122
	135,261	**124,545**

(*) Unaudited

The caption "Trade receivables and sundry debtors" relates mainly to receivables arising from the provision of telephone, television and broadband Internet services to direct-access residential customers, indirect-access customers and business clients and the provision of interconnection services to other operators.

Movement on the impairment provision for trade receivables for the nine month period ended 30 September 2010 and 2009 is as follows:

	30 September 2010(*)	30 September 2009(*)
	Thousands of Euros	
Beginning of period	(162,731)	(182,830)
Impairment provision for trade receivables	(20,233)	(25,575)
Application	32	—
Other	—	(2,628)
End of period	**(182,932)**	**(211,033)**

(*) Unaudited

b) Financial liabilities

The financial liabilities breakdown as at 30 September 2010 and 31 December 2009 is as follows:

	Non-current financial liabilities							
	Borrowings from credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2010(*)	2009	2010(*)	2009	2010(*)	2009	2010(*)	2009
	Thousands of Euros							
Debits and payables	3,163,861	3,078,022	450,000	450,000	1,543	953	3,615,404	3,528,975
Hedging derivatives	—	—	—	—	—	15,754	—	15,754
	3,163,861	**3,078,022**	**450,000**	**450,000**	**1,543**	**16,707**	**3,615,404**	**3,544,729**

	Current financial liabilities							
	Borrowings from credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2010(*)	2009	2010(*)	2009	2010(*)	2009	2010(*)	2009
	Thousands of Euros							
Debits and payables	123,230	551,967	14,630	14,630	359,408	487,639	497,268	1,054,236
Hedging derivatives	—	—	—	—	5,422	39,013	5,422	39,013
	123,230	**551,967**	**14,630**	**14,630**	**364,830**	**526,652**	**502,690**	**1,093,249**

(*) Unaudited

Derivatives financial instruments

ONO Midco Group has hedging financial instruments (swaps) for the floating interest rates in order to be covered against the fluctuations of the Senior Bank Facility interest rates.

The swaps contracts amount to €500 million as of 30 September 2010, its maturity dates are January 2011.

The evolution of the hedge contracts value during the nine month period ended 30 September 2010 is as follows:

	Before tax	After tax
	Thousands of Euros	
Movements of hedge contracts value		
Fair value at 31 December 2009—Adjustment to net equity	(54,767)	(38,336)
Changes in the fair value during the year, against net equity (see consolidated statement of comprehensive income)	49,345	34,541
Fair value at 30 September 2010	**(5,422)**	**(3,795)**

Cash flows associated to hedge contracts will finish in January 2011.

Debits and payables

The breakdown of debits and payables as at 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010(*)	31 December 2009
Long-term debts and payables:		
—Debt related to the issuance of bonds	450,000	450,000
—Senior Bank Facility	3,140,610	3,039,563
—Mortgage loans	68	210
—Payables under lease agreements	2,306	3,277
—ICO Loan	10,000	10,000
—Other loans	—	5,980
—Subsidised loans (PROFIT)	10,877	18,992
Long term debt in credit institutions and other long term debts (see payment calendar)	**3,613,861**	**3,528,022**
Other payables	1,543	953
	3,615,404	**3,528,975**
Short-term debts and payables:		
—Loans from credit institutions	106,667	545,317
—Payables under lease agreements	1,258	1,389
—Interest related to the issuance of bonds	15,305	5,261
Short term debt in credit institutions and other short term debts	**123,230**	**551,967**
Other financial liabilities (EVCs)	14,630	14,630
—Suppliers and property, plant and equipment suppliers	319,285	352,169
—Related parties (note 11)	5,978	13,019
—Guarantee deposits	2,130	2,342
—Short-term public authorities debt	13,666	15,200
—Outstanding employee remunerations	18,349	23,967
—Other financial liabilities (Auna and others)	—	80,942
Trade and other payables	**359,408**	**487,639**
	497,268	**1,054,236**
Long and short term debts and payables:	**4,112,672**	**4,583,211**

(*) Unaudited

Refinancing transactions

In 2009 ONO Midco Group started negotiations with lenders of its €3.600 thousands Senior Bank Facility in order to align the debt maturities to the new macroeconomic environment and business development.

On 8 March 2010, Grupo Corporativo ONO (parent company of ONO Midco, S.A.U.) Board of Directors approved the Refinancing Proposal and the borrowing of €200 million from its shareholders in the form of a participative loan.

On 13 May 2010, Cableuropa (ONO Midco, S.A.U. subsidiary) closed its refinancing plan with the strong support of banks and shareholders. The purpose of this plan was to provide Cableuropa with additional flexibility to meet its principal debt amortisation obligations and permit management to focus on continuing to enhance operations and grow cash flow. This refinancing agreement is effective from 21 May 2010, once all conditions precedent were satisfied.

The financing banks agreed to amend the Company's €3,600 million Senior Facility (i) to create additional term loan facilities to the Senior Facility that will act as "forward-start" facilities (such additional term loan facilities will mature on 30 June 2013 and are drawn to partially extend maturities of facilities A, B and I of the Senior Facility falling due between 30 June 2010 and 31 December 2012); (ii) to create an additional €64 million revolving tranche that will mature on 31 July 2012; (iii) to permit the creation in the future of additional term loan facilities under which the proceeds from debt capital markets instruments raised by a third party or new bank debt will be on-lent to the Company to refinance existing debt under Senior Facility; (iv) to reset financial covenants; and (v) to amend certain definitions in the Senior Facility agreement. In addition, the amendment includes commitments to voluntary prepay existing facilities through the issuance of senior debt. After this amendment the maximum available amount decreased from €3,600 million to €3,555 million.

Existing ONO Shareholders agreed to contribute €200 million, of which €125 million were injected on 21 May 2010 as deeply subordinated participative loan and the remaining €75 million are held in escrow and subject to certain liquidity tests.

The payment calendar without considering the discount effect as at 30 September 2010 and 31 December 2009, of the long and short-term debt with credit institutions and of the financial lease creditors is as follows:

	30 September 2010										
			Maturities								
	Average interest rate 2010	Maximum available at 30.09.10	31.12.10	30.09.11	31.12.11	2012	2013	2014	Subsequent years	Total debt	Interest payable
			Thousands of Euros								
Type of debt											
Debt with credit institutions											
Senior Bank Facility(*)	2.68%	3,500,237	52,057	52,058	57,057	171,172	2,933,893	—	—	3,266,237	3,054(**)
Mortgage loan	3.22%	288	78	142	18	35	15	—	—	288	—
Leasing	1.78%	3,564	357	901	279	908	934	165	20	3,564	—
ICO loan	3.45%	10,000	—	—	—	—	—	10,000	—	10,000	1
Other credit lines	2.98%	10,700	—	2,599	—	—	—	—	—	2,599	36
Total debt with credit institutions		**3,524,789**	**52,492**	**55,700**	**57,354**	**172,115**	**2,934,842**	**10,165**	**20**	**3,282,688**	**3,091**
Other debt											
Debt related to the issuance of bonds	9.00%	450,000	—	—	—	—	—	450,000	—	450,000	15,305
Subsidised loans(***)	—	21,849	391	9,443	481	7,569	1,424	397	2,144	21,849	—
Total other debt		**471,849**	**391**	**9,443**	**481**	**7,569**	**1,424**	**450,397**	**2,144**	**471,849**	**15,305**
Total long- and short-term debt		**3,996,638**	**52,883**	**65,143**	**57,835**	**179,684**	**2,936,266**	**460,562**	**2,164**	**3,754,537**	**18,396**

(*) The payment calendar does not include the discount effect amounting €34,704 thousand (€21,512 thousand in long-term and €13,192 thousands in short-term).

(**) €2,5 million corresponds to hedging financial instruments (swaps).

(***) The subsidised loans include the subsidy recognised in the Total Equity for an amount of €797 thousand as well as its related tax impact amounting to €341 thousand.

	31 December 2009									
			Maturities							
	Average interest rate 2009	Maximum available at 31.12.2009	2010	2011	2012	2013	2014	Subsequent years	Total debt	Interest payable
					Thousands of Euros					
Type of debt										
Debt with credit institutions										
Senior Bank Facility(*)	3.46%	3,464,000	414,000	590,000	960,000	1,499,795	—	—	3,463,795	47,812
Mortgage loan	4.28%	518	308	159	36	15	—	—	518	—
Leasing	4.07%	4,667	1,389	1,200	931	945	177	25	4,667	—
ICO loan	4.69%	10,000	—	—	—	—	10,000	—	10,000	1
Other credit lines	3.23%	92,600	70,324	1,400	4,580	—	—	—	76,304	631
Total debt with credit institutions		**3,571,785**	**486,021**	**592,759**	**965,547**	**1,500,755**	**10,177**	**25**	**3,555,284**	**48,444**
Other debt										
Debt related to the issuance of bonds	9.00%	450,000	—	—	—	—	450,000	—	450,000	5,261
Subsidised loans (**)	—	32,898	12,241	9,965	7,578	1,361	334	1,419	32,898	—
Total other debt		**482,898**	**12,241**	**9,965**	**7,578**	**1,361**	**450,334**	**1,419**	**482,898**	**5,261**
Total long- and short-term debt		**4,054,683**	**498,262**	**602,724**	**973,125**	**1,502,116**	**460,511**	**1,444**	**4,038,182**	**53,705**

(*) The payment calendar does not include the discount effect amounting €10,232 thousand.

(**) The subsidised loans include the subsidy recognised in the Total Equity for an amount of €1,166 thousand as well as its related tax impact amounting to €500 thousand.

Short-term credit lines

As at 30 September 2010 and 31 December 2009 ONO Midco Group had the following undrawn credit lines:

	30 September 2010(*)	31 December 2009
	Thousands of Euros	
Variable rate:		
—maturing at less than one year	3,188	15,076
—maturing at more than one year	4,913	1,220
	8,101	**16,296**

(*) Unaudited

The credit lines maturing at less than one year are subject to a number of revisions in the last quarter of 2010 and 2011.

Deferred payment of AUNA

The remaining €71 million of AUNA payment were paid in January 2010.

5. Other variations in current liabilities. Deferred Income.

As at 1 December 2009, First Instance Court of Madrid sentenced Sogecable to pay an indemnity to Cableuropa for damages caused, amounting to €44 million plus legal interests, due to the breach of the signed contract between both companies concerning the distribution of Gran Vía and Cablesport channels.

Cableuropa and Sogecable agreed a calendar payment by which during the period from December 31, 2009 to September 30, 2010 €37.6 million has been advanced in cash by Sogecable. The sentence has been appealed by Sogecable at the Provincial Court of Madrid.

In addition, on 9 March 2010 Sogecable was ordered by First Instance Court of Madrid to pay €51,7 million plus interests to Cableuropa for abuse of dominant position in relation with 2003/2004 to 2008/2009 football content contracts. Sogecable and Cableuropa have agreed a payment calendar by which all outstanding amounts are expected to be collected in the short term. As of September 30, 2010 €9 million has been advanced in cash by Sogecable. The sentence has been appealed by Sogecable at the Provincial Court of Madrid.

As at 30 September 2010, these amounts have been considered contingent assets, and no revenue has been recognised yet, as the final indemnity amounts depends on the final Court settlements.

6. Net Equity

a) Capital and share premium

On 29 May 2009, the Sole Shareholder approved a share capital reduction to restore the balance between share capital and equity by reducing the par value of each and every one of the 43.816.966 shares by 2,9997 Euros. As a result, the par value of each share is 3,0003 Euros. The shares are fully subscribed and paid up by Grupo Corporativo Ono, S.A., Sole Shareholder of the controlling company.

The reduction has been carried out by offsetting accumulated losses. Said capital reduction was entered in the Mercantile Register with effects on 23 December 2009.

On 4 November 2005, the shares of what is currently Cableuropa, S.A.U. were pledged as security for the preferred secured loan granted to the former Cableuropa, S.A.U., having resolved unanimously the board of ONO Midco that the Company should adhere as pledgers to the pledge in respect of the shares in question.

b) Shareholders contributions

As at 31 December 2008, shareholders' contributions relate to the participating loan that Cableuropa S.A.U received from Grupo Corporativo Ono to finance the purchase of Auna Telecomunicaciones, S.A.U amounting to €955 million. Repayment of the participating loan is not set to begin until 2020. If it is repaid, such repayment will be through a capital increase or through the express agreement of both parties. Therefore the amount of that loan is considered as equity.

On 29 May 2009, Grupo Corporativo ONO sold to Cableuropa, S.A.U. the EVCs it owned which matured in May 2009 so that the latter could cancel the same with ONO Finance PLC. The total price payable by Cableuropa, S.A.U. to Grupo Corporativo ONO amounted to €6.496 thousand. This resulting credit right in favor of Grupo Corporativo ONO has been defined as a subordinated debt. Likewise, Grupo Corporativo ONO loaned Cableuropa, S.A.U. the additional amount necessary for the latter to pay the EVCs with ONO Finance PLC (€1.222 thousand). These participating loans will not have to be repaid before 2020. In the event of repayment, this would be carried out by means of a capital increase or by express agreement of the parties. As a result, the amount of these loans is considered as equity.

On 21 May 2010, Cableuropa, S.A.U. received from Grupo Corporativo Ono, S.A. a participating loan amounting €125 million. The participating loan will not have to be repaid before 31 December, 2019. In the event of repayment, this would be carried out by means of a capital increase or by express agreement of the parties. As a result, the amount of this loan is considered as equity.

7. Long and short- term provisions

Movement on the provisions recognised in the balance sheet for the nine month period ended 30 September 2010 and 2009 is as follows:

	Onerous contracts	Restructuring	Litigations and other	Total
	Thousands of Euros			
Balance at 1 January 2009	**115,154**	**39,033**	**68,712**	**222,899**
Charge for year	6,140	—	2,884	9,024
Applications	(31,181)	(36,677)	(9,790)	(77,648)
Balance at 30 September 2009(*)	**90,113**	**2,356**	**61,806**	**154,275**
Balance at 1 January 2010	**83,916**	**2,187**	**66,410**	**152,513**
Charge for year	3,500	—	984	4,484
Applications	(23,035)	—	(5,103)	(28,138)
Other	—	17	(17)	—
Balance at 30 September 2010(*)	**64,381**	**2,204**	**62,274**	**128,859**

(*) Unaudited

As at 30 September 2010 and 2009 the analysis of the total of these provisions is as follows:

	30 September 2010(*)	30 September 2009(*)
	Thousands of Euros	
Non-current	96,489	121,754
Current	32,370	32,521
	128,859	**154,275**

(*) Unaudited

8. Net Revenue

Net revenue by service line may be analysed as follows:

	30 September 2010(*)	30 September 2009(*)
	Thousands of Euros	
Services to the residential market	869,003	870,056
Indirect access	5,609	7,628
Businesses	162,289	180,390
Carrier, operators and other	66,218	82,229
	1,103,119	**1,140,303**

(*) Unaudited

All revenue was obtained in national territory.

9. Income tax and tax situation

a) Consolidated tax regime

In 2002, Grupo Corporativo ONO, S.A. notified its election to apply the consolidated tax regime. ONO Midco Group has consolidated for tax purposes since 1 January 2003.

The parent company for tax consolidation is Grupo Corporativo ONO, S.A., Sole Shareholder of the ONO Midco Group.

b) Income tax

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Income tax rate for the year 2010 is approximately 30%.

c) Years open to inspection

On March 2008, the Spanish Tax Authorities notified to Cableuropa, S.A.U. (previously Auna Telecomunicaciones, S.A.U.) the commencement of audit activities in relation to Corporate Income Tax for fiscal years 2003, 2004 and 2005 and Value Added Tax for the periods elapsed between March 2004 and December 2005.

On 27 September 2010 Cableuropa has received the definitive liquidation for the tax assessments of the Corporate Income Tax for years 2003-2005 under tax audit. As a result, €5 million have been written-off from the tax credits booked in the balance sheet as of 30 September.

In addition, the ONO Midco Group has carried out a regularization of other tax balances and deductions which has impacted the third quarter of the year.

Both, Cableuropa and ONO Midco, are part of the tax consolidated group headed by Grupo Corporativo ONO.

10. Assets and liabilities held for sale

Disposal groups held for sale—Factoría de Canales.

During 2009, the Board of Directors of ONO Group approved the sale process of the television content subsidiary Factoría de Canales, S.A. As a consequence, as at 31 December 2009, ONO Midco Group recognised an impairment due to the correction of the assets and liabilities value of Factoría de Canales, based on third offers, that caused a negative impact in ONO Midco Group results of €9,8 million, in the 2009 December profit and loss account.

On 9 April 2010 ONO closed the disposal of its television content subsidiary Factoría de Canales, S.A. This transaction has caused a positive impact in ONO Midco Group results of €1,5 million.

Non-current assets held for sale:

During 2009, ONO Midco Group reclassified an amount of €14,9 million corresponding to the net accounting value of a building property of the subsidiary Cableuropa, S.A.U. The sale of this building is been actively negotiated and ONO Midco Group estimates to complete the sale on early 2011.

11. Related-party transactions

The balances as at 30 September 2010 and 31 December 2009 with Group and related companies and volumes of transactions carried out during the nine month period ended 30 September 2010 and 2009 with them are set out below:

	30 September 2010(*)		31 December 2009	
	Receivables	Payables	Receivables	Payables
	Thousands of Euros			
Balances				
Grupo Corporativo ONO, S.A.	9,568	5,978	1,562	10,550
Factoría de Canales, S.L.	—	—	5,084	2,469
SCH	3	—	—	—
Cable submarino de Canarias, S.A.	—	—	—	—
Total balances	**9,571**	**5,978**	**6,646**	**13,019**

(*) Unaudited

	30 September 2010(*)		30 September 2009(*)	
	Financial Expenses	Services received	Financial Expenses	Services received
Transactions				
Grupo Corporativo ONO, S.A.	2,554	7,500	2,554	3,500
Cable submarino de Canarias, S.A.	—	765	—	931
Total transactions	**2,554**	**8,265**	**2,554**	**4,431**

(*) Unaudited

	30 September 2010(*)		30 September 2009(*)	
	Financial Income	Services provided	Financial Income	Services provided
Grupo Corporativo ONO, S.A.	95	—	—	—
Cable submarino de Canarias, S.A.	—	11	—	11
Total transactions	**95**	**11**	**—**	**11**

(*) Unaudited

During the nine month period ended 30 September 2010 the main transactions with related parties amount to €7.5 million with Grupo Corporativo ONO, S.A. regarding financial structuring services and €0.8 million with Cable Submarino de Canarias regarding fibre rental.

12. Compensation of the Board of Directors and senior management

a) Compensation of the members of the Board of Directors

During the nine month period ended 30 September 2010 and 2009, ONO Midco Group has not paid any compensation to the Board of Directors.

b) Compensation to senior management

The total compensation to ONO Midco Group senior management in the nine month period ended 30 September 2010 and 2009, is as follows:

	30 September 2010(*)	30 September 2009(*)
	Thousands of Euros	
Total compensation	2,663	1,780

(*) Unaudited

13. Employees

The average number of employees for the nine month period ended 30 September 2010 and 2009 by sex and categories is as follows:

	30 September 2010			30 September 2009		
	Men	Women	Total	Men	Women	Total
Directors	84	10	94	87	11	98
Qualified, technical	1,450	564	2,014	1,153	829	1,982
Administration	373	833	1,206	843	621	1,464
	1,907	**1,407**	**3,314**	**2,083**	**1,461**	**3,544**

14. Other information

Contingent liabilities

ONO Midco Group has contingent liabilities for litigations arising in the normal course of business. No significant liabilities other than those already provided for are expected to arise from these litigations (note 7).

ONO Midco Group holds guarantees with several Spanish credit institutions to secure compliance with certain financial and technical commitments held with the Ministry of Industry, Tourism and Trade, City Councils and other organisations and entities.

Details of commitments assumed at 30 September 2010 and 31 December 2009 are as follows:

	30 September 2010	31 December 2009
	Thousands of Euros	
Ministry of Industry, Tourism and Trade	25,990	35,129
City Councils and other entities	56,874	76,579
Total	**82,864**	**111,708**

15. Post balance sheet events

On 22 October 2010 the company announced the successful completion of the issue of €700 million Senior Secured Bonds. The deal was launched on 11 October 2010 for a planned initial offering amount of €500 million which was subsequently increased by €200 million in light of the market demand.

The inflow from the €700 million bond issue, has been used to prepay a portion of the bank debt and the issuance has, therefore, not resulted in an increase of the company leverage, but a refinancing.

The high yield bonds were issued by Nara Cable Funding Limited, an independent, standalone special purpose vehicle.

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A translation of the audit report on the 2009 consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

AUDIT REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

To the Sole Shareholder of ONO Midco, S.A.U.

1. We have audited the consolidated financial statements of ONO Midco, S.A.U. and subsidiaries (ONO Midco Group) consisting of the consolidated balance sheet at 31 December 2009, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes for the year then ended, the preparation of which is the responsibility of the parent company's Directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated financial statements and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

2. In accordance with Spanish Corporate Law, the parent company's Directors have presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash-flow statement and the notes, the corresponding amounts for the previous year as well as the amounts for 2009. Our opinion refers exclusively to the consolidated financial statements for 2009. On 8 April 2009 we issued our audit report on the consolidated financial statements for 2008, in which we expressed a qualified opinion.

3. At 13 May 2010, the ONO Group of which the ONO Midco Group is part, has formalized the agreements of the refinancing proposal and shareholders contribution in the same terms and conditions mentioned in the note 27 to the accompanying financial statements.

4. In our opinion, the accompanying consolidated financial statements for the year 2009 present fairly, in all material respects, the consolidated financial position of ONO Midco, S.A.U. and its subsidiaries at 31 December 2009 and the consolidated results of its operations, consolidated changes in equity and consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

5. The accompanying consolidated Directors' Report for 2009 contains the information that the parent company's Directors consider relevant to the Group's position, the development of its business and other matters and does not form an integral part of the consolidated financial statements. We have verified that the accounting information contained in the aforementioned Directors' Report agrees with that of the financial statements for 2009. Our work as auditors is limited to checking the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the Ono Midco, S.A.U. and subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

/s/ Maria Pla de la Rosa
Maria Pla de la Rosa
Partner

14 May 2010

A translation of the 2009 consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER, 2009 AND 2008
(Thousands of Euros)

	Note	31 December 2009	31 December 2008
ASSETS			
NON-CURRENT ASSETS		**5,612,568**	**5,852,751**
Intangible assets	5	112,267	116,125
Property, plant and equipment	6	4,339,510	4,540,675
Non-current investments in group and associated companies	8	3,060	3,524
Non-current financial investments	7	6,540	4,930
Deferred income tax assets	16	1,151,191	1,187,497
CURRENT ASSETS		**382,335**	**517,733**
Non current assets held for sale	21	14,907	—
Inventories		2,210	22,505
Trade and other receivables	7	119,423	143,065
Current financial investments	7	5,122	8,378
Prepayments and accrued income		5,883	2,236
Cash and cash equivalents	11	237,790	341,549
TOTAL ASSETS		**5,997,903**	**6,370,484**
EQUITY AND LIABILITIES			
Capital & reserves attributable to equity holders of the company		**1,188,050**	**1,123,573**
Capital	12	131,464	262,902
Share premium	12	—	23,852
Reserves	12	125,795	125,795
Prior year losses	12	(88,686)	(221,484)
Shareholders contributions	12	962,718	955,000
Result for the year	13	56,759	(22,492)
Changes in value adjustments		**(38,336)**	**(48,868)**
Hedging transactions	10	(38,336)	(48,868)
Grants, donations and legacies received	14.e	**1,166**	**1,976**
Minority interests		**3,450**	**7,150**
TOTAL EQUITY		**1,154,330**	**1,083,831**
NON-CURRENT LIABILITIES		**3,665,166**	**4,247,273**
Long-term provisions	15	119,649	145,822
Long-term debt	7	3,544,729	4,098,513
Deferred income tax liabilities	16	500	847
Deferred income		288	2,091
CURRENT LIABILITIES		**1,178,407**	**1,039,380**
Short-term provisions	15	32,864	77,077
Short-term debt	7	686,552	381,671
Amounts payable to group companies, associates and related	7	13,019	17,315
Trade and other payables	7	393,678	523,924
Deferred income		52,294	39,393
TOTAL EQUITY AND LIABILITIES		**5,997,903**	**6,370,484**

Notes 1 to 27 are an integral part of the consolidated financial statements for the year ended 31 December 2009.

A translation of the 2009 consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousands of Euros)

		Year ended 31 December	
	Note	2009	2008
Net Revenue	17.a	1,512,135	1,602,462
Work carried out by Company for its assets	17.b	61,260	78,264
Cost of sales	17.c	(328,599)	(381,129)
Gross margin		**1,244,796**	**1,299,597**
Staff costs	17.d	(170,781)	(225,118)
Other operating expenses	17.e	(343,854)	(365,483)
Depreciation, amortisation and impairment charges	5,6	(390,116)	(388,770)
Reversal of provisions	15	—	15,000
Impairment and gains or losses on disposal of fixed assets	5,6,21	(11,274)	(16,272)
Other results		—	(39,033)
OPERATING RESULT		**328,771**	**279,921**
Finance income	19	3,889	7,085
Interest expense	19	(229,704)	(257,870)
Other financial charges	19	(29,621)	(53,145)
Changes in fair value of financial instruments	19	6,803	—
Impairment and gain or losses for financial instruments disposal	19	4,094	—
NET FINANCIAL RESULT		**(244,539)**	**(303,930)**
CONSOLIDATED RESULT BEFORE INCOME TAX		**84,232**	**(24,009)**
Income tax	18.b	(31,029)	3,109
Result attributable to minority interests		3,556	1,592
RESULT FOR THE YEAR		**56,759**	**(22,492)**

Notes 1 to 27 are an integral part of this consolidated financial statements for the year ended 31 December 2009.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2009

(Thousands of Euros)

	2009	2008
A) Consolidated result for the year	**56,759**	**(22,492)**
Income and expense recognised directly in equity		
Cash flow hedges	15,045	(91,592)
Grants, donations and legacies received	—	719
Tax effect	(4,513)	27,262
B) Total income and expense recognised directly in the consolidated equity	**10,532**	**(63,611)**
Transfers to the consolidated income statement		
Valuation of financial instruments (financial assets held for sale)	(314)	—
Grants, donations and legacies received	(843)	(1,272)
Tax effect	347	382
C) Total transfers to the consolidated income statement	**(810)**	**(890)**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE	**66,481**	**(86,993)**

Notes 1 to 27 are an integral part of this consolidated financial statements for the year ended 31 December 2009.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY—(Continued)
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(Thousands of Euros)

B) TOTAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

(Thousands of Euros)

	Capital	Share Premium	Reserves	Other shareholder's contributions	Prior year losses	Result for the year	Changes in value adjustments	Grants, donations and legacies received	Minority interests	Total
BALANCE END OF YEAR 2007	**262,902**	**23,852**	**125,795**	**955,000**	**(11,026)**	**(210,459)**	**15,246**	**2,363**	**5,550**	**1,169,223**
Total recognised income and expense	—	—	—	—	—	(22,492)	(64,114)	(387)	—	(86,993)
Other variations in consolidated equity	—	—	—	—	(210,459)	210,459	—	—	—	—
Transactions with equity-holders	—	—	—	—	—	—	—	—	—	—
—Minority interests	—	—	—	—	—	—	—	—	1,600	1,600
BALANCE END OF YEAR 2008	**262,902**	**23,852**	**125,795**	**955,000**	**(221,484)**	**(22,492)**	**(48,868)**	**1,976**	**7,150**	**1,083,831**
Total recognised income and expense	—	—	—	—	—	56,759	10,532	(810)	—	66,481
Other consolidated in consolidated equity	—	—	—	—	(22,492)	22,492	—	—	—	—
Transactions with equity-holders										
—Shareholders contributions	—	—	—	7,718	—	—	—	—	—	7,718
—Reduction of capital	(131,438)	(23,852)	—	—	155,290	—	—	—	—	—
—Minority interests	—	—	—	—	—	—	—	—	(3,700)	(3,700)
BALANCE END OF YEAR 2009	**131,464**	**—**	**125,795**	**962,718**	**(88,686)**	**56,759**	**(38,336)**	**1,166**	**3,450**	**1,154,330**

Notes 1 to 27 are an integral part of the consolidated financial statements for the year ended 31 December 2009.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (Thousands of Euros)

	Year ended 31 December	
	2009	**2008**
CASH FLOW FROM OPERATING ACTIVITIES		
Result for the year before tax	**84,232**	**(24,009)**
Adjustments to the result for the year	**647,010**	**734,370**
Fixed Asset Depreciation	390,116	388,770
Impairment on assets held for sale	9,789	—
Change in provisions	—	(15,000)
Fixed Assets Disposals	1,485	16,272
Impairment and gain or losses for financial instruments disposal	(4,094)	—
Finance Income	(3,889)	(7,085)
Finance Expense	259,325	311,015
Changes in fair value of financial instruments	(6,803)	—
Elimination of other results	1,081	40,399
Changes in working capital	**(156,323)**	**(219,336)**
Inventories	5,820	6,510
Debtors and other receivables	26,521	48,850
Creditors and other payables	(108,832)	(217,053)
Other current liabilities	(79,832)	(57,642)
Other cash flows from operating activities	**(263,052)**	**(261,962)**
Payment/proceeds of interest	(263,330)	(261,962)
Other payments /(collections)	278	—
	311,867	**229,063**
CASH FLOWS FROM INVESTING ACTIVITIES		
Outflows on investments:	**(220,197)**	**(373,496)**
Tangible/Intangible assets	(220,197)	(373,496)
Inflows from disinvestments:	**1,084**	**1,492**
Tangible/Intangible assets	1,084	1,492
Cash flows from investing activities	**(4,206)**	**(503)**
	(223,319)	**(372,507)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and payments from financial liability instruments	**(192,307)**	**481,109**
Senior Bank Facility	(36,000)	574,795
Other credit lines	(64,345)	(13,362)
Subsidised loans	(13,208)	(11,468)
Other debts	(7,287)	2,611
Deferred Payment from Auna	(71,467)	(71,467)
NET INCREASE/DECREASE IN CASH & CASH EQUIVALENTS	**(103,759)**	**337,665**
Cash or cash equivalents at beginning of year	341,549	3,884
Cash or cash equivalents at end of year	237,790	341,549

Notes 1 to 27 are an integral part of the consolidated financial statements for the year ended 31 December 2009.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2009
(Thousands of Euros)

1. General information

The primary activity of ONO Midco, S.A.U and its consolidated subsidiaries (hereinafter also, "the Group") is the development and operation of integrated cable television and telecommunications networks in Spain through the transmission of voice and data.

The Group, which operates in the market under the trade mark ONO, comprises principally operating companies that are legally authorised to provide different telecommunications and audiovisual services, although the Group also includes companies engaged in the production of television content.

ONO Midco, S.A.U. (hereinafter also "the parent Company") was incorporated on 3 May 2006 for an indefinite term. The Company's registered office for mercantile and tax purposes is located at Belagua, calle Basauri 7-9, urbanización La Florida, Aravaca, Madrid.

The list of the companies that form the Group and the relevant information thereon is as follows:

Subsidiaries

Company	Registered office	% direct or indirect stake at 31.12.09
Cabeluropa, S.A.U.	Madrid	100.00
Tenaria, S.A.	Pamplona	92.81
Factoria de Canales, S.L.[1]	Barcelona	51.00

Other companies

Company	Registered office	% direct or indirect stake at 31.12.09
Madrid Sistemas de Cable, S.A.[2]	Madrid	100.00
Cable Submarino de Canarias, S.A.[3]	Tenerife	39.94

(1) Company held for sale.

(2) Inactive companies excluded from the consolidation.

(3) Companies excluded from the consolidation under the relative importance principle.

2. Basis of presentation and consolidation policies.

2.1 Basis of presentation.

a) True and fair view

The consolidated financial statements have been prepared using the accounting records of ONO Midco, S.A.U. and subsidiaries and include the adjustments and reclassifications necessary to ensure consistency with the timing and valuation policies adopted by the Group.

These consolidated financial statements are presented in accordance with current mercantile legislation contained in the Code of Commerce reformed under Law 16/2007 of 4 July on the reform and adaptation of mercantile accounting legislation to harmonise it internationally on the basis of the European Union legislation, Royal Decree 1514/2007 of 20 November, whereby the "Plan General de Contabilidad" ("General Accounting Plan") was approved and Royal Decree 1815/1991, of 20 December, whereby the rules for drawing up consolidated annual accounts were approved, in all aspects that do not contradict the aforementioned mercantile reform, in order to present a true and fair view of the Group's equity, financial situation and results, together with the accuracy of the cash flows shown on the cash flow statement.

The figures shown in the documents that comprise these consolidated financial statements are in thousands of Euros, unless stated otherwise.

b) Critical accounting estimates and judgments

The preparation of the financial statements requires the Group to use certain estimates and judgments in relation to the future that are continuously assessed and are based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fixed assets

The accounting treatment of investment in property, plant and equipment and intangible assets means that estimates must be made to determine their useful lives for the purposes of depreciation or amortisation.

The determination of useful lives requires estimates regarding expected technological evolution and alternative uses of the assets. Assumptions regarding the technological environment and its future development imply a significant degree of judgment, inasmuch as the time and the nature of future technological changes are difficult to predict.

When impairment of fixed assets is identified, a value adjustment is recognised and charged to the income statement for the period. The determination of the need to recognize an impairment loss implies making estimates that include, among others, an analysis of the causes of the possible impairment and the time and the expected amount thereof. Likewise, factors such as technological obsolescence, the suspension of certain services and other changes in circumstances that create the need to assess possible impairment are taken into account.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group selects a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis as well as third party valuations to determine the fair value of the derivatives and other financial assets and liabilities.

Deferred income tax and tax credits

The Group assesses the recoverability of deferred income tax assets and tax credits on the basis of estimates of future results. The recoverability will, in the final analysis, depend on the Group's ability to generate taxable profits during the period in which the deferred income tax assets may be deducted. The analysis takes into account the taxable profits estimated on the basis of internal projections that are updated to reflect the most recent trends, assumptions and information. Actual flows of amounts received and paid for income tax may differ from the estimates made by the Group as a result of changes in tax legislation or unforeseen future transactions that might affect the tax balances.

Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The obligation may be legal or constructive, derived from, among other factors, regulations, contracts, normal practices or public commitments that create a valid expectation for third parties that the Group will accept certain liabilities. The provision is measured by the best estimate of the payment that will be necessary to settle the relevant obligation, taking into consideration all the information available on the closing date, including the opinions of independent experts, such as legal advisors or consultants. Due to the unpredictability inherent to the estimates required to determine the amount of the provisions, the actual payments may differ from the amounts initially recognised on the basis of the estimates made.

c) Grouping of items

In order to facilitate an understanding of the balance sheet, income statement, statement of changes in equity and cash flow statement, the items are presented on aggregate; the required analysis is being provided in the relevant notes of the financial statements.

2.2. Consolidation policies

For the preparation of consolidated financial statements, a group is deemed to exist when the parent company has one or more subsidiaries that are controlled, directly or indirectly, by the parent company. The policies applied in preparing the Group's consolidated financial statements are described below.

a) Subsidiaries

Subsidiaries are all entities which the Group, directly or indirectly, holds or has the power to hold control, defined as the power to govern the financial and operating policies of a business in order to obtain economic profits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, the fair value of any additional consideration that depends on future events (provided it is probable and can be reliably valued), plus costs directly attributable to the acquisition.

The assets, liabilities, income and expenses of the subsidiaries are included in the consolidated annual financial statements applying the full consolidation method:

1. The carrying amounts of any equity interests in the subsidiaries are recognised, on the acquisition date, as the proportionate share that said amounts represent in relation to the fair value of the assets acquired and liabilities assumed.

2. The difference between the carrying amount of the interest in a subsidiary and the value attributed to that investment of the fair value of the assets acquired and liabilities assumed is recognised, if it is positive, as goodwill on consolidation. In the exceptional case that it is negative, it is recognised in the consolidated income statement as income for the year.

3. The assets and liabilities of Group companies are included in the consolidated balance sheet with the same carrying amounts as appear on the respective balance sheets of the companies, except for the assets acquired and liabilities assumed at the acquisition date, which are included in the consolidated balance sheet at their acquisition-date fair value after taking the depreciation, amortisation and impairment since said date into account.

4. The subsidiaries' income and expenses are included in the consolidated annual financial statements.

5. Debits and credits between consolidated companies are eliminated, as well as the income and expenses relating to transactions between said company and the profits or losses generated as a result of these transactions that have not been realised with third parties.

The Group companies that are not consolidated have no significant to the true and fair view that must be expressed by the consolidated annual financial statements.

b) Transactions between Group Companies and minority interests

Additional acquisitions of shares held by external shareholders constitute own equity transactions. This entails a decrease in the balance recorded under external shareholders by the amount of the decrease in their holding in the consolidated balance sheet. Equity is adjusted to take into account the difference between the value of the balancing entry delivered and the amount at which the balance recorded under external shareholders has altered, without altering the amount of consolidation goodwill or that of the assets and liabilities stated on the consolidated balance sheet.

Additional investments, without an increase in the holding, do not give rise to new differences with respect to those of the first consolidation initially determined.

In the event that percentage of the holding in the capital of the subsidiaries decreases without loss of control, the balance recorded under external shareholders increases by the amount of the increase in the holding in the balance sheet and reserves are adjusted to take into account the difference between the balancing entry received and the amount at which the balance recorded under external shareholders has altered. No results are produced and the amount of the recognised consolidation goodwill or that of other assets and liabilities stated on the consolidated balance sheet are not altered.

When the transaction entails a significant decrease in reserves in relation to the amount of the transaction, this will be considered as an indication of decline in the value of goodwill.

If the decrease in the holding percentage entails the loss of control, a result equal to the difference between the value of the compensation received and the book value stated in the consolidated accounts attributable to the value of the holding sold, will be recorded. Likewise, the total amount of expenses and income recognised directly in the net equity of the subsidiary is transferred to the income statement as part of the result on the disposal of shares.

If, subsequent to the loss of control, the company becomes a multigroup or associated company, it is consolidated or the equity method is applied initially as from the consolidated assets and liabilities attributable to said holding, maintaining the net worth items attributable to said holding. If the holding that is maintained after the transaction does not classify as a multigroup or associated company, its cost is the consolidated book value at the date on which it ceases to belong to the consolidation perimeter.

When there is a decrease in investment without a decrease in the holding percentage, consolidation goodwill and the negative consolidation differences remain unaltered.

3. Accounting policies

3.1 Intangible assets

Intangible assets are initially recognised at their acquisition or production cost and are subsequently shown at cost less their accumulated amortisation and any impairment losses they may have suffered.

In each individual case, an analysis is made to determine whether the useful economic life of an intangible asset is finite or indefinite. Intangible assets with a finite useful life are amortised systematically over their estimated useful lives and their recoverability is analysed when events or changes that indicate that their net carrying value may not be recoverable take place. Intangible assets that are considered to have an indefinite useful life are not amortised but are subject to analyses to determine their recoverability on an annual basis, or more frequently if there are indications that their net carrying value may not be recoverable.

The Group has no indefinite life intangible assets in the balance sheet.

The amortisation methods and periods applied are reviewed at the year end and, if applicable, adjusted prospectively.

The Group recognises any impairment loss that may have been suffered by these assets, using the caption “Net impairment losses” in the income statements as the balancing item. The criteria for recognising the impairment losses of these assets and, if applicable, the recovery of the impairment losses recorded in previous years are similar to those applied for property, plant and equipment and are explained in point 4 of this note.

The main items included under this caption are the following:

a) Administrative concessions

This includes principally the expenses incurred in preparing the bids that are submitted in tenders to obtain authorization as a cable telecommunications operator in the different areas.

Administrative concessions are shown in the assets at cost less accumulated amortisation and the accumulated amount of the impairment adjustments recognised.

Administrative concessions are amortised on a straight-line basis over 25 years.

b) Indefeasible right of use and infrastructure leases

This relates principally to the amounts under contracts for the use of fibre optic and telecommunications infrastructure, less the accumulated amortisation and the cumulative amount of the impairment adjustments recognised.

Costs incurred under the contracts assigning the use of fibre optic and infrastructure are amortised on a straight-line basis in accordance with the terms of the respective contracts, which are between 20 and 25 years, except for contracts signed with electricity companies assigning the use and excess capacity rights of fibre optic networks, which are amortised over a maximum period of 30 years.

c) Computer software

Computer software licences acquired from third parties are capitalised on the basis of the costs incurred in acquiring them and preparing them to use the specific programme. These costs are amortised over their estimated useful lives (which do not exceed 4 years).

Expenses related to computer software maintenance are recognised as an expense when incurred.

3.2 Property, plant and equipment

The items of property, plant and equipment are recognised at their acquisition price or production cost, less accumulated depreciation and the cumulative amount of the recognised losses.

The amount of work carried out by the Company for its own property, plant and equipment is calculated by adding the direct or indirect costs attributable to the assets to the acquisition price of the consumables.

If applicable, the acquisition price includes the initial estimate of the costs associated to dismantling or removing the asset and the restoral of its location when, as a result of use of the asset, the Group is obliged to take said actions.

The costs of expansion, modernisation or improvement of property, plant and equipment are included in the asset as an increase in its value only when they represent an increase in its capacity or productivity or a lengthening of its useful life, accrued that it is possible to estimate the carrying amounts of the assets that are removed from the inventory because they have been replaced.

Recurring repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

The Group analyses the need to make any adjustments to the carrying amount that may be necessary, in order to attribute the lowest applicable recoverable value to each element of property, plant and equipment at the year end whenever there are circumstances or changes that show that the net carrying amount of the property, plant and equipment may not be fully recoverable through the generation of sufficient income to cover all the costs and expenses.

In this case, the lower carrying amount is not maintained if the causes for the value adjustment cease to exist.

Depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated systematically using the straight-line method over its estimated useful life, taking the impairment actually suffered due to operation, use and enjoyment into account.

The estimated useful lives are:

	Estimated years of useful life
Technical facilities	10-35
Equipment at the client's facilities	6
Data-processing equipment	4-5
Other property, plant and equipment	5-13

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Losses and gains on the disposal of property, plant and equipment are calculated by comparing the income obtained from the sale with the carrying amount and are recorded in the income statement.

3.3 Interest costs

Finance costs directly attributable to the acquisition or construction of fixed assets that require a period of longer than one year to come into use is included in their cost until they become operative. In the years 2009 and 2008, no finance costs were included in the acquisition or construction cost of fixed assets, as there were no elements on fixed assets that had required a period longer than one year to come into use.

3.4 Impairment losses on non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation but tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that had suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3.5 Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The loans and receivables are included in “Trade and other receivables” in the balance sheet.

These financial assets are recognised initially at fair value, including any transaction costs directly attributable to them, and subsequently measured at amortised cost, recognising the interest accrued in accordance with the effective interest rate, defined as the discount rate that equals the carrying amount of the instrument with the totality of its estimated cash flows until maturity.

At least at the year end, the necessary impairment adjustments are made if there is objective evidence that not all the amounts owing will be received.

The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Impairment adjustments and, if applicable, the reversal thereof are recognised in the income statement.

Financial assets are derecognised in the balance sheet when all the risks and rewards of ownership of the asset are substantially transferred. In the specific case of receivables, this is generally deemed to occur when the risks of default and insolvency are transferred.

b) Deposits given

These are amounts paid under operating leases. They are recognised at fair value. The difference between their fair value and the amount paid is considered an advance lease payment that will be taken to the income statement during the lease term.

When estimating the fair value of deposits given, the remaining period will be the minimum contractual term committed during which the amount cannot be refunded.

When the deposit is short term, the cash flows are not discounted if their effect is not significant.

3.6 Financial derivatives and accounting hedges

Derivatives are recognised at fair value both initially and when subsequently remeasured, being shown as financial assets or financial liabilities depending on whether the fair value is positive or negative, respectively. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Fair value hedges: changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b) Cash flow hedges: the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised temporarily in equity. It is recognised in the income statement in the years in which the hedged transaction affects profit or loss, except when the hedge relates to a forecast transaction the results in the recognition of a non-financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset when acquired or the liability when assumed.

