



## SECOND QUARTER 2000 RESULTS

SIXTH CONSECUTIVE QUARTER OF INCREASED PENETRATION

RESIDENTIAL REVENUE GENERATING UNITS EXCEED 160,000

STRONG COST CONTROL DESPITE RAPID OPERATIONAL GROWTH

Madrid – August 25, 2000

ONO/Cableuropa, ([www.ono.es](http://www.ono.es)) Spain's leading broadband service provider, today announced its un-audited operating and financial results for the second quarter of the fiscal year ending June 30, 2000. Highlights are as follows:

### Financial Highlights

Euro in thousands	<u>June 30</u>	<u>March 31</u>	<u>% change</u>
Revenues	10,366	7,487	38%
Adjusted EBITDA <sup>1</sup>	(9,596)	(9,511)	1%
Cumulative capital expenditure	527,564	389,671	29%

- Euro 400 million in cash and available facilities on hand

### Residential Services

	<u>June 30</u>	<u>March 31</u>	<u>% change</u>
Customers	93,579	66,918	40%
Avge. monthly revenue per customer	Eur 41.1	Eur 43.7	-6%
Telecommunications customers	82,680	57,700	43%
Television customers	75,826	53,389	42%
Broadband internet customers	4,146	1,212	242%
Telecommunications penetration	21.9%	21.0%	0.9%
Television penetration	19.9%	18.1%	1.8%

<sup>1</sup> Adjusted EBITDA excludes euro 12.7 m in compensation expenses related to the Group's stock option plan and to the issuance of Equity Value Certificates in connection with the Group's Senior Notes offering in May 1999 and excludes the amortisation of soccer rights of euro 1.5m.

## Business Services

	<u>June 30</u>	<u>March 31</u>	<u>% change</u>
Direct access customers contracted	1,776	990	79%
Direct access customers in service	1,205	699	72%
Avg. monthly revenue per customer	Eur 173	Eur 301	-43%

## Infrastructure

	<u>June 30</u>	<u>March 31</u>	<u>% change</u>
Cities under construction	28	22	27%
Cities in service	21	16	31%
Television homes passed	598,485	473,493	26%
Telephone homes passed	593,286	454,688	30%
Local networks (route km)	2,209	1,685	31%

Commenting on the Group's continued impressive performance, Eugenio Galdón, ONO's President said: "ONO is moving faster and accomplishing more in shorter amounts of time than any other company in the Spanish telecommunications market."

"Our operating results confirm again the rapid growth of our business. We continue to beat our ambitious targets and we are understandably proud of these achievements. At the same time we continue to emphasise the broader development of our business. With this in mind we announced in June the launch of Spain's first, true flat rate narrow-band Internet access product to complement our existing market leading broadband service. In early July we announced the expansion of our business services to Madrid and other key cities outside our franchise areas. We have a powerful network and we believe that we are uniquely positioned in the Spanish market to leverage this."

Richard Alden, ONO's Chief Executive Officer, added:

"We have reached a number of major milestones in the development of this exciting business. We have approximately 100,000 residential customers and over 160,000 revenue generating units connected. Our local networks comprise over 2,200 route km, all of which is built, owned and operated by ourselves and passes almost 600,000 homes. Our penetration in cable and telephone services continues to exceed our expectations, rising again for the sixth consecutive quarter on both fronts, and I am particularly pleased with the growth in the number of broadband internet subscribers".

"We ended the quarter with over 1,700 direct access business customers contracted. This is a significant growth in the quarter, and evidence that our business proposition has strong support in Spain. I am confident that ONO will be able to replicate this success on a national basis as the deployment of our business services continues outside our franchises."

Michael Vorstman, ONO's Chief Financial Officer, commented:

"As to our financial results, we are pleased to report another quarter of significant gross margin improvement, rising to 31% in the second quarter versus 13% in the previous quarter. EBITDA losses remained in line with those of the first quarter despite the continued expansion of the business."

"In June we issued euro 200 million of high yield bonds which brings our available funding to euro 400 million and positions us well for the continued rapid expansion of business."

## Financial results for the second quarter of fiscal 2000

**Total revenues.** Total revenues for the second quarter of fiscal 2000 increased to euro 10.4m compared to revenues of euro 7.5m for the first quarter of fiscal 2000 representing an increase of 38%. The number of direct access residential and business customers increased by 40% and 72% respectively. Broadband Internet customers rose by 242%.

**Residential services.** Residential telecommunications revenues were euro 6.5m for the second quarter of fiscal 2000, an increase of euro 1.6m, or 32%, over the preceding quarter. The net increase reflects increased customer numbers and a small (2%) decrease in the average monthly revenue per customer to euro 30.4 for the quarter vs. euro 31.0 in the previous quarter. Telecommunications penetration increased for the sixth successive quarter to 21.9%, an increase of 0.9 percentage points.