The loss or gain relating to the ineffective portion is immediately recognised in the income statement.

At the inception time, the Company of the Group formally documents the hedging relationship between the derivative and the hedged item, together with the risk management objectives and strategies sought when establishing the hedge. This documentation includes identification of the hedging instrument, the item or transaction it hedges and the nature of the hedged risk. Likewise, it includes the manner of assessing the degree of effectiveness in compensating the exposure of the item covered to changes, whether they be in the fair value or in the cash flows attributable to the hedged risk. The effectiveness assessment is carried out prospectively and retrospectively, both at the beginning of the hedging relationship and systematically throughout the period for which it was designated.

Accounting hedge criteria are no longer applied when the hedging instrument expires or is sold, cancelled or liquidated, or if the hedge no longer meets the requirements for hedge accounting, or if the designation in revoked. In these cases, the cumulative gain or loss reported in equity are not recognised in the income statement until the forecast or committed transaction affects the profit or loss. Notwithstanding, if it becomes improbable that the transaction will take place, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

The fair value of the derivative portfolio includes estimates based on calculations made using data that can be observed in the market and specific tools for the assessment and risk management of derivatives, widely used among a number of financial institutions.

3.7 Non current assets (disposal groups) held for sale.

Non-current assets held for sale (or disposal groups) are classified as held for sale if it is considered that their carrying value will be recovered through a sale transaction, not through continuing use. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state of repair and the sale will presumably be completed within one year of the date of classification. These assets are carried at the lower of carrying value and fair value less the necessary disposal costs and are not subject to depreciation.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. When the net realisable value of inventories is below cost, the necessary value adjustments are made and an expense is recorded in the income statement. If the circumstances that caused the value adjustment cease to exist, the adjustment is reversed and recognised as income in the income statement.

3.9 Equity attributable to the Company's equity holders

The share capital is represented by ordinary shares.

The costs of issuing new shares or options are shown in directly in the equity as a deduction from the reserves.

When any Group company acquires shares in the Company (own shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs, is recognised in the equity attributable to the Company's equity-holders.

3.10 Financial liabilities

Debits and payables

This category includes trade and non-trade payables. These borrowings are classified as current liabilities unless the Group unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

This debt is recognised initially at fair value, adjusted by any directly attributable transaction costs, and is subsequently recognised at amortised cost using the effective interest rate method. This effective interest is the discount rate that equals the carrying value of the instrument to the expected flow of future payments until maturity of the liability.

Notwithstanding the aforegoing, trade payables maturing at not more than one year without a contractual interest rate are stated, both initially and subsequently, at their face value when the effect of not discounting the cash flows is not significant.

If existing debt is renegotiated, no substantial changes to the financial liability are deemed to exist when the lender of the new loan is the same as the lender of the initial loan and the present value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the outstanding cash flows of the original liability calculated using the same method.

3.11 Grants received

Reimbursable grants are recorded as liabilities until the conditions required for them to be considered non-reimbursable are met, while non-reimbursable grants are recognised directly in equity as income on a systematic and rational basis, correlated to the expenses derived from the grant.

For these purposes, a grant is considered non-reimbursable when there is an individual agreement to award the grant, all the conditions fixed for the award have been met and there is no reasonable doubt that it will be received.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the item received. Both of these values refer to the time of recognition.

Non-reimbursable grants relating to the acquisition of property, plant and equipment and/or intangible assets are recognised as income for the year in proportion to the depreciation of the related assets or, if applicable, when the latter are sold, there is an impairment adjustment or they are derecognised in the balance sheet.

3.12 Current and deferred income tax

The income tax charged (credited) comprises both current and deferred income tax charged (credited).

Both the current and deferred income tax charged (credited) is recorded in the income statement. Notwithstanding, the tax effect related to items recorded directly in equity is recognised directly in equity.

Current income tax assets and liabilities will be valued at the amounts it is expected to pay to or recover from the tax authorities, in accordance with current legislation.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor tax profit or loss. Deferred income tax is determined using the rules and tax rates that have been approved or are on the point of approval at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax credits can be utilised.

3.13 Employee benefits

a) Termination benefits

Termination benefits are payable when employment is terminated by Group companies before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

b) Bonus

Group companies recognize a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

3.14 Provisions and contingent liabilities

Provisions for restructuring costs and legal claims are recognised when; the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Adjustments to the provision due to passage of time are recognised as finance expenses as accrued.

Provisions maturing at one year or less with non material financial effect are not discounted.

When part of the expenditure necessary to settle the provision is reimbursed by a third party, the reimbursement is recognised as a separate asset, provided it is almost certain to be received.

Contingent liabilities are the possible obligations arising from past events the materialisation of which depends on whether one or more future events take place, irrespective of the Group's wishes. These contingent liabilities are not recognised but details are set forth in the Notes.

3.15 Revenue recognition

Revenue is recognised at the fair value of the consideration receivable and represents the amounts receivable for the sale of goods and services in the ordinary course of the Group companies' activities, net of returns, rebates, discounts and value-added tax to the extent that it is passed on to third parties.

Group companies recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company, the transaction costs can be measured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Group companies base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's revenue comes from the individual or combined provision of telephone, television and broad-band Internet services to residential direct-access customers, indirect-access customers and companies, together with the provision of services of interconnection with other operators.

Commercial packages that combine different elements are analysed to determine whether it is necessary to separate the different elements identified, applying the appropriate revenue recognition policy in each specific case. Total revenue from the package is distributed among its identified elements in accordance with their respective fair values (i.e. the fair value of each individual component in relation to the total fair value of the package).

Traffic is recognised as revenue as consumed.

If traffic or other services are sold at a fixed rate for a determined time period (flat rate), revenue is recognised on a straight-line basis over the time period covered by the rate paid by the customer.

Income from connection charges originated when customers connect to the Group's network are, to the extent that they are not considered to be a separate service, deferred and credited to the income statement over the estimated average duration of the relationship with the customer, which varies depending on the type of service involved. Direct costs incurred in installing and registering new customers that can be identified individually are capitalised when they are directly controlled by the Group and represent the basis for the generation of future economic profits. These costs are amortised considering the average subscription period of the customers. Other types of cost are charged directly to the income statement.

The periodic charges for use of the network (Telephony, Internet and Television) are credited to the income statement on a straight-line basis over the period to which they relate. Rentals and other services are credited to the income statement as the service is provided.

Revenue from interconnection and other services used by customers is recognised in the period in which the customers make the phone calls.

Revenue from the sale of terminals and equipment is recognised when, in addition to the aforegoing, the sale is deemed to be completed, i.e. when the significant risks and rewards have been transferred and neither the management or effective control of the items is held. This moment usually coincides with the time of delivery to the final customer.

Likewise, the Group carries out commercial promotions based on the subscriber obtaining points in accordance with his consumption. The amount assigned to the points given is recorded as a decrease in revenue until the time that the points are exchanged, when they are recognised as revenue from sales or services, depending on the product or service chosen by the customer. In the event that the points are not used, they are recognised as income when they expire. The exchange may be for traffic or another type of service, depending on the amount of points obtained and the type of contract held.

3.16 Leases

a) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. To calculate the present value, the implicit interest rate of the agreement is used and, if this cannot be determined, the Group's interest rate for similar transactions.

Each lease payment is allocated between the liability and the finance charges. The total finance cost is distributed over the lease term and is recognised in the income statement in the year in which it accrues, using the effective interest rate method. The contingent payments are an expense in the year in which they are incurred. The corresponding lease obligations, net of finance charges, are included under "Payables under lease agreements". The property, plant and equipment acquired under finance leases is depreciated over the lowest value between the useful life of the asset or the lease term.

b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.17 Foreign currency transactions

a) Functional and presentation currency

The Group's financial statements are presented in Euros, which is the Group's presentation and functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3.18 Related-party transactions

In general, transactions between Group companies are initially recognised at fair value. When applicable, if the agreed price differs from the fair value, the difference is recorded in accordance with the actual economic value of the transaction. Subsequent recognition is in accordance with the provisions of the applicable rules.

4. Financial risk management

The Group is exposed to various financial market related risks as a result of its ordinary business activity and the financing of its business. A valuation of the main financial market related risks affecting the Group is as follows:

a) Share price risk

As disclosed in the note 8, practically all the equity investments are in the Companies included within the consolidated group. The value of the equity investments in Companies excluded from the Group amounts to 3 million Euros.

b) Exchange rate risk

None of the Group companies performs significant transactions in a currency different from the euro neither have any Group Company investments in a country outside the European Union.

c) Interest rate risk

The interest rate risk arises from changes in the fair value or the future cash flows of a financial instrument as a consequence of changes on the applicable interest rates. The Group exposure to changes in the interest rate is underpinned by the debts with floating rates based on Euribor.

It is the Group policy to monitor and manage the exposure to the interest rate risk via the managing of the debts with floating rates. For this reason, the Group holds financial derivative instruments (swaps) with several credit institutions. These hedging instruments fix the interest cash flow amounts until July 2010 for a principal of 2,065 million and 500 million until January 2011.

The total related debt amounts to 3,464 million Euros. This debt is a senior bank facility. Accordingly, the 74% of the interest rate risk is covered.

d) Liquidity risk

It is the Group policy to seek to match the schedule for its debt maturity payments to its capacity to generate cash flows to meet these maturities. In particular, the Group's management attempts to ensure that the operations over the next 12 months are always fully financed without the need to substantially modify the conditions and structure of the Group's debt.

The Group faces in the forthcoming years significant debt maturity payments (Note 14). These payments will be financed firstly with cash and cash equivalents currently held and secondly with the cash flows generated from the ordinary activities.

In order to mitigate these risks, in 2008 the Group started a transformation plan that includes several initiatives in order to maximize its financial resources. Some of the actions are the discontinuing the network construction, significant changes in the headcount, as well as other cost reduction programmes.

In addition, during 2009, the Group has started a process of refinancing debt and a new contribution of the stakeholders. As of the Financial Statements signing date this plan is in process of execution, as it is described in the year end subsequent event note (see note 27).

5. Intangible assets

Details of and movement on the items included in "Intangible assets" are as follows:

	Concessions	Rights over fixed assets	Computer software	Other intangible assets	Total
			Thousands of Euros		
Balance at 31-12-2007	**4,622**	**39,445**	**63,529**	**21,610**	**129,206**
Cost	12,651	61,546	127,535	32,865	234,597
Accumulated amortisation	(8,029)	(22,101)	(64,006)	(11,255)	(105,391)
Net book value	4,622	39,445	63,529	21,610	129,206
Additions	—	4,000	10,557	6,127	20,684
Disposals	—	—	(14)	(900)	(914)
Accumulated amortisation disposals/transfers	—	—	14	111	125
Amortisation charge	(283)	(2,382)	(23,520)	(6,791)	(32,976)
Balance at 31-12-2008	**4,339**	**41,063**	**50,566**	**20,157**	**116,125**
Cost	12,651	65,546	138,078	38,092	254,367
Accumulated amortisation	(8,312)	(24,483)	(87,512)	(17,935)	(138,242)
Net book value	4,339	41,063	50,566	20,157	116,125
Additions	—	—	11,353	12,991	24,344
Disposals	—	—	(231)	(67)	(298)
Transfers	—	—	—	8,102	8,102
Amortisation disposals	—	—	—	39	39
Amortisation transfers	—	—	—	(1,153)	(1,153)
Amortisation charge	(283)	(2,381)	(23,086)	(8,019)	(33,769)
Transfers to assets held for sale (note 21)	—	—	(141)	(982)	(1,123)
Balance at 31-12-2009	**4,056**	**38,682**	**38,461**	**31,068**	**112,267**
Cost	12,651	65,546	147,908	57,038	283,109
Accumulated amortisation	(8,595)	(26,864)	(109,447)	(25,970)	(170,842)
Net book value	**4,056**	**38,682**	**38,461**	**31,068**	**112,267**

During the years 2009 and 2008, no impairment losses have been recognised regarding intangible assets.

At 31 December 2009, there are fully-amortised intangible assets that are still in use with an original cost of 78.3 million Euros (56.3 million Euros in 2008).

At 31 December 2009, there are no intangible assets subject to ownership restrictions or pledged to secure liabilities.

6. Property, plant and equipment

Details of and movement on the items included in "Property, plant and equipment" are as follows:

	Land and constructions	Technical facilities and other property, plant & equipment	Advances and fixed assets under construction	Total
		Thousands of Euros		
Balance at 31-12-2007	**21,439**	**4,434,628**	**102,045**	**4,558,112**
Cost	21,439	6,414,743	102,045	6,538,227
Accumulated depreciation	—	(1,905,060)	—	(1,905,060)
Impairment losses	—	(75,055)	—	(75,055)
Net book value	21,439	4,434,628	102,045	4,558,112
Other Additions	—	159,068	193,744	352,812
Other transfers	—	197,508	(195,174)	2,334
Disposals	(115)	(13,442)	(6,063)	(19,620)
Accumulated depreciation disposals/transfers		12,409	—	12,409
Impairment losses applied/ (recognised) in the year	—	4,625	(14,205)	(9,580)
Depreciation charge	—	(355,792)	—	(355,792)
Balance at 31-12-2008	**21,324**	**4,439,004**	**80,347**	**4,540,675**
Cost	21,324	6,757,877	80,347	6,859,548
Accumulated depreciation	—	(2,248,443)	—	(2,248,443)
Impairment losses	—	(70,430)	—	(70,430)
Net book value	21,324	4,439,004	80,347	4,540,675
Additions	—	115,587	80,266	195,853
Disposals	(310)	(10,954)	(4,011)	(15,275)
Transfers	—	66,926	(74,749)	(7,823)
Depreciation disposals	—	5,425	—	5,425
Depreciation transfers	—	874	—	874
Impairment losses applied/ (recognised) in the year	—	1,426	—	1,426
Depreciation charge	—	(356,347)	—	(356,347)
Transfer to assets held for sale (note 21)	(6,110)	(19,188)	—	(25,298)
Balance at 31-12-2009	**14,904**	**4,242,753**	**81,853**	**4,339,510**
Cost	14,904	6,899,310	81,853	6,996,067
Accumulated depreciation	—	(2,587,553)	—	(2,587,553)
Impairment losses	—	(69,004)	—	(69,004)
Net book value	**14,904**	**4,242,753**	**81,853**	**4,339,510**

In 2009, no impairment adjustments were recognised for property, plant and equipment. In 2008, an impairment loss of 14 million Euros was recognised in relation to the mobile phone business investments, based on the difference between the recoverable value of these assets and their carrying amount.

The cost of fully-depreciated elements of property, plant and equipment that are still in use is 425.5 million Euros (348.9 million Euros in 2008).

At 31 December, 2009, there is no significant property, plant and equipment subject to ownership restrictions or pledged to secure liabilities.

The caption "Technical facilities and other property, plant and equipment" includes the following amounts where the Group is the lessee under a finance lease (see note 14.d).

		2009	2008
		Thousands of Euros	
Cost—capitalised finance leases	Data-processing equipment	334	1,779
	Technical facilities	21,394	21,451
	Other	4,765	4,804
Accumulated Depreciation	Data-processing equipment	(224)	(1,189)
	Technical facilities	(7,408)	(6,477)
	Other	—	—
Net book value	Data-processing equipment	110	590
	Technical facilities	13,986	14,974
	Other	4,765	4,804

The Group has several insurance policies to cover the risks the property, plant and equipment is exposed to. The insurance cover is considered sufficient.

7. Analysis of financial instruments

The carrying amounts of each one of the financial instrument categories established in the "Financial instruments" accounting policy, except investments in the equity of Group and associated companies (see note 8), and cash and other cash and cash equivalents (see note 11) are as follows:

	Long-term financial assets							
	Equity instruments		Securities representing debt		Credits, Derivatives and Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	Thousands of Euros							
Held to maturity financial assets	1,059	1,166	—	—	—	—	1,059	1,166
Loans and receivables (note 9)			—	—	5,481	3,764	5,481	3,764
	1,059	**1,166**	**—**	**—**	**5,481**	**3,764**	**6,540**	**4,930**

	Short-term financial assets							
	Equity instruments		Securities representing debt		Credits, Derivatives and Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	Thousands of Euros							
Loans and receivables (note 9)	—	—	—	—	124,545	151,443	124,545	151,443
	—	**—**	**—**	**—**	**124,545**	**151,443**	**124,545**	**151,443**

	Long-term financial liabilities							
	Borrowings from credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	Thousands of Euros							
Debits and payables (note 14)	3,078,022	3,510,821	450,000	450,000	953	67,881	3,528,975	4,028,702
Hedging derivatives (note 10)		—	—	—	15,754	69,811	15,754	69,811
	3,078,022	**3,510,821**	**450,000**	**450,000**	**16,707**	**137,692**	**3,544,729**	**4,098,513**

	Short-term financial liabilities							
	Borrowings from credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	Thousands of Euros							
Debits and payables (note 14)	551,967	262,656	14,630	32,613	487,639	627,641	1,054,236	922,910
Hedging derivatives (note 10)	—	—	—	—	39,013	—	39,013	—
	551,967	**262,656**	**14,630**	**32,613**	**526,652**	**627,641**	**1,093,249**	**922,910**

8. Holdings in Group companies

The amounts of the capital, reserves, profit or loss for the year and other relevant information on Group companies, as shown in the individual annual accounts, are as follows:

Company	Capital	Share premium	Own Shares	Reserves	Result before income tax	Result for year	Carrying value in parent company
	Thousands of Euros						
Companies from the consolidation							
Cableuropa, Madrid	262,902	1,637,076	—	(1,752,266)	83,108	53,965	225,491
Tenaria, Pamplona	74,087	—	—	(18, 777)	7,487	5,241	36,917
Factoría de Canales, Barcelona (note 21)	6,857	—	—	1,231	2,780	1,990	—
Companies excluded from consolidation							
Cable Submarino de Canarias, Tenerife	8,824	93	(304)	1,020	95	67	3,060

None of the companies in which the Group holds an interest is quoted on a stock exchange.

9. Loans and receivables

The breakdown of loans and receivables is as follows:

		2009	2008
		Thousands of Euros	
Long-term loans and receivables			
—Loans to employees		250	250
—Deposits		5,231	3,514
	note 7	**5,481**	**3,764**
Short-term loans and receivables			
—Trade receivables and sundry debtors		274,813	325,341
—Receivables from related parties (note 24)		6,646	—
—Public authorities (note 18.d)		695	554
—Impairment provision		(162,731)	(182,830)
Trade and other receivables		119,423	143,065
—Deposits and other		5,122	8,378
	note 7	**124,545**	**151,443**

The caption "Trade receivables and sundry debtors" relates mainly to receivables arising from the provision of telephone, television and broad-band Internet services to direct-access residential customers, indirect-access customers and companies and the provision of interconnection services to other operators.

The Directors consider that the carrying value of the trade and other receivables accounts is in line with its fair value.

Trade receivables past due but aged less than three months are not considered to be impaired. At 31 December, 2009, there were receivables of 173,563 thousands of Euros (214,007 thousands of Euros in 2008). These receivables relate to a number of customers with no material recent bad debt history.

The credit risk is caused by the possibility of the Group not recovering the financial assets for its registered value or at is expected maturity date. A detailed of the exposed financial assets is included in this note.

From the balance of the "Trade receivables and sundry debtors" as of 31 December 2009, 57% corresponds to residential and SME customers, 26% to large companies and the remaining 17% relates to operators and other sundry debtors.

It is the Group policy to perform a periodical and systematic evaluation of credit risk to record provisions on the income statement accordingly and to evaluate the potential need to reduce customer's credit level allowed. In this sense, the Group has launched more restrictive credit scoring procedures prior to the acceptance of new residential customers.

As of 2009 year end, all the residential and SMEs trade receivables over one year are fully accrued for. For trade receivables due below one year, there are partial accruals according to the age of the trade receivables. Regarding the rest of trade receivables (large companies, operators and other sundry debtors) the Group has the policy of registering specific trade receivables provision based on the business segment, client characteristics and age of the receivables.

Movement on the impairment provision for trade receivables is as follows:

	2009	2008
Beginning of year	**182,830**	**170,196**
Impairment provision for trade receivables	33,989	26,892
Application	(54,088)	(14,258)
End of year	**162,731**	**182,830**

The application corresponds to balances that were fully accrued.

The carrying values of loans and receivables are denominated in Euros.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

10. Derivative financial instruments

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
	Thousands of Euros			
Interest rate swaps—cash-flow hedges		54,767	—	69,811
Total		54,767	—	69,811
Non-current portion		15,754	—	69,811
Current portion		39,013	—	—

The Group has several hedging financial instruments (swaps) for the floating interest rates in order to be covered against the fluctuations of the Senior Bank Facility interest rates (see note 14.c).

The swaps contracts amount to 2,565 million Euros, its maturity dates are July 2010 and January 2011, for amounts of 2,065 million and 500 million respectively.

The evolution of the hedge contracts value during 2009 is as follows:

	Before Tax	After Tax
	Thousands of Euros	
Movements of hedge contracts value		
Fair value at 31 December 2008. Adjustment to net equity (note 7)	(69,811)	(48,868)
Changes in the fair value during the year, against Net equity (see Consolidated Statement of Recognised incomes and expenses).	15,044	10,532
Fair value at 31 December 2009 (note 7)	(54,767)	(38,336)

Cash flows associated to hedge contracts will take place in the years 2010 and January 2011.

11. Cash and cash equivalents

	2009	2008
	Thousands of Euros	
Cash in hand and at bank	187,768	2,605
Cash equivalents	50,022	338,944
	237,790	**341,549**

The "Cash equivalents" caption relates to short-term fixed-income securities for placing punctual cash exceedings. They mature at less than three months and currently earn fixed remuneration of 0.5% (between 1.9% and 2% in 2008).

12. Equity attributable to the Company's equity-holders

a) Capital and share premium

	2009	2008
	Thousands of Euros	
Declared capital	131,464	262,902
	131,464	**262,902**

On 29 May 2009, the Single Shareholder approved a share capital reduction to restore the balance between share capital and equity by reducing the par value of each and every one of the 43,816,966 shares by 2.9997 Euros. As a result, the par value of each share is 3.0003 Euros. The shares are fully subscribed and paid up by Grupo Corporativo Ono, S.A., Single Shareholder of the controlling company.

The reduction has been carried out by offsetting accumulated losses. Said capital reduction has been entered in the Mercantile Register with effects on 23 December 2009.

On 4 November 2005, the shares of what is currently Cableuropa, S.A.U. were pledged as security for the preferred secured loan granted to the former Cableuropa, S.A.U., having resolved unanimously the board of ONO Midco that the Company should adhere as pledge to the pledge in respect of the shares in question.

b) Shareholders

At 31 December 2009 the parent company's Single Shareholder is Grupo Corporativo ONO, S.A.

The shareholders of Grupo Corporativo ONO, S.A. at 31 December, 2009 are the following:

	Total percentage of interest
CCMP Capital[(1)]	14.8%
Providence Equity Partners[(2)]	14.8%
Thomas H. Lee Partners[(2)]	14.8%
Quadrangle Capital Partners[(2)]	8.8%
Global Telecom Investments, LLC[(3)]	8.7%
Multitel Group, S.P.R.L.[(4)]	7.1%
Caisse de Dépôt et Placement du Québec (CDPQ)[(5)]	6.5%
Val Telecomunicaciones	5.2%
Ontario Teachers Pension Plan	4.6%
Capital Riesgo Global, SRC S.A.[(6)]	4.4%
Sodinteleco, S.L.[(7)]	4.2%
Northwestern Mutual Life Insurance Company	2.2%
Bregal Co-Invest	1.4%
Own shares	0.2%
Other	2.3%
	100%

(1) Formerly JP Morgan Partners. These interests are held through several other companies in which stakes are held.

(2) The shareholders mentioned hold these interests through several other companies in which they hold stakes.

(3) Company in which General Electric holds an interest.

(4) The interests of Multitel Group S.P.R.L. are held by said company and several companies in which it holds interests.

(5) CDPQ's interest is held by said company itself and another company belonging to its group.

(6) Company fully-held by Banco Santander Central Hispano.

(7) Company into which most of the former shareholders of Retecal were integrated.

c) Reserves and prior year losses

The voluntary reserves include the impact of the first application of the PGC 2007. This reserve has no restrictions to be distributed.

d) Shareholders' contributions

As at 31 December 2008, shareholders' contributions relate to the participating loan that Cableuropa S.A.U received from Grupo Corporativo Ono to finance the purchase of Auna Telecomunicaciones S.A.U amounting to 955 million Euros. Repayment of the participating loan is not set to begin until 2020. If it is repaid, such repayment will be through a capital increase or through the express agreement of both parties. Therefore the amount of that loan is considered as equity.

On 29 May 2009, Grupo Corporativo ONO sold Cableuropa, S.A.U. the EVCs it owned maturing in May 2009 so that the latter could cancel the same with ONO Finance PLC (see note 14). The total price payable by Cableuropa, S.A.U. to Grupo Corporativo ONO amounted to 6,496 thousands Euros. This resulting credit right in favor of Grupo Corporativo ONO has been defined as a subordinated debt. Likewise, Grupo Corporativo ONO loaned Cableuropa, S.A.U. the additional amount necessary for the latter to pay the EVCs with ONO Finance PLC (1,222 thousands of Euros). These participating loans will not have to be repaid before 2020. In the event of repayment, this would be carried out by means of a capital increase or by express agreement of the parties. As a result, the amount of these loans is considered as equity.

13. Result for the year

a) Proposed application of result

The proposed application of the result to be submitted to the General Meeting of Shareholders is to applicate the profit (56,759 thousands of Euros) to compensate the caption "Prior year losses".

b) Contribution to consolidated result

The contribution of each consolidated company to the consolidated loss is as follows:

	2009	2008
	Thousands of Euros	
Consolidated companies		
ONO Midco, S.A.U.	(39)	70
Cableuropa, S.A.U.	55,784	(28,921)
Tenaria, S.A.	4,875	3,978
Factoría de Canales, S.L.	(3,826)	2,635
Univertel Comunicaçôes Universais, S.A.	(35)	(254)
	56,759	**(22,492)**

14. Debits and payables

The breakdown of debits and payables is as follows:

		2009	2008
Long-term debts and payables:			
—Debt related to the issuance of bonds		450,000	450,000
—Senior Bank Facility		3,039,563	3,450,154
—Mortgage loans		210	521
—Payables under lease agreements		3,277	4,270
—ICO Loan		10,000	10,000
—Other loans		5,980	14,065
Subsidised loans (PROFIT)		18,992	31,811
Long term debt in credit institutions and other long term debts (see payment calendar)		3,528,022	3,960,821
—Other payables (Auna and others)		953	67,881
	note 7	**3,528,975**	**4,028,702**
Short-term debts and payables:			
—Loans from credit institutions		545,317	255,547
—Payables under lease agreements		1,389	1,848
—Interest related to the issuance of bonds		5,261	5,261
—Other financial liabilities (EVCs)		14,630	32,613
—Suppliers and property, plant and equipment suppliers		352,169	482,621
—Related parties (note 24)		13,019	17,315
—Guarantee deposits		2,342	2,094
—Short-term public authorities (note 18.d)		15,200	9,491
—Outstanding employee remunerations		23,967	27,053
—Other financial liabilities (Auna and others)		80,942	84,308
—Advanced collections		—	4,759
	note 7	**1,054,236**	**922,910**
	note 7	**4,583,211**	**4,951,612**

The carrying value of short-term debt is in line with its fair value, since the discount effect is not significant.

The payment calendar without considering the discount effect at the year end 2009 of the long and short-term debt with credit institutions and of the financial lease creditors is as follows:

			Maturities							
	Average interest rate 2009	Maximum available at 31.12.2009	2010	2011	2012	2013	2014	Subsequent years	Total debt	Interest payable
			Thousands of Euros							
Type of debt										
Debt with credit institutions										
Senior Bank Facility(*)	3.46%	3,464,000	414,000	590,000	960,000	1,499,795	—	—	3,463,795	47,812
Mortgage loan	4.28%	518	308	159	36	15	—	—	518	—
Leasing	4.07%	4,667	1,389	1,200	931	945	177	25	4,667	—
ICO loan	4.69%	10,000	—	—	—	—	10,000	—	10,000	1
Other credit lines	3.23%	92,600	70,324	1,400	4,580	—	—	—	76,304	631
Total debt with credit institutions		**3,571,785**	**486,021**	**592,759**	**965,547**	**1,500,755**	**10,177**	**25**	**3,555,284**	**48,444**
Other debt										
Debt related to the issuance of bonds	9.00%	450,000	—	—	—	—	450,000	—	450,000	5,261
Subsidised loans (**)	—	32,898	12,241	9,965	7,578	1,361	334	1,419	32,898	—
Total other debt		**482,898**	**12,241**	**9,965**	**7,578**	**1,361**	**450,334**	**1,419**	**482,898**	**5,261**
Total long- and short-term debt		**4,054,683**	**498,262**	**602,724**	**973,125**	**1,502,116**	**460,511**	**1,444**	**4,038,182**	**53,705**

(*) The payment calendar does not include the discount effect amounting 10,232 thousands of Euros.

(**) The subsidised loans include the subsidy recognised in the Total Equity for an amount of 1,166 thousands of Euros as well as its related tax impact amounting to 500 thousands of Euros.

a) Debt related to the issuance of bonds

In 2004, ONO Finance PLC issued 180,000 bonds with a face value of 1,000 Euros each, which accrue annual interest of 10.5%. These bonds mature at 10 years after issuance, but the issuer reserves the right to call the debt in advance, subject to certain conditions, once five years have elapsed since issue date.

In 2006, ONO Finance II PLC issued 270,000 bonds with a face value of 1,000 Euros each, which accrue interest at an annual rate of 8%. These bonds mature at 8 years after issuance, but the issuer reserves the right to call the debt in advance, subject to certain conditions, once two years have elapsed after issue date.

ONO Finance PLC is an independent company established in the United Kingdom with the corporate purpose of issuing bonds and the subsequent financing of the Cableuropa Group with the funds obtained from the issues. Cableuropa, S.A.U. holds a 2% interest in ONO Finance PLC.

ONO Finance II PLC is an independent company established in Ireland with the corporate purpose of issuing bonds and the subsequent financing of the Cableuropa Group with the funds obtained from the issues.

Details of the current bond issues at 31 December 2009 are as follows:

Issuer	Issue date	Number of bonds	Unit face value	Annual interest rate	Maturity
ONO Finance PLC	7 May, 2004	180,000	1,000 Euros	10.5%	15 May, 2014
ONO Finance II PLC	2 February, 2006	270,000	1,000 Euros	8%	16 May, 2014

All interest payments are paid semi annually.

ONO Midco, S.A.U. and its subsidiaries are guarantors under the contracts that regulate the bond issues. In relation to bond issuancee, the Cableuropa Group, as the borrower and guarantor, and the issuers, as the lenders, signed a number of subordinated financing agreements to transfer the effective amount obtained from the bond issues to the guarantors and, in return, the borrower undertook to obligation to repay the issuers:

- the face value of the debt from the bond issues upon maturity, equivalent to the issue value plus opening, maintenance and underwriting commissions; and
- sufficient interest to cover the interest payments associated to the bonds, plus a margin.

Details of current financial agreements signed with the issuers at 31 December 2009 are as follows:

Maturity	Currency	Principal	Total debt	Interest rate	Outstanding interest
			Thousands of Euros		
2014	Euro	180,000	180,000	10.5%	2,456
2014	Euro	270,000	270,000	8%	2,805
			450,000		**5,261**

b) Other financial liabilities (EVCs)

Associated to bond issues maturing in 2009 and 2011, ONO Finance PLC issued EVCs that are guaranteed by Cableuropa, S.A.U. Each EVC entitles its holder to receive, upon maturity, the equivalent value of a determined number of shares representing the capital of Cableuropa, S.A.U. They are valued according to their fair value.

In 2006 and 2007, the parent company, Grupo Corporativo ONO, S.A., acquired EVCs through a number of bilateral transactions in the market until, at the 2007 year end, it had acquired over 80% of all the EVCs.

During 2009, the subsidiary Cableuropa, S.A.U. has settled EVCs that matured on 29 May 2009. This settlement has been based on the valuation of Cableuropa's shares, which was performed by a third party and implied a profit of 4,094 thousands of Euros.

As at 31 December 2009, Cableuropa, S.A.U. has adjusted the fair value of the existing EVCs at year end, which has implied a profit of 6,803 thousands of Euros.

c) Loans from credit institutions

c.1 Senior Bank Facility

Background

The Senior Bank Facility was originally contracted in 2005 in the amount of 3,100 million. In 2007, the "Principal insurance entities" and "Principal directors entities" subscribed an additional amount of 500 million Euros to meet the Group's general funding needs, refinance the junior debt and to obtain sufficient funds to carry out new projects and investments.

In 2008, the clauses of financial covenants included in the agreement were renegotiated.

Funds availability is structured into several tranches. At 31 December 2009, the credit was fully drawn amounting 3,464 million Euros, where 3,050 million Euros are classified at long term and 414 million Euros are at short term, depending on its maturity.

In December 2009, the Group paid 36 million Euros in accordance to the payment calendar.

Interest and expense

The Senior Bank Facility involves certain commissions, including, among others:

- Interest on amounts drawn linked to Euribor plus a spread, between 1.75% and 2.25% depending on the drawn tranches.

- Availability commissions on the amounts granted but not drawn; and
- Agency commissions.

Interest rate hedges

At 31 December 2009, the Group has hedges for 2,565 million Euros to hedge possible fluctuations in the interest rate on the syndicated loan until the first quarter of 2011 (see note 10).

Guarantees and conditions

The following assets have been pledged by the Group to guarantee its Senior Bank Facility:

- the shares in Cableuropa, S.A.U. belonging to ONO Midco, S.A.U.
- "Participative" loan between Grupo Corporativo ONO S.A. and Cableuropa, S.A.U.

The borrowers of the Senior Bank Facility (Cableuropa, S.A.U. and part of its subsidiaries) have jointly and severally guaranteed all the amounts of the credit as senior debt.

The Senior Bank Facility also contains financial and non-financial conditions, including voluntary early repayment and, under some circumstances, obligatory repayment, the establishment of mandatory conditions concerning the possibility of new borrowings, the sale of assets, sale and lease-back agreements, acquisitions, the possibility of granting loans and guarantees, early repayment of other borrowings, investments, dividends and the negotiation of significant contracts.

c.2. "Participative" loan

In October 2005, as part of the funding necessary for the acquisition of Auna Telecomunicaciones, S.A.U., the former Cableuropa, S.A.U. signed a "participative" loan with FOND-ICO for 20 million Euros, maturing on 15 May, 2007. The loan was renewed in 2007 for 10 million Euros until 15 May, 2014 and accrues variable interest linked to Euribor plus a spread.

c.3. Credit lines

The Group has the following undrawn credit lines:

	2009	2008
	Thousands of Euros	
Variable rate:		
—maturing at less than one year	15,076	17,412
—maturing at more than one year	1,220	935
	16,296	**18,347**

The credit lines maturing at less than one year are subject to a number of revisions in 2010.

d) Finance lease liabilities

Finance lease liabilities are effectively guaranteed if the rights over the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities—minimum payment under finance leases, are as follows:

	2009	2008
	Thousands of Euros	
Up to 1 year	1,476	1,992
Between 1 and 5 years	3,343	5,010
Over 5 years	27	208
Future finance charges on finance leases	(179)	(1,092)
Present value of finance lease liabilities	**4,667**	**6,118**

e) Subsidised loans

Since 2001, within the framework of the "Programa para el Fomento de la Innovación Tecnológica" (PROFIT) (Technological Innovation Promotion Programme), the Group has obtained a number of subsidised loans to finance certain technological innovation projects. This subsidised funding is recorded as long-term borrowings and is received in the form of reimbursable advances, in annual payments. As from the third anniversary of its granting, the loan does not accrue interest and it is secured by bank guarantees. These subsidised loans mature between 2010 and 2021.

The Group considers that it meets all the general and specific conditions fixed in the relevant individual decisions to grant all the subsidised loans.

f) Other long-term payables: deferred payment for the acquisition of Auna

As a consequence of the acquisition of Auna in 2005, 214 million Euros of the purchase price was deferred. In January 2008, the first payment of 71 million Euros was made. In the year 2008, payment of the remaining 144 million Euros was renegotiated, 71 million were paid in January 2009 and the remaining 71 million Euros were paid in January 2010.

15. Long and short-term provisions

Movement on the provisions recognised in the balance sheet are as follows:

	Onerous contracts	Other provisions (AUNA acquisition)	Restructuring	Litigations and other	Total
			Thousands of Euros		
Balance at 31 December 2007	**153,512**	**851**	**—**	**87,445**	**241,808**
Charge for year	8,138	—	39,033	6,562	53,733
Applications	(46,496)	(851)	—	(10,295)	(57,642)
Reversal/excess of provisions	—	—	—	(15,000)	(15,000)
Balance at 31 December 2008	**115,154**	**—**	**39,033**	**68,712**	**222,899**
Charge for year	7,710	—	—	8,055	15,765
Applications	(38,948)	—	(36,846)	(10,357)	(86,151)
Balance at 31 December 2009	**83,916**	**—**	**2,187**	**66,410**	**152,513**

The analysis of the total of these provisions is as follows:

	2009	2008
	Thousands of Euros	
Non-current	119,649	145,822
Current	32,864	77,077
	152,513	**222,899**

a) Onerous contracts

Several contracts mainly corresponding to network maintenance and rental contracts, acquired as part of the Auna Telecomunicaciones Group purchase process with costs higher than market standards, were considered onerous contracts.

The provision to be applied during 2010, 2011 and 2012 is expected to be an annual application of circa 31 million Euros, after considering the future costs.

b) Restructuring provisions

On 19 January 2009, the Ministry of Labour authority approved the headcount reduction plan ("Expediente de Regulación de Empleo") agreed with the trade unions representatives, in which the termination of up to a maximum of 988 people was authorised. The estimated costs to be incurred in the personnel restructuring and other costs directly attributable to the restructuring were accrued at 31 December 2008. During 2009, the Group has almost totally applied the mentioned accrual, pending to be applied during next year a remaining amount of 2 million Euros.

c) Litigations and other liabilities

The amount represents a provision for certain complaints filed against the Group companies. The amounts have been estimated in accordance with the sums claimed or the risk estimated by the Group.

In the Directors' opinion after receiving the relevant legal advice, the result of these litigations is not expected to represent significant losses higher than the amounts accrued at 31 December 2009.

In the year 2007, a liability to cover the contribution to the Universal Service Fund was recognised.

As a result of the resolutions of the Telecommunications Market Commission, the Group has restimated the new liability during the years 2008 and 2009. As a consequence of these estimations, during 2008 a 15 million Euros provision was reversed.

16. Deferred income tax

Details of deferred income tax are as follows:

	2009	2008
	Thousands of Euros	
Deferred income tax assets:		
—Temporary differences	116,095	154,344
—Assets arising from tax loss carry-forwards	1,027,448	1,024,702
—Credit/debits with Group companies related to tax losses	7,648	8,451
	1,151,191	**1,187,497**
Deferred income tax liabilities:		
—Temporary differences	(500)	(847)
	(500)	**(847)**
Deferred income tax	**1,150,691**	**1,186,650**

Movement on deferred income taxes in the year is as follows:

Deferred income tax assets	Balance at 01.01.08	Transfers	Additions	Disposals	Balance at 31.12.08
			Thousands of Euros		
Tax credits	1,117,786	—	15,660	—	1,133,446
Provision	(108,744)	—	—	—	(108,744)
Credits/debits with Group companies related to tax losses	8,681	—	—	(230)	8,451
Temporary differences	145,683	—	20,943	(12,282)	154,344
Total deferred income tax assets	**1,163,406**	**—**	**(36,603)**	**(12,512)**	**1,187,497**

Deferred income tax assets	Balance at 01.01.09	Transfers	Additions	Disposals	Balance at 31.12.09
			Thousands of Euros		
Tax credits	1,133,446			(3,679)	1,136,192
Provision	(108,744)	—	6,425	—	(108,744)
Credits/debits with Group companies related to tax losses	8,451		—	(803)	7,648
Temporary differences	154,344	—	780	(39,029)	116,095
Total deferred income tax assets	**1,187,497**		**7,205**	**(43,511)**	**1,151,191**

Deferred income tax liabilities	Balance at 01.01.08	Transfers	Additions	Disposals	Balance at 31.12.08
			Thousands of Euros		
Temporary differences	(7,547)	—	—	6,700	(847)
Total deferred income tax liabilities	**(7,547)**	**—**	**—**	**6,700**	**(847)**

Deferred income tax liabilities	Balance at 01.01.09	Transfers	Additions	Disposals	Balance at 31.12.09
Temporary differences	(847)			347	(500)
Total deferred income tax liabilities	**(847)**			**347**	**(500)**

The deferred income tax balance as of 31 December 2009 and 2008 charged to equity is as follows:

	2009	2008
	Thousands of Euros	
—Hedging reserve	16,430	20,943
—Non-refundable grants	(500)	(847)
	15,930	**20,096**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that it is probable that the Company will obtain future tax profits that allow them to be applied.

17. Income and expenses

a) Net revenue

Net revenue by service line may be analysed as follows:

	2009	2008
	Thousands of Euros	
Services to the residential market	1,157,626	1,218,851
Indirect access	9,740	19,155
Businesses	236,540	248,791
Carrier, operators and other	108,229	115,665
	1,512,135	**1,602,462**

All revenue was obtained in national territory.

b) Work carried out by the company for its assets

The expenses associated to the development and construction of the Group's network, and several installation costs, are capitalised as a higher cost of the network. All these capitalised expenses are recognised as operating income under the caption "Work carried out by the company for its assets" in the income statement.

c) Cost of sales

Operating consumption is the Group's direct sales cost and includes programming expenses, Internet connectivity and the rental of circuits and channelling.

	2009	2008
	Thousands of Euros	
Interconnection	108,258	139,547
Programming	82,728	102,416
Intelligent network	42,727	41,007
Trunk network	43,168	42,635
Loop costs	13,655	16,982
Circuit costs	14,283	15,533
Others	23,810	23,009
	328,599	**381,129**

d) Staff costs

	2009	2008
	Thousands of Euros	
Wages, salaries and similar	129,915	165,873
Employer's social security contributions	33,372	42,963
Other employee expenses	7,494	9,661
Severance payments	—	6,621
	170,781	**225,118**

The average number of employees in the year, by category, is as follows:

	2009	2008
Directors	100	126
Qualified, technical	2,120	3,128
Administration	1,329	1,340
	3,549	**4,594**

Likewise, the distribution of the Group's employees by sex and categories at the year end 31 December 2009 is as follows:

	2009			2008		
	Men	Women	Total	Men	Women	Total
Directors	86	13	99	111	15	126
Qualified, technical	1,492	569	2,061	1,991	1,137	3,128
Administration	436	853	1,289	494	846	1,340
	2,014	**1,435**	**3,449**	**2,596**	**1,998**	**4,594**

e) Other operating expenses

	2009	2008
	Thousands of Euros	
Leases and canons	53,933	58,292
Repairs and maintenance	64,492	71,588
Service of independent professionals	90,258	95,410
Advertising	42,164	47,326
Other services	39,619	47,296
Taxes	19,399	18,679
Impairment of trade receivables	33,989	26,892
Total other operating expenses	**343,854**	**365,483**

18. Income tax and tax situation

a) Consolidated tax regime

In 2002, Grupo Corporativo ONO, S.A. notified its election to apply the consolidated tax regime. The Group has consolidated for tax purposes since 1 January 2003.

The parent company for tax consolidation is Grupo Corporativo ONO, S.A.

b) Income tax

The reconciliation between the net income and expenses for the year and the income tax base is as follows:

	Increases	Decreases	Increases	Decreases
	Thousands of Euros			
Consolidated result for the year	—	56,759	—	—
Income tax	—	31,029	—	—
Permanent differences	7,153	—	—	—
Temporary differences:				
—originating in the year	10,261	—	—	—
—originating in previous years	—	(126,618)	—	(4,166)
Offsetting of tax loss carry-forwards	—	—	—	—
Tax base (taxable result)	—	(21,416)	—	—

The breakdown of income tax is as follows:

	2009
	Thousands of Euros
Credits with Group Companies—2009 Tax Credit	6,425
Deferred income tax (note 16)	(34,907)
	(28,482)

The difference with the income tax registered in the profit and loss account correspond to the deductions balance written off amounting to 2.5 million Euros.

c) Tax losses

At 31 December, 2009, the Group has the following tax loss carry-forwards that may be offset against tax profits generated from 2009 onwards:

Year	Thousands of Euros
1994	662
1995	2,753
1996	1,266
1997	5,560
1998	14,149
1999	112,611
2000	224,154
2001	290,724
2002	624,026
2003	526,014
2004	75,610
2005	1,375,442
2006	196,910
2007	189,551
2008	56,275
Total	**3,695,707**

Under current legislation, the maximum term in which tax loss carry-forwards may be offset is 15 years as from the first year in which profits are obtained for companies incorporated later than 1 January 1996. The Directors consider that these amounts will be recovered within the legally-established periods.

d) Public authorities

The short-term balances held by the Company with public authorities at 31 December, 2009 and 2008, are as follows:

	2009	2008
	Thousands of Euros	
Receivables from public authorities (note 9)		
Public Treasury, VAT and Canary Islands General Indirect Tax	9	7
Withholdings and payments on account	407	268
Other	279	279
Total	**695**	**554**
Payables to public authorities (note 14)		
Public Treasury, personal income tax	3,253	3,740
Social Security entities	3,838	4,568
Treasury, VAT and Canary Islands General Indirect Tax	7,860	921
Other	249	262
Total	**15,200**	**9,491**

e) Years open to inspection

According to current legislation, taxes may not be deemed to have been definitively settled until the returns filed have been inspected by the tax authorities or the 4-year years from the last day of the voluntary period for filing statute of limitations has expired.

The tax years open to tax audit are shown in the chart below:

Company	Corporate Income Tax	Other taxes
Cableuropa, S.A.U.	2005-2008	2006-2009
Cableuropa, S.A.U. (previously Auna Telecomunicaciones S.A.U.)	Under Tax Audit	2006
ONO Midco, S.A.U.	2007-2008	2007-2009
Tenaria, S.A.	2005-2008	2006-2009
Factoria de Canales, S.L.	2005-2008	2006-2009

On March 2008, the Spanish Tax Authorities notified to Cableuropa, S.A.U. (previously Auna Telecomunicaciones, S.A.U.) the commencement of audit activities in relation to Corporate Income Tax for fiscal years 2003, 2004 and 2005 and Value Added Tax for the periods elapsed between March 2004 and December 2005.

The Directors do not expect any significant additional liabilities to arise in the years open to inspection.

19. Finance result

The breakdown of finance cost and income is as follows:

	2009	2008
	Thousands of Euros	
Finance income:		
Exchange gains	843	503
Other finance income	2,063	5,170
Deposits: unwinding of discount	140	140
Income for grants	843	1,272
	3,889	**7,085**
Interest expense:		
Exchange losses	(783)	(270)
Guarantee costs	(1,374)	(2,101)
Interest on debt related to the issuance of bonds (note 14.a)	(40,520)	(40,549)
Interest on secured senior credit facilities (note 14.c)	(182,411)	(193,205)
Interest on other finance costs	(4,616)	(11,745)
Other finance costs	—	(10,000)
	(229,704)	**(257,870)**
Other financial charges		
Provisions: unwinding of discount (note 15)	(10,569)	(13,624)
Refinancing charges	(10,113)	(30,354)
Financial instruments: unwinding of discount	(8,939)	(9,167)
	(29,621)	**(53,145)**
Changes in fair value of financial instruments (EVCs) (note 14.b)	**6,803**	—
Impairment and results from financial instruments disposals:		
Results from EVCs disposals (note 14.b)	4,094	—
	4,094	**—**
Total net financial negative result	**(244,539)**	**(303,930)**

Since 2001, within the framework, of the “Programa para el Fomento de la Innovación Tecnológica” (PROFIT) (Technological Innovation Promotion Programme), the Group has obtained a number of subsidised loans to finance certain technological innovation projects. During the year, the Group has recognised 843 thousands of Euros (1,272 thousands of Euros in 2008) as income.

20. Contingencies

a) Contingent liabilities

The Group has contingent liabilities for litigations arising in the normal course of business. No significant liabilities other than those already provided for are expected to arise from these litigations (see note 15).

The Group holds guarantees with several Spanish credit institutions to secure compliance with certain financial and technical commitments held with the Ministry of Industry, Tourism and Trade, City Councils and other organisations and entities.

Details of commitments assumed at 31 December, 2009 and 2008 are as follows:

	2009	2008
	Thousands of Euros	
Ministry of Industry, Tourism and Trade	35,129	36,656
City Councils and other entities	76,579	125,024
Total	**111,708**	**161,680**

b) Contingent assets

As at 1 December 2009, First instance Court sentenced Sogecable, S.A.U. to pay an indemnity to Cableuropa, S.A.U. in compensation for damages caused, amounting to 44 million Euros plus legal interests, due to the breach of the signed contract concerning the distribution of Gran Vía and Cablesport channels.

The sentence has been appealed by Sogecable at the Provincial Court of Madrid. As at 31 December 2009, no revenue has been recognised yet, as the contingent indemnity amount depends on the final sentence of the Court.

21. Assets and liabilities held for sale

During 2009, the board of directors of ONO Group agreed the following:

a) Consideration of binding offers made by potential buyers in light of the sale process of the subsidiary Factoría de Canales, S.A.

b) Sale of a building, property of the subsidiary Cableuropa, S.A.U.

The sale of these assets is been actively negotiated at an adequate price according to its fair value and the Group estimations to complete the sale of these assets during 2010.

At 31 December 2009, these assets have been classified under "Asset and liabilities held for sale" caption and recognised at the lowest value between the accounting value and the fair value reduced in the costs of sale. As a consequence, the Group have recognised an impairment due to the correction of the assets and liabilities value of Factoría de Canales, based on third offers, that has caused a negative impact in the Group results of 9.8 million Euros.

Disposal groups held for sale—Factoría de Canales.

a) Assets and Liabilities—Disposal groups held for sale

Assets	2009	Liabilities	2009
	Thousands of Euros		Thousands of Euros
—Intangible Assets	1,123	—Subsidies	220
—Property, plant and equipment	10,391	—Other non current liabilities	5,051
—Other non current assets	1,300	—Creditors	16,730
—Inventories	14,474	—Other current liabilities	667
—Other current assets	6,065	—Accruals	600
	33,353		**23,268**

Inventories correspond to audiovisual property rights, dubbings and subtitles needed to operate, which are recognised in the profit and loss statement as consumptions in a straight-line basis during the time the right is in force.

Apart from the assets and liabilities detailed above, there are other consolidation adjustments, amounting to 296 thousands of Euros that has been considered to estimate the impairment in the valuation of disposal group assets and liabilities.

b) Analysis of the result provided by Factoría de Canales

	2009
	Thousands of Euros
Revenue	35,951
Expenses	(33,170)
Profit before taxes	2,781
Income tax	(790)
Profit net of tax	**1,991**
Loss recognised in the valuation of the disposal group assets and liabilities	(9,789)
Tax effect	680
Profit (loss) of the year	**(7,118)**

c) Analysis of the cash flow contributed by this subsidiary

	2009
	Thousands of Euros
Cash flow from operating activities	433
Cash flow from investment activities	(384)
Cash flow from financing activities	(807)
	(758)

Non-current assets held for sale:

During 2009, the Group has reclassified and amount of 14.9 million Euros corresponding to the net accounting value of a building property of the subsidiary Cableuropa, S.A.U.

22. Commitments

a) Purchase and sale commitments

At 31 December 2009, the Group does not have any purchase and sale commitments of fixed assets, except for those mentioned in note 21.

b) Operating lease commitments

The Group leases office and technical buildings under non-cancellable operating lease agreements. These contracts have terms of between five and ten years and most of them are renewable upon expiry under market conditions.

The Group also leases infrastructure, installations and machinery under cancellable operating lease agreements. The Group is obliged to give six months' advance notice of the termination of these agreements.

Total minimum future payments for non-cancellable operating leases are as follows:

	2009	2008
	Thousands of Euros	
Less than one year	10,120	12,919
Between 1 and 5 years	18,136	17,531
Over 5 year	11,026	15,035
	39,282	**45,485**

The expense recognised in the income statement in the year for operating leases is 46 million Euros (51 millions Euros in 2008).

23. Compensation of the Board of Directors and senior management

a) Compensation of the members of the Board of Directors

During 2009 and 2008, the Company has not paid any compensation to board of directors.

b) Compensation of and loans to senior management

The total compensation paid to the Group senior management in 2009, has amounted to 4.4 million Euros (4.4 million Euros in 2008).

c) Interests and positions held by members of the Board of Directors in other analogous companies

Art. 127 ter, point 4, of the Corporations Act, in the wording of Law 26/2003 of 18 July amending the Stock Market Act and the Corporations Act to reinforce the transparency of listed companies, imposes on the Directors the obligation to notify the Company of any interest they may hold in the capital of another company with the same, an analogous or a complementary type of activity to the Company's corporate purpose, together with any positions they may hold or functions they may perform therein, and also if they carry on, in their own name or on behalf of a third party, any activity that is analogous or complementary to the corporate purpose. .

In this respect, the following information was provided to the Company by the Directors who held office on the Company's Board of Directors at 31 December, 2009:

Director	Companies with an analogous or complementary corporate purpose	Activity	%	Position
José María Castellano	Grupo Corporativo ONO S.A.	Telecommunications	—	President
	SpanishCable Holding S.A.	Telecommunications	—	President
	Cableuropa, S.A.U.	Telecommunications	—	President
	Tenaria, S.A.	Telecommunications		President
	Factoría de Canales, S.L.	Content		President
Jonathan Barr Cumming	Cableuropa, S.A.U.	Telecommunications	—	Board Member
	SpanishCable Holding S.A.U.	Telecommunications	—	Board Member
	Tenaria, S.A.	Telecommunications		Board Member
Rosalía Portela[(1)]	Grupo Corporativo ONO S.A.	Telecommunications	—	C.E.O
	SpanishCable Holding S.A.U.	Telecommunications	—	C.E.O
	Factoría de Canales S.L.	Content	—	Vice President
	Cableuropa, S.A.U.	Telecommunications	—	C.E.O

(1) Position hold since 25th March 2009

During the year 2009, D. Richard Alden left his position. The information available by the Group regarding his interests and positions in companies with the same, analogous or complementary corporate purpose was revealed in the 2008 annual accounts. Nonetheless, D. Richard Alden left his position in all the Companies of ONO Group.

With the exceptions indicated above, the Directors have no significant or noteworthy holdings or carry out functions in companies with identical, analogous or complementary objects to those of the Group. Nonetheless, the Directors hold management positions and carry out functions related to the management of companies belonging to the same group as the Parent company. The non-significant or noteworthy holdings or functions referred to above have not been expressly included in this note since they have not effect on the duties of diligence and loyalty or existence of potential conflicts of interest within the context of Law 26/2003, of 17 July 2003, whereby Securities Market Law 24/1988, of 28 July 1988, is amended, and the Spanish Companies Act, approved by Royal Decree 1564/1989, of 22 December.

24. Related-party transactions

The balances as at 31 December 2008 with Group and related companies and volumes of transactions carried out during 2008 with them are set out below:

	2009		2008	
	Receivables	Payables	Receivables	Payables
	Thousands of Euros			
Balances				
Grupo Corporativo ONO, S.A.	1,562	10,550	—	17,203
Factoría de Canales, S.L.	5,084	2,469	—	
Cable submarino de Canarias, S.A.	—	—	—	112
Total balances at 31 December	**6,646**	**12,909**	**—**	**17,315**

	2009		2008	
	Financial Expenses	Services received	Financial Expenses	Services received
Transactions				
Grupo Corporativo ONO, S.A.	3,409	9,000	3,413	10,000
Cable submarino de Canarias, S.A.	—	1,448	—	1,527
Total transactions	**3,409**	**13,019**	**3,413**	**11,527**

During 2009 the transactions with related parties amount to: 9 million Euros with Grupo Corporativo ONO, S.A. regarding financial structuring services and improvement of financial structure and 1,4 million Euros with Cable Submarino de Canarias regarding fibre rental.

25. Environmental information

In its global operations, the Group takes the laws on environmental protection into account and considers that its substantially complies with these laws and has procedures designed to promote and guarantee such compliance.

Any operation the main purpose of which is to minimize the environmental impact and protect and improve the environment is considered an environmental activity. In the year ended 31 December, 2009, Group companies did not make any environmental investments.

26. Fees of account auditors

The fees accrued in the year by PricewaterhouseCoopers Auditores, S.L. for audit services and other review services are 283 thousands of Euros (298 thousands of Euros in 2008) and 56 thousands of Euros (82,5 thousands of Euros in 2008) respectively.

27. Subsequent events

Refinancing of Senior Debt

In 2009 the Company started negotiations with lenders of its 3,600 thousands of Euros Senior Bank Facility in order to align the debt maturities to the new macroeconomic environment and business development.

In this regard, on 13 January 2010 the Company sent a Refinancing Proposal to the lenders under the Senior Bank Facility that involved the creation of forward start facilities which would accede as new tranches to the existing Senior Bank Facility. These new tranches would be drawn to partially pay maturities of tranches A, B and I of the Senior Bank Facility falling due between 30 June 2010 and 31 December 2012. These new thanches will mature on 30 June 2013. The Proposal also seeks the approval for the issuance of senior secured debt through the creation of new tranches to refinance existing debt under Senior Bank Facility. Additionally, the Proposal resets the financial covenants and included some commitments to amortize existing tranches through the issuance of senior debt.

Within this Refinancing Proposal, group's shareholders would commit to inject 200 million Euros into the company, of which 125 million Euros would be immediately contributed in cash and the remaining 75 million Euros would be subject to a quarterly liquidity test to assure the liquidity of the group during 2010 and 2011. This new money commitment would be a condition precedent for the effectiveness of the Refinancing Proposal.

Likewise, and with the aim of reducing lenders exposure under the Senior Bank Facility, the 75 million Euros contribution will be subject to the effective amortisation of existing tranches by 700 million Euros prior to 31 December 2011 through its replacement with other senior debt.

On 19 January 2010 the company organised a meeting to present to its senior lenders the Refinancing Proposal. By that time the Proposal counted with the support of a number of key relationship banks whose total commitments represented 44% of the existing Senior Bank Facility.

On 8 March 2010, Grupo Corporativo ONO Board of Directors approved the Refinancing Proposal and the borrowing of EUR 200 million from its shareholders in the form of a participative loan with the purpose mentioned above.

As of the Financial Statements signing date, the amendments to the Senior Bank Facility agreement counts with the support of the banks representing more than 75% of the Senior Bank Facility. The shareholders contribution is committed, just pending the contracts notarizations.

ONO wins competition proceeding on football rights

On March 4th, the Mercantile Court No 7 of Madrid has issued a ruling favorable to ONO on a competition complaint filed against Sogecable and AVS in January 2008.

As a result of this ruling, Sogecable-AVS are condemned to pay damages estimated at 31,6 million Euros to ONO for four seasons (2003/04 to 2006/07) plus and additional amount still pending of being calculated for the other two (2007/08 and 2008/09).

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ONO MIDCO, S.A.U. AND SUBSIDIARIES (MIDCO GROUP)

DIRECTORS' REPORT FOR 2009

1. Business performance

Grupo Corporativo ONO, S.A. is the single shareholder of ONO Midco, S.A.U., which is the parent company of the Cableuropa Group which does business under the ONO brand.

Grupo ONO is the main alternative telecommunications, broad-band and pay-TV operator in Spain. ONO offers direct access services to over 1.9 million residential customers and 67,200 businesses as at 31 December 2009, through its own networks which provide direct access to 7 million households and cover most of Spain, including the major cities. ONO is the main competitor for telecommunications and pay-TV operators in Spain. In 2009, ONO generated income totalling 1,512 million Euros and EBITDA of 730 million Euros, which is 4% higher than in the previous year.

Our residential customer base has decreased slightly compared to 2008, to 1,902 thousand customers at the year end. This can be explained by the reduction in cable and ULL customers due to the worsening of the macroeconomic situation and by the introduction of activation fees and "credit scoring" policies in our customer acquisition process.

2. Analysis of results

The Group's turnover exceeded 1,512 million Euros in 2009. By major business segments, income breaks down as follows:

	2009
	Thousands of Euros
Service line	
Residential Market Services	1,157,626
Indirect Access	9,740
Businesses	236,540
Operators and other income	108,229
	1,512,135

Gross margin for 2009 stood at 1,245 million, 4.2% down on the previous year, due to the slight decline in income.

Operating profits have reached 329 million Euros, 18% above the 280 million Euros achieved for 2008.

3. Research and development

During 2009 there have been various research and development projects aimed at improving the quality of the services rendered to our customers.

4. Utilization of financial instruments

The Group uses financial instruments to hedge interest rate and exchange rate risks that could affect its operations. At 31 December 2009 the Group has arranged interest rate hedges amounting to 2,565 million Euros in order to cover possible fluctuations in the interest rate on the syndicated loan.

5. Environment

In its global operations the Group takes environmental legislation into account. The Group considers that it substantially meets environmental regulations and has procedures in place designed to encourage and assure compliance.

The Group has taken all necessary measures in relation to environmental protection and improvement and to minimizing any environmental impact, in accordance with applicable legislation. During the year the Group has not made any environment-related investments, nor has it incurred expenses relating to environmental protection and improvement. It has not been considered necessary to record any provision for liabilities and charges in relation to environmental issues, since there are no contingencies or liability in this area.

6. Post balance sheet events

Refinancing of Senior Debt

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PRICEWATERHOUSECOOPERS

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A translation of the audit report on the 2008 consolidated financial statements originally Issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails

AUDIT REPORT ON THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

To the Sole Shareholder of ONO Midco, S.A.U.

1. We have audited the consolidated financial statements of ONO Midco, S.A.U. consisting of the consolidated balance sheet at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes for the year then ended, the preparation of which is the responsibility of the Directors of the Company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole, based on the work performed in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the financial statements and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

2. The accompanying consolidated financial statements for 2008 correspond to the first financial statements prepared by the Directors of ONO Midco, S.A.U. in accordance with Spanish Accounting Standards as approved by Royal Decree 1514/2007. In this respect, in accordance with Transitional Provision 4.1 of Royal Decree 1514/2007, 1 January 2007 has been regarded as the transition dale and therefore the directors have presented, for comparative purposes only, for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash-flow statement, the corresponding amounts for the previous year as well as the amounts for 2008, which have been calculated in accordance with the new Spanish accounting legislation. Therefore, the figures for the previous year differ from those contained in the approved consolidated financial statements for 2007, which were drawn up in accordance with the accounting and mercantile legislation in force at the time. Notes 2.1 and 2.2 to the financial statements provide an explanation of the main differences between the accounting policies applied in the previous year and the current year, and a quantification of the impact of this change on equity at 1 January as at 31 December 2007, and on the results for 2007. Our opinion refers solely to the 2008 financial statements. On 21 April 2008 we issued our audit report on the consolidated financial statements for 2007, prepared in accordance with the Spanish Accounting Standards applicable as of that date, in which we expressed an unqualified opinion.

3. As explained in the note 16 to the financial statements, the Group has recorded deferred tax assets in respect of the tax losses incurred and temporary differences in the consolidated balance sheet, amounting to €1.187 million at 31 December 2008. In view of the adverse outlook of the financial markets and macro-economy in 2008, the Group has started up a transformation plan (see Note 4.iv) that could affect its capacity to generate future tax profits and the recovery of all deferred tax assets.

4. In our opinion, except for the effects of any adjustment that would be necessary if the final outcome of the uncertainly described in the paragraph above was known, the accompanying consolidated financial statements for the year 2008 present fairly, in all material respects, the consolidated financial position of ONO Midco, S.A.U. and its subsidiaries at 31 December 2008 and the consolidated results of its operations, consolidated changes in equity, consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with applicable accounting principles generally accepted under Spanish legislation which are consistent with those applied in the preparation of the figures and information for the previous year that have been included for comparative purposes in these financial statements.

5. The accompanying consolidated Directors' Report for 2008 contains the information that the parent company's Directors consider relevant to the Group's position, the evolution of its business and of other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Directors' Report coincides with that of the consolidated annual accounts for 2008. Our work as auditors is limited to review of the Director's Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the ONO Midco, S.A.U. and group companies' accounting records.

PricewaterhouseCoopers Auditores, S.L.

/s/ Maria Pla de la Rosa
Maria Pla de la Rosa
Partner
8 April 2009

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ONO MIDCO, S.A.U. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER, 2008 and 2007
(Thousands of euros)

ASSETS

	Note	31 December 2008	31 December 2007
NON-CURRENT ASSETS		**5,852,751**	**5,879,357**
Intangible assets	5	116,125	129,206
Property, plant and equipment	6	4,540,675	4,558,112
Non-current investments in group and associated companies	8	4,690	4,690
Non-current financial investments	7	3,764	23,943
Deferred income tax assets	16	1,187,497	1,163,406
CURRENT ASSETS		**517,733**	**239,127**
Inventories		22,505	31,934
Trade and other receivables	7	143,065	187,012
Current financial investments	7	8,378	14,291
Prepayments and accrued income		2,236	2,006
Cash and cash equivalents	11	341,549	3,884
TOTAL ASSETS		**6,370,484**	**6,118,484**

LIABILITIES

	Note	31 December 2008	31 December 2007
EQUITY			
Capital & reserves attributable to equity holders of the company		**1,123,573**	**1,146,064**
Capital	12	262,902	262,902
Share premium	12	23,852	23,852
Reserves	12	125,795	125,795
Prior year losses	12	(221,484)	(11,026)
Shareholders contributions	12	955,000	955,000
Loss for the year	13	(22,492)	(210,459)
Adjustments for changes in value		**(48,868)**	**15,246**
Hedging transactions	10	(48,868)	15,246
Grants, donations and legacies received	14.e	**1,976**	**2,363**
Minority interests		**7,150**	**5,550**
TOTAL EQUITY		**1,083,831**	**1,169,223**
NON-CURRENT LIABILITIES		**4,247,273**	**3,789,971**
Long-term provisions	15	145,822	195,312
Long-term debt	7	4,098,513	3,584,567
Deferred income tax liabilities	16	847	7,547
Deferred income		2,091	2,545
CURRENT LIABILITIES		**1,039,380**	**1,159,290**
Short-term provisions	15	77,077	46,496
Short-term debt	7	537,156	355,515
Amounts payable to group companies, associates and related	7	17,315	33,978
Trade and other payables	7	368,439	681,405
Deferred income		39,393	41,896
TOTAL LIABILITIES		**6,370,484**	**6,118,484**

Notes 1 to 26 are an integral part of these consolidated balance sheets at 31 December, 2008 and 2007.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER, 2008 AND 2007
(Thousands of euros)

		Year ended 31 December	
	Note	**2008**	**2007**
Revenue	17.a	1,602,462	1,616,025
Work carried out by Company for its assets	17.b	78,264	70,524
Cost of sales	17.c	(381,129)	(442,335)
Gross margin		**1,299,597**	**1,244,214**
Staff costs	17.e	(225,118)	(213,291)
Other operating expenses	17.f	(365,483)	(386,747)
Depreciation, amortisation and impairment charges	5,6	(388,770)	(343,138)
Reversal of provisions	15	15,000	13,309
Impairment and gains or losses on disposal of fixed assets	5,6	(16,272)	(210,753)
Other—losses/gains—net		(39,033)	(54,454)
OPERATING PROFIT		**279,921**	**49,140**
Finance income	19	7,085	4,815
Interest expense	19	(257,870)	(244,878)
Other financial charges	19	(53,145)	(43,490)
NET FINANCIAL LOSS		**(303,930)**	**(283,553)**
CONSOLIDATED LOSS BEFORE INCOME TAX		**(24,009)**	**(234,413)**
Income tax	**18.b**	**3,109**	**24,865**
Loss attributable to minority interests		**1,592**	**911**
LOSS FOR THE YEAR		**(22,492)**	**(210,459)**

Notes 1 to 26 are an integral part of these consolidated income statements for the years ended 31 December, 2008 and 2007.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER, 2008 AND 2007

A) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER, 2008 AND 2007

(Thousands of euros)

	2008	2007
A) Consolidated loss for the year	**(22,492)**	**(210,459)**
Income and expense recognised directly in equity		
Cash flow hedges	(91,592)	(2,844)
Grants, donations and legacies received	719	—
Tax effect	27,262	853
B) Total income and expense recognised directly in the consolidated equity	**(63,611)**	**(1,991)**
Transfers to the consolidated income statement		
Grants, donations and legacies received	(1,272)	(2,288)
Tax effect	382	686
C) Total transfers to the consolidated income statement	**(890)**	**(1,602)**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE	**(86,993)**	**(214,052)**

Notes 1 to 26 are an integral part of these consolidated statements of recognised income and expense for the years ended 31 December, 2008 and 2007.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY—(Continued)
FOR THE YEARS ENDED 31 DECEMBER, 2008 AND 2007

B) TOTAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEARS ENDED 31 DECEMBER, 2008 AND 2007

(Thousands of euros)

	Capital										
	Declared	Uncalled	Share premium	Reserves	Shareholders contributions	Loss from previous years	Loss for the year	Changes in value adjustments	Grants, donations and legacies received	Minority interests	TOTAL
BALANCE END OF YEAR 2006	**262,902**	**—**	**23,852**	**—**	**—**	**—**	**(11,026)**	**—**	**—**	**4,639**	**280,367**
Accounting Policies change adjustments	—	—	—	125,795	955,000	—	—	17,237	3,965	—	1,101,997
ADJUSTED BALANCE BEGINNING OF YEAR 2007	**262,902**	**—M**	**23,852**	**125,795**	**955,000**	**—**	**(11,026)**	**17,237**	**3,965**	**4,639**	**1,382,364**
Total recognised income and expense	—	—	—	—	—	—	(210,459)	(1,991)	(1,602)	—	(214,052)
Application of loss for 2006	—	—	—	—	—	(11,026)	11,026	—	—	—	—
Transactions with equity-holders	—	—	—	—	—	—	—	—	—	—	—
—Capital increases	—	—	—	—	—	—	—	—	—	—	—
—Minority interests	—	—	—	—	—	—	—	—	—	911	911
BALANCE END OF YEAR 2007	**262,902**	**—**	**23,852**	**125,795**	**955,000**	**(11,026)**	**(210,459)**	**15,246**	**2,363**	**5,550**	**1,169,223**
Total recognised income and expense	—	—	—	—	—	—	(22,492)	(64,114)	(387)	—	(86,993)
Application of loss for 2007	—	—	—	—	—	(210,459)	210,459	—	—	—	—
Transactions with equity-holders	—	—	—	—	—	—	—	—	—	—	—
—Purchase of own shares	—	—	—	—	—	—	—	—	—	—	—
—Minority interests	—	—	—	—	—	—	—	—	—	1,600	1,600
BALANCE END OF YEAR 2008	**262,902**	**—**	**23,852**	**125,795**	**955,000**	**(221,484)**	**(22,492)**	**(48,868)**	**1,976**	**7,150**	**1,083,831**

Notes 1 to 26 are an integral part of this Total Statement of Changes in Consolidated Equity for the years ended 31 December, 2008 and 2007.

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ONO MIDCO, S.A.U. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED 31 DECEMBER, 2008 AND 2007
(Thousands of euros)

	Year ended 31 December	
	2008	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss for the year before tax	**(24,009)**	**(234,413)**
Adjustments to the profit or loss	**734,370**	**878,589**
Fixed Asset Depreciation	388,770	343,138
Change in provisions	(15,000)	(13,309)
Fixed Assets Disposals	16,272	210,753
Finance Income	(7,085)	(4,815)
Finance Cost	311,015	288,368
Other income and expenses	40,399	54,454
Changes in working capital	**(219,336)**	**(265,113)**
Inventories	6,510	(315)
Debtors and other receivables	48,850	27,620
Creditors and other payables	(217,053)	(190,051)
Other current liabilities	(57,642)	(102,367)
Other cash flows from operating activities	**(261,962)**	**(171,975)**
Payment of interest	(261,962)	(153,609)
Other payments /(collections)	—	(18,366)
	229,063	**207,088**
CASH FLOWS FROM INVESTING ACTIVITIES		
Outflows on investments:	**(373,496)**	**(554,058)**
Tangible/Intangible assets	(373,496)	(554,058)
Inflows from disinvestments:	**1,492**	**5,853**
Tangible/Intangible assets	1,492	5,853
Cash flows from investing activities	**(503)**	**(2,526)**
	(372,507)	**(550,731)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from and payments and equity instruments	**—**	**—**
Proceeds from and payments for financial liability instruments	**481,109**	**340,923**
Senior Bank Facility	574,795	557,000
Debt related to the issuance of Bonds.	—	(100,000)
Subordinate Loan	—	(110,000)
ICO Loan	—	(10,000)
Other credit lines	(13,362)	26,375
Subsidised loans	(11,468)	(16,521)
Other borrowings	2,611	(5,931)
Deferred Payment from Auna	(71,467)	—
	481,109	**340,923**
NET INCREASE/DECREASE IN CASH & CASH EQUIVALENTS	**337,665**	**(2,719)**
Cash or cash equivalents at beginning of year	3,884	6,603
Cash or cash equivalents at end of year	341,549	3,884

Notes 1 to 26 are an integral part of Total Consolidated Cash Flow Statement for the years ended 31 December, 2008 and 2007.

A translation of the 2008 consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

ONO MIDCO, S.A.U. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements for the year 2008
(thousands of euros)

1. General information

The primary activity of ONO Midco, S.A.U and its consolidated subsidiaries ("the Group") is the development and operation of integrated cable television and telecommunications networks in Spain through the transmission of voice and data.

The Group, which operates in the market under the trade mark ONO, comprises principally operating companies that are legally authorised to provide different telecommunications and audiovisual services, although the Group also includes companies engaged in the production of television content.

ONO Midco, S.A.U. (hereinafter also "the parent Company") was incorporated on 3 May 2006 with a share capital of €262,901,796 euros. The Company's registered office for mercantile and tax purposes is located at Belagua, calle Basauri 7-9, 28023, urbanización La Florida, Aravaca, Madrid.

The list of the companies that form the Group and the relevant information thereon is as follows:

Subsidiaries

Company	Registered office	% direct or indirect stake at 31.12.08
Cabeluropa, S.A.U.	Madrid	100.00
Tenaria, S.A.	Pamplona	92.81
Factoria de Canales, S.L.	Barcelona	51.00

Other companies

Company	Registered office	% direct or indirect stake at 31.12.08
Univertel Comunicações Universais, S.A.(1)	Portugal	100.00
Madrid Sistemas de Cable, S.A.(1)	Madrid	100.00
Telson Digital, S.A.(2)	Barcelona	25.00
Cable Submarino de Canarias, S.A.(2)	Tenerife	39.94

(1) Inactive companies or companies in the process of liquidation that are excluded from the consolidation.

(2) Companies excluded from the consolidation under the relative importance principle.

2. Basis of presentation, reconciliation between PGC 2007 and PGC 1990 and Consolidation policies.

2.1 Basis of presentation.

a) True and fair view

The consolidated financial statements have been prepared using the accounting records of ONO Midco, S.A. and subsidiaries and include the adjustments and reclassifications necessary to ensure consistency with the timing and valuation policies adopted by the Group.

These consolidated financial statements are presented in accordance with current mercantile legislation contained in the Code of Commerce reformed under Law 16/2007 of 4 July on the reform and adaptation of mercantile accounting legislation to harmonise it internationally on the basis of the European Union legislation, Royal Decree 1514/2007 of 20 November, whereby the "Plan General de Contabilidad" ("General Accounting Plan") was approved and Royal Decree 1815/1991, of 20 December, whereby the rules for drawing up consolidated annual accounts were approved, in all aspects that do not contradict the aforementioned mercantile reform, in order to present a true and fair view of the Group's equity, financial situation and results, together with the accuracy of the cash flows shown on the cash flow statement.

The figures shown in the documents that comprise these consolidated financial statements are in thousands of euros, unless stated otherwise.

b) Non-mandatory accounting policies

The accounting policies and criteria applied in preparing these consolidated financial statements are those summarised in Note 3 below. All the mandatory accounting policies that affect the equity, the financial situation and the results have been applied in preparing these consolidated financial statements.

The Group has not applied any non-mandatory accounting policies.

c) Critical accounting estimates and judgments

The preparation of the financial statements requires the Group to use certain estimates and judgments in relation to the future that are continuously assessed and are based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fixed assets

The accounting treatment of investment in property, plant and equipment and intangible assets means that estimates must be made to determine their useful lives for the purposes of depreciation or amortisation. The determination of useful lives requires estimates regarding expected technological evolution and alternative uses of the assets. Assumptions regarding the technological environment and its future development imply a significant degree of judgment, inasmuch as the time and the nature of future technological changes are difficult to predict.

When impairment of fixed assets is identified, a value adjustment is recognised and charged to the income statement for the period. The determination of the need to recognize an impairment loss implies making estimates that include, among others, an analysis of the causes of the possible impairment and the time and the expected amount thereof. Likewise, factors such as technological obsolescence, the suspension of certain services and other changes in circumstances that create the need to assess possible impairment are taken into account.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group selects a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis as well as third party valuations to determine the fair value of the derivatives and other financial assets and liabilities.

Deferred income tax and tax credits

The Group assesses the recoverability of deferred income tax assets and tax credits on the basis of estimates of future results. The recoverability will, in the final analysis, depend on the Group's ability to generate taxable profits during the period in which the deferred income tax assets may be deducted. The analysis takes into account the taxable profits estimated on the basis of internal projections that are updated to reflect the most recent trends, assumptions and information. Actual flows of amounts received and paid for income tax may differ from the estimates made by the Group as a result of changes in tax legislation or unforeseen future transactions that might affect the tax balances.

Provisions

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The obligation may be legal or constructive, derived from, among other factors, regulations, contracts, normal practices or public commitments that create a valid expectation for third parties that the Group will accept certain liabilities. The provision is measured by the best estimate of the payment that will be necessary to settle the relevant obligation, taking into consideration all the information available on the closing date, including the opinions of independent experts, such as legal advisors or consultants. Due to the unpredictability inherent to the estimates required to determine the amount of the provisions, the actual payments may differ from the amounts initially recognised on the basis of the estimates made.

d) Comparison of information. Aspects derived from the transition to the new accounting standards.

Pursuant to current legislation, the financial statements at 31 December, 2008 are the first financial statements to be presented in accordance with the current mercantile legislation, contained in the Code of Commerce reformed under Law 16/2007 of 4 July on the reform and adaptation of mercantile accounting legislation to harmonise it internationally on the

basis of the European Union legislation, Royal Decree 1514/2007 of 20 November, whereby the "Plan General de Contabilidad" ("General Accounting Plan") was approved and Royal Decree 1815/1991, of 20 December, whereby the rules for drawing up consolidated annual accounts were approved, in all aspects that do not contradict the aforementioned mercantile reform, which came into force on 1 January, 2008 (hereinafter, PGC 2007). The financial statements at 31 December, 2007 were prepared in accordance with the "Plan General de Contabilidad" approved by Royal Decree 1643/1990 of 20 December, which was in force until 31 December, 2007 (hereinafter, PC 1990).

For the purposes of the obligation established in article 35.6 of the Code of Commerce and those derived from application of the principle of consistency and the comparability requirement, the financial statements at 31 December, 2008 are considered to be initial financial statements. According to the fourth transitory provision of the before mentioned Royal Decree, the Group has chosen to present comparable information on the preceding year adapted to PGC 2007, for which purpose it has prepared a balance sheet for the beginning of 2007 in accordance with the new principles and the transitional provisions of the aforementioned Royal Decree, explained in Note 2.2 below.

Consequently, the Group's transition date to PGC 2007 was 1 January, 2007. Notes 2.2.1 and 2.2.2 show the reconciliation between the equity at 1 January, 2007 and 31 December, 2007 and the reconciliation of the income statement for the year 2007.

According to the first transitory provision of the mentioned Royal Decree, the Group has elected to measure all the elements of the equity on its opening balance sheet at the transition date in accordance with the principles and standards in force prior to the coming into force of PGC 2007, except for financial instruments, which are measured at their fair value.

e) Grouping of items

In order to facilitate an understanding of the balance sheet, income statement, statement of changes in equity and cash flow statement, the items are presented as groups, the required analysis being provided in the relevant Notes.

2.2. Reconciliation between PGC 2007 and PGC 1990

The following reconciliations show the quantification of the impact of the transition to PGC 2007.

A reconciliation showing the quantification of the impact caused by the change in accounting policies on the Group's equity at 1 January, 2007 and 31 December, 2007.

2.2.1. Summary of equity adjustments

	Note	1 January, 2007	31 Dec, 2007
Total equity according to PGC 1990 (excluding minority interests)		**275,728**	**69,900**
Derecognition of start-up & capital increase expenses	1	(3,042)	(6,196)
Derecognition of deferred expenses	2	(5,017)	(4,176)
Recognition of financial derivatives at fair value	3	24,625	21,780
Elimination of deferred income	4	113,321	113,321
Effect of discount in calculating long-term provisions	5	13,694	12,688
Valuation of payables received at their amortised cost using the effective interest rate (Auna acquisition price)	6	12,185	8,889
Shareholders' contribution	7	955,000	955,000
Capital grants	8	5,664	3,375
Tax effect of transition adjustments	9	(14,433)	(10,909)
Total equity according to PGC 2007 (excluding minority interests)		**1,377,725**	**1,163,673**

(1) Derecognition of start-up and capital increase expenses

Start-up expenses have been eliminated because these expenses are not considered an asset under the definition contained in the Conceptual Accounting Framework. The elimination of this balance has been recorded as a decrease in reserves at the transition date, 1 January, 2007, taking the tax effect into account and, therefore, generating a deferred income tax asset. The Group's start-up and capital increase expenses relate to capital increase and other expenses.

The start-up expenses of 7,720 thousand euros that are considered assets under the definition contained in PGC 2007 have been transferred to "Property, plant and equipment" and consist of improvements and investments made in operating leases. Likewise, their accumulated depreciation of 2,675 thousands of euros at said date has been reclassified.

(2) Derecognition of deferred expenses

Certain expenses recorded as deferred expenses, consisting mainly of brand launching expenses, have been eliminated, since they cannot be recognised under the new legislation. The tax effect has been taken into account, thus generating a deferred income tax asset.

In 2007, there were both additions and transfers to the income statement due to the amortisation of the items recorded under this heading and, therefore, these have been reversed.

In addition, certain expenses included in the deferred expenses item, consisting mainly of portability rights and permissions, have been reclassified to "Intangible assets", for an amount of 16,594 thousands of euros.

(3) Recognition of financial derivatives at fair value

In accordance with the rules of PGC 2007, meeting all the requirements for them to be recognised in the consolidated balance sheet, the Group has recorded the fair value of the financial derivatives contracted to hedge the effect of interest rate fluctuations on future cash flows, taking the tax effect into account and thus generating a deferred income tax liability.

In 2007, the Group recognised additions of new financial derivatives in accordance with the rules of PGC 2007, meeting the recognition requirements.

(4) Elimination of deferred income

As a result of the application of PGC 2007, deferred income recognised by the Group as a result of the purchase of the company Auna Telecomunicaciones, S.A.U. and the subsequent merger thereof into its 100% parent has been eliminated. It related to the negative consolidation difference generated on said acquisition.

There were no changes in this caption during 2007.

(5) Remeasurement of provisions

As a consequence of the conversion to PGC 2007, long-term provisions have been recognised at their present value, taking the tax effect into account and thus generating a deferred income tax liability.

At 31 December, 2007, the long-term provisions that already existed at the beginning of the year have been re-measured and, in addition, the effect of the re-measurement of the new provisions recorded in 2007 is included.

(6) Measurement of the loans received at their amortised cost using the effective interest rate.

Borrowings maturing at over one year are valued at their amortised cost, relating to the deferred payment of the acquisition price of the company Auna in the year 2005, taking the tax effect into account and thus generating a deferred income tax liability.

(7) Shareholders' contributions (Participative Loan)

Up to the PGC 2007 come into force, the participative loans were registered as a liability as the legal form of the financing of the Company was prevalent. As a consequence of the transition to the PGC 2007, the substance of the operation has been taken into consideration regardless of the legal form of these loans. So these loans are not considered to be a liability as they are not remunerated and to be amortised the express consent of both parts is needed. The funds contributed by the ultimate parent company amounts to 955 euro million.

(8) Capital grants

The Group holds zero interest rate bearing loans granted by government entities. For this reason, 5,664 thousands of euros have been reclassified to the item "Grants, donations and legacies received", taking the tax effect into account and thus generating a deferred income tax liability.

(9) Tax effect

The above mentioned adjustments have been registered considering their deferred tax assets or liabilities, as is explained in each of the preceding paragraphs.

2.2.3. Reconciliation of the income statement for the year ended 31 December, 2007

	Note	PGC 1990	Effect of the transition	PGC 2007
Revenue		1,616,025		1,616,025
Work carried out by the company on its assets		70,524		70,524
Cost of sales	a	(442,623)	288	(442,335)
Staff costs		(213,291)		(213,291)
Other operating expenses	b	(380,504)	(6,243)	(386,747)
Depreciation, amortisation and impairment charges	a	(363,355)	32,081	(343,138)
Reversal of provisions	c	—	13,309	13,309
Impairment and gains or losses on disposal of fixed assets	c, d	—	(210,753)	(210,753)
Other—losses/gains—net	c	—	(54,454)	(54,454)
OPERATING PROFIT		**286,776**		**49,140**
Finance income	e	2,898	1,917	4,815
Finance cost	e	(285,574)	(2,794)	(288,368)
NET FINANCIAL LOSS		**(282,676)**		**(283,553)**
Extraordinary income	c	48,627	(48,627)	—
Extraordinary expenses	c	(280,524)	280,524	—
EXTRAORDINARY LOSS		**(231,897)**		**—**
LOSS BEFORE TAX		**(227,797)**		**(234,413)**
Income tax	f	22,880	1,985	24,865
Loss attributable to minority interests		911		911
LOSS FOR THE YEAR		**(205,828)**		**(210,459)**

a.- Elimination of the amortisation for the year 2007 of start-up and capital increase expenses and deferred expenses, together with the amortisation of goodwill (23 millions of euros), that have been registered under Impairment and gains or losses on disposal of fixed assets.

b.- Adjustment derived from the elimination of start-up and capital increase expenses (5,189 thousands of euros) and deferred expenses (1,054 thousands of euros) that did not meet the conditions required to be considered assets under the regulations of PGC 2007.

c.- Amount originating in the reclassification of extraordinary expenses and income in accordance with their nature.

d.- In the year 2007, an impairment test was performed on the goodwill recorded by the Group company Cableuropa, S.A.U. derived from the acquisition and subsequent merger with the company Auna. This test determined that the goodwill would not be recoverable and, therefore, an extraordinary loss was recognised. Given the nature of this event, the loss (189 millions of euros) was reclassified to this caption. Likewise, the amounts included in extraordinary losses the nature of which reflect impacts due to impairment of other assets have been reclassified.

e.- Amounts derived from recognising non-current assets and liabilities at their fair value.

f.- Tax effect of the impacts resulting from the application of PGC 2007 in the year.

2.3. Consolidation policies

For the preparation of consolidated financial statements, a group is deemed to exist when the parent company has one or more subsidiaries that are controlled, directly or indirectly, by the parent company. The policies applied in preparing the Group's consolidated financial statements are described below.

a) Subsidiaries

Subsidiaries are all entities which the Group, directly or indirectly, holds or has the power to hold control, defined as the power to govern the financial and operating policies of a business in order to obtain economic profits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, the fair value of any additional consideration that depends on future events (provided it is probable and can be reliably valued), plus costs directly attributable to the acquisition.