Cable television revenues in the quarter were euro 3.0m, up 55% from the first quarter of 2000. The increase in revenues is the result of the increase in the number of customers during the quarter. Average monthly revenue per customer remained unchanged at euro 15.8. Cable television penetration also increased for the sixth successive quarter to 19.9% an increase of 1.8 percentage points.

Internet access - in the latter part of the quarter we extended our broadband Internet access service to all our franchise areas. Customers increased to 4,146, up 242% from March 31, 2000. In June we launched Spain's first unlimited flat rate narrow-band Internet access service in the city of Valencia. The service is also now available in Alicante and Castellón and we intend to expand the service to all franchise areas by the end of the third quarter.

**Business services.** At the end of the second quarter we had contracted for direct access telecommunications services service with 1,776 business customers, of which 1,205 customers were installed and in service, up 79% from the previous quarter.

In the first quarter of 2000 we reported certain exceptional business revenues associated with a particular business customer. After excluding the one off effect of such revenues average monthly revenues per business customer were at euro 173 compared with approximately euro 180 in the previous quarter.

**Cost of services** consists of interconnection costs for telecommunications services and programming fees for cable television services. Gross margin generated in the quarter was euro 3.2m, an improvement of euro 2.2m with respect to the previous quarter. As a percentage of revenues, gross margin rose by 18 percentage points from 13% in the first quarter of fiscal 2000 to 31% in the second quarter.

**Selling, customer service, general and administrative expenses** amounted to euro 12.8m over the quarter compared to euro 10.9m in the first quarter of the year, an increase of 22%. The increase is in line with the growth of our business and the promotion of our services. As a percentage of revenues, expenses decreased from 140% in the first quarter of 2000 to 123% in the second quarter.

**Adjusted EBITDA losses** amounted to euro 9.6m in the quarter, down euro 0.1 million with respect to the previous quarter.

**Soccer broadcast rights.** In September 1999 we signed a four year agreement for the right to broadcast first and second division soccer matches on a pay-per-view basis. Under the terms of this agreement we agreed to

pay euro 18.0m which is being amortised over the life of the contract in line with the number of games that are broadcast in each period.

**Stock option and EVC provisions.** In 1999 we issued stock options to certain senior executives and also issued Equity Value Certificates ("EVCs") to our bondholders in conjunction with the issuance of our Senior Notes due 2009. The EVCs entitle the holder to a cash payment equal to a predetermined percentage of the value of the ONO Group at a certain future point in time (most probably an initial public offering of shares). We recognised a charge in respect of these items in the second quarter of 2000, amounting to euro 12.7m.

**Depreciation and amortisation expense** was euro 7.1m for the second quarter of fiscal 2000, an increase of euro 1.9m over depreciation and amortisation expense of euro 5.2m for the first quarter of 2000. This increase is proportional to the increased capital expenditures for the continuing construction of the Group's telecommunications networks.

**Net interest expense.** Net interest expense for the second quarter of 2000 was euro 14.7m, up euro 2.1 million from the previous quarter, mainly due to lower interest income.

**Unrealised foreign exchange losses.** A proportion of the Group's debt and a proportion of our cash balance are denominated in US Dollars. In May 2000 we entered into a cross currency swap to hedge our exposure to exchange rate differences on our US Dollar denominated debt. Until this date we continued to recognise losses as the euro depreciated against the dollar.

**Tax credits.** During the second quarter we reversed the provisions for tax credits which that were recorded in the preceding quarter. This was carried out to align the presentation our results with those generally used in other countries and to reduce the number of adjustments between Spanish and US GAAP.

**Net loss** for the quarter amounted to euro 54.4m as compared with euro 23.0m for the first quarter of 2000. Excluding the tax credit adjustment described above, the net loss for the period increased to euro 35.2 million, principally due to the increased exchange losses described above.

#### **Financial needs and resources.**

We ended the quarter with euro 400m of cash and available facilities on hand. In July we signed a Euro 60 million facility for the financing of sales tax receivables corresponding to fiscal year 2000 and under which euro 27 million can be drawn as of today.

ONO is the largest broadband service provider on the Iberian Peninsula, offering integrated telecommunications, television and broadband internet services to businesses and residential customers in franchises serving 4.0 million homes and 0.3 million businesses. It also holds a license to provide cable television service to 0.8 million homes and 0.1 million businesses in Portugal, principally in the cities of Lisbon and Porto. In addition, ONO holds telecommunications licences for the provinces of Madrid and Seville, with a combined addressable market of an additional 0.5 million businesses. Through ONOLab, ONO is developing broadband internet access and broadband content which is expected to significantly enhance its service offering and generate powerful e-commerce opportunities. ONO is managed by Callahan Associates International and its shareholders include BSCH, GE Capital, Bank of America, Caisse de dépôt et placement du Québec, Grupo Ferrovial and Multitel.