The assets, liabilities, income and expenses of the subsidiaries are included in the consolidated annual financial statements applying the full consolidation method:

1. The carrying amounts of any equity interests in the subsidiaries are recognised, on the acquisition date, as the proportionate share that said amounts represent in relation to the fair value of the assets acquired and liabilities assumed.

2. The difference between the carrying amount of the interest in a subsidiary and the value attributed to that investment of the fair value of the assets acquired and liabilities assumed is recognised, if it is positive, as goodwill on consolidation. In the exceptional case that it is negative, it is recognised in the income statement as income for the year.

3. The assets and liabilities of Group companies are included in the consolidated balance sheet with the same carrying amounts as appear on the respective balance sheets of the companies, except for the assets acquired and liabilities assumed at the acquisition date, which are included in the consolidated balance sheet at their acquisition-date fair value after taking the depreciation, amortisation and impairment since said date into account.

4. The subsidiaries' income and expenses are included in the consolidated annual financial statements.

5. Debits and credits between consolidated companies are eliminated, as well as the income and expenses relating to transactions between said company and the profits or losses generated as a result of these transactions that have not been realised with third parties.

The Group companies that are not consolidated have no significant to the true and fair view that must be expressed by the consolidated annual financial statements.

b) Transactions between Group Companies and minority interests

Additional acquisitions of stakes from minority interests give rise to goodwill (or a loss on consolidation) for the difference between the amount paid for the interest and the proportionate share thereof in the fair value of the assets acquired and liabilities assumed. Likewise, the values of the assets and liabilities are adjusted, in accordance with the percentage interest acquired, by the difference between its previous carrying amount in the consolidated statements and its value according to the acquisition method.

In the event of reductions in the percentage interest held in the capital of subsidiaries, the goodwill on consolidation and the reserves in consolidated companies are reduced in the proportion in which the carrying amount of the interest in the subsidiary's capital is reduced.

The reduced part of the reserves in consolidated companies is considered, for consolidation purposes, reserves of the company in which the interest has been reduced. The proportionate share in the goodwill recognised in the income statement will be taken into account when determining the profit or loss on the transaction that must be shown the consolidated income statement. For these purposes, the profit or loss of the subsidiary up to the date on which it was transferred are taken into account.

If the reduction in the percentage interest gives rise to significant losses, this circumstance is taken into account when assessing the possible impairment of the remaining goodwill.

When an investment is reduced without a reduction in the percentage interest, the goodwill on consolidation and the losses on consolidation are not changed.

3. Accounting policies

3.1 Intangible assets

Intangible assets are initially recognised at their acquisition or production cost and are subsequently shown at cost less their accumulated amortisation and any impairment losses they may have suffered.

In each individual case, an analysis is made to determine whether the useful economic life of an intangible asset is finite or indefinite. Intangible assets with a finite useful life are amortised systematically over their estimated useful lives and their recoverability is analysed when events or changes that indicate that their net carrying value may not be recoverable take place. Intangible assets that are considered to have an indefinite useful life are not amortised but are subject to analyses to determine their recoverability on an annual basis, or more frequently if there are indications that their net carrying value may not be recoverable.

The Group has no indefinite life intangible assets.

The amortisation methods and periods applied are reviewed at the year end and, if applicable, adjusted prospectively.

The Group recognises any impairment loss that may have been suffered by these assets, using the caption "Net impairment losses" in the income statements as the balancing item. The criteria for recognising the impairment losses of these assets and, if applicable, the recovery of the impairment losses recorded in previous years are similar to those applied for property, plant and equipment and are explained in point 4 of this Note. In the year 2008, no ·"Net impairment losses" derived from intangible assets were recognised. In 2007, an impairment loss of 212 million euros was recognised in relation to goodwill (189 euro millions correspond to the cost of the goodwill and 23 million to amortisation, see note 5).

The main items included under this caption are the following:

a) Administrative concessions

This includes principally the expenses incurred in preparing the bids that are submitted in tenders to obtain authorization as a cable telecommunications operator in the different areas.

Administrative concessions are shown in the assets at cost less accumulated amortisation and the accumulated amount of the impairment adjustments recognised. Administrative concessions are amortised on a straight-line basis over 25 years.

b) Indefeasible right of use and infrastructure leases

This relates principally to the amounts under contracts for the use of fibre optic and telecommunications infrastructure, less the accumulated amortisation and the cumulative amount of the impairment adjustments recognised.

Costs incurred under the contracts assigning the use of fibre optic and infrastructure are amortised on a straight-line basis in accordance with the terms of the respective contracts, which are between 20 and 25 years, except for contracts signed with electricity companies assigning the use and excess capacity rights of fibre optic networks, which are amortised over a maximum period of 30 years.

c) Computer software

Computer software licences acquired from third parties are capitalised on the basis of the costs incurred in acquiring them and preparing them to use the specific programme. These costs are amortised over their estimated useful lives (which do not exceed 4 years).

Expenses related to computer software maintenance are recognised as an expense when incurred.

3.2 Property, plant and equipment

The items of property, plant and equipment are recognised at their acquisition price or production cost, less accumulated depreciation and the cumulative amount of the recognised losses.

The amount of work carried out by the Company for its own property, plant and equipment is calculated by adding the direct or indirect costs attributable to the assets to the acquisition price of the consumables.

If applicable, the acquisition price includes the initial estimate of the costs associated to dismantling or removing the asset and the restoral of its location when, as a result of use of the asset, the Group is obliged to take said actions.

The costs of expansion, modernisation or improvement of property, plant and equipment are included in the asset as an increase in its value only when they represent an increase in its capacity or productivity or a lengthening of its useful life, accrued that it is possible to estimate the carrying amounts of the assets that are removed from the inventory because they have been replaced.

Recurring repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

The Group analyses the need to make any adjustments to the carrying amount that may be necessary, in order to attribute the lowest applicable recoverable value to each element of property, plant and equipment at the year end whenever there are circumstances or changes that show that the net carrying amount of the property, plant and equipment may not be fully recoverable through the generation of sufficient income to cover all the costs and expenses.

In this case, the lower carrying amount is not maintained if the causes for the value adjustment cease to exist.

Depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated systematically using the straight-line method over its estimated useful life, taking the impairment actually suffered due to operation, use and enjoyment into account.

The estimated useful lives are:

	Estimated years of useful life
Technical facilities	10-35
Equipment at the client's facilities	6
Data-processing equipment	4-5
Other property, plant and equipment	5-13

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. In 2008, the Group reviewed the estimated useful lives defined for each group of elements of property, plant and equipment. As a result, from 2008 onwards, the estimated useful life of equipment at the client's facilities has been shortened from 7 to 6 years. The effect of the change in the estimate has meant an increase of 11.5 million euros in the provision for depreciation of property, plant and equipment.

Losses and gains on the disposal of property, plant and equipment are calculated by comparing the income obtained from the sale with the carrying amount and are recorded in the income statement.

3.3 Interest costs

Finance costs directly attributable to the acquisition or construction of fixed assets that require a period of longer than one year to come into use is included in their cost until they become operative. In the years 2007 and 2008, no finance costs were included in the acquisition or construction cost of fixed assets, as there were no elements on fixed assets that had required a period longer than one year to come into use.

3.4 Impairment losses on non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that had suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

In 2008, the Group recognised impairment losses amounting to 14 million euros related to the mobile business (see note 6).

3.5 Financial assets

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The loans and receivables are included in "Trade and other receivables" in the balance sheet.

These financial assets are recognised initially at fair value, including any transaction costs directly attributable to them, and subsequently measured at amortised cost, recognising the interest accrued in accordance with the effective interest rate, defined as the discount rate that equals the carrying amount of the instrument with the totality of its estimated cash flows until maturity.

At least at the year end, the necessary impairment adjustments are made if there is objective evidence that not all the amounts owing will be received.

The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate at the time of initial recognition. Impairment adjustments and, if applicable, the reversal thereof are recognised in the income statement.

Financial assets are derecognised in the balance sheet when all the risks and rewards of ownership of the asset are substantially transferred. In the specific case of receivables, this is generally deemed to occur when the risks of default and delinquency are transferred.

b) Deposits given

These are amounts paid under operating leases. They are recognised at fair value. The difference between their fair value and the amount paid is considered an advance lease payment that will be taken to the income statement during the lease term.

When estimating the fair value of deposits given, the remaining period will be the minimum contractual term committed during which the amount cannot be refunded.

When the deposit is short term, the cash flows are not discounted if their effect is not significant.

3.6 Financial derivatives and accounting hedges

Derivatives are recognised at fair value both initially and when subsequently remeasured, being shown as financial assets or financial liabilities depending on whether the fair value is positive or negative, respectively. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Fair value hedges: changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b) Cash flow hedges: the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised temporarily in equity. It is recognised in the income statement in the years in which the hedged transaction affects profit or loss, except when the hedge relates to a forecast transaction the results in the recognition of a non-financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset when acquired or the liability when assumed.

The loss or gain relating to the ineffective portion is immediately recognised in the income statement.

At the inception time, the Company of the Group formally documents the hedging relationship between the derivative and the hedged item, together with the risk management objectives and strategies sought when establishing the hedge. This documentation includes identification of the hedging instrument, the item or transaction it hedges and the nature of the hedged risk. Likewise, it includes the manner of assessing the degree of effectiveness in compensating the exposure of the item covered to changes, whether they be in the fair value or in the cash flows attributable to the hedged risk. The effectiveness assessment is carried out prospectively and retrospectively, both at the beginning of the hedging relationship and systematically throughout the period for which it was designated.

Accounting hedge criteria are no longer applied when the hedging instrument expires or is sold, cancelled or liquidated, or if the hedge no longer meets the requirements for hedge accounting, or if the designation in revoked. In these cases, the cumulative gain or loss reported in equity are not recognised in the income statement until the forecast or committed transaction affects the profit or loss. Notwithstanding, if it becomes improbable that the transaction will take place, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

The fair value of the derivative portfolio includes estimates based on calculations made using data that can be observed in the market and specific tools for the assessment and risk management of derivatives, widely used among a number of financial institutions.

3.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired in the transaction at the date of acquisition. When initially acquired, goodwill is measured in accordance with Note 2.3.(a).

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are recognised as an expense in the income statement and are not reversed in later years.

Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. The allocation is made to those CGU's that are expected to benefit from the business combination in which the goodwill arose.

At 31 December, 2008 the Group has no goodwill registered.

3.8 Inventories

Inventories are stated at their average acquisition cost and principally relate to the part of the broadcasting rights that it is estimated will be consumed in a period of less than 12 months, which are taken to the income statement on a straight-line basis.

3.9 Equity attributable to the Company's equity holders

The share capital is represented by ordinary shares.

The costs of issuing new shares or options are shown in directly in the equity as a deduction from the reserves.

When any Group company acquires shares in the Company (own shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs, is recognised in the equity attributable to the Company's equity-holders.

3.10 Financial liabilities

Debits and payables

This category includes trade and non-trade payables. These borrowings are classified as current liabilities unless the Group unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

This debt is recognised initially at fair value, adjusted by any directly attributable transaction costs, and is subsequently recognised at amortised cost using the effective interest rate method. This effective interest is the discount rate that equals the carrying value of the instrument to the expected flow of future payments until maturity of the liability.

Notwithstanding the foregoing, trade payables maturing at not more than one year without a contractual interest rate are stated, both initially and subsequently, at their face value when the effect of not discounting the cash flows is not significant.

If existing debt is renegotiated, no substantial changes to the financial liability are deemed to exist when the lender of the new loan is the same as the lender of the initial loan and the present value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the outstanding cash flows of the original liability calculated using the same method.

Bonds are recorded as a liability on an amortised cost basis until they are settled upon maturity.

Financial guarantee contracts

They are recognised initially at fair value. They are subsequently measured at the higher of: (i) the resultant of applying the provisions and contingencies accounting rule (Note 3.14) (ii) the initial recognised amount less the part already recognised in the profit and loss statement.

3.11 Grants received

Reimbursable grants are recorded as liabilities until the conditions required for them to be considered non-reimbursable are met, while non-reimbursable grants are recognised directly in equity as income on a systematic and rational basis, correlated to the expenses derived from the grant.

For these purposes, a grant is considered non-reimbursable when there is an individual agreement to award the grant, all the conditions fixed for the award have been met and there is no reasonable doubt that it will be received.

Monetary grants are valued at the fair value of the amount granted and non-monetary grants at the fair value of the item received. Both of these values refer to the time of recognition.

Non-reimbursable grants relating to the acquisition of property, plant and equipment are recognised as income for the year in proportion to the depreciation of the related assets or, if applicable, when the latter are sold, there is an impairment adjustment or they are derecognised in the balance sheet.

3.12 Current and deferred income tax

The income tax charged (credited) comprises both current and deferred income tax charged (credited).

Both the current and deferred income tax charged (credited) is recorded in the income statement. Notwithstanding, the tax effect related to items recorded directly in equity is recognised directly in equity.

Current income tax assets and liabilities will be valued at the amounts it is expected to pay to or recover from the tax authorities, in accordance with current legislation.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor tax profit or loss. Deferred income tax is determined using the rules and tax rates that have been approved or are on the point of approval at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax credits can be utilised.

3.13 Employee benefits

a) Termination benefits

Termination benefits are payable when employment is terminated by Group companies before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

b) Variable benefits

Group companies recognize a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.14 Provisions and contingent liabilities

Provisions for restructuring costs and legal claims are recognised when; the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Adjustments to the provision due to passage of time are recognised as finance expenses as accrued.

Provisions maturing at one year or less with non material financial effect are not discounted.

When part of the expenditure necessary to settle the provision is reimbursed by a third party, the reimbursement is recognised as a separate asset, provided it is almost certain to be received.

Contingent liabilities are the possible obligations arising from past events the materialisation of which depends on whether one or more future events take place, irrespective of the Group's wishes. These contingent liabilities are not recognised but details are set forth in the Notes.

3.15 Revenue recognition

Revenue is recognised at the fair value of the consideration receivable and represents the amounts receivable for the sale of goods and services in the ordinary course of the Group companies' activities, net of returns, rebates, discounts and value-added tax to the extent that it is passed on to third parties.

Group companies recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company, the transaction costs can be measured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Group companies base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's revenue comes from the individual or combined provision of telephone, television and broad-band Internet services to residential direct-access customers, indirect-access customers and companies, together with the provision of services of interconnection with other operators.

Commercial packages that combine different elements are analysed to determine whether it is necessary to separate the different elements identified, applying the appropriate revenue recognition policy in each specific case. Total revenue from the package is distributed among its identified elements in accordance with their respective fair values (i.e. the fair value of each individual component in relation to the total fair value of the package).

Traffic is recognised as revenue as consumed.

If traffic or other services are sold at a fixed rate for a determined time period (flat rate), revenue is recognised on a straight-line basis over the time period covered by the rate paid by the customer.

Income from connection charges originating when customers connect to the Group's network are, to the extent that they are not considered to be a separate service, deferred and credited to the income statement over the estimated average duration of the relationship with the customer, which varies depending on the type of service involved. Direct costs incurred in installing and registering new customers that can be identified individually are capitalised when they are directly controlled by the Group and represent the basis for the generation of future economic profits. These costs are amortised considering the average subscription period of the customers. Other types of cost are charged directly to the income statement.

The periodic charges for use of the network (Telephony, Internet and Television) are credited to the income statement on a straight-line basis over the period to which they relate. Rentals and other services are credited to the income statement as the service is provided.

Revenue from interconnection and other services used by customers is recognised in the period in which the customers make the phone calls.

Revenue from the sale of terminals and equipment is recognised when, in addition to the foregoing, the sale is deemed to be completed, i.e. when the significant risks and rewards have been transferred and neither the management or effective control of the items is held. This moment usually coincides with the time of delivery to the final customer.

Likewise, the Group carries out commercial promotions based on the subscriber obtaining points in accordance with his consumption. The amount assigned to the points given is recorded as a decrease in revenue until the time that the points are exchanged, when they are recognised as revenue from sales or services, depending on the product or service chosen by the customer. In the event that the points are not used, they are recognised as income when they expire. The exchange may be for traffic or another type of service, depending on the amount of points obtained and the type of contract held.

3.16 Leases

a) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. To calculate the present value, the implicit interest rate of the agreement is used and, if this cannot be determined, the Group's interest rate for similar transactions.

Each lease payment is allocated between the liability and the finance charges. The total finance cost is distributed over the lease term and is recognised in the income statement in the year in which it accrues, using the effective interest rate method. The contingent payments are an expense in the year in which they are incurred. The corresponding lease obligations, net of finance charges, are included under "Payables under lease agreements". The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset or the lease term.

b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.17 Foreign currency transactions

a) Functional and presentation currency

The Group's financial statements are presented in euros, which is the Group's presentation and functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3.18 Related-party transactions

In general, transactions between Group companies are initially recognised at fair value. When applicable, if the agreed price differs from the fair value, the difference is recorded in accordance with the actual economic value of the transaction. Subsequent recognition is in accordance with the provisions of the applicable rules.

4. Financial risk management

The Group is exposed to various financial market related risks as a result of its ordinary business activity and the Financing of its business. A valuation of the main financial market related risks affecting the Group is as follows:

i. Share price risk

As disclosed in the note 8, practically all the equity investments are in the Companies included within the consolidated group. The value of the equity investments in Companies excluded from the Group amounts to 3.8 euro million.

ii. Exchange rate risk

None of the Group companies performs significant transactions in a currency different from the euro neither have any Group Company investments in a country outside the European Union.

iii. Interest rate risk

The interest rate risk arises from changes in the fair value or the future cash flows of a financial instrument as a consequence of changes on the applicable interest rates. The Group exposure to changes in the interest rate is underpinned by the long-term debts with floating rates based on Euribor.

It is the Group policy to monitor and manage the exposure to the interest rate risk via the managing of the long-term debts with floating rates. For this reason, the Group holds financial derivative instruments (swaps) with several credit institutions. These hedging instruments fix the interest cash flow amounts until July 2010 for a principal of 2,065 euro million and 500 euro million until January 2011.

The total related debt amounts to 3,500 euro million. This debt is a senior bank facility. Accordingly, the 73% of the interest rate risk is covered.

iv. Liquidity risk

It is the Group policy to seek to match the schedule for its debt maturity payments to its capacity to generate cash flows to meet these maturities. In particular, the Group's management attempts to ensure that the operations over the next 12 months are always fully financed without the need to substantially modify the conditions and structure of the Group's debt.

The Group faces in the forthcoming years significant debt maturity payments (Note 14). These payments will be financed firstly with cash and cash equivalents currently held and secondly with the cash flows generated from the ordinary activities.

The macroeconomic environment as well as the perspectives of the Spanish economy, specifically the increase in the unemployment rate, its influence on the families' available income and the credit market restrictions, could limit the ability of the Group to generate enough cash to meet the debt maturity payments set for the forthcoming years.

In order to mitigate these risks, the Group has started a transformation plan that includes several initiatives in order to maximize its financial resources. Some of the actions are the discontinuing the network construction, significant changes in the headcount: "Expediente de Regulación de empleo", (see note 15) as well as other cost reduction programmes. These initiatives have already caused a positive impact during the 2008 year.

5. Intangible assets

Details of and movement on the items included in "Intangible assets" are as follows:

	Concessions	Rights over fixed assets	Goodwill	Computer software	Other intangible assets	Total
			Thousands of euros			
Balance at 1-1-2007	**4,906**	**41,298**	**211,852**	**48,326**	**17,404**	**323,786**
Cost	12,651	61,239	477,645	93,851	24,302	669,688
Accumulated amortisation	(7,745)	(19,941)	(265,793)	(45,525)	(6,853)	(345,857)
Impairment losses	—	—	—	—	—	—
Carrying value	4,906	41,298	211,852	48,326	17,449	323,831
Additions	—	307	—	32,931	8,588	41,826
Other transfers	—	—	—	753	—	753
Disposals	—	—	—	—	(25)	(25)
Accumulated amortisation disposals	—	—	—	(706)	11	(695)
Impairment losses for year	—	—	(211,852)	—	—	(211,852)
Amortisation charge	(284)	(2,160)	—	(17,775)	(4,413)	(24,632)
Balance at 31-12-2007	**4,622**	**39,445**	**—**	**63,529**	**21,610**	**129,206**
Cost	12,651	61,546	—	127,535	32,865	234,597
Accumulated amortisation	(8,029)	(22,101)	—	(64,006)	(11,255)	(105,391)
Impairment losses	—	—	—	—	—	—
Carrying value	4,622	39,445	—	63,529	21,610	129,206
Additions	—	4,000	—	10,557	6,127	20,684
Disposals	—	—	—	(14)	(900)	(914)
Accumulated amortisation disposals	—	—	—	14	111	125
Amortisation charge	(283)	(2,382)	—	(23,520)	(6,791)	(32,976)
Balance at 31-12-2008	**4,339**	**41,063**	**—**	**50,566**	**20,157**	**116,125**
Cost	12,651	65,546	—	138,078	38,092	254,367
Accumulated amortisation	(8,312)	(24,483)	—	(87,512)	(17,935)	(138,242)
Impairment losses	—	—	—	—	—	—
Carrying value	**4,339**	**41,063**	**—**	**50,566**	**20,157**	**116,125**

In 2008, no impairment losses derived from intangible assets were recognised. In 2007, the useful life of the goodwill was analysed to determine its recoverable value. As a result of this cash flow- based assessment, impairment of 212 million euros was recognised.

At 31 December, 2008, there are fully-amortised intangible assets that are still in use with an original cost of 56.3 million euros (2007: 50.6 million euros).

At 31 December, 2008, there are no intangible assets subject to ownership restrictions or pledged to secure liabilities.

A translation of the 2008 consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

6. Property, plant and equipment

Details of and movement on the items included in "Property, plant and equipment" are as follows:

	Land and constructions	Technical facilities and other property, plant & equipment	Advances and fixed assets under construction	Total
	Thousands of Euros			
Balance at 1-1-2007	**21,601**	**4,146,177**	**206,743**	**4,374,521**
Cost	21,601	5,833,121	206,743	6,061,465
Accumulated depreciation	—	(1,591,288)	—	(1,591,288)
Impairment losses	—	(95,656)	—	(95,656)
Carrying value	21,601	4,146,177	206,743	4,374,521
Additions	—	177,178	335,054	512,232
Other transfers	54	425,632	(427,430)	(1,744)
Disposals	(216)	(21,188)	(12,322)	(33,726)
Accumulated amortisation disposals/transfers	—	4,700	—	4,700
Impairment losses recognised in the year	—	20,601	—	20,601
Depreciation charge	—	(318,472)	—	(318,472)
Balance at 31-12-2007	**21,439**	**4,434,628**	**102,045**	**4,558,112**
Cost	21,439	6,414,743	102,045	6,538,227
Accumulated depreciation	—	(1,905,060)	—	(1,905,060)
Impairment losses	—	(75,055)	—	(75,055)
Carrying value	21,439	4,434,628	102,045	4,558,112
Additions	—	159,068	193,744	352,812
Other additions/tranfers	—	197,508	(195,174)	2,334
Disposals	(115)	(13,442)	(6,063)	(19,620)
Accumulated amortisation disposals/transfers		12,409	—	12,409
Impairment losses recognised in the year	—	4,625	(14,205)	(9,580)
Depreciation charge	—	(355,792)	—	(355,792)
Balance at 31-12-2008	**21,324**	**4,439,004**	**80,347**	**4,540,675**
Cost	21,324	6,757,877	80,347	6,859,548
Accumulated depreciation	—	(2,248,443)	—	(2,248,443)
Impairment losses	—	(70,430)	—	(70,430)
Carrying value	**21,324**	**4,439,004**	**80,347**	**4,540,675**

In 2007, no impairment adjustments were recognised for property, plant and equipment. In 2008, an impairment loss of 14 million euros was recognised in relation to the mobile phone business investments, based on the difference between the recoverable value of these assets and their carrying amount.

The cost of fully-depreciated elements of property, plant and equipment that are still in use is 348.9 million euros (2007: 252.8 million euros).

At 31 December, 2008, there is no property, plant and equipment subject to ownership restrictions or pledged to secure liabilities.

The caption "Technical facilities and other property, plant and equipment" includes the following amounts where the Group is the lessee under a finance lease:

		2008	2007
		Thousand of euros	
	Data-processing equipment	1,779	10,800
Cost—capitalised finance leases	Technical facilities	21,134	25,930
	Land	4,804	4,804

The Group has several insurance policies to cover the risks the property, plant and equipment is exposed to. The insurance cover is considered sufficient.

7. Analysis of financial instruments

The carrying amounts of each one of the financial instrument categories established in the "Financial instruments" accounting policy, except investments in the equity of Group and associated companies (Note 8), are as follows:

	Long-term financial assets							
	Equity instruments		Securities representing debt		Credits, Derivatives and Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	Thousands of euros							
Loans and receivables (Note 9)	—	—	—	—	3,764	2,163	3,764	2,163
Hedging derivatives (Note 10)	—	—	—	—	—	21,780	—	21,780
	—	**—**			**3,764**	**23,943**	**3,764**	**23,943**

	Short-term financial assets							
	Equity instruments		Securities representing debt		Credits, Derivatives and Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Loans and receivables (Note 9)	—	—	—	—	151,443	201,303	151,443	201,303
	—	**—**	**—**	**—**	**151,443**	**201,303**	**151,443**	**201,303**

	Long-term financial liabilities							
	Borrowings from credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	Thousands of euros							
Debits and payables (Note 14)	3,510,821	2,966,655	450,000	482,613	67,881	135,299	4,028,702	3,584,567
Hedging derivatives (Note 10)	—	—	—	—	69,811	—	69,811	—
	3,510,821	**2,966,655**	**450,000**	**482,613**	**137,692**	**135,299**	**4,098,513**	**3,584,567**

	Short-term financial liabilities							
	Borrowings from credit institutions		Debentures and other negotiable securities		Derivatives and Other		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Debits and payables (Note 14)	262,656	250,981	32,613	—	627,641	819,917	922,910	1,070,898
	262,656	**250,981**	**32,613**	**—**	**627,641**	**819,917**	**922,910**	**1,070,898**

8. Holdings in Group companies

The amounts of the capital, reserves, profit or loss for the year and other relevant information on Group companies, as shown in the individual annual accounts, are as follows:

Company	Capital	Share premium	Reserves	Operating profit or loss	Profit or loss for year	Carrying value in parent company
Cableuropa, Madrid	262,902	1,637,076	(1,725,447)	267,638	(26,819)	70,004
Tenaria, Pamplona	74,087	—	(23,728)	8,454	4,669	36,917
Factoría de Canales, Barcelona	6,857	—	(1,201)	3,807	2,432	2,266
Univertel Comunicaçôes Universais, Portugal	2,060	—	(4,965)	(5)	(243)	—
Cable Submarino de Canarias, Tenerife	8,824	—	661	220	220	3,224

None of the companies in which the Group holds an interest is quoted on a stock exchange.

9. Loans and receivables

The breakdown of loans and receivables is as follows:

		2008	2007
		Thousands of euros	
Long-term loans and receivables			
—Loans to employees		250	—
—Deposits		3,514	2,163
	Note 7	**3,764**	**2,163**
Short-term loans and receivables			
—Trade receivables and sundry debtors		325,341	345,322
—Receivables from related parties (Note 23)		—	9,161
—Public authorities		554	2,725
—Impairment provision		(182,830)	(170,196)
—Trade and other receivables		143,065	187,012
—Deposits		8,378	14,291
	Note 7	**151,443**	**201,303**

The caption “Trade receivables and sundry debtors” relates mainly to receivables arising from the provision of telephone, television and broad-band Internet services to direct-access residential customers, indirect-access customers and companies and the provision of interconnection services to other operators.

The Directors consider that the carrying value of the trade and other receivables accounts is in line with its fair value.

Trade receivables past due but aged less than three months are not considered to be impaired. At 31 December, 2008, there were receivables of 214,007 thousands of euros (2007: 202,845 thousands of euros). These receivables relate to a number of customers with no material recent bad debt history.

The credit risk is caused by the possibility of the Group not recovering the financial assets for its registered value or at is expected maturity date. A detailed of the exposed financial assets is included in this note.

From the balance of the “Trade receivables and sundry debtors” as of 31 December 2008, 60% corresponds to residential and SME customers, 18% to large companies and the remaining 22% relates to operators and other sundry debtors.

It is the Group policy to perform a periodical and systematic evaluation of credit risk to record provisions on the income statement accordingly and to evaluate the potential need to reduce customer’s credit level allowed. In this sense, during the year 2008 the Group has launched more restrictive credit scoring procedures prior to the acceptance of new residential customers.

As of 2008 year end, all the residential and SMEs trade receivables over one year are fully accrued for. For trade receivables due below one year, there are partial accruals according to the age of the trade receivables. Regarding the rest of trade receivables (large companies, operators and other sundry debtors) the Group has the policy of registering specific trade receivables reserves based on the business segment, client characteristics and age of the receivables.

Movement on the impairment provision for trade receivables is as follows:

	2008	2007
	Thousands of euros	
Beginning of year	170,196	142,077
Impairment provision for trade receivables	26,892	28,119
Receivables written off	(14,258)	—
End of year	**182,830**	**170,196**

The receivables written-off correspond to balances that were fully accrued.

In 2008, the Group transferred receivables of 79 million euros to a financial institution in exchange for cash. These receivables had been fully written off for and derecognised in the balance sheet previously to 2007.

The carrying values of loans and receivables are denominated in euros.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

10. Derivative financial instruments

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	Thousands of euros			
Interest rate swaps—cash-flow hedges	—	69,811	21,780	—
Total	**—**	**69,811**	**21,780**	**—**
Non-current portion	**—**	**69,811**	**21,780**	**—**
Current portion	**—**	**—**	**—**	**—**

The Group has several hedging financial instruments (swaps) for the floating interest rates in order to be covered against the fluctuations of the Senior Bank Facility interest rates (Note 14c), which accrues a variable interest rate according to Euribor, plus a differential of 1.75% to 2.25% depending on the tranche used. At the end of 2008, this loan was fully drawn, amounting to 3,500 euro million.

The swaps contracts amount to 2,565 euro million, its maturity dates are July 2010 and January 2011, for amounts of 2,065 euro million and 500 euro million respectively.

The evolution of the hedge contracts value during 2008 is as follows:

Movements of hedge contracts value	Before Tax	After Tax
Fair value at 31 December 2007. Adjustment to changes in accounting policies affecting to Net Equity (Notes 2.2.1 and 7)	21,780	15,246
Changes in the fair value during 2008, against Net equity (See Statement of Recognised consolidated incomes and expenses)	(91,592)	(64,114)
Fair value at 31 December 2008 (see note 7)	(69,812)	(48,868)

Cash flows associated to hedge contracts will take place in the years 2009, 2010 and January 2011.

11. Cash and cash equivalents

	2008	2007
	Thousands of euros	
Cash in hand and at bank	2,605	3,884
Cash equivalents	338,944	—
	341,549	**3,884**

The “Cash equivalents” caption relates to short-term fixed-income securities. They mature at less than three months and currently earn fixed remuneration at between 1.9% and 2%.

12. Equity attributable to the Company’s equity-holders

a) Capital and share premium

	2008	2007
	Thousands of euros	
Declared capital	262,902	262,902
	262,902	**262,902**

At 31 December 2008 the parent company's share capital consisted of 43,816,966 shares with a par value of 6 euro each, fully subscribed and paid in, with a share premium of 23.9 euro million. These shares are subscribed in full by Grupo Corporativo ONO, S.A., the Company's sole shareholder, and have been paid up in full together with the share premium.

On 4 November 2005, the shares of what is currently Cableuropa, S.A.U. were pledged as security for the preferred secured loan granted to the former Cableuropa, S.A.U., having resolved unanimously the board of ONO Midco that the Company should adhere as pledge to the pledge in respect of the shares in question.

b) Shareholders

At 31 December 2008 the parent company's sole shareholder is Grupo Corporativo ONO, S.A.

The shareholders of Grupo Corporativo ONO, S.A. at 31 December, 2008 are the following:

	Total interest
Capital Riesgo Global, SRC S.A.[1] (Grupo SCH)	4.4%
Multitel Group, S.P.R.L.[2]	21.4%
Sodinteleco, S.L.[3]	4.2%
CCMP Capital[4]	14.8%
Providence Equity Partners[5]	14.8%
Thomas H. Lee Partners[5]	14.8%
Quadrangle Capital Partners[5]	8.8%
Caisse de Dépôt et Placement du Québec (DPQ)[6]	6.5%
Global Telecom Investments, LLC[7] (Grupo General Electric)	8.7%
Others	1.4%
Own shares	0.2%
	100%

(1) Company fully-held by Banco Santander, S.A. Central Hispano.

(2) The interests of Multitel Group S.P.R.L. are held by said company and several companies in which it holds interests.

(3) Company into which most of the former shareholders of Retecal were integrated.

(4) Formerly JP Morgan partners. These interests are held through several other companies in which stakes are held.

(5) The shareholders mentioned hold these interests through several other companies in which they hold stakes.

(6) CDPQ's interest is held by said company itself and another company belonging to its group.

(7) Company in which General Electric holds an interest.

c) Reserves and losses from previous years

The voluntary reserves include the impact of the first application of the PGC 2007 (See note 2).

d) Shareholders' contributions

Shareholders' contributions relate to the participating loan that Cableuropa S.A.U received from Grupo Corporativo Ono to finance the purchase of Auna Telecomunicaciones S.A.U amounting to €955 million. Repayment of the participating loan is not set to begin until 2020. If it is repaid, such repayment will be through a capital increase or through the express agreement of both parties. Therefore the amount of that loan is considered as equity.

13. Loss for the year

a) Proposed application of loss

The proposed application of the loss to be submitted to the General Meeting of Shareholders is aplicate the losses (22,492 thousands of euros) at loss from previous years.

b) Contribution to consolidated loss

The contribution of each consolidated company to the consolidated loss is as follows:

	2008
Consolidated company	
ONO Midco, S.A.U.	70
Cableuropa, S.A.U.	(28,921)
Tenaria, S.A.	3,978
Factoría de Canales, S.L.	2,635
Univertel Comunicaçôes Universais, S.A.	(254)
	(22,492)

14. Debits and payables

The breakdown of this caption is as follows:

		2008	2007
		Thousands of euros	
Long-term debts and payables:			
—Debentures and other negotiable securities (bonds)		450,000	450,000
—Senior Bank Facility		3,450,154	2,907,946
—Mortgage loans		521	840
—ICO Loan		10,000	10,000
—Other loans		14,065	—
Subsidised loans		31,811	41,911
Long term debt in credit institutions		**3,956,551**	**3,410,697**
—Other payables liabilities (EVCs)		—	32,613
—Payables under lease agreements		4,270	5,958
—Other payables (Auna)		67,881	135,299
	Note 7	**4,028,702**	**3,584,567**
Short-term debts and payables:			
—Loans from credit institutions		260,808	248,571
—Related companies		17,315	33,978
—Other financial liabilities (EVCs)		32,613	—
—Payables under lease agreements		1,848	2,410
—Suppliers		327,136	345,317
—Short-term public authorities		9,491	9,580
—Outstanding employee remuneration		27,053	24,092
—Other financial liabilities (Auna & others)		241,887	406,950
—Advanced collections		4,759	—
	Note 7	**922,910**	**1,070,898**
	Note 7	**4,951,612**	**4,655,465**

The carrying value of short-term debt is in line with its fair value, since the discount effect is not significant.

The payment calendar of the Group's long- and short-term debt with credit institutions at the 2008 year end is as follows:

Type of debt	Average interest rate 2008	Maximum available at 31.12.2008	Maturities 2009	2010	2011	2012	2013	Subsequent years	Total borrowings	Interest payable
			Thousands of euros							
Debt with credit institutions										
Senior Bank Facility[1]	6.34%	3,500,000	36,000	414,000	590,000	960,000	1,499,795	—	3,499,795	69,829
Mortgage loan	5.34%	839	318	307	161	37	16	—	839	—
ICO loan	7.63%	10,000	—	—	—	—	—	10,000	10,000	208
Other borrowings	6.25%	6,200	5,592	—	—	—	—	—	5,592	175
Other credit lines	5.69%	159,000	126,588	14,065	—	—	—	—	140,653	1,919
Total debt with credit institutions		**3,676,039**	**168,498**	**428,372**	**590,161**	**960,037**	**1,499,811**	**10,000**	**3,656,879**	**72,131**
Other debt										
Debt related to the issuance of bonds	9.00%	450,000	—	—	—	—	—	450,000	450,000	5,261
Subsidised loans[2]	—	49,552	14,918	12,910	10,466	8,055	1,838	1,365	49,552	—
Total other debt		**499,552**	**14,918**	**12,910**	**10,466**	**8,055**	**1,838**	**451,365**	**499,552**	**5,261**
Total long- and short-term debt		**4,175,591**	**183,416**	**441,282**	**600,627**	**968,092**	**1,501,649**	**461,365**	**4,156,431**	**77,392**

(1) The payment calendar does not include the discount effect amounting 13,641 thousands of euros.

(2) The subsidised loans include the subsidy recognised in the Total Equity for an amount of 1,976 euro thousands as well as its related tax impact amounting to 847 euro thousand.

a) Debt relating to bond issuance

In 2004, ONO Finance PLC issued 180,000 bonds with a face value of 1,000 euros each, which accrue annual interest of 10.5%. These bonds mature at 10 years as from issuance, but the issuer reserves the right to call the debt in advance, subject to certain conditions, once five years have elapsed since issue date.

In 2006, ONO Finance II PLC issued 270,000 bonds with a face value of 1,000 euros each, which accrue interest at an annual rate of 8%. These bonds mature at 8 years after issuance, but the issuer reserves the right to call the debt in advance, subject to certain conditions, once two years have elapsed after issue date.

ONO Finance PLC is an independent company established in the United Kingdom with the corporate purpose of issuing bonds and the subsequent financing of the Cableuropa Group with the funds obtained from the issues. Cableuropa, S.A.U. holds a 2% interest in ONO Finance PLC.

ONO Finance II PLC is an independent company established in Ireland with the corporate purpose of issuing bonds and the subsequent financing of the Cableuropa Group with the funds obtained from the issues.

Details of the current bond issues at 31 December, 2008 are as follows:

Issuer	Issue date	Number of bonds	Unit face value	Annual interest rate	Maturity
ONO Finance PLC	7 May, 2004	180,000	1,000 euro	10.5%	15 May, 2014
ONO Finance II PLC	2 February, 2006	270,000	1,000 euro	8%	16 May, 2014

All interest payments are paid semi annually.

ONO Midco, S.A.U. and its subsidiaries are guarantors under the contracts that regulate the bond issues. In relation to bond issuancee, the Cableuropa Group, as the borrower and guarantor, and the issuers, as the lenders, signed a number of subordinated financing agreements to transfer the effective amount obtained from the bond issues to the guarantors and, in return, the borrower undertook to obligation to repay the issuers:

- the face value of the debt from the bond issues upon maturity, equivalent to the issue value plus opening, maintenance and underwriting commissions; and
- sufficient interest to cover the interest payments associated to the bonds, plus a margin.

Details of current financial agreements signed with the issuers at 31 December, 2008 are as follows:

Maturity	Currency	Principal	Total debt	Interest rate	Outstanding interest
			Thousands of euros		
2014	Euro	180,000	180,000	10.5%	2,805
2014	Euro	270,000	270,000	8%	2,456
Total			450,000		**5,261**

b) Other financial liabilities ("EVCS")

Associated to bond issues maturing in 2009 and 2011, ONO Finance PLC issued EVCs that are guaranteed by Cableuropa, S.A.U. Each EVC entitles its holder to receive, upon maturity, the equivalent value of a determined number of shares representing the capital of Cableuropa, S.A.U. They are valued according to their fair value.

In 2006 and 2007, the parent company, Grupo Corporativo ONO, S.A., acquired EVCs through a number of bilateral transactions in the market until, at the 2007 year end, it had acquired over 80% of all the EVC's.

c) Loans from credit institutions

c.1. Senior Bank Facility

The Senior Bank Facility was originally contracted in 2005 in the amount of 3,100 million. In 2007, the facility was increased by 500 million euros to meet the Group's general funding needs, refinance the junior debt and to obtain sufficient funds to carry out new projects and investments.

In 2008, the clauses of financial covenants included in the agreement were renegotiated.

Funds availability is structured into several tranches. At 31 December, 2008 it was fully drawn for an amount of 3,500 million euros.

Interest and expense

The Senior Bank Facility involves certain commissions, including, among others:

- Interest on amounts drawn linked to Euribor plus a spread,
- Availability commissions on the amounts granted but not drawn; and
- Agency commissions.

Interest rate hedges

At 31 December, 2008, the Group has hedges for 2,565 million euros to hedge possible fluctuations in the interest rate on the syndicated loan until the first quarter of 2011 (see Note 10).

Guarantees and conditions

The following assets have been pledged by the Group to guarantee its Senior Bank Facility:

- the shares in Cableuropa, S.A.U. belonging to ONO Midco, S.A.U.
- loan between Grupo Corporativo ONO S.A. and Cableuropa, S.A.U.

The borrowers of the Senior Bank Facility (Cableuropa, S.A.U. and part of its subsidiaries) have jointly and severally guaranteed all the amounts of the credit as senior debt.

The Senior Bank Facility also contains financial and non-financial conditions, including voluntary early repayment and, under some circumstances, obligatory repayment, the establishment of mandatory conditions concerning the possibility of new borrowings, the sale of assets, sale and lease-back agreements, acquisitions, the possibility of granting loans and guarantees, early repayment of other borrowings, investments, dividends and the negotiation of significant contracts.

c.2. "Participative" loan

In October 2005, as part of the funding necessary for the acquisition of Auna Telecomunicaciones, S.A.U., the former Cableuropa, S.A.U. signed a "participative" loan for 20 million euros, maturing on 15 May, 2007. The loan was renewed in 2007 for 10 million euros until 15 May, 2014 and accrues variable interest linked to Euribor plus a spread.

c.3. Credit lines

The Group has the following undrawn credit lines:

	2008	2007
	Thousands of euros	
Variable rate:		
—maturing at less than one year	17,412	14,170
—maturing at more than one year	935	—
	18,347	14,170

The credit lines maturing at less than one year are subject to a number of revisions in 2009.

d) Finance lease liabilities

Finance lease liabilities are effectively guaranteed if the rights over the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities—minimum payment under finance leases, are as follows:

	2008	2007
	Thousands of euros	
Up to 1 year	1,992	2,789
Between 1 and 5 years	5,010	5,539
Over 5 years	208	1,187
Future finance charges on finance leases	(1,092)	(1,147)
Present value of finance lease liabilities	6,118	8,368

The present value of finance lease liabilities is as follows:

	2008	2007
	Thousands of euros	
Up to 1 year	1,848	2,410
Between 1 and 5 years	3,818	4,977
Over 5 years	452	981
	6,118	**8,368**

e) Subsidised loans

Since 2001, within the framework, of the "Programa para el Fomento de la Innovación Tecnológica" (PROFIT) (Technological Innovation Promotion programme), the Group has obtained a number of subsidised loans to finance certain technological innovation projects. This subsidised funding is recorded as long-term borrowings and is received in the form of reimbursable advances, in five equal annual payments. As from the third anniversary of its granting, the loan does not accrue interest and it is secured by bank guarantees. These subsidised loans mature between 2009 and 2015.

The Group considers that it meets all the general and specific conditions fixed in the relevant individual decisions to grant all the subsidised loans.

f) Other long-term payables: deferred payment for the acquisition of Auna

As a consequence of the acquisition of Auna in 2005, 214 of the purchase price was deferred. In January 2008, the first payment of 71 million euros was made. In the year 2008, payment of the remaining 144 million euros was renegotiated and 71 million of this amount has been deferred until January 2010. The remaining 71 million euros are included in "Short-term payables" and fell due in January 2009. The fair value of the long-term debt has been determined on the basis of the cash flows discounted at a rate based on the borrowing rate of 5.781%. The financial effect of recognising this liability at amortised cost has amounted to 4.3 million euros (3.3 million euros in 2007).

15. Long- and short-term provisions

Movement on the provisions recognised in the balance sheet are as follows:

	Onerous contracts	Other provisions AUNA acquisition	Restructuring	Litigations	Other provisions	Total
			Thousands of euros			
Balance at 1 January, 2007	**187,968**	**24,092**	**—**	**42,122**	**51,617**	**305,799**
Charge for year	10,606	—	—	30,181	2,084	42,871
Applications	(45,062)	(23,241)	—	(3,493)	(35,066)	(106,862)
Balance at 31 December, 2007	**153,512**	**851**	**—**	**68,810**	**18,635**	**241,808**
Charge for year	8,138	—	39,033	6,058	504	53,733
Applications	(46,496)	(851)	—	(1,967)	(8,328)	(57,642)
Reversal/excess of provisions	—	—	—	(15,000)	—	(15,000)
Balance at 31 December, 2008	**115,154**	**—**	**39,033**	**57,901**	**10,811**	**222,899**

The analysis of the total of these provisions is as follows:

	2008	2007
	Thousands of euros	
Non-current	145,822	195,312
Current	77,077	46,496
	222,899	**241,808**

a) Onerous contracts

The network maintenance and rental contracts those for the pay-per-view broadcasting rights for soccer, acquired as part of the Group Auna Telecomunicaciones purchase process with costs higher than market values, have been considered onerous contracts.

The provision to be applied during 2009 and 2010 is expected to be an annual application of 38 million.

b) Restructuring provisions

On 19 January, 2009, the Ministry of Labour authority approved the headcount reduction plan ("Expediente de Regulación de Empleo") agreed with the trade union representatives, in which the termination of up to a maximum of 988 contracts was authorised. The estimated costs to be incurred in the personnel restructuring and other costs directly attributable to the restructuring are 39 million euros at 31 December, 2008.

These costs were provided for in 2008. The provision is expected to be fully applied in the first half of 2009.

c) Litigations and other liabilities

The amount represents a provision for certain complaints filed against the Group companies. The amounts have been estimated in accordance with the sums claimed or the risk estimated by the Group.

In the Directors' opinion after receiving the relevant legal advice, the result of these litigations is not expected to represent significant losses higher than the amounts accrued at 31 December, 2008.

In the year 2007, a liability to cover the contribution to the Universal Service Fund was recognised. As a result of the resolution of the Telecommunications Market Commission dated 25 September, 2008, which exempted the ONO Group from the contribution until the year 2005, the new liability was estimated, resulting in the application of an excess provision of 15 million euros.

16. Deferred income tax

Details of deferred income tax are as follows:

	2008	2007
	Thousands of euros	
Deferred income tax assets:		
—Temporary differences	154,344	145,683
—Assets arising from tax loss carry-forwards	1,024,702	1,009,042
—Credit/Debits with Group companies related to task losses	8,451	8,681
—Other tax credits	—	—
	1,187,497	**1,163,406**
Deferred income tax liabilities:		
—Temporary differences	(847)	(7,547)
	(847)	**(7,547)**
Deferred income tax	**1,186,650**	**1,155,859**

Movement on deferred income taxes in the year is as follows:

Deferred income tax assets	Balance at 01.01.07	Transfers	Additions	Disposals	Balance at 31.12.07
	Thousands of euros				
Tax credits	1,091,331	(36,981)	69,775	(6,339)	1,117,786
Provision	(148,469)	—	—	39,725	(108,744)
Credits/debits with Group companies related to tax losses	5,800	—	2,881	—	8,681
Temporary differences	156,534	36,981	12,084	(59,916)	145,683
Total deferred income tax assets	**1,105,196**	**—**	**84,740**	**(26,530)**	**1,163,406**

Deferred income tax assets	Balance at 31.12.07	Transfers	Additions	Disposals	Balance at 31.12.08
Tax credits	1,117,786	—	15,660	—	1,133,446
Provision	(108,744)	—	—	—	(108,744)
Credits/debits with Group companies related to tax losses	8,681	—	—	(230)	8,451
Temporary differences	145,683	—	20,943	(12,282)	154,344
Total deferred income tax assets	**1,163,406**	**—**	**(36,603)**	**(12,512)**	**1,187,497**

Deferred income tax liabilities	Balance at 01.01.07	Transfers	Additions	Disposals	Balance at 31.12.07
	Thousands of euros				
Temporary differences	(9,087)	—	—	1,540	(7,547)
Total deferred income tax liabilities	**(9,087)**	**—**	**—**	**1,540**	**(7,547)**

Deferred income tax liabilities	Balance at 31.12.07	Transfers	Additions	Disposals	Balance at 31.12.08
Temporary differences	(7,547)	—	—	6,700	(847)
Total deferred income tax liabilities	**(7,547)**	**—**	**—**	**6,700**	**(847)**

The deferred income tax balance as of 31 December 2008 charged to equity is as follows:

	2008	2007
	Thousands of euros	
—Hedging reserve	20,943	(6,534)
—Non-refundable grants	(847)	(1,013)
	20,096	**(7,547)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that it is probable that the Company will obtain future tax profits that allow them to be applied.

17. Income and expenses

a) Net revenue

Net revenue by service line may be analysed as follows:

	2008	2007
	Thousands of euros	
Services to the residential market	1,218,851	1,177,686
Indirect access	19,155	34,017
Services to companies	248,791	247,587
Carrier, operators and other	115,665	156,735
	1,602,462	**1,616,025**

All revenue was obtained in national territory.

b) Work carried out by the company for its fixed assets

The expenses associated to the development and construction of the Group's network are capitalised as a higher cost of the network. All these capitalised expenses are recognised as operating income under the caption "Work carried out by the company for its fixed assets" in the income statement.

c) Cost of sales

Operating consumption is the Group's direct sales cost and includes programming expenses, Internet connectivity and the rental of circuits and channelling.

	2008	2007
	Thousands of euros	
Interconnection	139,547	171,627
Content	111,507	117,224
Intelligent network	41,007	52,600
Trunk network	42,635	38,951
Loop costs	16,982	18,582
Circuit costs	15,533	17,763
Others	13,918	25,588
	381,129	**442,335**

d) Employee benefit expenses

	2008	2007
	Thousands of euros	
Wages, salaries and similar	165,873	160,156
Employer's social security contributions	42,963	42,503
Other employee expenses	9,661	10,632
Severance payments	6,621	—
	225,118	**213,291**

The average number of employees in the year, by category, is as follows:

	2008	2007
Directors and Senior management	126	113
Qualified, technical	3,128	3,156
Administration	1,340	1,349
	4,594	**4,618**

Likewise, the distribution of the Company's employees by sex at the year end is as follows:

	2008			2007		
	Men	Women	Total	Men	Women	Total
Directors and Senior management	111	15	126	103	10	113
Qualified, technical	1,991	1,137	3,138	2,015	1,141	3,156
Administration	494	846	1,340	551	798	1,349
	2,596	**1,998**	**4,594**	**2,669**	**1,949**	**4,618**

e) Other operating expenses

	2008	2007
	Thousands of euros	
Leases and canons	58,292	50,120
Repairs and maintenance	71,588	73,435
Service of independent professionals	95,410	120,467
Advertising	47,326	55,373
Other services	47,296	40,171
Taxes	18,679	19,062
Impairment of trade receivables	26,892	28,119
Total other operating expenses	**365,483**	**386,747**

18. Income tax and tax situation

a) Consolidated tax regime

In 2002, Grupo Corporativo ONO, S.A. notified its election to apply the consolidated tax regime. The Group has consolidated for tax purposes since 1 January, 2003.

The parent company for tax consolidation is Grupo Corporativo ONO, S.A.

b) Income tax

The reconciliation between the net income and expenses for the year and the income tax base is as follows:

	Income statement			**Income and expenses attributed directly to shareholders' equity**	
	Thousands of euros				
Balance of income & expenses for the year			(22,492)		
	Increases	Decreases		Increases	Decreases
Income tax			(3,109)	—	—
Permanent differences	3,634		3,634	—	—
Temporary differences:			(28,904)		
—originating in the year		68,902			
—originating in previous years	(97,806)			27,643	
Offsetting of tax loss carry-forwards	—	—	—	—	—
Tax base (taxable profit or loss)			(50,871)		

The breakdown of income tax is as follows:

	2008
	Thousands of euros
Current income tax	15,263
Deferred income tax (Note 16)	(8,979)
	6,284

The difference with the income tax registered in the profit and loss account correspond to the R&D deductions balance write off amounting to 3,2 euro million.

c) Tax losses

At 31 December, 2008, the Group has the following tax loss carry-forwards that may be offset against tax profits generated from 2009 onwards:

Year	**Thousands of euros**
1993	182
1994	662
1995	2,753
1996	1,266
1997	5,560
1998	14,149
1999	112,611
2000	224,154
2001	290,724
2002	624,026
2003	526,014
2004	75,610
2005	1,379,208
2006	163,549
2007	189,551
Total	**3,610,019**

Under current legislation, the maximum term in which tax loss carry-forwards may be offset is 15 years as from the first year in which profits are obtained for companies incorporated later than 1 January, 1996. The Directors consider that these amounts will be recovered within the legally-established periods.

d) Public authorities

The short-term balances held by the Company with public authorities at 31 December, 2008 are as follows:

	2008	2007
	Thousands of euros	
Receivables from public authorities (Note 10)		
Public Treasury, VAT and Canary Islands General Indirect Tax	7	1,778
Withholdings and payments on account	268	675
Other	279	272
Total	**554**	**2,725**
Payables to public authorities (Note 15)		
Public Treasury, personal income tax	3,740	3,967
Social Security entities	4,568	5,324
Treasury, VAT and Canary Islands General Indirect Tax	921	—
Other	262	289
Total	**9,491**	**9,580**

e) Years open to inspection

According to current legislation, taxes may not be deemed to have been definitively settled until the returns filed have been inspected by the tax authorities or the 4-year years from the last day of the voluntary period for filing statute of limitations has expired.

The tax years open to tax audit are shown in the chart below:

Company	Corporate Income Tax	Other taxes
Cableuropa, S.A.U.	2004-2007	2005-2008
Cableuropa, S.A.U. (previously, Auna Telecomunicaciones S.A.U.)	Under Tax Audit*	2006
ONO Midco, S.A.U.	2006-2007	2006-2008
Tenaria, S.A.	2004-2007	2005-2008
Factoria de Canales, S.L.	2004-2007	2005-2008

* On March 2008, the Spanish Tax Authorities notifies to Cableuropa, S.A.U. (previously, Auna Telecomunicaciones, S.A.U.) the commencement of audit activities in relation to Corporate Income Tax for fiscal years 2003, 2004 and 2005 and Value Added Tax for the periods elapsed between March 2004 and December 2005.

The Directors do not expect any significant additional liabilities to arise in the years open to inspection.

19. Financing (loss)/gain

The breakdown of finance cost and income is as follows:

	2008	2007
	Thousands of euros	
Finance income:		
Exchange gains	503	2,777
Other finance income	5,170	121
Deposits: unwinding of discount	140	140
Income for grants	1,272	1,777
	7,085	**4,815**
Less finance cost:		
Exchange losses	(270)	(2,718)
Bank commissions	(1,877)	(4,489)
Guarantee costs	(2,101)	(2,643)
Interest on debt related to the bond issues (Note 14)	(40,549)	(48,227)
Interest on secured senior credit facilities (Note 14)	(193,205)	(154,485)
Interest on other finance costs	(9,868)	(12,643)
Interest on Related companies	—	(911)
Other finance costs	(10,000)	(18,762)
	(257,870)	**(244,878)**
Other financial charges		
Provisions: unwinding of discount (Note 16)	(7,895)	(9,505)
Refinancing charges (Note 15)	(30,354)	(21,850)
Long-term debt: unwinding of discount	(14,896)	(12,135)
	(53,145)	**(43,490)**
Total net financial loss	**(303,930)**	**(283,553)**

Since 2001, within the framework, of the "Programa para el Fomento de la Innovación Tecnológica" (PROFIT) (Technological Innovation Promotion Programme), the Group has obtained a number of subsidised loans to finance certain technological innovation projects. During the year, the Group has recognised 1.3 million euros (2007: 1.8 million euros) as income.

20. Contingencies

a) Contingent liabilities

The Group has contingent liabilities for litigations arising in the normal course of business. No significant liabilities other than those already provided for are expected to arise from these litigations (Note 15).

The Group holds guarantees with several Spanish credit institutions to secure compliance with certain financial and technical commitments held with the Ministry of Industry, Tourism and Trade, City Councils and other organisations and entities.

Details of commitments assumed at 31 December, 2008 and 2007 are as follows:

	2008	2007
	Thousands of euros	
Ministry of Industry, Tourism and Trade	36,656	67,331
City Councils and other entities	125,024	128,179
Total	**161,680**	**195,510**

21. Commitments

a) Purchase and sale commitments

At the balance sheet date, the Group has no fixed assets purchase and sales commitments.

b) Operating lease commitments

The Group leases office and technical buildings under non-cancellable operating lease agreements. These contracts have terms of between five and ten years and most of them are renewable upon expiry under market conditions.

The Group also leases infrastructure, installations and machinery under cancellable operating lease agreements. The Group is obliged to give six months' advance notice of the termination of these agreements.

Total minimum future payments for non-cancellable operating leases are as follows:

	2008
	Thousands of euros
Less than one year	12,919
Over 1 year	32,566
	45,485

The expense recognised in the income statement in the year for operating leases is 51 millions euros in 2008.

22. Compensation of the Board of Directors and senior management

a) Compensation of the members of the Board of Directors

The Company has not paid any compensation to board of directors.

b) Compensation of and loans to senior management

The total compensation paid to senior management both past and present and including several payments personnel in 2008 has amounted to 4.4 euro million.

c) Interests and positions held by members of the Board of Directors in other analogous companies

Art. 127 ter, point 4, of the Corporations Act, in the wording of Law 26/2003 of 18 July amending the Stock Market Act and the Corporations Act to reinforce the transparency of listed companies, imposes on the Directors the obligation to notify the Company of any interest they may hold in the capital of another company with the same, an analogous or a complementary type of activity to the Company's corporate purpose, together with any positions they may hold or functions they may perform therein, and also if they carry on, in their own name or on behalf of a third party, any activity that is analogous or complementary to the corporate purpose. .

In this respect, the following information was provided to the Company by the Directors who held office on the Company's Board of Directors at 31 December, 2008:

Director	Companies with an analogous or complementary corporate purpose	Activity	%	Position
José María Castellano	Grupo Corporativo ONO S.A.	Telecommunications	—	President
	SpanishCable Holding S.A.U.	Telecommunications	—	President
	Cableuropa, S.A.U.	Telecommunications	—	President
Jonathan Burr Cumming	Cableuropa, S.A.U.	Telecommunications	—	Board Member
	SpanishCable Holding S.A.U.	Telecommunications	—	Board Member
Richard Alden	Grupo Corporativo ONO S.A.	Telecommunications	—	C.E.O.
	SpanishCable Holding S.A.U.	Telecommunications	—	C.E.O.
	Factoría de Canales S.L.	Content	—	Vice President
	Cableuropa, S.A.U.	Telecommunications	—	C.E.O.

With the exceptions indicated above, the Directors have no significant or noteworthy holdings or carry out functions in companies with identical, analogous or complementary objects to those of the Group. Nonetheless, the Directors hold management positions and carry out functions related to the management of companies belonging to the same group as the Parent company. The non-significant or noteworthy holdings or functions referred to above have not been expressly included in this note since they have not effect on the duties of diligence and loyalty or existence of potential conflicts of interest within the context of Law 26/2003, of 17 July 2003, whereby Securities Market Law 24/1988, of 28 July 1988, is amended, and the Spanish Companies Act, approved by Royal Decree 1564/1989, of 22 December 1989.

23. Related-party transactions

The balances as at 31 December 2008 with Group and related companies and volumes of transactions carried out during 2008 with them are set out below:

Balances	**Short term payable**	**Short-term receivables**
	Thousands of euros	
Grupo Corporativo ONO, S.A.	7,203	10,000
Cable submarino de Canarias	—	112
Total saldos a 31.12.08	**7,203**	**10,112**

Transactions	**Financial expenses**	**Services received**
Grupo Corporativo ONO, S.A.	13,413	—
Cable submarino de Canarias	—	1,527
Total transacciones en 2008	**13,413**	**1,527**

During 2008 the transactions with related parties amount to: 13.4 euro million with Grupo Corporativo ONO, S.A. regarding financial structuring services and 1.6 euro million with Cable Submarino de Canarias regarding fibre rental

24. Environmental information

In its global operations, the Group takes the laws on environmental protection into account and considers that its substantially complies with these laws and has procedures designed to promote and guarantee such compliance.

Any operation the main purpose of which is to minimize the environmental impact and protect and improve the environment is considered an environmental activity. In the year ended 31 December, 2008, Group companies did not make any environmental investments.

25. Fees of account auditors

The fees accrued in the year by PricewaterhouseCoopers Auditores, S.L. for account auditing services and other review services are 376 thousand of euros and 82.5 thousand of euros respectively.

26. Subsequent events

The Company has incurred in the past in losses that had left the net equity below two-thirds the capital figure. According to the article 163 of the Spanish Mercantile Law (Ley de Sociedades Anónimas), the Company shall re-establish its net equity figure. The Sole Director will propose the Sole Shareholder a decrease in the capital figure that will enable to compensate the losses incurred in the past.

A translation of the 2008 consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain. In the event of a discrepancy, the Spanish language version prevails.

ONO MIDCO, S.A.U. AND SUBSIDIARIES

DIRECTORS' REPORT FOR 2008

1. Business performance

Grupo Corporativo ONO, S.A. is the single shareholder of ONO Midco, S.A.U., which is the parent company of the Cableuropa Group which does business under the ONO brand.

Grupo ONO is the main alternative telecommunications, broad-band and pay-TV operator in Spain. ONO offers direct access services to over 1.9 million residential customers and 69,000 businesses as at 31 December 2008, through its own networks which provide direct access to 7 million households and cover most of Spain, including the major cities. ONO is the main competitor for telecommunications and pay-TV operators in Spain. In 2008, ONO generated income totalling €1,603 million and EBITDA of €703 million, which is 10% higher than in the previous year.

Our residential customer base has decreased slightly compared to 2007, to 1,919,000 customers at the year end. This can be explained by the reduction in cable and ULL customers due to the worsening of the macroeconomic situation and by the introduction of activation fees and "credit scoring" policies in our customer winning process.

2. Analysis of results

The Group's turnover exceeded €1,603 million in 2008. By major business segments, income breaks down as follows:

- 1,219 million in Residential Market Services
- 249 million in Services to Businesses
- 19 million in Indirect Access
- 116 million in Operators and other income

Gross margin for 2008 stood at €1,300 million, 4.5% up on the previous year, despite the slight decline in income.

Operating profits have reached €280 million, considerably above the €49 million achieved for 2007, when €210 million was recorded for impairment and losses on the sale of assets.

3. Research and development

During 2008 there have been various research and development projects aimed at improving the quality of the services rendered to our customers.

4. Utilization of financial instruments

The Group uses financial instruments to hedge interest rate and exchange rate risks that could affect its operations. At 31 December 2008 the Group has arranged interest rate hedges amounting to €2,565 million in order to cover possible fluctuations in the interest rate on the syndicated loan.

5. Environment

In its global operations the Group takes environmental legislation into account. The Group considers that it substantially meets environmental regulations and has procedures in place designed to encourage and assure compliance.

The Group has taken all necessary measures in relation to environmental protection and improvement and to minimizing any environmental impact, in accordance with applicable legislation. During the year the Group has not made any environment-related investments, nor has it incurred expenses relating to environmental protection and improvement. It has not been considered necessary to record any provision for liabilities and charges in relation to environmental issues, since there are no contingencies or liability in this area.

6. Post balance sheet events

The Company has incurred in the past in losses that had left the net equity below two-thirds the capital figure. According to the article 163 of the Spanish Mercantile Law (Ley de Sociedades Anónimas), the Company shall re-establish its net equity figure. The Sole Director will propose the Sole Shareholder a decrease in the capital figure that will enable to compensate the losses incurred in the past.

ONO FINANCE II PUBLIC LIMITED COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

ONO FINANCE II PUBLIC LIMITED COMPANY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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COMPANY INFORMATION

DIRECTORS
Orlagh Doherty
Ralph MacDarby

SECRETARY
Capita Trust Company (Ireland) Limited

REGISTERED NUMBER OF INCORPORATION
414099

REGISTERED OFFICE
1 Adelaide Court
Adelaide Road
Dublin 2

AUDITORS
PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1

BANKERS
Ulster Bank Ireland Limited
College Green Business Centre
33 College Green
Dublin 2

ONO FINANCE II PUBLIC LIMITED COMPANY

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2009

The directors present their report and the financial statements for the year ended 31st December 2009.

Principal Activity

The principal activity of the company is to finance the business operations of the ONO Group. ONO Finance II has not conducted operations since its inception and has no subsidiaries or significant business other than the issuance of debt securities (and potentially other securities in the future) and is not expected to produce any income except payments received from the ONO Group under the Note Proceeds Loan or similar arrangements, its only material assets available to meet the claims of the holders of the notes.

The Note Proceeds Loan is the loan signed between ONO Group and ONO Finance II, pursuant to which ONO Finance II lent the gross proceeds of the notes to ONO Group. Thus, ONO Finance ll's ability to make principal and interest payments on the Notes is dependent directly on repayments to ONO Finance II of the Note Proceeds Loan by ONO Group. In addition, the Note Proceeds Loan also sets that ONO Finance II's operating and other expenses will be payable by the ONO Group.

On the 2nd February 2006 ONO Finance II issued €270 million aggregate principal amount of senior Notes due 2014 bearing interest at the rate of 8% per annum. The Notes will mature on the 16th May 2014 at their principal amount plus accrued and unpaid interest to the maturity date (an optional redemption is possible at a redemption price subject to certain periods).

The Notes are trading on the Euro MFT and listed on the Official List of the Luxembourg Stock Exchange.

The Notes are unsecured senior obligations of ONO Finance II and rank equally with all of its other unsecured senior indebtedness.

Results and Dividends

The profit for the year after providing for taxation amounted to €1,519 (2008—€1,519).

The directors do not recommend payment of a dividend.

Directors & Secretary and their Interests

The directors and secretary who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2009	**2008**
Directors		
Orlagh Doherty	—	—
Ralph MacDarby	—	—
Secretary		
Capita Trust Company (Ireland) Limited	—	—

Capita Trust Corporate Limited ("Capita"), a professional corporate services corporation, holds 39,994 shares (or 99.9%) of ONO Finance II, and each of the remaining six shares is held by six separate nominee shareholders for Capita. All of the shares are held in trust for charitable purposes. Capita is a wholly owned subsidiary of Capita Trust Company Limited.

There were no changes in shareholdings between 31st December 2009 and the date of signing the financial statements.

Statement of Directors' Responsibilities

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to;

- select suitable accounting policies and apply them consistently:
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish Statute comprising the Companies Acts 1963 to 2009. They arc also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Books of Account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and ensuring that competent persons arc responsible for the books of account. The books of account are kept at the company's registered office.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board:

( ) Director

PRICEWATERHOUSECOOPERS

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Dublin 1
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INDEPENDENT AUDITORS' REPORT

To the shareholders of ONO Finance II Public Limited Company

We have audited the financial statements on pages 6 to 14. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable Irish law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (generally accepted accounting practice in Ireland) are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with generally accepted accounting practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting—such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

PRICEWATERHOUSECOOPERS

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with generally accepted accounting practice in Ireland, of the company's state of affairs as at 31 December 2009 and of its profit and cash flows for the year then ended; and

- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 2 to 3 is consistent with the financial statements.

The net assets of the company as stated in the balance sheet on page 7 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2009 a financial situation which, under section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

25 May 2010

ONO FINANCE II PUBLIC LIMITED COMPANY

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2009

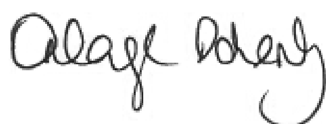
	Notes	2009	2008
		€	€
Interest receivable and similar income	2	21,602,025	21,580,025
Interest payable and similar charges	3	(21,600,000)	(21,578,000)
Net interest income		2,025	2,025
Administrative expenses		(25,432)	(36,339)
Other operating income		25,432	36,339
Profit on ordinary activities before taxation	4	2,025	2,025
Taxation	5	(506)	(506)
Retained profit for the financial year		1,519	1,519
Retained profit brought forward		3,038	1,519
Retained profit carried forward		4,557	3,038

There are no recognised gains or losses other than the profit or loss for the above two financial years.

All items dealt with in arriving at the profit for the year related to continuing operations.

The notes on pages 9-14 form an integral part of these financial statements.

On behalf of the Board:



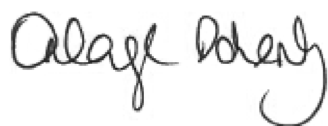
Director **Director**

ONO FINANCE II PUBLIC LIMITED COMPANY

BALANCE SHEET
AS AT 31ST DECEMBER 2009

	Notes	2009	2008
		€	€
FIXED ASSETS			
Financial fixed assets	**6**	270,000,000	270,000,000
CURRENT ASSETS			
Debtors	**7**	2,841,844	2,760,005
Cash at bank and in hand		31,118	8,908
		2,872,962	2,768,913
CREDITORS: amounts falling due within one year	**8**	(2,858,400)	(2,755,870)
NET CURRENT ASSETS		14,562	13,043
Total Assets Less Current Liabilities		270,014,562	270,013,043
CREDITORS: amounts falling due after more than one year	**9**	(270,000,000)	(270,000,000)
NET ASSETS		14,562	13,043
CAPITAL AND RESERVES			
Called up share capital	**10**	10,005	10,005
Profit and loss account		4,557	3,038
Equity Shareholders' Funds		14,562	13,043

On behalf of the Board:



Director

Director

ONO FINANCE II PUBLIC LIMITED COMPANY

Cash Flow Statement
for the year ended 31 December 2009

	Notes	2009	2008
		€	€
Reconciliation of operating profit to net cash inflow from operating activities			
(Increase)/decrease in debtors		(208)	10,000
Increase/(decrease) in creditors		20,899	(10,177)
Net cash inflow/(outflow) from operating activities		20,691	(177)
Cash Flow Statement			
Net cash inflow/(outflow) from operating activities		20,691	(177)
Returns on investments and servicing of finance	**13**	2,025	2,025
Taxation	**13**	(506)	(1,012)
Increase in cash in the year		22,210	836
Reconciliation of net cash flow to movement in net funds (Note 14)			
Increase in cash in the year		22,210	836
Net debt at 1st January 2009		(269,991,092)	(269,991,928)
Net debt at 31st December 2009		(269,968,882)	(269,991,092)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2009

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

1.1. Basis of Accounting

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Act, 1963 to 2009. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

The format of the financial statements has been adapted from the format specified in the Companies (Amendment) Act, 1986 in order to reflect more clearly the nature of the company's business.

1.2. Financial fixed assets

Financial fixed assets are stated at cost less provision for diminution in value, if any.

1.3. Financial liabilities

Borrowings are included as liabilities in the balance sheet at their proceeds, net of discount and expenses. The expenses and discount are charged to loan interest in the profit and loss account over the term of the borrowing, using the effective interest method. Funds on lent to ONO Group (ONO Midco S.A.U. and its subsidiaries (Cableuropa, S.A.U. among others) are accounted for in exactly the same manner in order to match the borrowing and the debtor treatment.

1.4. Taxation

Corporation tax is provided on taxable profits at the current rate. Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognitions in tax computations, where future payment or receipt is more likely than not to occur.

1.5. Financial risk management

Interest rate risk

The company has no exposure to interest rate risk.

Currency risk

The company has no exposure to currency risk on its primary activities other than certain expenses incurred in USD.

Credit risk

The company is a finance company whose business is the issuance of debt and the provision of debt finance to the ONO Group. This exposes it to credit risk in respect of the ability of ONO group to repay the debts due.

1.6. Interest income & expense

The company accounts for interest income & expense on an effective interest rate basis.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	€	€
Interest receivable from ONO Group	21,602,025	21,580,025

In relation to the financial fixed assets, ONO Group pays regularly certain interest to ONO Finance II based on the Note Proceeds Loan. The total interest to be received by ONO Finance II accrues in arrears on the amount of the advance outstanding at a rate equal to the sum of (i) the interest rate on the Notes; and (ii) 0.00075% per annum, and is payable semi-annually one Business Day before each regular interest payment date in respect of the Notes.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	€	€
On notes payable	21,600,000	21,578,000

Each Note issued by ONO Finance II bears interest at the rate of 8% per annum from the date of the issuance or from the most recent interest payment date to which interest has been paid or provided for, whichever is later. Interest is payable on each Note on 15th May and 15th November of each year, beginning on 15th May 2006, payable in arrears.

Interest is payable to holders of record on each Note in respect of the principal amount thereof outstanding as of the immediately preceding 1st May or 1st November, as the case may be. Interest is computed on the basis of a 360-day year comprising of twelve 30-day months and is paid on overdue principal and other overdue amounts at the same rate.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009	2008
	€	€
Profit on ordinary activities is stated after charging:		
Auditors' remuneration	7,125	6,050

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year is higher than the current charge that would result from applying the standard rate of Irish Corporation tax to profit on ordinary activities. These differences arc explained below:

	2009	2008
	€	€
Profit on ordinary activities before tax	2,025	2,025
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5%	253	253
Effects of:		
Higher tax rate applicable under Section 110 TCA, 1997	253	253
Current tax charge for the year	506	506

The company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act 1997. As such the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25% but are computed in accordance with the provisions applicable to Case I of Schedule D.

6. INVESTMENTS

	Participating Interests Loans	Total
	€	€
Cost		
At 1st January 2009		
At 31st December 2009	270,000,000	270,000,000
Net book values		
At 31st December 2009	270,000,000	270,000,000
At 31st December 2008	270,000,000	270,000,000

According to the Note Proceeds Loan, the amounts due by ONO Group are related to: i) the accrued interests related to the notes; ii) all the operating expenses and other expenses incurred by the company necessary for the issuance and trading of the note; and iii) the principal amount of the Notes Proceeds Loan.

7. DEBTORS

	2009	2008
	€	€
Trade debtors and prepayments	2,831,839	2,750,000
Amount owed by Capita	10,005	10,005
	2,841,844	2,760,005

8. CREDITORS: amounts falling due within one year

	2009	2008
	€	€
Amounts owed to group undertaking	66,000	41,432
Accruals	2,792,400	2,714,438
	2,858,400	2,755,870

9. CREDITORS: amounts falling due after more than one year

	2009	2008
	€	€
Amounts owed to private investors	270,000,000	270,000,000

The Notes will mature on the 16th May 2014 at their principal amount plus accrued and unpaid interest to the maturity date unless the optional redemption will be taken. In relation to the Notes, at any time prior to the 15th May 2009 ONO Finance II may redeem all or part of the Notes upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. Some other limitations are considered in ease ONO Group makes prepayments under the Note Proceeds Loan.

10. SHARE CAPITAL

	2009	2008
	€	€
Authorised equity		
1,000,000 Ordinary shares of €1 each	1,000,000	1,000,000
Alloted, called up and fully paid		
7 Ordinary shares of €1 each	7	7
Alloted, called up and 25c paid		
39,993 Ordinary shares of €1 each	9,998	9,998
Total paid share capital	10,005	10,005

11. ULTIMATE PARENT UNDERTAKING

Capita Trust Corporate Limited ("Capita") holds 39,994 shares and the remaining 6 shares are held by individuals on trust for Capita. The parent company owning all the issued shares of Capita is Capita Trust Company Limited ("CATCo"). CATCo is a wholly owned subsidiary of The Capita Group Plc.

12. RELATED PARTY TRANSACTIONS

During the year Capita Trust Company (Ireland) Limited supplied the company with services to the value of €12,404 in the normal course of business.

13. GROSS CASH FLOWS

	2009	2008
	€	€
Returns on investments and servicing of finance		
Interest received	21,520,394	21,602,025
Interest paid	(21,518,369)	(21,600,000)
	2,025	2,025
Taxation		
Corporation tax paid	(506)	(1,012)

14. ANALYSIS OF CHANGES IN NET DEBT

	Opening balance	Cash flows	Closing balance
	€	€	€
Cash at bank and in hand	8,908	22,210	31,118
Debt due after one year	(270,000,000)	—	(270,000,000)
Net debt	(269,991,092)	22,210	(269,968,882)

15. SECURITY

The Notes are unsecured senior obligations of ONO Finance II and will rank equally with all of its other unsecured senior indebtedness. The Notes are guaranteed on a senior subordinated basis by Cableuropa as to the payment of principal, premium, if any, interest and all other amounts payable under the Notes.

ONO Midco was incorporated in May 2006. ONO Midco is the parent company of Cableuropa which is wholly owned by Grupo Corporativo ONO. This incorporation resulted in a new structure being implemented. Since then, under certain circumstances, such guarantees will be released and replaced by a guarantee from Cableuropa's parent company, ONO Midco. Thus, the Notes are guaranteed on a senior subordinated basis by ONO Midco. S.A.U.

16. SUBSEQUENT EVENTS

There are no material subsequent events to report between the year end and the date of the approval of these accounts.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 24th May 2010.

ONO FINANCE II PUBLIC LIMITED COMPANY

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2008

ONO FINANCE II PUBLIC LIMITED COMPANY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

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COMPANY INFORMATION

DIRECTORS
Orlagh Doherty
Ralph MacDarby

SECRETARY
Capita Trust Company (Ireland) Limited

REGISTERED NUMBER OF INCORPORATION
414099

REGISTERED OFFICE
1 Adelaide Court
Adelaide Road
Dublin 2

AUDITORS
PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin I

BANKERS
Ulster Bank,
130 Baggot Street
Dublin 2

ONO FINANCE II PUBLIC LIMITED COMPANY

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2008

The directors present their report and the financial statements for the year ended 31st December 2008.

Principal Activity

The principal activity of the company is to finance the business operations of the ONO Group. ONO Finance II has not conducted operations since its inception and has no subsidiaries or significant business other than the issuance of debt securities (and potentially other securities in the future) and is not expected to produce any income except payments received from the ONO Group under the New Note Proceeds Loan or similar arrangements, its only material assets available to meet the claims of the holders of the notes.

The Note Proceeds Loan is the loan signed between ONO Group and ONO Finance II, pursuant to which ONO Finance II lent the gross proceeds of the notes to ONO Group. Thus, ONO Finance II's ability to make principal and interest payments on the Notes is dependent directly on repayments to ONO Finance II of the Note Proceeds Loan by ONO Group. In addition, the Note Proceeds Loan also sets that ONO Finance II's operating and other expenses will be payable by the ONO Group.

On February 2, 2006, ONO Finance II issued €270 million aggregate principal amount of senior Notes due 2014 bearing interest at the rate of 8% per annum. The Notes will mature on May 16, 2014 at their principal amount plus accrued and unpaid interest to the maturity date (an optional redemption is possible at a redemption price subject to certain periods).

The Notes are trading on the Euro MFT and listed on the Official List of the Luxembourg Stock Exchange.

The Notes are unsecured senior obligations of ONO Finance II and rank equally with all of its other unsecured senior indebtedness.

Results and Dividends

The profit for the year after providing for depreciation and taxation amounted to €1,519 (2007—€28,652).

The directors do not recommend payment of a dividend.

Directors & Secretary and their Interests

The directors and secretary who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2008	**2007**
Directors		
Orlagh Doherty	—	—
Ralph MacDarby	—	—
Secretary		
Capita Trust Company (Ireland) Limited	—	—

Capita Trust Corporate Limited ("Capita"), a professional corporate services corporation, holds 39,994 shares (or 99.9%) of ONO Finance II, and each of the remaining six shares is held by six separate nominee shareholders for Capita. All of the shares are held in trust for charitable purposes. Capita is a wholly owned subsidiary of Capita Trust Company Limited.

There were no changes in shareholdings between 31st December 2008 and the date of signing the financial statements.

Statement of Directors' Responsibilities

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish Statute comprising the Companies Acts 1963 to 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Books of Account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and ensuring that competent persons are responsible for the books of account. The books of account are kept at the company's registered office.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board:

( ) Directors

PRICEWATERHOUSECOOPERS

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Ireland
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Facsimile +353 (0) 1 792 6200
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INDEPENDENT AUDITORS' REPORT

To the shareholders of ONO Finance II Public Limited Company

We have audited the financial statements on pages 6 to 11. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable Irish law and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (generally accepted accounting practice in Ireland) are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with generally accepted accounting practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting—such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

PRICEWATERHOUSECOOPERS

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with generally accepted accounting practice in Ireland, of the company's state of affairs as at 31 December 2008 and of its profit for the year then ended; and

- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 2 and 3 is consistent with the financial statements.

The net assets of the company as stated in the balance sheet on page 7 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which, under section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

29 April 2009

ONO FINANCE II PUBLIC LIMITED COMPANY

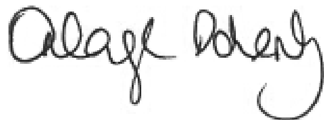
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2008

	Notes	2008	2007
		€	€
Administrative expenses		(36,339)	(55,096)
Other operating income		36,339	82,229
Operating profit		—	27,133
Interest receivable and similar income	2	21,580,025	21,602,025
Interest payable and similar charges	3	(21,578,000)	(21,600,000)
Profit on ordinary activities before taxation	4	2,025	29,158
Taxation	5	(506)	(506)
Retained profit for the financial year		1,519	28,652
Retained profit/(loss) brought forward		1,519	(27,133)
Retained profit carried forward		3,038	1,519

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 8 – 11 form an integral part of these financial statements.

On behalf of the Board:



Director

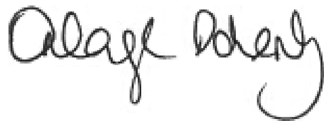
Director

ONO FINANCE II PUBLIC LIMITED COMPANY

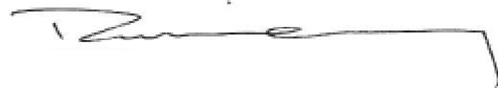
BALANCE SHEET
AS AT 31ST DECEMBER 2008

	Notes	2008	2007
		€	€
CURRENT ASSETS			
Debtors	6	272,750,000	272,782,000
Cash at bank and in hand		18,913	18,077
		272,768,913	272,800,077
CREDITORS: amounts falling due within one year	7	(2,755,870)	(2,788,553)
NET CURRENT ASSETS		270,013,043	270,011,524
CREDITORS: amounts falling due after more than one year	8	(270,000,000)	(270,000,000)
NET ASSETS		13,043	11,524
CAPITAL AND RESERVES			
Called up share capital	9	10,005	10,005
Profit and loss account		3,038	1,519
Equity Shareholders' Funds		13,043	11,524

On behalf of the Board:



Director



Director

ONO FINANCE II PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2008

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

1.1. Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in Ireland.

1.2. Loans

Borrowings are included as liabilities in the balance sheet at their proceeds, net of discount and expenses. The expenses and discount are charged to loan interest in the profit and loss account over the term of the borrowing, using the effective interest method. Funds on lent to ONO Group (ONO Midco S.A.U. and its subsidiaries (Cableuropa, S.A.U. among others) are accounted for in exactly the same manner in order to match the borrowing and the debtor treatment.

1.3. Taxation

Corporation tax is provided on taxable profits at the current rate. Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognitions in tax computations, where future payment or receipt is more likely than not to occur.

1.4. Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No I 'Cash Flow Statements (revised 1996)' from producing a cash flow statement on the grounds that it is a subsidiary undertaking where more than 90 per cent of the voting rights are controlled within a group and consolidated accounts for that group are publicly available.

1.5. Financial risk management

The company is a finance company whose business is the issuance of debt and the provision of debt finance to fellow Group companies. This exposes it to credit risk in respect of the ability of fellow group companies to repay the debts due.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008	2007
	€	€
Interest receivable from ONO Group	21,580,025	21,602,025

In relation to the Note Proceeds Loan, ONO Group pays regularly certain interest to ONO Finance II based on the Note Proceeds Loan. The total interest to be received by ONO Finance II accrues in arrears on the amount of the advance outstanding at a rate equal to the sum of (i) the interest rate on the Notes; and (ii) 0.00075% per annum, and is payable semi-annually one Business Day before each regular interest payment date in respect of the Notes.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	€	€
On notes payable	21,578,000	21,600,000

Each Note issued by ONO Finance II bears interest at the rate of 8% per annum from the date of the issuance or from the most recent interest payment date to which interest has been paid or provided for, whichever is later. Interest is payable on each Note on May 15 and November 15 of each year, beginning on May 15, 2006, payable in arrears.

Interest is payable to holders of record on each Note in respect of the principal amount thereof outstanding as of the immediately preceding May 1 or November 1, as the case may be. Interest is computed on the basis of a 360-day year comprising of twelve 30-day months and is paid on overdue principal and other overdue amounts at the same rate.

ONO FINANCE II PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS—(Continued)
FOR THE YEAR ENDED 31ST DECEMBER 2008

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008	2007
	€	€
Profit on ordinary activities is stated after charging:		
Auditors' remuneration	6,050	6,050

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	€	€
The tax charge is based on the profit on ordinary activities for the year and comprises:		
Current year tax charge	506	506
Profit on ordinary activities before tax	2,025	29,158
Profit on ordinary activities before tax at 25%	506	7,290
Utilization of tax losses	—	(6,784)
	506	506

The company is a qualifying company within the meaning of Section 110 of the Taxes Consolidation Act 1997. As such the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25% but are computed in accordance with the provisions applicable to Case I of Schedule D.

6. DEBTORS

	2008	2007
	€	€
Trade debtors and prepayments due by group undertakings	2,750,000	2,782,000
Amounts owed by group undertakings	270,000,000	270,000,000
	272,750,000	272,782,000

According to the Note Proceeds Loan, the amounts due by ONO Group are related to: i) the accrued interests related to the notes; ii) all the operating expenses and other expenses incurred by the company necessary for the issuance and trading of the note; and iii) the principal amount of the Notes Proceeds Loan.

7. CREDITORS: amounts falling due within one year

	2008	2007
	€	€
Amounts owed to group undertaking	41,432	27,771
Corporation tax	—	506
Accruals	2,714,438	2,760,276
	2,755,870	2,788,553

8. CREDITORS: amounts falling due after more than one year

	2008	2007
	€	€
Amounts owed to private investors	270,000,000	270,000,000

The Notes will mature on May 16, 2014 at their principal amount plus accrued and unpaid interest to the maturity date unless the optional redemption will be taken. In relation to the Notes, at any time prior to May 15, 2009 ONO Finance II may redeem all or part of the Notes upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. Some other limitations are considered in case ONO Group makes prepayments under the Note Proceeds Loan,

9. SHARE CAPITAL

	2008	2007
	€	€
Authorised equity		
1,000,000 Ordinary shares of €1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
7 Ordinary shares of €1 each	7	7
Allotted, called up and 25c paid		
39,993 Ordinary shares of €1 each	9,998	9,998
Total paid share capital	10,005	10,005

10. ULTIMATE PARENT UNDERTAKING

Capita Trust Corporate Limited (“Capita”) hold 39,994 shares and the remaining 6 shares are held by individuals on trust for Capita. The parent company owning all the issued shares of Capita is Capita Trust Company Limited (“CATCo”), CATCo is a wholly owned subsidiary of The Capita Group Plc.

11. SECURITY

The Notes are unsecured senior obligations of ONO Finance II and will rank equally with all of its other unsecured senior indebtedness. The Notes are guaranteed on a senior subordinated basis by Cableuropa as to the payment of principal, premium, if any, interest and all other amounts payable under the Notes.

ONO Midco was incorporated in May 2006. ONO Midco is the parent company of Cableuropa which is wholly owned by Grupo Corporative ONO. This incorporation resulted in a new structure being implemented. Since then, under certain circumstances, such guarantees will be released and replaced by a guarantee from Cableuropa’s parent company, ONO Midco. Thus, the Notes are guaranteed on a senior subordinated basis by ONO Midco, S.A.U.

12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 29th April 2009.

ONO FINANCE II PUBLIC LIMITED COMPANY

**DETAILED TRADING PROFIT AND LOSS ACCOUNT
AND EXPENSES SCHEDULE
FOR THE YEAR ENDED 31ST DECEMBER 2008**

	2008		2007	
	€	€	€	€
Administrative expenses				
Professional Fees related to the Notes issuance	16,383		35,078	
Secretarial Service Fees	13,552		13,502	
Audit	6,050		6,050	
Listing Fees	168		336	
General expenses	186		130	
		(36,339)		(55,096)
		(36,339)		(55,096)
Other operating income				
Sundry income	36,339		82,229	
		36,339		82,229
Operating profit		—		27,133
Other income and expenses				
Interest receivable				
Interest on loan to group undertakings	21,580,025		21,602,025	
		21,580,025		21,602,025
Interest payable				
Bank interest	21,578,000		21,600,000	
		(21,578,000)		(21,600,000)
Net profit for the year		2,025		29,158

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN SPANISH GAAP AND IFRS

The financial information of ONOMidco included this offering memorandum has been prepared and presented in accordance with accounting principles generally accepted in Spain ("Spanish GAAP").

Certain differences exist between Spanish GAAP and International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Commission for its use in the European Union ("IFRS"), that might be material to ONOMidco. The following paragraphs summarize certain differences between Spanish GAAP and IFRS applicable and compulsory as of December 31, 2009 that may be material. ONOMidco is responsible for preparing the summary below. No attempt has been made either to identify future differences between Spanish GAAP and IFRS as the result of prescribed changes in accounting standards or to include options of voluntarily early application. Regulatory bodies that promulgate Spanish GAAP and IFRS have significant on-going projects that could affect future comparisons. Finally, no attempt has been made to identify future differences between Spanish and IFRS that may affect the Company's financial statements as a result of transactions or events that may occur in the future.

ONOMidco has not prepared a reconciliation of its consolidated financial statements and related footnote disclosures between Spanish GAAP and IFRS and has not quantified such differences. Accordingly, no assurance is provided that the following summary of certain differences between Spanish GAAP and IFRS is complete.

Had ONOMidco undertaken any such quantification or reconciliation, other potential significant accounting and disclosure differences may have come to their attention, which are not identified below. Accordingly, we cannot offer any assurance that the differences described below would, in fact, be the accounting principles creating the greatest differences between ONOMidco's consolidated financial statements prepared under Spanish GAAP and under IFRS, nor that the summary below represents all principal differences related to ONOMidco's consolidated financial statements. However, the effect of such differences may be, individually or in the aggregate, material, and in particular, it may be that the result for the year and total shareholder's equity of ONOMidco, prepared on the basis of IFRS would be materially different due to these differences.

In making an investment decision, investors must rely on their own examination of the Group, the terms of the Offering and the financial information included in the offering memorandum. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and Spanish GAAP, and how these differences might affect the financial information presented in the offering memorandum.

Government Grants—Presentation

Under Spanish GAAP, repayable government grants are recorded as liabilities. Non-repayable grants are recorded as income directly through equity, net of their tax effect, and are released to the profit and loss in line with the expense subsidized.

Under IFRS, operating grants are presented as income in the income statement or as a deduction of the expenses subsidized. Capital grants are presented as deferred income or as a deduction from the value of the relevant asset and are released to income over the asset's useful life.

Income Statement—Presentation

Spanish GAAP provides a presentation of income statement in a standard format using classification of the expenses presented in income statement based on their nature.

Under IFRS, an entity shall present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function.

Statement of Cash Flows

Spanish GAAP provides a presentation of the statement of cash flows in a standard format using the indirect method whereby profit and loss is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

IFRS permits the presentation of the statement of cash flows using one of the following two methods:

(a) Direct method, being the method recommended by IASB though used less commonly.

(b) Indirect Method, being the method used most commonly and similar to Spanish GAAP.

Statement of Cash Flows—Presentation of Cash Flows related to Interests and Taxes

Under Spanish GAAP, interests paid/received are presented in the operating activities in the statement of cash flows. Additionally, cash flows arising from taxes on income are classified as cash flows from operating activities. In both cases, Spanish GAAP does not provide alternative presentation or classification.

Under IFRS, interest paid and interest received are usually classified under operating activities in the statement of cash flows, however, alternatively, interest paid and interest received may be classified as financing cash flows and investing cash flows, respectively. In addition, under IFRS, when it is practicable to identify the tax cash flow with an individual transaction that gives rise to cash flows that are classified as investing or financing activity, the tax cash flow is classified as investing or financing activity accordingly.

Statement of Changes in Shareholders' Equity

Under Spanish GAAP the statement of changes in shareholders' equity is presented in two parts:

- a statement of recognized income and expenses that does not include the changes resulting from transaction with owners in their capacity as owners; and

- a statement of changes in equity that aggregates the total of recognized income and expenses to the transactions with owners in their capacity as such.

IFRS requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. That is, income and expenses need to be presented separately from owner changes in equity:

(a) In one statement (a statement of comprehensive income); or

(b) In two statements (a separate income statement and a statement of comprehensive income)

The difference with the Spanish GAAP is that IFRS permits alternative presentation statements.

Business Combinations involving Entities under Common Control

Under Spanish GAAP transactions involving acquisition of entities under common control or sole management should be accounted for at their carrying value in the acquired entity annual accounts. Any difference resulting from the acquisition value of the entities under common control and their carrying value in the acquired entity should be registered to equity.

Under IFRS, and despite the fact that business combinations involving entities under common control is excluded from the scope of IFRS 3, an entity or a group should develop an accounting policy to account for the transactions involving entities under common control in accordance with the stated in IAS 8.

Two methods are widely observed in practice:

(a) The application of IFRS 3 by analogy (i.e. purchase accounting); and

(b) The predecessor method (carry-forward of historical cost book values).

Should the predecessor method be used in accounting for the entities under common control, the difference between Spanish GAAP and IFRS would be in the carrying values used of the acquired entity. Under Spanish GAAP the carrying values used to account for the entity is its carrying value in the standalone annual accounts, whereas under IFRS the carrying values used are the carrying value of the entity in the consolidated accounts of the ultimate parent company.

Property, Plant and Equipment—Measurement

Under Spanish GAAP elements of property, plant and equipment are recognized at cost of acquisition or production less accumulated depreciation and accumulated impairment except for land that is presented at cost less accumulated impairment.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. Under the cost model: property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment, except for land that is presented at cost less any accumulated impairment. Under the revaluation model, property, plant and equipment are presented at their fair value based on periodic valuations by independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Property, Plant and Equipment—Borrowing Cost

Under Spanish GAAP, borrowing costs directly incurred and directly attributable to the acquisition or construction of elements of property, plant and equipment should be capitalized provided that the asset requires a period of time of one year or more to get ready for its intended use.

Under IFRS, borrowing costs incurred and directly attributed to the acquisition or construction of a qualified asset should capitalized provided that the asset requires a substantial period of time to get ready for its intended use.

Property, Plant and Equipment—Exchange for Non-Monetary Asset(s)

For assets acquired in exchange for non-monetary asset(s), Spanish GAAP distinguishes between:

(a) Exchange transaction with commercial substance: the asset acquired is measured at fair value of the asset given up plus any monetary asset paid unless a clear evidence of the fair value of the asset acquired; and

(b) Exchange transaction without commercial substance or where the fair value cannot be reliably measured: the acquired asset is measured at carrying value of the asset given up plus any monetary asset paid with the limit of the fair value of the acquired asset, if less.

Under IFRS, the acquired asset in an exchange transaction is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the asset acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Intangible Assets—Research and Development

Under Spanish GAAP research expenditure is recognized as an expense when incurred though it could be capitalized in certain circumstances. Development expenditure should be capitalized when the criteria of intangible asset recognition are met.

Under IFRS, research expenditure is recognized as an expense when incurred. Development expenditure should be capitalized when these expenditure satisfy the criteria for recognition as an intangible asset.

Investment Properties

Under Spanish GAAP, property (land and/or buildings) held in order to earn rentals and/or for capital appreciation is accounted for on a historical-cost basis. The carrying amount of the buildings is depreciated. Land and buildings are presented net of accumulated impairment.

Under IFRS, investment property (land and/or buildings) held in order to earn rentals and/or for capital appreciation, as well as development property (properties under construction or development for future use as investment properties) maybe accounted for:

- On historical-cost basis, less accumulated depreciation (only buildings) and any accumulated impairment; or

- On a fair value basis with gains and losses arising from a change in the fair value recognized in the income statement. If the fair value model is used, the carrying amount is not depreciated.

Hedging Instruments—Qualifying Instruments

Under Spanish GAAP, for an instrument to qualify for hedge accounting the hedging relationship requires formal designation and documentation at the inception of the hedging relationship. Additionally, the hedge is expected to be highly effective.

Under IFRS, and in addition to the qualifying requirements mentioned under Spanish GAAP, additional conditions should be met for a hedging relationship to qualify for hedge accounting, that is, the effectiveness of the hedge can be reliably measured and the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging Instruments—Discontinuing Hedge Accounting

Spanish GAAP does not provide guidance on when or under which circumstances an entity shall discontinue the hedge accounting.

IFRS states that an entity shall discontinue prospectively the hedge accounting if:

- The hedging instrument expires or is sold, terminated or exercised;

- The hedge no longer meets the criteria for hedge accounting;
- The forecast transaction is no longer expected to occur; or
- The entity revokes the designation.

Hedging Instruments—Effects of Discontinuing Hedge Accounting

Under Spanish GAAP, the hedging instruments should be measured and recognized in accordance with their nature once they cease to meet the effectiveness criteria. Spanish GAAP does not provide guidance whether this treatment should be applied prospectively or retrospectively.

Under IFRS, hedge accounting should be discontinued prospectively if one or more of the previously mentioned circumstances are met.

Finance Lease—Initial Recognition

Under Spanish GAAP finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. For discounting the present value of the minimum lease payments the interest rate implicit in the lease is used, if not, the interest rate of similar transactions of the Group/ Entity is used.

Under IFRS finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. For discounting the present value of the minimum lease payments, the interest rate implicit in the lease is used, if not practicable to determine, the lessee's incremental borrowing rate shall be used.

Sale and Leaseback Transactions

In a sale and leaseback transaction, under Spanish GAAP, the classification of the asset does not vary and no profit or loss is recognized. Sale proceeds are deferred and recognized against a financial liability and amortized along with the interest over the lease term using the effective interest rate.

Under IFRS, any excess of sales proceeds over the carrying amount shall not be immediately recognized as income by a seller-lessee. Instead, it should be deferred and amortized over the lease term.

Segment Reporting

Spanish GAAP requires segmentation of operating results by activities and geographical areas, however there is no requirement for assets and liabilities segmentation. Segmentation of operating results is required for all companies. Additionally, Spanish GAAP does not set thresholds to determine the reportable segments.

Under IFRS, only consolidated financial statements of a group with a parent whose debt or equity are traded in a public market or that files, or is in the process of filing, financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market are required to present segment information.

Under IFRS segment information is based on the information about the components of the entity that the chief operating decision maker uses to make decisions about operating matters. IFRS sets quantitative thresholds to identify reportable segments. Additionally, IFRS requires reporting assets and liabilities for each reportable segment.

INTERCREDITOR AGREEMENT

between

A SYNDICATE OF CERTAIN CREDIT INSTITUTIONS NAMED HEREIN

as Senior Lenders

CERTAIN INSTITUTIONS NAMED HEREIN

as Existing Hedge Entities

CERTAIN INSTITUTIONS NAMED HEREIN

as Subordinated High-Yield Bridge Lenders

CERTAIN INSTITUTIONS NAMED HEREIN

as Subordinated Lenders

FOND-ICO, Fondo de Capital Riesgo

as Lender under the Participative Loan

Banco Español de Crédito, S.A.

as Agent for the Senior Lenders

Fortis Bank S.A./N.V.

as Agent for the Lenders under the Subordinated High-Yield Bridge Lenders

Fortis Bank S.A./N.V.

as Agent for the Subordinated Lenders

CABLEUROPA, S.A.U. and other members of the Cableuropa Group as Obligors

and

Banco Español de Crédito, S.A.

as Security Agent and Intercreditor Agent

Madrid, 27 October 2005

Uría Menéndez
Abogados
Príncipe de Vergara, 187
28002 Madrid

The names and personal details of authorized signatories for the entities named herein have been redacted.

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In Madrid, on 27 October 2005,

THERE APPEAR

I.- On the one part:

- ABN AMRO Bank, N.V. Sucursal en España, with offices at c/ José Ortega y Gasset 29, Madrid with C.I.F A-0031021-I. ABN AMRO Bank, N.V. Sucursal en España shall hereinafter be referred to as "**ABN AMRO**".

- Caja de Ahorros de Valencia, Castellón y Alicante, with offices at c/ Caballeros 2, 12001 Castellón de la Plana, with C.I.F. G-46.002.804. Caja de Ahorros de Valencia, Castellón y Alicante shall hereinafter be referred to as "**Bancaja**".

- Bank of Scotland, Sucursal en España, with offices at Paseo de la Castellana, 52, tercera planta, 28046 Madrid, with C.I.F. N-66568-G. Bank of Scotland, Sucursal en España shall hereinafter be referred to as, "**BOS**".

- Caixa d'Estalvis de Catalunya, with offices at plaza de Antonio Maura 6, Barcelona, with C.I.F. G-08169815. Caixa d'Estalvis de Catalunya shall hereinafter be referred to as "**Caixa Catalunya**".

- Caja de Ahorros del Mediterráneo, with offices at c/ San Fernando 40, Alicante, with C.I.F. G-03046562. Caja de Ahorros del Mediterráneo shall hereinafter be referred to as "**CAM**".

- Caja de Ahorros de Castilla La Mancha, with offices at Cuenca, Parque de San Julián, nº 20 with C.I.F. G-16131336. Caja de Ahorros de Castilla La Mancha shall hereinafter be referred to as "**CCM**".

- Caja Insular de Ahorros de Canarias with offices at c/ Triana 20, 35002 Las Palmas de Gran Canaria, with C.I.F. G-35000272. Caja Insular de Ahorros de Canarias shall hereinafter be referred to as "**La Caja de Canarias**".

- Caja de Ahorros de Murcia, with offices at Murcia, Gran Vía Escultor Salcillo 23, 30005, with C.I.F. G-30010185. Caja de Ahorros de Murcia shall hereinafter be referred to as "**Caja Murcia**".

- Caja de Ahorros Provincial San Fernando de Sevilla y Jerez, with offices at plaza San Francisco 1, 41004 Sevilla, with C.I.F. G-41000167. Caja de Ahorros Provincial San Fernando de Sevilla y Jerez shall hereinafter be referred to as "**Caja San Fernando**".

- Calyon, Sucursal en España, with offices at Pº de la Castellana, 1. 28046 Madrid, with C.I.F. A-0011043-G. Calyon, Sucursal en España shall hereinafter be referred to as "**Calyon**".

- Fortis Bank, S.A./ N.V. U.K. Branch, with offices at Camomile Court, 23 Camomile St, London EC3A 7PP, with Tax Identification Number 268 61680 16530. Fortis Bank S.A./ N.V. U.K. Branch shall hereinafter be referred to as "**Fortis Bank**".

- Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, with offices at Pza. Basilio Paraíso, 2 50008 Zaragoza, with C.I.F. A-50000652. Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja shall hereinafter be referred to as "**Ibercaja**".

- Instituto de Crédito Oficial, with offices at Pso. del Prado 4, 28014 Madrid with C.I.F. Q-28-76002 C. Instituto de Crédito Oficial shall hereinafter be referred to as "**ICO**".

- The Royal Bank of Scotland, Plc., with offices at 36 Saint Andrew Square, Edimburgo EH2 2YB, Escocia with Company Identification Number 90312. The Royal Bank of Scotland, Plc. shall hereinafter be referred to as "**RBS**".

- Banco de Sabadell, S.A., with offices at Sabadell, Plaza de Catalunya, 1, with C.I.F. A-08000143. Banco de Sabadell, S.A. shall hereinafter be referred to as "**Sabadell**".

- Banco Santander Central Hispano, S.A., with offices at Santander, Paseo de Pereda 9-12, with C.I.F. A-39000013. Banco Santander Central Hispano, S.A. shall hereinafter be referred to as "**SCH**".

- Société Générale, S.A. with offices at Boulevard Haussmann 75009, Paris with Tax Identification Number RCS Paris B 552 12022229. Société Générale, S.A. shall hereinafter be referred to as "**SG**".

- Montes de Piedad y Cajas de Ahorro de Ronda, Cádiz, Almería, Málaga y Antequera, with offices at Avda. de Andalucía 10-12, 29007 Málaga with C.I.F. G-29498086. Montes de Piedad y Cajas de Ahorro de Ronda, Cádiz, Almería, Málaga y Antequera shall hereinafter be referred to as "**Unicaja**".

- WestLB AG, London Branch, with offices at Woolgate, Exchange 25 Basinghall Street, London EC2V 5HA with Tax Identification Number 268/63500/39870. WestLB AG, London Branch shall hereinafter be referred to as "**WestLB**".

- Banco Español de Crédito, S.A., with offices at C/ Gran Vía de Hortaleza 3, 28043 Madrid with C.I.F. A-28000032. Banco Español de Crédito, S.A. shall hereinafter be referred to as "**Banesto**".

- Coöperative Centrale Raifeeisen-Boerenleenbank B.A., Sucursal en España, with offices at Madrid, c/ Padilla 30, with C.I.F. A-F0031750-C. Coöperative Centrale Raifeeisen-Boerenleenbank B.A., Sucursal en España shall hereinafter be referred to as "**Rabobank**".

- Caja General de Ahorros de Granada, with offices at carretera de Armilla 6, 18000, Granada, with C.I.F. G-18.000.802. Caja General de Ahorros de Granada shall hereinafter be referred to as "**Caja Granada**".

- Caja España de Inversiones, Caja de Ahorros y Monte de Piedad, with offices at "Edificio Botines" de Gaudí, Plaza de San Marcelo 5, 24002 León with C.I.F. G-24219891. Caja España de Inversiones, Caja de Ahorros y Monte de Piedad shall hereinafter be referred to as "**Caja España**".

- JP Morgan Chase Bank N.A., Sucursal en España, with offices at calle José Ortega y Gasset 29, 28006 Madrid with C.I.F. A-4001407-H. JP Morgan Chase Bank N.A., Sucursal en España shall hereinafter be referred to as "**JP Morgan**".

- Banco de Valencia, S.A. with offices at calle Pintor Sorolla 2 and 4, Valencia, with C.I.F. A-46002036. Banco de Valencia, S.A. shall hereinafter be referred to as "**Banco de Valencia**".

ABN AMRO, Bancaja, BOS, Caixa Catalunya, CAM, CCM, La Caja de Canarias, Caja Murcia, Caja San Fernando, Calyon, Fortis Bank, Ibercaja, ICO, RBS, Sabadell, SCH, SG, Unicaja, WestLB, Banesto, Rabobank, Caja Granada, Caja España, JP Morgan, and Banco de Valencia, in their position as lenders under the Senior Facilities Agreement and any successive assignees thereunder shall be referred to collectively as the "**Senior Lenders**" and individually as a "**Senior Lender**." Banco Español de Crédito, S.A., in its position as agent for the Senior Lenders under the Senior Facilities Agreement and any successive assignees thereunder shall be referred to as the "**Senior Agent**".

II.- On the other part:

- Banco Español de Crédito, S.A., with offices at C/ Gran Vía de Hortaleza 3, 28043 Madrid with C.I.F. A-28000032. Banco Español de Crédito, S.A. shall hereinafter be referred to as "**Banesto**".

- Coöperative Centrale Raifeeisen-Boerenleenbank B.A., Sucursal en España, with offices at Madrid, c/ Padilla 30, with C.I.F. A-F0031750-C. Coöperative Centrale Raifeeisen-Boerenleenbank B.A., Sucursal en España shall hereinafter be referred to as "**Rabobank**".

- Société Générale, S.A. with offices at Boulevard Haussmann 75009, Paris with Tax Identification Number RCS Paris B 552 12022229. Société Générale, S.A. shall hereinafter be referred to as "**SG**".

- Banco Santander Central Hispano, S.A., with offices at Santander, Paseo de Pereda 9-12, with C.I.F. A-39000013. Banco Santander Central Hispano, S.A. shall hereinafter be referred to as "**SCH**".

- Banco de Sabadell, S.A., with offices at Sabadell, Plaza de Catalunya, 1, with C.I.F. A-08000143. Banco de Sabadell, S.A. shall hereinafter be referred to as "**Sabadell**".

- Caixa d'Estalvis de Catalunya, with offices at plaza de Antonio Maura 6, Barcelona, with C.I.F. G-08169815. Caixa d'Estalvis de Catalunya shall hereinafter be referred to as "**Caixa Catalunya**".

- ABN AMRO, N.V., with offices at The Netherlands, Gustav Mahlerlaan 10, Amsterdam, with identification number 33002587. ABN AMRO, N.V. shall hereinafter be referred to as "**ABN AMRO N.V.**".

- Deutsche Bank AG, London, with offices at the United Kingdom, Winchester House, 1 Great Winchester Street, Londres, EC2N 2DB, with tax identification number 178/53500/11971. Deutsche Bank AG shall hereinafter be referred to as "**Deutsche Bank**".

ABN AMRO N.V., Caixa Catalunya, Sabadell, SCH, SG, Banesto, Rabobank and Deutsche Bank, in their position as hedging entities under the Existing Hedge Agreements and any successive assignees thereunder shall be referred to collectively as the "**Existing Hedge Entities**" and individually as a "**Existing Hedge Entity**".

III.- On the other part:

- JP Morgan Chase Bank N.A., Sucursal en España, with offices at calle José Ortega y Gasset 29, 28006 Madrid with C.I.F. A-4001407-H. JP Morgan Chase Bank N.A., Sucursal en España shall hereinafter be referred to as "**JP Morgan**".

- WestLB AG, London Branch, with offices at Woolgate, Exchange 25 Basinghall Street, London EC2V 5HA with Tax Identification Number 268/63500/39870. WestLB AG, London Branch shall hereinafter be referred to as "**WestLB**".

- The Royal Bank of Scotland, Plc., with offices at 36 Saint Andrew Square, Edimburgo EH2 2YB, Escocia with Company Identification Number 90312. The Royal Bank of Scotland, Plc. shall hereinafter be referred to as "**RBS**".

- ABN AMRO Bank, N.V. Sucursal en España, with offices at c/ José Ortega y Gasset 29, Madrid with C.I.F A-0031021-I. ABN AMRO Bank, N.V. Sucursal en España shall hereinafter be referred to as "**ABN AMRO**".

- Calyon, with offices at 9, Quai du President Paul Doumer, 92920 La Defense Cedex, 1. Calyon shall hereinafter be referred to as "**Calyon Paris**".

- Fortis Bank, S.A./ N.V. U.K. Branch, with offices at Camomile Court, 23 Camomile St, London EC3A 7PP, with Tax Identification Number 268 61680 16530. Fortis Bank S.A./ N.V. U.K. Branch shall hereinafter be referred to as "**Fortis Bank**".

JP Morgan, RBS, ABN AMRO, Calyon Pris, Fortis Bank and WestLB, in their position as lenders under the Subordinated High-Yield Bridge Facility and any successive assignees thereunder shall be referred as the **"Subordinated High-Yield Bridge Lenders"**. Fortis Bank S.A./N.V. , in its position as agent for the Subordinated High-Yield Bridge Lenders under the Subordinated High-Yield Bridge Facility and any successive assignees thereunder shall be referred to as the **"Subordinated Bridge Agent"**.

IV.- On the other part:

- Calyon, Sucursal en España, with offices at Pº de la Castellana, 1. 28046 Madrid, with C.I.F. A-0011043-G. Calyon, Sucursal en España shall hereinafter be referred to as "**Calyon**".

- Fortis Bank, S.A./ N.V. U.K. Branch, with offices at Camomile Court, 23 Camomile St, London EC3A 7PP, with Tax Identification Number 268 61680 16530. Fortis Bank S.A./ N.V. U.K. Branch shall hereinafter be referred to as "**Fortis Bank**".

- ABN AMRO Bank, N.V. Sucursal en España, with offices at c/ José Ortega y Gasset 29, Madrid with C.I.F A-0031021-I. ABN AMRO Bank, N.V. Sucursal en España shall hereinafter be referred to as "**ABN AMRO**".

- Banco Santander Central Hispano, S.A., with offices at Santander, Paseo de Pereda 9-12, with C.I.F. A-39000013. Banco Santander Central Hispano, S.A. shall hereinafter be referred to as "**SCH**".

SCH, Calyon, ABN AMRO and Fortis Bank, in their position as lenders under the Subordinated Facility, and any successive assignees thereunder shall be referred as the **"Subordinated Lenders"**. Fortis Bank S.A./N.V., in its position as agent for the Subordinated Lenders under the Subordinated Facility and any successive assignees thereunder shall be referred to as the **"Subordinated Agent"**.

V.- On the other part:

- Fond-Ico, Fondo de Capital Riesgo, with offices at Madrid, calle de los Madrazo 38, 2ª planta, with C.I.F. G-80625601. Fond-Ico Fondo de Capital Riesgo is represented by its manager AXIS Participaciones Empresariales, S.G.E.C.R, S.A.U., with offices at Madrid, calle de los Madrazo 38, 2ª planta, holder of C.I.F. No. A-78290269. Fond-Ico, Fondo de Capital Riesgo, shall hereinafter be referred to as "Fond-Ico".

FOND-ICO, FONDO DE CAPITAL RIESGO, in its position as lender under the Participative Loan, and any successive assignees thereunder shall be referred as the "**Participative Lender**".

VI.- On the other part:

- Cableuropa, S.A.U.

Cableuropa, S.A.U. shall hereinafter be referred to as **"Cableuropa"**. Cableuropa, MidCo, Auna Telecomunicaciones, S.A. and any companies of the Group at any time which are or may become borrowers or guarantors under the Financing Agreements shall be jointly referred to as the **"Obligors"** and each of them individually an **"Obligor"**.

WHEREAS

I. On the date hereof, the Senior Lenders and Cableuropa have entered into the Senior Facilities Agreement. Banesto has been appointed as the Senior Agent of the Senior Lenders under the Senior Facilities Agreement.

II. On 8 July 2002, Cableuropa and Deutsche Bank AG executed a confirmation (Global No. 552660M) to hedge Dollar-Euro exchange rate risk with respect to the coupon payments on the 2011 Notes.

III. On 20 July 2005, Cableuropa and ABN AMRO Bank NV, Caixa d'Estalvis de Catalunya, Banco de Sabadell, S.A., Banco Santander Central Hispano, S.A., Société Générale, S.A., Banco Español de Crédito, S.A. and Coöperative Centrale Raifeeisen-Boerenleenbank B.A., Sucursal en España entered into several confirmations to hedge interest rate fluctuations under an existing senior facilities agreement or under the Senior Facilities Agreement.

IV. Under the Senior Facilities Agreement, the Obligors may enter into Permitted Hedge Agreements to hedge on a prudent, non-speculative basis, their foreign exchange or interest rate exposure under any Permitted Debt or accounts payable, provided that such arrangement is entered into with an entity that is a Senior Lender (or company belonging to the group of a Senior Lender) and that such Senior Lender (or company belonging to the group of a Senior Lender) accedes to this Agreement, in its capacity as Permitted Hedge Entity.

V. On the date hereof, the Subordinated High-Yield Bridge Lenders and Cableuropa have entered into the Subordinated High-Yield Bridge Facility. Fortis Bank has been appointed as the Subordinated Bridge Agent of the Subordinated High-Yield Bridge Lenders under the Subordinated High-Yield Bridge Facility.

VI. On the date hereof, the Subordinated Lenders and Cableuropa have entered into the Subordinated Facility and the Participative Loan. Fortis Bank has been appointed as the Subordinated Agent of the Subordinated Lenders under the Subordinated Facility.

VII. Under the Senior Facilities Agreement, any Future Subordinated Facilities may be entered into by any of the Obligors or with a personal unlimited guarantee from all or any of the Obligors, on a subordinated basis, subject to the conditions set forth in the Senior Facilities Agreement.

VIII. ONO Finance plc (**"ONO Finance"**) has issued the 2011 Notes and the 2014 Notes, which were guaranteed by Cableuropa and certain other Obligors on a senior subordinated basis, as set forth in their respective indentures.

IX. Under the Senior Facilities Agreement, Future High-Yield Notes may be issued by any of the Obligors or incurred thereby or with a personal unlimited guarantee from all or any of the Obligors on a subordinated basis, subject to the conditions set forth in the Senior Facilities Agreement.

X. The Parties are aware of the existence and content of all the documents and contracts mentioned in the paragraphs above, and they wish to regulate their relationships with respect to the Obligors as creditors under the financial contracts and security interests described above and, particularly, to regulate how their credit rights shall be exercised.

XI. In witness of the aforementioned, the Parties agree to enter into this Intercreditor Agreement (the "**Agreement**") pursuant to the following:

CLAUSES

1. DEFINITIONS

In this Agreement:

"2011 Notes": means the high-yield notes issued by ONO Finance in 2001 and guaranteed by Cableuropa and certain other Obligors, together with the related financial debt agreements (multiborrower facilities entered into between ONO Finance and Cableuropa), with a current aggregate outstanding amount of fifty-eight million, nine hundred and twenty thousand (USD 58,920,000) US dollars and eight million thirty eight thousand (€8,038,000) Euros, maturing in 2011 and bearing nominal annual fixed interest at fourteen (14%) per cent per annum.

"2011 Notes Permitted Hedge Debt": means that portion of the Permitted Hedge Debt arising from the confirmation dated 8 July 2002 (Global No. 552660M) executed by Cableuropa and Deutsche Bank AG to hedge Dollar-Euro exchange rate risk with respect to the coupon payments on the 2011 Notes.

"2011 Notes Permitted Hedge Entity": means Deutsche Bank AG and any successive assignees under the confirmation dated 8 July 2002 (Global No. 552660M) executed by Cableuropa and Deutsche Bank AG to hedge Dollar-Euro exchange rate risk with respect to the coupon payments on the 2011 Notes.

“2014 Notes”: means the high-yield notes issued by ONO Finance in 2004, maturing in 2014 and guaranteed by Cableuropa and certain other Obligors, together with the related financial debt agreements (notes proceeds loans entered into between ONO Finance and Cableuropa), (i) in the aggregate nominal amount of one hundred million (€100,000,000) Euros and bearing nominal annual floating interest at a rate equal to EURIBOR plus eight point five (8.50%) per cent per annum and (ii) in the aggregate nominal amount of one hundred and eighty million (€180,000,000) Euros and bearing nominal annual fixed interest at ten point five (10.50%) per cent per annum.

“Auna”: means Auna Telecomunicaciones, S.A. and any of its subsidiaries from time to time.

“Bridge Refinancing High-Yield Notes”: means the Future High-Yield Notes to be issued to refinance the Subordinated High-Yield Bridge Facility Debt.

“Business Day”: means all the days of the week, except: (i) Saturdays and Sundays, (ii) days on which banks are not generally open for business in the capital city of Madrid, and (iii) the days on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment (TARGET) (or, if such clearing system ceases to be operative, any other clearing system determined by the Senior Agent, after consultation with Cableuropa, to be a suitable replacement) is closed or does not operate regularly for the settlement of payments in Euros.

“Control”: means the dominant position of a legal entity, an individual, a group of individuals or group of legal entities acting in concert with respect to any other entity or group of entities over which they exercise control and with which they form a decision-making unit, all in accordance with the provisions of Section 4 of Spanish Securities Law 24/1988 of 28 July (*Ley 24/1988 del Mercado de Valores*).

“Credit Facilities Hedge Agreements”: means the financial transactions master agreement or agreements (conforming either to the ISDA form of the International Swaps and Derivatives Association, Inc. or to the CMOF form of the *Asociación Española de Banca*) and the corresponding confirmation or confirmations thereof to hedge interest rate fluctuations to be executed between Cableuropa and each Credit Facilities Hedge Entity, or a designated company within its group, as provided for by Clause 15.1 (t) of the Senior Facilities Agreement, together with any subsequent amendments thereto and novations thereof.

“Credit Facilities Hedge Entity”: means any Senior Lender or Senior Lenders (or a company belonging to the group of a Senior Lender) that may, at any time, be Cableuropa´s counterparty under a Credit Facilities Hedge Agreement and any subsequent amendment thereto or novation thereof and any successive assignees thereunder.

“Creditors”: means the Senior Creditors and the Subordinated Creditors.

“Debt”: means the Senior Debt and the Subordinated Debt.

“Enforcement Action”: means, in relation to any Debt of any Obligor, any action to:

(a) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any part of the Debt or to require an Obligor to redeem or purchase any part of such Debt;

(b) recover all or part of any Debt (including by exercising any right of set-off or combination of accounts);

(c) exercise or enforce any security right (including the Security Interests) against sureties or any other rights under any other document or agreement in relation to (or given in support of) all or any part of any Debt;

(d) commence legal or arbitration proceedings against any Obligor; or

(e) apply or petition or vote for (or take any other steps which may reasonably be expected to lead to) a total or partial liquidation, dissolution or winding up of any Obligor or the opening of insolvency proceedings in any of the Obligors;

provided that the following shall not constitute Enforcement Action: (i) any legal proceedings not falling within paragraphs (a) to (e) above necessary to preserve the validity and existence of claims, including the commencement of such claims before any court or governmental authority, (ii) the taking of any action (including legal proceedings) against any Obligor or any Creditor (or any agent, trustee or receiver acting on behalf of such Creditor) to challenge the basis on which any sale or disposal is being implemented, (iii) legal proceedings against any person in connection with any securities violation or fraud, or (iv) the delivery of a notice pursuant to Clause 8 of this Agreement.

“Exchange Notes”: means exchange notes issued as contemplated by the Subordinated High-Yield Bridge Facility.

"Existing Hedge Agreements": means (i) the confirmation dated 8 July 2002 (Global No. 552660M) executed by Cableuropa and Deutsche Bank AG to hedge Dollar-Euro exchange rate risk with respect to the coupon payments on the 2011 Notes that will be in force until 13 February 2006, together with amendments thereto and novations thereof; and (ii) the confirmations with effective date 20 July 2005 executed by Cableuropa and each of ABN Amro Bank NV, Caixa d'Estalvis de Catalunya, Banco de Sabadell, S.A., Banco Santander Central Hispano, S.A., Société Générale, S.A., Banco Español de Crédito, S.A. and Coöperative Centrale Raifeeisen-Boerenleenbank B.A., Sucursal en España, the relevant ISDA agreements and schedules, the assignment agreements executed between Banco Santander Central Hispano, S.A. and the relevant Existing Hedge Entities, all the aforementioned together with any amendments thereto and novations thereof.

"Existing High-Yield Notes": means the 2011 Notes and the 2014 Notes.

"Existing High-Yield Notes Debt": means any amounts due by any High-Yield Notes Issuer or any Obligor on any account at any given time under the Existing High-Yield Notes but does not include High-Yield Trustee Amounts.

"Financing Agreements": means the Senior Facilities Agreement, the Permitted Hedge Agreements, the Subordinated High-Yield Bridge Facility, the Subordinated Facility, any Future Subordinated Facilities and the High-Yield Notes.

"Future High-Yield Notes": means the high-yield notes or similar financial products hereafter issued by a High-Yield Notes Issuer or any of the Obligors or incurred thereby or with a personal unlimited guarantee from all or any of the Obligors, the financial debt agreements related to any such issuances (including High-Yield Proceeds Loans) and/or any bridge loan granted in connection with such issuance, provided that: (a) such indebtedness of the Obligors is subordinated to the rights of the Senior Lenders and the Permitted Hedge Entities arising from the Financing Agreements under conditions substantially similar in all material respects to those of the 2014 Notes and related High-Yield Proceeds Loans applicable prior to a Repayment Event and having a maturity after the maturity of the 2014 Notes; and (b) upon the occurrence of a Repayment Event and the accession by the High-Yield Issuer and Trustee for the 2014 Notes to this Agreement in accordance with Clause 12.2, the relevant High-Yield Issuer and the trustee for the note-holders of such high-yield notes have acceded to this Agreement.

"Future High-Yield Notes Debt": means any amounts due on any account at any given time under Future High-Yield Notes but does not include High-Yield Trustee Amounts.

"Future Subordinated Facilities": means any subordinated facilities, including in the form of mezzanine facilities agreements or similar financial arrangements, hereafter entered into by any of the Obligors or with a personal unlimited guarantee from all or any of the Obligors and/or any bridge loans granted in connection with such facilities, provided that (a) such indebtedness of the Obligors (whether on account of principal, interest of any kind, fees, expenses or any other cause) is subordinated to the rights of the Senior Creditors arising from the Senior Debt, (b) the creditors (or agent of creditors on their behalf) of such indebtedness accede to this Agreement; and (c) none of the Future Subordinated Facilities (nor any agreements related thereto) conflicts in any material respect with any Financing Agreements or Facilities Document (as this last term is defined in the Senior Facilities Agreement) or results in a breach or termination of any Financing Agreement or Facility Document.

"Future Subordinated Facilities Debt": means any amounts due to the relevant lenders on any account at any given time under Future Subordinated Facilities.

"GCO": means Grupo Corporativo ONO, S.A.

"Group": means the borrowers under the Senior Facilities Agreement, any companies which are "Material Subsidiaries" under the Senior Facilities Agreement and any other companies over which any of the aforementioned has Control, either directly or indirectly.

"High-Yield Notes": means the Existing High-Yield Notes and the Future High-Yield Notes.

"High-Yield Notes Debt": means the Existing High-Yield Notes Debt and any Future High-Yield Notes Debt.

"High-Yield Notes Issuer": means (a) ONO Finance, as issuer of the 2011 Notes and the 2014 Notes; and (b) ONO Finance or any other person (other than a member of the Group) that issues High-Yield Notes (including the Exchange Notes) and advances a High-Yield Proceeds Loan to a member of the Group.

"High-Yield Proceeds Loan": means a subordinated proceeds loan advanced by a High-Yield Notes Issuer to a member of the Group that (a) prior to a Repayment Event, contains the subordination provisions substantially the same as those contained in the 2014 Notes applicable prior to a Repayment Event and (b) on and after a Repayment Event, contains the subordination provisions described in this Agreement.

"High-Yield Trustee Amounts": means fees and expenses of, and amounts incurred by and/or payable to, a Trustee under the High-Yield Notes documents (and for the avoidance of doubt, shall include any amounts payable to a Trustee personally by way of indemnity and/or remuneration), payable to a Trustee pursuant to the relevant indenture (including guarantees of such amounts contained therein) or any other document entered into in connection with the issuance of the High-Yield Notes; and also, without limitation, (i) compensation for and the fees and expenses of the collection by a Trustee of any amount payable to a Trustee for the benefit of the High-Yield Notes note holders, (ii) fees and expenses of a Trustee's agents and counsel, and (iii) the costs of any actual or attempted Enforcement Action (including legal and other professional advisory fees) which are recoverable pursuant to the terms of the High-Yield Notes documents (provided that, for the avoidance of doubt, High-Yield Trustee Amounts shall not include any amount of principal or interest payable in respect of the High-Yield Notes).

"Intercreditor Agent": means Banco Español de Crédito, S.A. or any institution hereafter replacing it as intercreditor agent under this Agreement.

"Ley Concursal": means Law 22/2003, of July 9, on insolvency.

"Majority of Creditors": means at any time Creditors to whom in aggregate more than 66.66% of the total Debt is owed. For the purpose of calculating the portion of Debt corresponding to the Permitted Hedge Agreements, this will be the loss (if any) suffered by the Permitted Hedge Entities as a result of an Early Termination Date (as this term is defined in the Permitted Hedge Agreements) occurring (or being deemed to occur) under any relevant Permitted Hedge Agreement. Such loss will be calculated in accordance with Market Quotation and Second Method as contemplated by and in accordance with Section 6(e) (Payments on Termination) of the ISDA Master Agreement or equivalent system in case that an alternative master agreement is used. If such loss is to be calculated prior to an Early Termination Date having occurred, such loss will be calculated as if the Early Termination Date had occurred on the date the relevant calculation falls to be made. However, as from (and including) the Senior Facilities Discharge Date, references made in this Agreement to the Majority of Senior Creditors shall be construed as being made only to the Permitted Hedge Entities to whom in aggregate more than 66.66% of the total liability of all the Obligors in respect to the Permitted Hedge Debt is owed.

"Majority of Senior Creditors": means at any time Senior Creditors to whom in aggregate more than 66.66% of the total Senior Debt is owed. For the purpose of calculating the portion of the Senior Debt corresponding to the Permitted Hedge Agreements, this will be the loss (if any) suffered by the Permitted Hedge Entities as a result of an Early Termination Date (as this term is defined in the Permitted Hedge Agreements) occurring (or being deemed to occur) under any relevant Permitted Hedge Agreement. Such loss will be calculated in accordance with Market Quotation and Second Method as contemplated by and in accordance with Section 6(e) (Payments on Termination) of the ISDA Master Agreement or equivalent system in case that an alternative master agreement is used. If such loss is to calculated prior to an Early Termination Date having occurred, such loss will be calculated as if the Early Termination Date had occurred on the date the relevant calculation falls to be made. However, as from (and including) the Senior Facilities Discharge Date, references made in this Agreement to the Majority of Senior Creditors shall be construed as being made only to the Permitted Hedge Entities to whom in aggregate more than 66.66% of the total liability of all the Obligors in respect to the Permitted Hedge Debt is owed.

"Majority of Senior Lenders": means the group of Senior Lenders whose participation together represents, in each case excluding any breaching Senior Lender that remains in breach, as stated by the Senior Agent, following consultation with the borrower under the Senior Facilities Agreement, and provided that such breach remains unremedied, (i) before the first drawdown under any of the Tranches under the Senior Facilities Agreement, at least sixty-six point sixty-six (66.66%) per cent of the Maximum Available Amount (as this term is defined in the Senior Facilities Agreement), and (ii) after the first drawdown under any of the Tranches under the Senior Facilities Agreement, at least sixty-six point sixty-six (66.66%) per cent of the Drawn Amount (as this term is defined in the Senior Facilities Agreement).

"MidCo": means a wholly-owned subsidiary of GCO to which GCO is authorised to transfer the ownership of its shareholdings in the Group under the circumstances permitted in the Senior Facilities Agreement, and any successors thereof.

"Participative Debt": means any amounts due on any account at any given time by virtue of the Participative Loan.

"Participative Loan": means the participative loan dated on the date hereof in an amount of twenty million Euros (€20,000,000) granted to Cableuropa by Fond-ICO, Fondo de Capital Riesgo, a fund managed by Axis Participaciones Empresariales S.G.E.L.R., S.A.U.

"Parties": means the Senior Creditors, the Subordinated Creditors, the Obligors, the Security Agent, the Senior Agent, the Subordinated Bridge Agent, the Subordinated Agent and any other party which may accede to this Agreement in accordance with its terms.

"Permitted Enforcement Action": means a sale by way of enforcement by the Senior Lenders (through the Security Agent) under the Senior Facilities Agreement of a security interest therein of (i) all of the capital stock of Cableuropa or any parent company of Cableuropa or (ii) all or substantially all of the assets of Cableuropa, in each case, so long as:

(a) the proceeds of such sale are in cash (or substantially all in cash) and are applied in the manner described under Clause 9 of this Agreement;

(b) Cableuropa is released from its obligations in respect of all other debt that is subordinated or junior in right of payment to the High-Yield Notes and all other debt ranking equally with the High-Yield Notes; provided, however, that nothing in this clause (b) shall require the release by Cableuropa or any of its Subsidiaries of any of its or their obligations in respect of any other debt that is senior in right of payment to the High-Yield Notes, including any of their obligations in respect of the Senior Facilities Agreement; and

(c) the sale is made pursuant to either a public auction or a competitive bid process to obtain the best price reasonably obtainable given the then-current condition (financial or otherwise), earnings, business, assets and prospects of Cableuropa and its Subsidiaries, the Senior Lenders under the Senior Facilities Agreement having consulted with an internationally recognized investment bank (including without limitation and to the extent appropriate a Senior Lender under the Senior Facilities Agreement or a relationship bank of Cableuropa or its Subsidiaries) or an internationally recognized accounting firm regarding the appropriate procedures for obtaining the best price for the shares or assets, considered the recommendations of that investment bank or accounting firm and used its reasonable efforts to cause the procedures recommended by that investment bank or accounting firm to be implemented in all material respects in relation to the sale and to permit Subordinated Creditors and holders of High-Yield Notes to participate in the sale process as bidders; *provided further*, *however*, that the Senior Lenders under the Senior Facilities Agreement shall not be under any further obligation to cause such recommendation to be implemented to the extent not implemented in connection with such sale by the relevant court, authority or other third party required to act in connection with such sale; *provided further*, *however*, that such reasonable efforts will, to the extent permitted by applicable law, include attempting to conduct such sale process other than through a court or legal proceeding.

"Permitted Hedge Agreements": means (a) the Existing Hedge Agreements; (b) each Credit Facilities Hedge Agreement; and (c) any foreign exchange or interest rate protection arrangements entered into by the Obligors to hedge on a prudent, non-speculative basis, their foreign exchange or interest rate exposure under any debt which is "Permitted Debt" under the Senior Facilities Agreement or accounts payable, provided that such arrangement is entered into with an entity that is a Senior Lender and that such Senior Lender accedes to the Intercreditor Agreement, in its capacity as hedge entity.

"**Permitted Hedge Debt**"**:** means any amounts due to the Permitted Hedge Entities on any account at any given time under the Permitted Hedge Agreements.

"Permitted Hedge Entities": means the Existing Hedge Entities, the Credit Facilities Hedge Entities, any Senior Lender (or a company belonging to the group of a Senior Lender) which may enter into a Permitted Hedge Agreement with any of the Obligors and all subsequent assignees of such entities under the Permitted Hedge Agreements.

"Permitted Junior Securities": means, with respect to any person: (a) capital stock in such person; or (b) debt securities of such person that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to substantially the same extent as, or to a greater extent than, Subordinated Debt is subordinated to Senior Debt pursuant to this Agreement.

"Repayment Event": means, from among the following circumstances, the later of (a) the creation of MidCo by GCO and the transfer to MidCo of GCO's entire interest in the capital stock of Cableuropa; (b) the grant by MidCo of a non-subordinated, unsecured personal guarantee securing the 2014 Notes or, if earlier, the full redemption of the 2014 Notes; and (c) (i) the redemption, cancellation or maturity of all the outstanding 2011 Notes; or (ii) any amendments to the indentures for the 2011 Notes to reflect the terms established in the indentures for the 2014 Notes relating to the "Subsidiary Guarantees" (as defined in the indentures relating to the 2014 Notes) applicable after a Repayment Event as a consequence of the redemption, cancellation or maturity of the 2011 Notes.

"Secured Creditors": means the Senior Creditors which benefit from Security Interests.

"Security Agent": means Banco Español de Crédito, S.A. or any institution hereafter replacing it as agent under the Senior Facilities Agreement.

"Security Interests": means the first-ranking pledges that have been, or shall be in the future, created over certain rights and assets of the Holding Companies, the Permitted Shareholders and the Obligors, in order to secure the obligations of the Obligors under the Senior Facilities Agreement and the Permitted Hedge Agreements, which content and scope are described in Clause 18.2 of the Senior Facilities Agreement.

"Senior Creditors": means the Senior Lenders and the Permitted Hedge Entities.

“Senior Debt”: means the Senior Facilities Debt and the Permitted Hedge Debt.

“Senior Debt Discharge Date”: means the date on which all the Senior Debt has been unconditionally and irrevocably paid and discharged in full, no further payment obligations can arise under or in respect of the Senior Facilities Agreement and the Permitted Hedge Agreements and none of the Senior Creditors is under any commitment, obligation or liability (whether actual or contingent) to make advances or provide other financial accommodation to any Obligor under any of the Facilities Documents (as this term is defined in Clause 1 of the Senior Facilities Agreement).

“Senior Facilities Agreement”: means the commercial credit agreement (including any subsequent modifications, amendments and additions thereto or refinancing thereof) which has been formalised before the Notary Public Mr. Fernando Molina Stranz on the date hereof, whereby Cableuropa and other members of its Group, as per the provisions contained therein, have been granted certain credit facilities structured in six (6) Tranches in the maximum amount of three thousand, one hundred million (€3,100,000,000) Euros consisting of four term loans, one revolving credit facility and a bank guarantee facility.

“**Senior Facilities Debt**”**:** means any amounts due on any account at any given time by virtue of the Senior Facilities Agreement.

“Senior Facilities Discharge Date”: means the date on which all the Senior Facilities Debt has been unconditionally and irrevocably paid and discharged in full, no further payment obligations can arise under or in respect of the Senior Facilities Agreement and none of the Senior Lenders is under any commitment, obligation or liability (whether actual or contingent) to make advances or provide other financial accommodation to any Obligor under any of the Facilities Documents (as this term is defined in Clause 1 of the Senior Facilities Agreement).

“Subordinated Administration Payments” means payments not to exceed in aggregate a maximum amount of one million five hundred thousand Euros (€1,500,000) per annum required (a) to pay audit fees, directors fees, taxes and any other proper and incidental expenses required to maintain the corporate existence of any High-Yield Notes Issuer and (b) to comply with its other obligations under the High-Yield Notes (other than payments of interest and principal), including fees, costs and expenses relating to financial reporting and other public reporting, listing, registration and ongoing administration of any High-Yield Issuer and the High-Yield Notes.

“Subordinated Agent Amounts”: means the fees, costs and expenses of the Intercreditor Agent, the Subordinated Bridge Agent and the Subordinated Agent (including any amount payable by way of indemnity, remuneration or reimbursement for expenses incurred) payable to it pursuant to this Agreement or the Subordinated Debt Agreements.

“**Subordinated Creditors**”**:** means the Subordinated High-Yield Bridge Lenders, the Subordinated Lenders, the Participative Lender, the lenders under any Future Subordinated Facilities, the Subordinated Bridge Agent and the Subordinated Agent and any Trustee and any High-Yield Notes Issuer that has acceded to this Agreement in accordance with Clause 12 and all subsequent assignees of such entities under the Subordinated High-Yield Bridge Facility, the Subordinated Facility, the Participative Loan and the relevant Future Subordinated Facilities, Existing High-Yield Notes, Future High-Yield Notes and High-Yield Proceeds Loans.

“Subordinated Debt”: means the Subordinated High-Yield Bridge Facility Debt, the Subordinated Facility Debt, the Participative Debt any Future Subordinated Facilities Debt and the High-Yield Notes Debt.

“Subordinated Debt Agreement”: means each of the Subordinated High-Yield Bridge Facility, the Subordinated Facility, any Future Subordinated Facilities, the High-Yield Notes and any other agreement in respect of Subordinated Debt.

“Subordinated Facility”: means the term loan facility dated on the date hereof in an amount of one hundred and ten million Euros (€110,000,000) granted to Cableuropa by the Subordinated Lenders.

“Subordinated Facility Debt”: means any amounts due to the Subordinated Lenders on any account at any given time under the Subordinated Facility but does not include Subordinated Agent Amounts or High-Yield Trustee Amounts.

“Subordinated High-Yield Bridge Facility Debt”: means any amounts due to the Subordinated High-Yield Bridge Lenders on any account at any given time under the Subordinated High-Yield Bridge Facility but does not include Subordinated Agent Amounts or High-Yield Trustee Amounts.

“Subordinated High-Yield Bridge Facility”: means the subordinated bridge loan facility dated on the date hereof for an amount of two hundred and seventy million Euros (€270,000,000) granted to Cableuropa by the Subordinated High-Yield Bridge Lenders, which may be refinanced through an issue of Future High-Yield Notes or Future Subordinated Facilities or otherwise converted into a long term subordinated facility (or exchanged in whole or part for Exchange Notes) in accordance with its terms.

“Trustee”: means, upon accession to this Agreement in accordance with Clause 12, any trustee acting for and on behalf of the holders of any High-Yield Notes.

Any other capitalized terms in this Agreement not otherwise defined shall bear the same meaning as in the Senior Facilities Agreement.

For the avoidance of doubt, upon the occurrence of the Senior Debt Discharge Date, all references in this Agreement to the Senior Creditors shall be construed as though they were references to the Subordinated Creditors.

2. SECURITY AGENT AND INTERCREDITOR AGENT

2.1 Appointment of the Security Agent and Intercreditor Agent

2.1.1 The Secured Creditors hereby appoint the Security Agent to act as the agent of each and every one of them, in respect of the exercise of their rights arising from this Agreement and under the Security Interests, all of the foregoing pursuant to the terms and conditions contained herein. Such appointment shall not be in detriment of any rights which the Security Agent may have as party and agent to the Senior Facilities Agreement. The Security Agent hereby accepts such appointment.

2.1.2 The Creditors hereby appoint the Intercreditor Agent to act as the agent of each and every one of them, in respect of the exercise of their rights and obligations arising from this Agreement pursuant to the terms and conditions contained herein (except for those of the Security Agent in respect of the Secured Creditors). Such appointment shall not be in detriment of any rights which the Intercreditor Agent may have as party and agent to the Senior Facilities Agreement. The Intercreditor Agent hereby accepts such appointment.

2.1.3 For the avoidance of doubt, nothing in this Clause 2.1 shall prevent the Security Agent and the Intercreditor Agent from being one and the same entity.

2.2 Replacement of the Security Agent

2.2.1 The Security Agent may resign from its position by means of written notice addressed to the other Senior Lenders under the Senior Facilities Agreement, in which case they shall have the right to appoint a new Security Agent from among them by agreement of the Majority of Senior Lenders with the consent of Cableuropa, which consent shall not be unreasonably withheld or delayed.

2.2.2 If, within forty-five (45) days following the notice, the Senior Lenders have not made the appointment, or the appointee has not accepted the appointment, the Security Agent shall have the right to make the appointment itself from among the Senior Lenders with the consent of Cableuropa, which consent shall not be unreasonably withheld or delayed.

2.2.3 The resignation of the former and the appointment of the new Security Agent shall take effect from the date of acceptance of the new Security Agent, which shall be evidenced in a notarial instrument and communicated to the Creditors and to the borrowers under the Senior Facilities Agreement. The new Security Agent will be vested with the same rights (including fees), powers and duties as the outgoing Security Agent pursuant to the terms of this Clause 2.

2.2.4 If the Security Agent merges or is absorbed by another entity, the resulting entity shall be subrogated to all of the corresponding rights and obligations of the Security Agent.

2.3 Replacement of the Intercreditor Agent

2.3.1 The Intercreditor Agent may resign from its position by means of written notice addressed to the Creditors, in which case the Creditors shall have the right to appoint a new Intercreditor Agent from among them with the consent of Cableuropa, which consent shall not be unreasonably withheld or delayed.

2.3.2 If, within forty-five (45) days following the notice, the Creditors have not made the appointment, or the appointee has not accepted the appointment, the Intercreditor Agent shall have the right to make the appointment itself from among the Creditors, in both cases with the consent of Cableuropa, which consent shall not be unreasonably withheld or delayed.

2.3.3 The resignation of the former and the appointment of the new Intercreditor Agent shall take effect from the date of acceptance of the new Intercreditor Agent, which shall be evidenced in a notarial instrument and communicated to the Creditors and to the borrowers under any Financing Agreements. The new Intercreditor Agent will be vested with the same rights (including fees), powers and duties as the outgoing Intercreditor Agent pursuant to the terms of this Clause 2.

2.3.4 If the Intercreditor Agent merges or is absorbed by another entity, the resulting entity shall be subrogated to all of the corresponding rights and obligations of the Intercreditor Agent.

2.4 Revocation of the Security Agent's or the Intercreditor Agent's appointment

2.4.1 The Majority of Senior Lenders may revoke the appointment of the Security Agent, and the Creditors may revoke the appointment of the Intercreditor Agent, as a result of the breach by the respective agent of its duties or of repeated disagreements with the other Senior Lenders, or with the Creditors in the case of the Intercreditor Agent, provided the Majority of Senior Lenders appoint another Security Agent from among the Senior Lenders at the same time, or, in the case of the Intercreditor Agent, provided that the Creditors appoint another Intercreditor Agent from among the Creditors, the relevant appointee accepts the appointment and the consent of Cableuropa is granted, which consent shall not be unreasonably withheld or delayed.

2.4.2 The revocation of the appointment of the former Security Agent or of the former Intercreditor Agent, and the appointment of the new Security Agent or of the new Intercreditor Agent, as applicable, shall be evidenced in a public document and the borrowers under the Senior Facilities Agreement in the case of the new Security Agent, and under the Senior Facilities Agreement, the Subordinated Facility, the Participative Loan and the Subordinated High-Yield Bridge Facility in the case of the new Intercreditor Agent, shall be notified thereof. Both the revocation and the new appointment shall be effective as of that moment.

2.4.3 The new Security Agent or Intercreditor Agent, will be vested with the same rights, powers, privileges and duties as the outgoing Security Agent or Intercreditor Agent, as the case may be, under the terms of this Agreement.

2.4.4 The expenses incurred as a result of the revocation of the Security Agent's appointment or of the Intercreditor Agent's appointment shall be borne by the Party to the Agreement that demands such revocation.

2.4.5 The revocation of the Security Agent's appointment and the appointment of the new Security Agent shall be decided by the Majority of Senior Lenders.

2.4.6 The revocation of the Intercreditor Agent's appointment and the appointment of the new Intercreditor Agent shall be decided by the Creditors.

2.4.7 For the avoidance of doubt, in the event that the Security Agent and the Intercreditor Agent are the same entity and the appointment of either the Security Agent or the Intercreditor Agent is terminated for any reason, the outgoing Security Agent and/or Intercreditor Agent undertakes to continue performing its respective obligations under this Agreement until such time as a successor agent has formally accepted its appointment.

2.5 Powers of representation of the Security Agent

2.5.1 The Secured Creditors irrevocably empower and entitle the Security Agent (and undertake to carry out any actions and to execute any documents that may be required by the Security Agent to allow the following actions to be carried out) to exercise any rights and carry out any acts which are required to comply with the provisions set out in this Agreement, expressly including the execution of any of the following acts in the name and on behalf of the Secured Creditors (even when doing so under the legal notion of self-contracting):

(i) creating, granting, accepting, releasing and terminating each and every Security Interest, as well as any other contract amending, extending, supplementing or ratifying the Security Interests;

(ii) accepting the transfer or endorsement in favour of the Secured Creditors of any shares, interests, assets, property, pledge or mortgage covered by the Security Interests and holding them on deposit on behalf of the Secured Creditors;

(iii) appearing before a Notary Public to grant or execute any public or private deed related to this mandate and, specifically, those deemed necessary or appropriate according to the mandate received (including documents of formalisation, acknowledgement, confirmation, modification and release);

(iv) issuing and receiving notifications, requests and letters of intent associated with the issues contemplated herein;

(v) foreclosing the Security Interests pursuant to the terms and conditions of the Security Interests and, in all cases, pursuant to the provisions and procedures set out in this Agreement;

(vi) filing a petition for bankruptcy ("*concurso*") of any Obligor in accordance with the terms and conditions contemplated herein;

(vii) after consultation with the Majority of Senior Creditors, engaging and paying for the advice or services of any lawyers, accountants, surveyors or other specialists whose advice or services may to it seem necessary, expedient or desirable and relying upon any advice so obtained;

(viii) carrying out as many related or supplementary acts as appropriate or necessary to fulfil its duties under the mandate concerned; and

(ix) receive any proceeds from the enforcement of the Security Interests.

Each of the Secured Creditors undertakes to provide assistance to and cooperate with the Security Agent as necessary, which includes participating in the negotiation and execution of such documents, both public and private, as may be necessary or advisable for the execution and effectiveness of the agreements contained in this Agreement and in the Security Interests. It also includes, if applicable and necessary, ratifying the actions taken by the Security Agent in the performance of its obligations under this Agreement.

2.5.2 In the exercise of its powers of representation, the Security Agent shall not incur any liability if it follows the instructions received from the Majority of Senior Creditors or if, in the absence of instructions, it acts with prudent discretion in accordance with customary banking practices. The Security Agent may request instructions from the Secured Creditors at any time, even when it is not obliged to do so. For the avoidance of doubt the Security Agent shall not become or have the capacity of trustee for the Secured Creditors nor shall it have any other fiduciary obligation towards them. Pursuant to these principles, and for explanatory purposes:

(a) the Security Agent shall not be liable to the Secured Creditors by reason of the execution, validity and enforceability of the agreements contained in this Agreement or in the Security Interests, the truth or accuracy of the representations contained herein and therein or the effective or prompt collection of the amounts secured by the Security Interests;

(b) the duty of information of the Security Agent shall be deemed to be limited to those communications that are necessary for the normal fulfilment and development of the agreements contained in this Agreement and the Security Interests, or for the enforceability thereof; and

(c) the Security Agent shall not have the obligation of verifying the veracity or the fulfilment of the undertakings assumed by the relevant parties to the Security Interests, nor shall it be obliged to investigate the existence of possible causes of early termination or the reduction in the solvency of the Borrowers and other companies in the Group.

In the fulfilment of its tasks and duties vis-à-vis the Secured Creditors, the Security Agent does not assume any liability other than that arising from gross negligence or wilful misconduct.

2.5.3 Each of the Secured Creditors hereto agrees that it will not assert or seek to assert against any director, officer or employee of the Security Agent any claim it might have against any of them in respect of the matters which are excluded from the liabilities of the Security Agent as per Clause 2.5.2 above.

2.5.4 The Security Agent may refrain from: (i) exercising any right, power or discretion vested in it as security agent under this Agreement unless and until instructed by the Majority of Senior Creditors as to whether or not such right, power or discretion is to be exercised and, if it is to be exercised, as to the manner in which it should be exercised; and (ii) acting in accordance with any such instructions of the Majority of Senior Creditors until it shall have received such security as it may require (whether by way of payment in advance or otherwise) for all costs, claims, losses, expenses (including legal fees) and liabilities together with any VAT thereon which it will or may expend or incur in complying with such instructions.

2.5.5 The Security Agent shall: (a) promptly inform each Secured Creditor of the contents of any notice or document received by it in its capacity as Security Agent from any other party to the Security Interests; (b) as soon as it becomes aware, promptly notify each Secured Creditor of the occurrence of any default by any other party to the Security Interests; (c) act as security agent in respect of the Security Interests in accordance with the instructions given to it by the Majority of Senior Creditors which instructions shall be binding on all the Secured Creditors; and (d) if so instructed by the Majority of Senior Creditors, refrain from exercising any right, power or discretion vested in it as Security Agent under this Agreement.

2.6 Powers of representation of the Intercreditor Agent

2.6.1 The Creditors irrevocably empower and entitle the Intercreditor Agent (and undertake to carry out any actions and to execute any documents that may be required by the Intercreditor Agent to allow the following actions to be

carried out) to exercise any rights and carry out any acts which are required to comply with the provisions set out in this Agreement, expressly including the execution of any of the following acts in the name and on behalf of the Creditors (even when doing so under the legal notion of self-contracting):

(i) issuing and receiving notifications, requests and letters of intent associated with the issues contemplated herein;

(ii) appearing before a Notary Public to grant or execute any public or private deed related to this mandate and, specifically, those deemed necessary or appropriate according to the mandate received (including documents of formalisation, acknowledgement, confirmation, modification and release);

(iii) after consultation with the Majority of Creditors, engaging and paying for the advice or services of any lawyers, accountants, surveyors or other specialists whose advice or services may to it seem necessary, expedient or desirable and relying upon any advice so obtained;

(iv) carrying out as many related or supplementary acts as appropriate or necessary to fulfil its duties under the mandate concerned; and

(v) receive any payments on account of any Debt which shall be made by any Obligor or Creditor to any other Creditor by virtue of Clause 7 of this Agreement.

Each of the Creditors undertakes to provide assistance to and cooperate with the Intercreditor Agent as necessary, which includes participating in the negotiation and execution of such documents, both public and private, as may be necessary or advisable for the execution and effectiveness of the agreements contained in this Agreement. It also includes, if applicable and necessary, ratifying the actions taken by the Intercreditor Agent in the performance of its obligations under this Agreement.

2.6.2 In the exercise of its powers of representation, the Intercreditor Agent shall not incur any liability if it follows the instructions received from the Majority of Creditors or if, in the absence of instructions, it acts with prudent discretion in accordance with customary banking practices. The Intercreditor Agent may request instructions from the Creditors at any time, even when it is not obliged to do so. For the avoidance of doubt the Intercreditor Agent shall not become or have the capacity of trustee for the other Creditors nor shall it have any other fiduciary obligation towards them. Pursuant to these principles, and for explanatory purposes:

(a) the Intercreditor Agent shall not be liable to the other Creditors by reason of the execution, validity and enforceability of the agreements contained in this Agreement, the truth or accuracy of the representations contained herein;

(b) the duty of information of the Intercreditor Agent shall be deemed to be limited to those communications that are necessary for the normal fulfilment and development of the agreements contained in this Agreement, or for the enforceability thereof; and

(c) the Intercreditor Agent shall not be obliged to investigate the existence of possible causes of early termination or the reduction in the solvency of the borrower under any Debt and other companies in the Group.

In the fulfilment of its tasks and duties vis-à-vis the Creditors, the Intercreditor Agent does not assume any liability other than that arising from gross negligence or wilful misconduct.

2.6.3 Each of the Creditors hereto agrees that it will not assert or seek to assert against any director, officer or employee of the Intercreditor Agent any claim it might have against any of them in respect of the matters which are excluded from the liabilities of the Intercreditor Agent as per Clause 2.6.2 above.

2.6.4 The Intercreditor Agent may refrain from: (i) exercising any right, power or discretion vested in it as intercreditor agent under this Agreement unless and until instructed by the Majority of Creditors as to whether or not such right, power or discretion is to be exercised and, if it is to be exercised, as to the manner in which it should be exercised; and (ii) acting in accordance with any such instructions of the Majority of Creditors until it shall have received such security as it may require (whether by way of payment in advance or otherwise) for all costs, claims, losses, expenses (including legal fees) and liabilities together with any VAT thereon which it will or may expend or incur in complying with such instructions.

2.6.5 The Intercreditor Agent shall: (a) promptly inform each Creditor of the contents of any notice or document received by it in its capacity as Intercreditor Agent; (b) as soon as it becomes aware, promptly notify each Creditor of the occurrence of any default by any other party to this Agreement; (c) act as intercreditor agent in respect of this

Agreement in accordance with the instructions given to it by the Majority of Creditors, which instructions shall be binding on all the Creditors; and (d) if so instructed by the Majority of Creditors, refrain from exercising any right, power or discretion vested in it as Intercreditor Agent under this Agreement.

2.7 Reimbursement of expenses

2.7.1 The Secured Creditors agree immediately to reimburse the Security Agent, pro rata to their participation in that part of the Debt which is secured by the Security Interests, all the amounts that, even though payable by the Obligors pursuant to the terms of this Agreement, have not been voluntarily reimbursed thereby and that require the Security Agent to make a disbursement for any item that, by reason of this Agreement and the management or enforcement of the Security Interests, is made in the common interest of the other Secured Creditors, provided that such expenses are duly justified, and regardless of the favourable results of the action or measures that gave rise to the disbursement.

2.7.2 The Creditors agree immediately to reimburse the Intercreditor Agent, pro rata to their participation in the Debt, all the amounts that, even though payable by the Obligors pursuant to the terms of this Agreement, have not been voluntarily reimbursed thereby and that require the Intercreditor Agent to make a disbursement for any item that, by reason of this Agreement, is made in the common interest of the other Creditors, provided that such expenses are duly justified, and regardless of the favourable results of the action or measures that gave rise to the disbursement (provided that any Trustee shall only be subject to such reimbursement obligation so far as it is able to request and collect the relevant amounts from the note-holders).

2.8 Indemnity

2.8.1 Each Secured Creditor shall on demand indemnify the Security Agent, pro rata to their participation in that part of the Debt which is secured by the Security Interests, against any loss incurred by the Security Agent in complying with any instructions from the Secured Creditors or the Majority of Senior Creditors (as the case may be) or otherwise incurred in connection with this Agreement or the Security Interests or its duties, obligations and responsibilities under this Agreement or the Security Interests, except to the extent that they are incurred as a result of the gross negligence or wilful misconduct of the Security Agent or any of its personnel.

2.8.2 Each Creditor shall on demand indemnify the Intercreditor Agent, pro rata to their participation in that part of the Debt, against any loss incurred by the Intercreditor Agent in complying with any instructions from the Majority of Creditors (as the case may be) or otherwise incurred in connection with this Agreement or its duties, obligations and responsibilities under this Agreement (provided that any Trustee shall only be subject to such indemnification obligation so far as it is able to request and collect the relevant amounts from the note-holders), except to the extent that they are incurred as a result of the gross negligence or wilful misconduct of the Intercreditor Agent or any of its personnel.

2.9 Turnover by Intercreditor Agent

Any amount received by the Intercreditor Agent from the proceeds of enforcement of the Security Interests shall forthwith be turned over to the Security Agent for the Security Agent's distribution of the same in accordance with Clause 9 below.

3. RANKING OF DEBT

3.1 Ranking of Debt

3.1 The Senior Debt will rank, at all times and for all purposes, including in the event of bankruptcy ("*concurso*") of any of the Obligors, either under the provisions of the Ley Concursal or under any other applicable regulations, senior to the Subordinated Debt. The Subordinated Creditors and the Obligors agree that all payment obligations of the Obligors due under the Subordinated Debt (whether on account of principal, interest of any kind, fees, expenses, termination costs or any other item but excluding, for the avoidance of doubt, High-Yield Trustee Amounts, Subordinated Agent Amounts and Subordinated Administration Payments), either as borrower, issuer or guarantor of any such Subordinated Debt, shall be subordinated to all existing and future payment obligations due by the Obligors under the Senior Debt subject to the terms set out in this Agreement and that such subordination is for the benefit of and enforceable only by the Senior Creditors who hereby accept it.

3.2 The Senior Facilities Debt and the Permitted Hedge Debt shall rank pari passu amongst themselves.

3.3 The Subordinated Creditors and the Obligors agree that the Subordinated High-Yield Bridge Facility Debt, the Subordinated Facility Debt, the High-Yield Notes Debt and any Future Subordinated Facility Debt shall rank pari passu amongst themselves.

4. PAYMENT OF SENIOR DEBT AND ENFORCEMENT ACTION

4.1 The Obligors may pay, repay, prepay, redeem or acquire the Senior Debt at any time in accordance with the terms of the Senior Facilities Agreement and the Permitted Hedge Agreements.

4.2 The Senior Creditors agree that the Senior Lenders may take, accept or receive without restrictions the benefit of any security interests in addition to the Security Interests provided that such security interests are shared with the Permitted Hedge Entities to the extent legally possible and reasonably practicable.

4.3 Upon the occurrence of an event of default under the Senior Facilities Agreement, the Senior Lenders shall be entitled to take any kind of Enforcement Action at any time without any restriction. Notwithstanding the foregoing, the Senior Facilities Lenders and the Security Agent shall only take an Enforcement Action in respect of the High-Yield Proceeds Loan pursuant to a Permitted Enforcement Action.

5. PAYMENT OF SUBORDINATED DEBT. RESTRICTIONS ON ENFORCEMENT ACTIONS AND THE AMENDMENT OF SUBORDINATED DEBT DOCUMENTATION. RELEASE OF SUBORDINATED GUARANTEES

5.1 Payments of Subordinated Debt

5.1.1 Prior to the Senior Debt Discharge Date, payment of the Subordinated Debt will be subject to the restrictions set out in this Clause 5.

5.1.2 Subject to the above, the Obligors may pay the Subordinated Creditors (a) interest payments on principal and other fees, taxes expenses and other amounts due (other than principal) to the extent that such payments are scheduled under the terms of the Subordinated High-Yield Bridge Facility, the Subordinated Facility, the Participative Loan any Future Subordinated Facilities, and the High-Yield Notes Debt (including High-Yield Proceeds Loans), as applicable, and (b) payments in the form of Permitted Junior Securities or payments funded entirely from the proceeds of the issue of Permitted Junior Securities.

5.2 Payment blockage provisions before a Repayment Event

5.2.1 An Obligor shall not make any payment in respect of any Subordinated Debt (save for Subordinated Administration Payments, Subordinated Agent Amounts, High-Yield Trustee Amounts and payments in the form of Permitted Junior Securities or payments funded entirely from the proceeds of the issue of Permitted Junior Securities) if:

(a) a payment default under the Senior Facilities Agreement and/or any Permitted Hedge Agreement has occurred and is continuing beyond any applicable grace period; or

(b) any other default (however described) occurs and is continuing under the Senior Facilities Agreement and/or any Permitted Hedge Agreement and the maturity of such Senior Debt is accelerated or becomes payable upon demand, in each case, in accordance with its terms unless, in either case:

(i) the default has been cured or waived and any such acceleration has been rescinded in writing by the applicable Senior Creditors (through the Senior Agent in the case of the Senior Facilities Agreement); or

(ii) such Senior Debt has been paid in full in cash;

provided, however, that an Obligor may pay the Subordinated Debt without regard to the foregoing paragraphs (a) and (b) if the Obligor and the applicable Subordinated Creditor receive written notice approving such payment from the Majority of Senior Lenders (through the Senior Agent).

5.2.2 During the continuance of any default (other than a default described in paragraphs (a) or (b) of sub-clause 5.2.1) under the Senior Facilities Agreement that permits the Senior Lenders to accelerate its maturity or declare it to be payable on demand, or such Senior Debt will be accelerated or payable on demand or on the expiration of any applicable grace period without further notice (except any notice required to give effect to the acceleration), an Obligor shall not pay the Subordinated Debt for a period (a **"Payment Blockage Period"**) commencing upon the receipt by the Obligors and the Subordinated Creditors of written notice of such default from the Senior Lenders (through the Senior Agent) specifying an election to effect a Payment Blockage Period (a **"Pre-Repayment Event Payment Blockage Notice"**) and ending 179 days thereafter (unless such Payment Blockage Period is earlier terminated):

(a) by written notice to the Subordinated Creditors and the Obligor from the Senior Lenders (through the Senior Agent) that gave such Pre-Repayment Event Payment Blockage Notice;

(b) because the Senior Lenders (through the Senior Agent) that gave the Pre-Repayment Event Payment Blockage Notice gives written notice to the Subordinated Creditors and the Obligor that such default is no longer continuing or subsisting; or

(c) because such Senior Debt has been repaid in full in cash.

5.2.3 Unless the Senior Creditors have accelerated the maturity of the Senior Debt or formally declared it to be payable upon demand and not rescinded such acceleration or declaration by notice in writing from the Senior Creditors (through the Senior Agent), the Obligor may (unless otherwise prohibited by paragraph (a) or (b) of sub-clause 5.2.1) resume paying the Subordinated Debt after the end or termination of such Payment Blockage Period.

5.2.4 Not more than one Pre-Repayment Event Payment Blockage Notice with respect to the same event of default, any other events of default existing and known to the person giving such notice at the time of such notice, or any other events of default arising directly as a result of the occurrence which gave rise to the first-mentioned event of default, in each case in respect of the same issue of Senior Debt, may be given during any consecutive 360-day period unless such event of default or such other events of default have been cured or waived for a period of not less than ninety (90) consecutive days.

5.2.5 If any payment of any Subordinated Debt is accelerated on or before the Senior Debt Discharge Date, the Obligor may not pay the Subordinated Debt until ten (10) Business Days after the Senior Creditors (through the Senior Agent) receive notice of such acceleration and, thereafter, may only pay its accelerated Subordinated Debt subject to the provisions of this Agreement and, particularly, Clauses 5.2.1 and 5.2.2.

5.2.6 For the avoidance of doubt, it is expressly agreed that the obligation to make any payment on its due date under the Subordinated Debt which is not permitted to be paid under this Clause 5.2 shall continue notwithstanding the payment suspension and the accrual or capitalisation of interest (including default interest, if any) shall continue in accordance with the relevant provision of the applicable Subordinated Debt.

5.3 Restrictions on Enforcement Actions by the Subordinated Creditors

The Subordinated Creditors may not take any Enforcement Action against an Obligor in relation to any Subordinated Debt without the prior written consent of the Majority of Senior Creditors unless:

(a) the relevant Obligor files a request for a moratorium or an out-of court agreement with creditors, or commences with respect to itself or has commenced against it a voluntary bankruptcy ("*concurso*") or analogous insolvency case or proceeding, or if the relevant Obligor is placed into receivership ("*administración judicial*") or is the subject of seizure or intervention, or if its shares or interests are expropriated or it is unable or admits an inability to pay its debts as they fall due, or if any other similar action or proceeding, whether judicial or private, is taken or commenced with analogous effects (provided that such bankruptcy or other circumstances is not the result of the actions of any Subordinated Creditor not in compliance with this Agreement and provided further that the Enforcement Action may only be taken against the Obligor which has been declared bankrupt); or

(b) the Senior Creditors have taken an Enforcement Action in relation to such Obligor; or

(c) a default has occurred (otherwise than solely pursuant to any cross default provision by reason of a default under the Senior Facilities Agreement or the Permitted Hedge Agreements) under the Subordinated High-Yield Bridge Facility, the Subordinated Facility, the Participative Loan any Future Subordinated Facilities or any High-Yield Notes, as applicable, and:

(i) the relevant Subordinated Creditors have notified the existence of such default to the Senior Agent; and

(ii) a period of not less than 179 days has passed from the date the Senior Agent was notified of the default; and

(iii) at the end of the 179 day period, the relevant default is continuing and has not been waived by the relevant Subordinated Creditors.

5.4 Payment blockage provisions after a Repayment Event

5.4.1 Save for Subordinated Administration Payments, Subordinated Agent Amounts, High-Yield Trustee Amounts or payments in the form of Permitted Junior Securities funded entirely from the proceeds of the issue of Permitted Junior Securities, an Obligor shall not make any payment in respect of any Subordinated Debt if:

(a) a payment default under the Senior Facilities Agreement and/or any Permitted Hedge Agreement has occurred and is continuing beyond any applicable grace period; or

(b) any other default occurs and is continuing under the Senior Facilities Agreement that permits the Senior Lenders to accelerate its maturity and the Subordinated Creditors (through their agent or Trustee, as the case may be) receive a notice of such default (a **"Payment Blockage Notice"**) from such Senior Lenders (through the Security Agent).

5.4.2 Payments on any such Subordinated Debt may and will be resumed:

(a) in the case of a payment default, when such default is cured or waived; or

(b) in the case of a non-payment default, upon the earlier of: (i) the date on which such non-payment default is cured or waived; (ii) the Senior Debt Discharge Date; (iii) the date on which the Security Agent delivers a notice to the Subordinated Creditors (through their agent or Trustee, as the case may be) cancelling the Payment Blockage Notice; and (iv) 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Senior Debt has been accelerated.

5.4.3 Not more than one Payment Blockage Notice with respect to the same event of default, any other events of default existing and known to the person giving such notice at the time of such notice, or any other events of default arising directly as a result of the occurrence which gave rise to the first-mentioned event of default, in each case in respect of the same issue of Senior Debt, may be given during any consecutive 360-day period unless such event of default or such other events of default have been cured or waived for a period of not less than 90 consecutive days.

5.4.4 For the avoidance of doubt, it is expressly agreed that the obligation to make any payment on its due date under the Subordinated Debt which is not permitted to be paid under this Clause 5.4 shall continue notwithstanding the payment suspension and the accrual or capitalisation of interest (including default interest, if any) in accordance with the relevant provision of the Subordinated High-Yield Bridge Facility, Subordinated Facility, Future Subordinated Facility or indenture of the relevant High-Yield Notes, as applicable.

5.5 Turnover of Subordinated Debt

If at any time on or before the Senior Debt Discharge Date:

(a) any Subordinated Creditor receives or recovers a payment or distribution of any kind whatsoever in respect or on account of any Subordinated Debt which is not permitted under this Clause 5, or which exceeds the amount to which they should properly be entitled pursuant to Clause 7 (*Application of Proceeds*);

(b) any Subordinated Creditor receives or recovers proceeds pursuant to any Enforcement Action which is not permitted under this Clause 5;

(c) any company of the Group makes any payment or distribution of any kind whatsoever in relation to the purchase or other acquisition of any Subordinated Debt which is not permitted by this Clause 5; or

(d) any Subordinated Debt is discharged by set-off, combination of accounts or otherwise which is not permitted under this Clause 5,

and the Subordinated Creditors have actual knowledge that the payment is prohibited by this Clause 5 (and, in the case of each Trustee subject to Clause 17.6 (Turnover Obligation)),

the recipient or beneficiary of that payment, distribution, set-off or combination will hold the payment on account and for the benefit of the Intercreditor Agent on behalf of the Creditors and, upon the proper written request of the Intercreditor Agent, will deliver the amounts so held to the Intercreditor Agent for application under Clause 7 (Application of proceeds) after deducting the costs, liabilities and expenses (if any) reasonably incurred in recovering or receiving that payment or distribution and, pending that payment, will hold those amounts and distributions for the benefit of the Intercreditor Agent. If no sums are due for payment in respect of the Senior Debt at that time but such amounts may be due in the future, the monies will be placed in a blocked account held by the Intercreditor Agent and applied in repayment of Senior Debt as and when it falls due.

5.6 No reduction or discharge

As between the Obligors and the Subordinated Creditors, the Subordinated Debt will be deemed not to have been reduced or discharged to the extent of any payment or distribution to the Security Agent under Clause 5.5 above.

5.7 Grant of senior guarantee upon and after a Repayment Event

Upon and after a Repayment Event, Midco shall fully and unconditionally guarantee, on an unsecured, senior, joint and several basis, to each Subordinated Creditor, the full payment of any amounts due from the Obligors under the Subordinated Debt (including payments of Subordinated Agent Amounts and High-Yield Trustee Amounts) (the **"Obligations"**). Midco will agree that the Obligations may be extended or renewed, in whole or in part, without notice or further assent from Midco and that Midco shall remain bound by under this Clause 5.7 notwithstanding any extension or renewal of any Obligation.

5.8 Release of subordinated guarantees and accession of Midco as borrower upon and after a Repayment Event

5.8.1 Upon and after a Repayment Event, each Obligor (other than Midco) which is a guarantor under any Subordinated Debt ("Subordinated Guarantor") shall automatically and unconditionally be released from all obligations under its guarantee thereunder ("**Subordinated Guarantee**"), and such Subordinated Guarantee shall thereupon terminate and be discharged and be of no further force or effect, concurrently with any sale by way of enforcement by the Senior Creditors of a Security Interest of (i) all of the capital stock of such Subordinated Guarantor or any parent company of such Subordinated Guarantor or (ii) all or substantially all of the assets of such Subordinated Guarantor, in each case so long as:

(a) the proceeds of such sale are in cash (or substantially all in cash) and are applied in the manner described under Clause 9 below;

(b) such Subordinated Guarantor is released from its obligations in respect of all other debt that is subordinated or junior in right of payment to the Subordinated Debt provided, however, that nothing in this paragraph (b) shall (i) require the release by the Subordinated Guarantors or any of their subsidiaries of any of its or their obligations in respect of any Senior Debt or (ii) prohibit the assignment of any High-Yield Proceeds Loans in accordance with their terms; and

(c) the sale is made pursuant to either a public auction or a competitive bid process to obtain the best price reasonably obtainable given the then-current condition (financial or otherwise), earnings, business, assets and prospects of such Subordinated Guarantor and its subsidiaries, the Senior Lenders having consulted with an internationally recognized investment bank (including without limitation and to the extent appropriate a Senior Lender or a relationship bank of Cableuropa or the remaining Obligors) or an internationally recognized accounting firm regarding the appropriate procedures for obtaining the best price for the shares or assets, considered the recommendations of that investment bank or accounting firm and used its reasonable efforts to cause the procedures recommended by that investment bank or accounting firm to be implemented in all material respects in relation to the sale and to permit holders to participate in the sale process as bidders provided, however, that the Senior Lenders shall not be under any further obligation to cause such recommendation to be implemented to the extent not implemented in connection with such sale by the relevant court, authority or other third party required to act in connection with such sale *provided further*, *however*, that such reasonable efforts will, to the extent permitted by applicable law, include attempting to conduct such sale process other than through a court or legal proceeding.

5.8.2 Upon and after a Repayment Event and concurrently with any sale by way of enforcement by the Senior Creditors of a Security Interest of (i) all of the capital stock of Cableuropa or (ii) all or substantially all of the assets of Cableuropa, the sale of which meets the conditions set out in paragraphs (a), (b) and (c) of Clause 5.8.1 above, Cableuropa´s rights and obligations as borrower under the Subordinated Facility, under the Subordinated High-Yield Bridge Facility and under any Future Subordinated Facilities shall be automatically and unconditionally assumed by Midco and Cableuropa shall cease to be the borrower thereunder *provided however* that such release shall only be effective to the extent that Midco (i) has acceded to this Agreement pursuant to Clause 12.2 hereof, and (ii) has validly given its consent under the terms of the Subordinated Facility Agreement, the Subordinated High-Yield Bridge Facility and the relevant Future Subordinated Facilities, as the case may be, to assume the position of borrower thereunder upon the occurrence of the events described in this Clause 5.8.2.

6. PAYMENT OF PERMITTED HEDGE DEBT AND RESTRICTIONS ON ENFORCEMENT ACTIONS

6.1 The restrictions on payments of Permitted Hedge Debt and on the taking of Enforcement Actions by the Permitted Hedge Entities set out below are for the benefit of and enforceable only by the Senior Lenders who hereby accept them. The Subordinated Creditors and the Obligors will have no action and shall not be entitled to enforce the provisions contained in this Clause 6, which may be waived by the Majority of Senior Creditors expressly in writing from time to time.

6.2 Prior to the Senior Facilities Discharge Date, each Permitted Hedge Entity undertakes to the Senior Lenders that it will not, without the prior written consent of the Majority of Senior Creditors:

(a) demand (other than as may be necessary in order to exercise any rights referred to and permitted under paragraph (b) below) or receive payment, prepayment or repayment from the Obligors in respect of, or on account of, any Permitted Hedge Debt whether in cash or in kind or by way of set-off or apply any money or property in or towards the discharge of any such payment obligation except for:

(i) scheduled payments arising under the terms of the Permitted Hedge Agreements;

(ii) the proceeds of any payment or enforcement received or applied in the terms permitted under Clause 7 below;

(iii) payments, prepayments or repayments made under the Permitted Hedge Agreements to the Permitted Hedge Entities as a result of a total or partial termination or close out of any such Permitted Hedge Agreements permitted under paragraph (b) (v) below, provided that the accumulated amount of such payments, prepayments or repayments does not exceed at any time an amount of €50,000,000; and

(iv) any payments authorised with the prior written consent of the Security Agent (acting on the instructions of the Majority of Senior Lenders under the Senior Facilities Agreement).

(b) terminate or close out any Permitted Hedge Agreement to which it is a party except:

(i) as a result of a payment default of any obligation under such Permitted Hedge Agreement which non-payment continues for three (3) Business Days after notice of such payment default has been given by such Permitted Hedge Entity to the Security Agent (provided that if such Permitted Hedge Entity and the Security Agent are the same entity it will not be necessary for there to be any formal notice of such payment default to be given and such grace period shall commence on the date of non-payment); or

(ii) upon the earliest of (A) the last day on which a payment of principal is due to be made under the Senior Facilities Agreement, (B) an acceleration of the principal amount outstanding under the Senior Facilities Agreement, pursuant to the terms of Clause 16 of the Senior Facilities Agreement, following consultation with (but without being required to obtain the prior written consent of) the Senior Agent and (C) the Senior Facilities Discharge Date; or

(iii) upon it becoming unlawful for the relevant Obligor or such Permitted Hedge Entity to perform or comply with its material obligations under any such Permitted Hedge Agreement or any such obligations becoming illegal, invalid or unenforceable against the relevant Obligor; or

(iv) the relevant Obligor being declared bankrupt (*"concurso"*) and for so long as it is continuing (provided that such bankruptcy is not the result of the actions of the relevant Permitted Hedge Entities not in compliance with this Agreement and provided further that the Enforcement Action may only be taken against the Obligor which has been declared bankrupt); or

(v) in any other circumstance, provided that: (a) no Early Termination Event under the Senior Facilities Agreement is outstanding and continuing and no Early Termination Event under the Senior Facilities Agreement will occur as a result of such termination or closing out; and (b) the accumulated amount of any payments, prepayments or repayments made under the Permitted Hedge Agreements to the Permitted Hedge Entities as a result of the total or partial termination or close out of any such Permitted Hedge Agreements does not exceed at any time an amount of €50,000,000; or

(vi) with the prior written consent of the Security Agent (acting on the instructions of the Majority of Senior Lenders under the Senior Facilities Agreement).

(c) discharge all or any part of the Obligors´ payment obligations under the Permitted Hedge Agreements by set-off, any right of combination of accounts or otherwise except if and to the extent that such Permitted Hedge Entity is permitted to be paid under sub-clause (a) above; or

(d) permit to subsist or receive the benefit of any security interests or any financial support (including without limitation, the giving of any guarantee, indemnity or other assurance against loss, or the making of any deposit or payment) for, or in respect of, any of the Obligors' payment obligations under the Permitted Hedge Agreements other than under those contemplated in the Senior Facilities Agreement and the Security Interests.

6.3 Prior to the Senior Facilities Discharge Date, each Permitted Hedge Entity undertakes to the Senior Agent and to each of the other Senior Lenders that any Permitted Hedge Agreements to which it is a party governing the terms of a hedging transaction will provide for "two way payments" in the event of a termination of that hedging transaction entered into under such Permitted Hedge Agreements howsoever caused, meaning that the defaulting party under those Permitted Hedge Agreements will be entitled to receive payment under the relevant termination provisions if the net replacement value of all terminated transactions effected under the Permitted Hedge Agreements is in its favour, and netting will be permitted only between hedging transactions that constitute Permitted Hedge Agreements (and, for the avoidance of doubt, to the extent that any such Permitted Hedge Agreements do not so provide, each Permitted Hedge Entity party to any such Permitted Hedge Agreement agrees and acknowledges that they will be deemed to so provide and undertakes to each of the other Parties to make payments under each such Permitted Hedge Agreement as if it did so provide).

6.4 Each Permitted Hedge Entity agrees that, upon the occurrence of a Release Event under the Senior Facilities Agreement, they will release the relevant Security Interests as provided under Clause 18.1 (c) and 18.2 (d) of the Senior Facilities Agreement and hereby authorize the Security Agent to execute on their behalf any required agreements in order to comply with such release provisions.

6.5 Each Permitted Hedge Entity undertakes to immediately terminate the Permitted Hedge Agreements to which they are a party and close out any hedging exposure arising thereunder in the event that the Senior Facilities Agreement has been declared early terminated upon the occurrence of an Early Termination Event and the payment of all amounts due under the Senior Facilities Debt has been accelerated.

6.6 The Permitted Hedge Agreements shall not be amended or varied:

(a) so that the Permitted Hedge Agreement ceases to comply with the requirements of this clause 6; or

(b) in a manner which is prejudicial to the interests of the Senior Creditors under the Senior Facilities Agreement and the other Permitted Hedge Agreements; and

(c) in each case without the prior written consent of the Security Agent acting on the instructions of the Majority of Senior Creditors (for this purpose excluding that relevant Permitted Hedge Entity in its capacity as such).

7. APPLICATION OF PROCEEDS

7.1 Receipt of sums by the Parties

7.1.1 In the event of the bankruptcy ("*concurso*") of any Obligor, each of the Creditors (subject, in the case of each Trustee, to Clause 17.6 (Turnover Obligation)) shall promptly pay any sum received or recovered (whether by payment, the exercise of any right of set-off or combination of accounts or otherwise) by it, from any of the Obligors or any third party on account of any Debt, and each of the Obligors shall pay any sum due and payable by it on account of any Debt, to such bank account as may be specified by the Intercreditor Agent for this purpose pending distribution under Clause 7.2 below.

7.1.2 The provisions of the above paragraphs 7.1.1 shall not apply to any amounts deposited in a bank account pursuant to Clause 7.6.3 of the Senior Facilities Agreement until any such amounts are released or repaid to the Tranche S Senior Lenders.

7.2 Order of application

The Intercreditor Agent shall distribute all sums deposited in the account specified by virtue of Clause 7.1.1 or received from the Subordinated Creditors by virtue of the provisions under Clause 5.5 above (but excluding any proceeds obtained from the enforcement of the Security Interests which shall be subject to Clause 9.3 below) in the following order of priority (on the basis that no proceeds will be applied in payment of any amounts specified in any of the paragraphs below until all amounts specified in each of the preceding paragraphs have been paid or discharged in full):

(i) in or towards payment of or provision for all amounts payable to the Security Agent (for its own account and in its capacity as Senior Agent and Security Agent, but not as Senior Lender or Permitted Hedge

Entity) pursuant to the Senior Facilities Agreement and this Agreement, including all costs, charges and expenses incurred and payments made by it in performing its duties, together with, in each case, interest on the foregoing (both before and after judgment and payable on demand) at the default interest rate agreed under the Senior Facilities Agreement from the date the same become due and payable until the date the same are unconditionally and irrevocably paid and discharged in full;

(ii) in or towards payment of the following, on a pari passu basis, (a) the aggregate of the Senior Debt to the Senior Creditors; (b) the High-Yield Trustee Amounts; (c) the Subordinated Agent Amounts and (d) the Subordinated Administration Payments; provided that such sums will (if they are insufficient to discharge such payment obligations in full) be paid to the Senior Creditors and to the relevant persons for the Subordinated Administration Payments and the Subordinated Agent Amounts and each Trustee for the High-Yield Trustee Amounts pro rata to the aforesaid amounts then owed to them, provided further that:

(1) any sums to be distributed by the Intercreditor Agent, pro rata with the remaining Senior Creditors and the relevant persons for the Subordinated Administration Payments, the Subordinated Agent Amounts and the High-Yield Trustee Amounts, in respect of any Permitted Hedge Debt (excluding the 2011 Notes Permitted Hedge Debt) which purpose is to hedge foreign exchange or interest rate exposure under any debt that is subordinated to or ranks junior to the Senior Facilities Debt shall not exceed a maximum aggregate amount equal to an amount of €200,000,000 less the aggregate amount distributed in respect of the 2011 Notes Permitted Hedge Debt (for the avoidance of doubt, the amount distributed in respect of the 2011 Notes Permitted Hedge Debt shall be no less than €0) (any such excess to be referred to as the **"Hedge Excess"**); and

(2) any amounts paid by Auna deposited in the account specified by virtue of Clause 7.1.1 or received from the Subordinated Creditors by virtue of the provisions under Clause 5.5 above in excess of the aggregate of the Principal Debt at that time under Tranche A, sub-Tranche B2, Tranche C, Tranche D, Tranche I and Tranche S of the Senior Facilities Agreement, together with the Permitted Hedge Debt, the Subordinated Administration Payments, the Subordinated Agent Amounts and the High-Yield Trustee Amounts outstanding at that time shall not be applied towards payment to the Senior Lenders of the Senior Facilities Debt pursuant to this paragraph (ii), and shall instead be applied (x) first to the payment of the remaining Permitted Hedge Debt, the Subordinated Administration Payments, the Subordinated Agent Amounts and the High-Yield Trustee Amounts outstanding, and (y) secondly pursuant to the provisions of paragraph (iv) below;

(iii) once all the remaining Senior Debt has been unconditionally and irrevocably paid and discharged in full, in or towards payment of the Hedge Excess to the Permitted Hedge Entities;

(iv) once all the Senior Debt has been unconditionally and irrevocably paid and discharged in full (except for any amounts available pursuant to subparagraph (ii) (2) (y) above), in or towards payment to the Subordinated Creditors of the aggregate of the Subordinated Debt (with the exception of the Participative Loan) provided that such sums will (if they are insufficient to discharge such payment obligations in full) be paid to the Subordinated Creditors pro rata to the aforesaid amounts then owed to them;

(v) once all the remaining portion of the Subordinated Debt has been unconditionally and irrevocably paid and discharged in full and so long as the relevant Obligor has not been declared bankrupt (*"en concurso"*), in or towards payment to the Participative Lender of any Participative Debt; and

(vi) in payment of the surplus (if any) to the Obligors (or any of them).

7.3 Subordination of Debt by provision of law

In the event of the bankruptcy ("*concurso*") of any Obligor, the terms set forth in this Clause 7 shall apply, regardless of the payment distribution provided for by the trustees in bankruptcy ("*administradores concursales"*), the creditors general meeting ("*junta de acreedores*") or any composition agreement ("*convenio*"). However, should the credit rights of any Creditor be declared subordinated for the purposes of insolvency proceedings pursuant to Articles 92 or 93 under the Ley Concursal, or should any of the legal subordination presumptions foreseen in the aforementioned Articles 92 and 93 apply, the Creditors hereto agree that, in respect of their internal relations, the Creditor thus subordinated shall not receive from the other Creditors any amounts required to re-establish the position it would have been entitled to under this Agreement had it not been subordinated and, therefore, the proportionality provisions contained in this Clause 7 shall not apply to the Creditor thus subordinated.

7.4 Timing of Distributions

Distributions by the Intercreditor Agent shall be made at such times as the Intercreditor Agent in its absolute discretion determines, which will be as soon as reasonably practicable having regard to all relevant circumstances.

7.5 Basis of Distribution

7.5.1 For the purposes of determining the amount of any payment to be made to each Creditor pursuant to Clause 7.2, and further to the provisions set forth in Clause 17 of the Senior Facilities Agreement, the Intercreditor Agent shall be entitled to request a certificate from the relevant Creditors of the amount, currency and nature of any payment obligation outstanding under the relevant Debt due or owing to the relevant Creditor at a date fixed by the Intercreditor Agent for such purpose and as to such other matters as the Intercreditor Agent may deem necessary or desirable to enable it to make a distribution. The Intercreditor Agent shall be entitled to rely on any such certificate and shall provide copies to the other Creditors hereto upon request.

7.5.2 For the purposes of the above calculations only, any amounts or payment obligations denominated in any currency other than Euro shall be converted into Euros using the exchange rate determined by the Intercreditor Agent acting reasonably based on prevailing spot rules.

8. PETITION FOR BANKRUPTCY OF THE OBLIGORS

8.1 Subject to the restrictions on Enforcement Actions set out in Clause 5.3 above, the filing of a petition for bankruptcy ("*concurso*") of any of the Obligors by any of the Creditors for amounts due and payable under the Debt will be subject to the provisions of this Clause 8.

8.2 Any Creditor intending to file a petition for bankruptcy ("*concurso*") of any Obligor (the **"Filing Creditor"**) shall communicate its intention to do so by giving the Intercreditor Agent five (5) Business Days' prior written notice.

8.3 Should such a notice be given to the Intercreditor Agent in accordance with the foregoing, the Intercreditor Agent shall promptly communicate the contents of such notice to the remaining Creditors by fax sent to each of the Creditors pursuant to Clause 14.2. For the avoidance of doubt, once the faxes referred to in the previous sentence have been sent, the Intercreditor Agent shall have discharged its notification obligations and be under no further obligation in respect of this Clause 8.

8.4 Upon the expiry of the five Business Day period referred to in Clause 8.2 above (the **"Pre-filing Period"**), the Filing Creditor shall only be entitled to file a petition for bankruptcy ("*concurso*") of any of the Obligors if such filing is made together with those Creditors from whom the Filing Creditor has received written notice of their intention to join in the filing for the petition for bankruptcy prior to the expiry of the Pre-filing Period.

8.5 Notwithstanding the foregoing, if the Trustee of the 2014 Notes has acceded to this Agreement, the provisions of paragraphs 8.1 to 8.4 (both inclusive) of this Clause 8 shall not be binding upon the Trustee of the 2014 Notes unless such Trustee has expressly acceded to such paragraphs of Clause 8 in the relevant Accession Deed or, if later, in a written notice sent to the Intercreditor Agent (it being understood that the Trustee of the 2014 Notes shall be under no obligation to accede to paragraphs 8.1 to 8.4 of this Clause 8).

8.6 The Parties to this Agreement agree that the provisions of paragraphs 8.1 to 8.4 (both inclusive) of this Clause 8 shall be ineffective until the earlier of: (i) the accession to such paragraphs by the Trustee of the 2014 Notes as provided in Clause 8.5 above; and (ii) the date upon which the 2014 Notes have been redeemed, repaid or discharged in their entirety, at which time the provisions of this Clause 8 shall come into full force and effect.

9. FORECLOSURE OF SECURITY INTERESTS

9.1 The foreclosure of any or all of the Security Interests shall require the prior written and express approval of the Majority of Senior Creditors.

9.2 Should the Majority of Senior Creditors agree to foreclose the Security Interests, the Security Agent will start the enforcement procedures, acting in the name and on behalf of the Senior Creditors, including those Senior Lenders who have dissented from such decision and those Secured Creditors who have not participated in the vote. The Secured Creditors unconditionally and irrevocably undertake to grant in favour of the Security Agent at its request, by means of a power of attorney raised to the status of public deed (and apostilled if necessary), as many powers as the Security Agent may reasonably request in order to take all necessary action in order to enforce any of the Security Interests pursuant to this Agreement. Alternatively, any Secured Creditors shall be entitled to appear individually in the enforcement procedures, if they deem it appropriate, provided that such Secured Creditors act in coordination with the Security Agent and always following the Security Agent's instructions.

9.3 The proceeds collected from the foreclosure of the Security Interests shall be distributed by the Security Agent in the following order of priority (on the basis that no proceeds will be applied in payment of any amounts specified in any of the paragraphs below until all amounts specified in each of the preceding paragraphs have been paid or discharged in full):

(i) in or towards payment of or provision for all amounts payable to the Security Agent (for its own account and in its capacity as Senior Agent and Security Agent, but not as Senior Lender or Permitted Hedge Entity) pursuant to the Facilities Documents (as this term is defined in Clause 1 of the Senior Facilities Agreement) and this Agreement, including all costs, charges and expenses incurred and payments made by it in performing its duties, together with, in each case, interest on the foregoing (both before and after judgement and payable on demand) at the default interest rate from the date the same become due and payable until the date the same are unconditionally and irrevocably paid and discharged in full;

(ii) in or towards payment to the Senior Creditors of the aggregate of the Senior Debt provided that such sums will (if they are insufficient to discharge such payment obligations in full) be paid to the Senior Creditors pro rata to the aforesaid amounts owed to them and provided further that the Hedge Excess shall be excluded from any sums to be distributed by the Security Agent, pro rata with the remaining Senior Creditors, in respect of any Permitted Hedge Debt which purpose is to hedge foreign exchange or interest rate exposure under any debt that is subordinated to or rank junior to the Senior Facilities Debt;

(iii) once all the remaining Senior Debt has been unconditionally and irrevocably paid and discharged in full, in or towards payment of the Hedge Excess to the Permitted Hedge Entities; and

(iv) in payment of the surplus (if any) to the relevant persons holding the ownership over the assets or rights subject to the relevant Security Interests foreclosed.

10. AMENDMENTS TO THE SECURITY INTERESTS

10.1 The amendment, modification or other variations of the Security Interests shall require the prior written approval of the Majority of Senior Creditors.

10.2 Notwithstanding the foregoing, the following decisions shall be adopted by means of a unanimous agreement of all the Senior Creditors hereto (provided, however, that no Permitted Hedge Entity shall be entitled to refuse to give its consent to any decision approved by the Majority of Senior Creditors when such Permitted Hedge Entity had voted, as Senior Lender, in favour of such decision):

(a) any amendment to any Security Interest entered into in favour of all the Senior Creditors hereto which would (i) extend the due date or reduce the amount of any payment of principal, interest, or other amount payable under any Security Interest; or (ii) change the currency in which any amount is payable under any Security Interest; and

(b) the total or partial release of any asset of whatever nature that is subject to a Security Interest entered into in favour of all the Senior Creditors, unless such release is permitted under Clause 18 of the Senior Facilities Agreement or the released asset is replaced on a like for like basis.

11. ASSIGNMENT

11.1 The Parties hereto agree that, in case that any Creditor assigns to any third party or parties (hereinafter the "**Assignee**" or the "**Assignees**"), in part or in whole, its credit rights and/or contractual position vis-à-vis any of the Obligors in connection with any Debt and/or the relevant Financing Agreements, prior to the formalisation of any such assignments, the relevant Creditor shall give notice to the Intercreditor Agent and shall cause the Assignee or Assignees expressly to accede to this Agreement through the relevant transfer certificate, undertaking all the rights and obligations derived from the contractual position assumed under this Agreement with respect to the Debt and Financing Agreements concerned.

11.2 The accession of an Assignee or Assignees to this Agreement shall be formalised by means of the insertion of the accession clause form attached as Schedule 1 hereto in the relevant transfer certificate.

11.3 The assignment of the relevant rights or contractual position shall be void and shall not be enforceable between the Parties insofar as the requirements stated hereinabove may not have been fulfilled, the assigning Parties being liable for any damages caused to the other Parties as a result thereof.

12. ACCESSION TO THIS AGREEMENT

12.1 Notwithstanding the fact that this Agreement shall become effective and binding as from its date of execution, the hedge entities under any future Permitted Hedge Agreements and the lenders under any Future Subordinated Facilities shall accede and become Parties to this Agreement upon, respectively, the execution of the relevant Permitted Hedge Agreements and the execution of the relevant Future Subordinated Facilities, by means of the execution of a deed of accession (the **"Accession Deed"**) on the terms and conditions of the deed of accession attached as Schedule 2 hereto, which shall also be signed by the Intercreditor Agent acting on behalf of the Parties.

12.2 As from the earlier of: (i) thirty (30) days after the occurrence of the Repayment Event; and (ii) the date of accession of the Trustee for the 2014 Notes to this Agreement by means of its execution of the Accession Deed, the Trustee for the Bridge Refinancing High-Yield Notes, ONO Finance (as issuer of the 2014 Notes), MidCo, the Trustee for any Future High-Yield Notes, and the High-Yield Issuer for any Future High-Yield Notes shall accede to this Agreement, by means of the execution of an Accession Deed pursuant to the procedure described in Clause 12.1 above.

12.3 Without prejudice to Clause 12.2 above, in the event that the Creditors agree that the Trustee for the 2014 Notes may accede to a new intercreditor agreement and not this Agreement, the Trustee for the Bridge Refinancing High-Yield Notes shall accede to the same intercreditor agreement.

12.4 Any Obligor which becomes a borrower or guarantor under the Financing Agreements shall accede to this Agreement, under the terms described in Clause 13 below, upon the signing of the Accession Deed.

13. EXECUTION OF THE AGREEMENT BY THE OBLIGORS

13.1 The execution by Cableuropa and, as provided in Clause 12.4, by any additional Obligors of this Agreement is intended for the sole purpose of making the subordination terms and payment provisions contained in this Agreement binding vis-à-vis the Obligors.

13.2 By virtue of entering this Agreement, Cableuropa and the remaining Obligors (nor any successors, assignees or creditors thereof) shall not be entitled to:

(a) demand or claim the compliance by the Creditors of any of their obligations under this Agreement; or

(b) refuse to comply with their obligations vis-à-vis the Creditors under the Financing Agreements, the Security Interests or any other financing or refinancing agreement related thereto, nor to enjoy the right of any benefit, exception, suspension or waiver in connection with their obligations thereunder or the enforceability thereof, by reason of the breach by any of such Creditors or any other Obligor of their obligations under this Agreement or any such Creditor or any such Creditors waiving the compliance of any obligation by any other Creditor or Obligor.

14. NOTICES

14.1 Form

All notices among the Parties relating to this Agreement or arising hereunder shall be made in Spanish or in English, and if any Creditor, acting reasonably so requests, shall be made in both languages (the Spanish language version prevailing in case of discrepancy). All notices shall be made by mail, fax, e-mail or other electronic means unless otherwise provided in this Agreement. Notices shall be deemed valid and binding provided they are sent by a duly authorised representative of the Party serving the notice. No specific code shall be required. In the event notices are personally delivered, they shall be effective from the time they are delivered, if made by fax, from the receipt of transmission confirmation, if made by overnight courier, two (2) days thereafter, and if made by e-mail or other electronic means, from the time they are delivered.

Communications of a general nature related to this Agreement that the Obligors are required to make shall be served through Cableuropa to the authorised agents or Trustees for each kind of Creditor. Likewise, communications of a general nature related to this Agreement to be made to the Obligors shall be sent to Cableuropa.

For the avoidance of doubt, notices or other communications to or from a Trustee shall be made in English and shall be made by mail, fax or personal delivery and shall be effective upon actual receipt by a Responsible Officer (as defined below).

14.2 Addresses

The Parties have designated the following addresses for the receipt of notices:

If addressed to the Security Agent or the Senior Lenders:

Banco Español de Crédito, S.A.

Address: C/ Gran Vía de Hortaleza nº3, 28043-Madrid

If addressed to the Intercreditor Agent or the Creditors:

Banco Español de Crédito, S.A.

Address: C/ Gran Vía de Hortaleza nº3, 28043-Madrid

If addressed to the Obligors:

Cableuropa, S.A.U.

Address: c/ Basauri 7 and 9. La Florida. Aravaca. 28023 Madrid.

If addressed to the Permitted Hedge Entities:

Deutsche Bank, AG

Address: Winchester House, 1 Great Winchester Street, London EC2N 2DB

ABN AMRO Bank NV

Address: C/ José Ortega y Gasset, 29, 28006-Madrid.

Caixa d´Estalvis de Catalunya

Address: Plaza de Antonio Maura 6, 08003-Barcelona

Banco de Sabadell, S.A.

Address: Plaza Catalunya 1, 08201-Sabadell

Banco Santander Central Hispano, S.A.

Address: Ciudad Grupo Santander, Avda de Cantabria s/n, Edificio 1 Oeste (Amazonia), 2ª planta, 28660 Boadilla del Monte, Madrid

Société Générale, S.A.

Address: Société Générale Paris OPER/DEFI/FIN/PLS 17, Cours Valmy 92972, PARIS LA DEFENSE CEDEX France

Banco Español de Crédito, S.A.

Address: C/ Gran Vía de Hortaleza nº3, 28043-Madrid

Coöperative Centrale Raifeeisen-Boerenleenbank B.A. Sucursal en España

Address: C/ Padilla, 30 28006 Madrid

If addressed to the Subordinated High-Yield Bridge Lenders:

Fortis Bank S.A. / N.V.

Address: Camomile Court, 23 Camomile St, Londres EC3A 7PP

If addressed to the Subordinated Lenders:

Fortis Bank S.A. / N.V.

Address: Camomile Court, 23 Camomile St, Londres EC3A 7PP

If addressed to the Participative Lender

Address: C/ Los Madrazo, 38 - 2º

14.3 Change of address

No change in the addresses mentioned above shall be effective unless the Parties have received notice of that change at least five (5) days before the change. Such notice shall include complete information as to the new address for notices. In the event of an accession or an assignment, the address of the acceding party or the assignee shall be the address communicated to the Intercreditor Agent in the related Accession Deed or transfer certificate.

15. MISCELLANEOUS

15.1 Modifications and waivers

15.1.1 Subject to Clause 15.1.5, any modifications to this Agreement whatsoever shall be made by means of an amendment agreement duly signed by the representatives of each one of the Creditors and the Obligors hereto in order to become effective, unless otherwise stated herein. The consent of the Obligors to any proposed amendment made by the Creditors shall not be unreasonably withheld or delayed.

15.1.2 Any waiver to the obligations of the Parties under this Agreement shall require the prior written consent of the representatives of the Creditors.

15.1.3 Without prejudice to the above, each Creditor agrees that to the extent that an amendment to this Agreement or waiver of any obligation contemplated herein only affects the rights and obligations of one Creditor or class of Creditors and could not be reasonably expected to be adverse to the interests of the other Creditors or a class of Creditors, only the Creditor or class of Creditors affected by such amendment need to agree to the amendments.

15.1.4 Notwithstanding anything to the contrary in this Agreement, any amendment or waiver to this Agreement which is prejudicial to the rights and obligations of any Trustee in its personal capacity as such may not be effected without its prior written consent.

15.1.5 Notwithstanding the above, in no event will the consent of the Obligors be required for the termination of this Agreement provided that (i) such termination has been agreed by all of the Creditors; and (ii) the Senior Agent, the Subordinated Agent, the Subordinated Bridge Agent, any Trustee and any agent representing the lenders of any Future Subordinated Facilities having acceded to this Agreement have confirmed to the Obligors in writing that the termination of this Agreement, or the absence of an intercreditor agreement, will not trigger a default nor an increase of margin under their respective Financing Agreements.

15.2 Term

This Agreement shall remain in full force and effect until such date as each and every payment obligation assumed by the Obligors under the Senior Debt and the Subordinated Debt have been completely fulfilled and any amounts due and payable to any Creditor hereto have been fully satisfied and discharged or such earlier date on which all the Creditors jointly agree the termination hereof in accordance with Clause 15.1.5 above.

15.3 Waivers

Should a right or recourse contemplated herein not be exercised or should it be exercised at a later date, this fact shall not be construed as a waiver of such right or recourse nor as a waiver of any other rights or recourses whatsoever. Furthermore, the individual or partial exercise of a right or recourse herein shall not prevent the ultimate exercise of said right or recourse or of any other right or recourse.

15.4 Partial Invalidity

The invalidity, nullity or voidability of any Clause set forth herein shall not affect the enforceability of the remaining Clauses. By the same token, the Parties intend to substitute any invalid, null or void term or provision for another valid and enforceable one under terms as close as possible to those contained in the invalid, null or void provision concerned.

15.5 Language

This Agreement shall be executed in English and in Spanish. The Parties hereby agree that the execution of the Spanish language version of this Agreement shall occur within 14 days from the date hereof. It is expressly agreed that:

(i) both versions shall have the same effect, notwithstanding the fact that, in respect of any proceedings before a Spanish tribunal or court, the Spanish version will prevail; and

(ii) the execution of the Spanish version of this Agreement by the Security Agent (on behalf of the Senior Creditors), the Subordinated Bridge Agent (on behalf of the Subordinated High-Yield Bridge Lenders), the Subordinated Agent (on behalf of the Subordinated Lenders), the Participative Lender, the Intercreditor Agent and Cableuropa (on behalf of the Obligors) each of which is hereby expressly authorised by their respective represented parties to execute the Spanish version of this Agreement on their behalf, shall be a valid execution of the Spanish version of this Agreement.

15.6 Third Party Rights

This Agreement shall solely be binding and enforceable upon the Parties hereto and their individual assignees, pursuant to Clause 11 above. No third parties whatsoever (including the Holding Companies, the Permitted Shareholders, the Group's companies or any other creditors of the same, including any Creditors which have not acceded to this Agreement) shall be entitled to claim any rights or file any complaints before the Parties hereto under any of the provisions contemplated herein. Nor shall those individuals be able to allege the provisions set out herein to delay or cease to fulfil the obligations arising from the Financing Agreements and the Security Interests. Moreover, this Agreement may be rescinded or altered by the Parties without the consent of any such third party, pursuant to the provisions of this Agreement.

15.7 Prevailing agreement

The Parties agree, in respect of the obligations of the Obligors vis-à-vis the Senior Lenders only, that in the event of a conflict between the Senior Facilities Agreement and this Agreement, the provisions of the Senior Facilities Agreement shall prevail. For the avoidance of doubt, this paragraph shall not restrict the ability of the Obligors to make payments to the Subordinated Creditors not prohibited by this Agreement.

16. INFORMATION AND COOPERATION

16.1 Defaults

Each agent acting for each group of Creditors will notify each other agent promptly upon becoming aware of the occurrence of any default under the Financing Agreements.

16.2 Waiver of defaults

Upon the waiver or remedy of a default in accordance with the Financing Agreements, the agent under the relevant Financing Agreement will promptly notify the others in writing of that waiver or remedy.

16.3 Consultation

The agents and/or trustees for each group of Creditors, the Intercreditor Agent and the Security Agent shall, so far as practicable in the circumstances, consult each other:

(a) before taking any formal steps to exercise any remedy against any Obligor or take other Enforcement Action; and

(b) generally with regard to significant matters affecting the rights of the Creditors as regulated by this Agreement;

provided that nothing in this clause 16.3 or elsewhere in this Agreement will invalidate or otherwise affect any action or step taken without any such consultation.

17. HIGH-YIELD NOTES TRUSTEE PROTECTIONS

17.1 Capacity of each Trustee

Each Trustee which accedes to this Agreement executes the Accession Deed not in its individual or personal capacity but solely in its capacity as Trustee in the exercise of the powers and authority conferred and vested in it under the

relevant indenture for and on behalf of the relevant High-Yield Notes note holders for which it acts as Trustee. It will exercise its powers and authority under this Agreement in the manner provided for in the relevant indenture. Prior to taking any action under this Agreement instructed to be taken in accordance with the relevant indenture, each Trustee may (if acting reasonably) request and rely upon an opinion of counsel or opinion of another qualified expert, at the expense of Cableuropa.

17.2 Liability of each Trustee

In no case shall any Trustee be (i) personally responsible or accountable in damages or otherwise to any other party for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Trustee in good faith in accordance with this Agreement or the relevant indenture in a manner that any such Trustee (acting reasonably) believed to be within the scope of the authority conferred on it by this Agreement or the relevant indentures or by law (other than for its own gross negligence or wilful misconduct); or (ii) personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of any other party, all such liability, if any, being expressly waived by the parties and any person claiming by, through or under such party. Any Trustee (or any successor trustee) shall, however, be liable under this Agreement for its own gross negligence or wilful misconduct and for breach of its covenants or obligations contained herein. No Trustee shall have any responsibility for the actions of any individual noteholder.

With respect to the Creditors, each Trustee undertakes to perform or to observe only such of its covenants or obligations as are specifically set forth in the High-Yield Notes documents pursuant to which it acts as trustee or this Agreement and the parties acknowledge and agree that no implied agreement, covenants or obligations on the part of the relevant Trustee shall be read into this Agreement.

17.3 Senior Creditors and Trustee

Provided it complies with its obligations in this Agreement, no Trustee is required to have any regard to the interests of the Senior Creditors or the Permitted Hedging Entities.

17.4 Reliance and information

Each Trustee shall at all times be entitled to, and may rely on, any notice, consent or certificate purported to be given or granted by the Security Agent or Intercreditor Agent pursuant to this Agreement without being under any obligation to enquire or otherwise determine whether any such notice, consent or certificate has in fact been given or granted by the Security Agent or Intercreditor Agent.

In acting under and in accordance with this Agreement each Trustee is entitled to seek instructions from the High-Yield Notes note holders at any time, and where it so acts on the instructions of the requisite percentage of the High-Yield Notes note holders (to the extent required by the indenture), the relevant Trustee shall not incur any liability to any person for so acting.

Each Trustee may rely and shall be fully protected in acting or refraining from acting upon any notice or other document reasonably believed by it to be genuine and correct and to have been signed by, or with the authority of, the proper person.

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Financing Agreement, each Creditor confirms that it has not relied exclusively on any information provided to it by the relevant Trustee in connection with any Financing Agreement. The relevant Trustee is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another party.

Each Trustee is entitled to assume that:

(a) any payment or other distribution made in respect of the High-Yield Notes Debt has been made in accordance with the provisions of this Agreement;

(b) no default or event of default (however described) has occurred; and

(c) neither the Senior Debt Discharge Date nor the Senior Facilities Discharge Date has occurred,

unless it has actual notice to the contrary. No Trustee is obliged to monitor or enquire whether any default or event of default has occurred.

17.5 Other parties not affected

This Clause 17 is intended to afford protection to each Trustee only and no provision of this Clause 17 shall alter or change the rights and obligations as between the other parties in respect of each other.

17.6 Turnover obligation

Notwithstanding any provision in this Agreement to the contrary, each Trustee shall only have an obligation to turn over or repay amounts received or recovered under this Agreement by it (i) if it has actual knowledge that the receipt or recovery is an amount received in breach of a provision of this Agreement (a "**Turnover Receipt**") and (ii) to the extent that, prior to receiving that knowledge, it has not distributed the amount of the Turnover Receipt to the relevant High-Yield Notes note holders in accordance with the provisions of the relevant indenture.

References to **actual knowledge** of the a Trustee shall be construed to mean that that Trustee shall not be charged with knowledge (actual or otherwise) of the existence of facts that would impose an obligation on it to make any payment or prohibit it from making any payment unless a Responsible Officer of that Trustee has received two Business Days' prior written notice from the Senior Agent, Security Agent or Intercreditor Agent (as applicable) that such payments are required or prohibited by this Agreement. For the purposes of this Agreement, delivery of the notice will be effective only when actually received by a Responsible Officer and then only if it is expressly marked for the attention of a Responsible Officer.

A **Responsible Officer** in this Agreement means any person who is an officer within the corporate trust and agency department of the relevant Trustee, including any vice president, assistant vice president, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by these officers.

17.7 No Action

A Trustee shall not have any obligation to take any action under this Agreement unless it is indemnified and/or secured to its satisfaction in respect of all costs, expenses and liabilities which it would in its opinion thereby incur. A Trustee is not required to indemnify any other person, whether or not a Party, in respect of any of the transactions contemplated by this Agreement.

17.8 Departmentalisation

In acting as a Trustee, the relevant Trustee shall be treated as acting through its agency division which shall be treated as a separate entity from its other divisions and departments. Any information received or acquired by that Trustee which is received or acquired by some other division or department or otherwise than in its capacity as the Trustee may be treated as confidential by that Trustee and will not be treated as information possessed by that Trustee in its capacity as such.

17.9 Provisions survive termination

The provisions of this Clause 17 shall survive any termination of this Agreement.

18. OPTION TO PURCHASE

18.1 Purchase Option

Following the occurrence of an Early Termination Event (as defined in the Senior Facilities Agreement), at any time after (i) the Senior Agent has declared the Senior Facilities Agreement to be due and payable and has demanded the early repayment of all amounts then owing by the Obligors thereunder pursuant to clause 16.1 of the Senior Facilities Agreement, and (ii) the Senior Lenders have instigated any formal steps to enforce any guarantees and Security Interests, the Subordinated Bridge Agent, the Subordinated Agent, any Trustee and any lender under any Future Subordinated Facility may (without any obligation to do so), on giving not less than ten (10) Business Days' notice to the Senior Agent, at the expense of the relevant Subordinated Creditors (but subject to first having obtained all necessary approvals from the Subordinated Creditors) purchase or procure the purchase by a person nominated by such Subordinated Creditors of all (but not part only) of the rights and obligations of the Senior Creditors under the Senior Facilities Agreement and the Permitted Hedge Agreements in relation to the Senior Debt by way of transfers in accordance with the terms of such agreements.

18.2 Terms of Purchase

Any such purchase shall take effect on the following terms:

(a) payment in full in cash of an amount equal to the Senior Debt outstanding under the Senior Facilities Agreement and the Permitted Hedge Agreements as at the date that amount is to be paid;

(b) payment in full in cash of the amount which each Senior Creditor certifies to be necessary to compensate it for any loss on account of funds borrowed, contracted for or utilised to fund any amount included in the Senior Debt resulting from the receipt of that payment otherwise than on the last day of an interest period in relation thereto;

(c) after the transfer, no Senior Creditor will be under any actual or contingent liability to any Obligor or any other person under this Agreement, the Senior Facilities Agreement or the Permitted Hedge Agreements in relation to any Senior Debt for which it is not holding cash collateral in an amount and established on terms reasonably satisfactory to it;

(d) an indemnity is provided from each Subordinated Creditor (other than the Trustee), or from another third party acceptable to all Senior Creditors, in a form satisfactory to each Senior Creditor in respect of all losses which may be sustained or incurred by any Senior Creditor in consequence of any sum received or recovered by any Senior Creditor from any Obligor or any Subordinated Creditor or other person being required (or it being alleged that it is required) to be paid back by or clawed back from any Senior Creditor for any reason whatsoever, provided that where it is demonstrated to the reasonable satisfaction of the Security Agent that those losses could not have been recovered in full by the relevant Senior Creditor under the Senior Facilities Agreement or the Permitted Hedge Agreement, as may be applicable, that transfer had not been made, that indemnity shall not extend to the shortfall; and

(e) the relevant transfer shall be without recourse to, or warranty from, the Senior Creditors, except that each Senior Creditor shall be deemed to have warranted on the date of that transfer that:

(i) it is the owner, free from all Security Interests and third party interests (other than any arising by operation of law) of all rights and interests under the Senior Facilities Agreement or the Permitted Hedge Agreements purporting to be transferred by it by that transfer;

(ii) it has the corporate power to effect that transfer; and

(iii) it has taken all necessary action to authorise the making by it of that transfer.

19. COUNTERPARTS

This Agreement shall be executed in seven (7) counterparts, all of which shall constitute one and the same instrument. The Security Agent (on behalf of the Senior Creditors), the Intercreditor Agent, the Subordinated Bridge Agent (on behalf of the Subordinated High-Yield Bridge Lenders), the Subordinated Agent (on behalf of the Subordinated Lenders), the Participative Lender, Deutsche Bank AG and Cableuropa (on behalf of the Obligors) shall hold one executed counterpart, and any party hereto may request its respective representative to provide, and its respective representative shall provide, the relevant requesting party with a certified copy of the executed version of this Agreement.

20. APPLICABLE LAW AND JURISDICTION

20.1 Applicable Law

This Agreement shall be governed by Spanish law.

20.2 Jurisdiction

The Parties hereto irrevocably agree to subject themselves to the Courts and Tribunals of the city of Madrid in order to settle any disputes arising from the construction, validity or fulfilment of this Agreement, expressly waiving the right to their own jurisdiction.

Cableuropa, S.A.U.
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Deutsche Bank, AG
P.p.

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ABN Amro Bank NV
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Caixa d'Estalvis de Catalunya
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Banco de Sabadell, S.A.
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Banco Santander Central Hispano, S.A.
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Societé Generale, S.A.
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Banco Español de Crédito, S.A.
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WestLB AG, London Branch
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Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Sucursal en España
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ABN AMRO BANK, N.V. Sucursal en España
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Caja de Ahorros de Valencia, Castellón y Alicante
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Bank of Scotland, Sucursal en España
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Caja de Ahorros del Mediterráneo
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Caja de Ahorros de Castilla la Mancha
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Caja Insular de Ahorros de Canarias
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Caja de Ahorros de Murcia
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Caja de Ahorros Provincial San Fernando de Sevilla y Jerez
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Calyon, Sucursal en España
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Fortis Bank, S.A./N.V. UK Branch
P.p.

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Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja
P.p.

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Instituto de Crédito Oficial
P.p.

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The Royal Bank of Scotland, plc
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Montes de Piedad y Cajas de Ahorro de Ronda, Cádiz, Almería, Málaga y Antequera
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FOND-ICO, FONDO DE CAPITAL RIESGO
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Caja General de Ahorros de Granada
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Caja España de Inversiones, Caja de Ahorros y Monte de Piedad
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JP Morgan Chase Bank N.A., Sucursal en España
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Banco de Valencia, S.A.
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Calyon
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SCHEDULE 1

Form of accession clause in the transfer certificate

The Assignor and the Assignee refer to an intercreditor agreement (including any subsequent modifications, amendments and additions thereto, hereinafter the **"Intercreditor Agreement"**), which was executed on October [ ], 2005, whereby certain creditors of Cableuropa, S.A.U. defined therein as the Senior Lenders, the Permitted Hedge Entities, the Subordinated Lenders, the Subordinated High-Yield Bridge Lenders, the Trustee and the creditors under any Future Subordinated Facilities and Future High-Yield Notes have agreed the terms under which their relationship as creditors of Cableuropa, S.A.U. and the other companies of the ONO group and the exercise of their credit rights vis-à-vis such companies shall be governed.

The Assignee hereby declares that it is aware of the existence and content of the Intercreditor Agreement, because it has examined a copy of it. The Assignee also declares that by means of the execution of this [ ][1], it unconditionally and irrevocably accepts the terms and conditions of the Intercreditor Agreement and undertakes to comply with every obligation arising under such Intercreditor Agreement. [The Assignee hereby also accepts the security interests created in its favour by virtue of the Security Interests.][2]

[1] Insert name of the transfer certificate.

[2] If applicable.

SCHEDULE 2

Form of Accession Deed

To: [ ] as Intercreditor Agent

From: [New Obligor/Permitted Hedge Entity/Subordinated Creditor].

Dated:

Dear Sirs

Intercreditor Agreement
dated [●] October 2005 (the "Intercreditor Agreement")

1. We refer to the Intercreditor Agreement. This is an Accession Deed. Terms defined in the Intercreditor Agreement have the same meaning in this Accession Deed unless given a different meaning in this Accession Deed.

2. [*New Obligor/Permitted Hedge Entity/Subordinated Creditor*] agrees to be bound by the terms of the Intercreditor Agreement as a[n] [*Obligor/Permitted Hedge Entity/Subordinated Creditor*].

3. [*New Obligor/Permitted Hedge Entity/Subordinated Creditor*] is a company duly incorporated under the law of [*name of relevant jurisdiction*].

4. [*New Obligor/Permitted Hedge Entity/Subordinated Creditor*] administrative details are as follows:

   Address: [●]

   Attention: [●]

   Fax: [●]

   E-mail: [●]

6. This Accession Deed is governed by Spanish law.

   [New Obligor/Permitted Hedge Entity/Subordinated Creditor]

By:

This Accession Deed is accepted by the Intercreditor Agent.

[ ]

By: Date:

REGISTERED OFFICE OF ONO FINANCE II

Block C, Second Floor
Maynooth Business Campus
Maynooth, Co. Kildare
Ireland

REGISTERED OFFICE OF ONOMIDCO

Edificio Belagua
Calle Basauri 7-9
Urbanización la Florida
28023 Aravaca
Madrid

TRUSTEE, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon
One Canada Square
London E14 5AL

U.S. PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon
101 Barclay Street
New York, NY 10286

LEGAL ADVISORS

To ONO Finance II, ONOMidco and Cableuropa as to United States Law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

To the Initial Purchasers as to United States Law
Cravath, Swaine & Moore LLP
One Ropemaker Street
London EC2Y 9HR

To ONO Finance II, ONOMidco and Cableuropa as to Spanish Law
Clifford Chance, S.L.
Paseo de la Castellana 110
28046 Madrid

To the Initial Purchasers as to Spanish Law
Uría Menéndez, Abogados, S.L.P.
Príncipe de Vergara, 187
28002 Madrid

To ONO Finance II, ONOMidco and Cableuropa as to Irish Law
A & L Goodbody
International Financial Services Centre
North Wall Quay
Dublin 1

To the Trustee
White & Case LLP
5 Old Broad Street
London EC2N 1DW

AUDITORS OF THE ONO GROUP

PricewaterhouseCoopers Auditores, S.L.
Paseo de la Castellana 43
28046 Madrid

AUDITORS OF ONO FINANCE II

PricewaterhouseCoopers
One Spencer Dock, North Wall Quay
Dublin 1

LISTING AGENT, LUXEMBOURG PAYING AND TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon (Luxembourg), S.A.
Vertigo Building
Polaris - 2-4 rue Eugene Ruppert
L-2453 Luxembourg

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this offering memorandum. You must not rely on unauthorized information or representations.

This offering memorandum does not offer to sell or ask for offers to buy any Notes in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes.

The information in this offering memorandum is current only as of the date on its cover, and may change after that date. For any time after the date of this offering memorandum we do not represent that our affairs are the same as described or that the information is this offering memorandum is correct, nor do we imply those things by delivering this offering memorandum or selling Notes to you.

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OFFERING MEMORANDUM

ONO Finance II plc

€460,575,000 equivalent Senior Notes due 2019

€295,000,000 11.125% Senior Notes due 2019
$225,000,000 10.875% Senior Notes due 2019

Guaranteed on a senior basis by ONO Midco, S.A.U. and on a senior subordinated basis by Cableuropa, S.A.U.

Joint Global Coordinators and Book-Running Managers

Deutsche Bank **BofA Merrill Lynch**

Joint Book-Running Managers

BNP PARIBAS **Crédit Agricole CIB** **Credit Suisse** **J.P. Morgan**

Lead Managers

ING **Santander** **Société Générale**

Co-Managers

HSBC **Natixis**

February 2, 2011

€295,000,000 11.125% Senior Notes due 2019
$225,000,000 10.875% Senior Notes due 2019