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*Certain statements in this release are forward looking statements that are subject to material risks and uncertainties. Actual results could differ materially from those stated or implied by those forward looking statements due to risks and uncertainties associated with its businesses, which include among others, competitive developments, risks associated with the Company's growth, the development of the Company's markets, regulatory risks, dependence on its major customers and their spending patterns and other risks which will be presented in the Company's filings with the Securities and Exchange Commission, including its annual report on Form 20-F.*

**(Tables Follow)**

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## OPERATING STATISTICS

	<i>At quarter end:</i>			
	June 30 2000	March 31 2000	December 31 1999	September 30 1999
<b>Residential services</b>				
Customers	93,579	66,918	40,306	20,180
Monthly revenue per customer (euro)	41.1	43.7	41.3	40.2
Telecommunications:				
Customers	82,680	57,700	33,278	14,827
Penetration	21.9%	21.0%	18.2%	16.4%
Monthly revenue per customer (euro) <sup>1</sup>	30.4	31.0	29.5	34.3
Television:				
Customers	75,826	53,389	30,237	13,799
Penetration	19.9%	18.1%	15.3%	13.0%
Monthly revenue per customer (euro) <sup>1</sup>	15.8	15.8	16.4	20.6
Broadband internet:				
Customers	4,146	1,212	303	n/a
<b>Business services</b>				
Customers contracted	1,776	990	478	145
Customers in service	1,205	699	333	97
Monthly revenue per customer (euro) <sup>1</sup>	173.0	301.1	123.9	130.7
<b>Infrastructure</b>				
Number of cities under construction	28	22	20	14
Number of cities with service	21	16	11	10
Route Km of national backbone	3,000	3,000	3,000	3,000
Route Km of local networks built, owned & operational	2,209	1,685	1,242	731
Operational switches	13	13	11	11
Operational headends	11	9	9	9
Homes passed for television service	598,485	473,493	364,803	212,176
Homes passed for telecommunications service	593,286	454,688	326,111	181,810

<sup>1</sup>...Where weighted averages are materially different from simple averages the lower figure has been presented.

CABLEEUROPA SA and subsidiaries

UNAUDITED STATEMENTS OF OPERATIONS  
(Spanish GAAP - euro in thousands)

	<u>Quarter Ended</u>	
	<u>June 30,</u>	<u>March 31,</u>
	<u>2000</u>	<u>2000</u>
<b>REVENUES</b>	10,366	7,487
Residential telecommunications	6,466	4,914
Cable television	3,059	1,979
Business services	473	466
Broadband Internet	368	128
	<hr/>	<hr/>
Cost of services	(7,168)	(6,494)
	<hr/>	<hr/>
Gross profit	3,198	993
General operating expenses	(12,794)	(10,504)
	<hr/>	<hr/>
<b>EBITDA</b>	(9,596)	(9,511)
Amortization of soccer rights	(1,502)	(1,503)
Amortization of EVCs and stock options	(12,713)	(10,920)
Depreciation and amortisation	(7,074)	(5,246)
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<b>LOSS FROM OPERATIONS</b>	(30,885)	(27,180)
Interest expense, net	(14,661)	(12,598)
Unrealised foreign exchange losses	(20,690)	(14,274)
Other	(287)	(1,071)
(Decrease)/increase in taxation credits	(19,011)	19,011
Minority interests	31,133	13,076
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<b>Net Loss</b>	<u>(54,401)</u>	<u>(23,036)</u>

**CABLEUROPA SA and subsidiaries**

**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(Spanish GAAP - euro in thousands)

	<u>June 30,</u> <u>2000</u>	<u>March 31,</u> <u>2000</u>
<b>Assets</b>		
Restricted investments	133,883	105,556
Cash and cash equivalents	146,709	65,888
Other current assets	136,727	114,213
Property, plant & equipment	454,990	336,184
Other long term assets	175,310	144,050
Capitalised tax credits	38,979	57,990
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Total assets	1,086,598	823,881
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<b>Liabilities and stockholders equity</b>		
Accounts payable and other short term liabilities	258,785	219,301
Senior Notes due 2009	433,296	417,034
Senior Notes due 2010	200,000	-
Other liabilities <sup>2</sup>	126,927	44,473
	<hr/>	<hr/>
Total liabilities	1,019,008	680,808
Minority interests		
Common stock	132,485	122,804
Shareholder Subordinated Debt	11,198	11,198
Net loss	(76,234)	(45,162)
	<hr/>	<hr/>
	67,449	88,840
Stockholders' Equity		
Common stock and paid in capital	147,409	147,301
Accumulated deficit	(147,268)	( 93,068)
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	141	54,233
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Total liabilities and stockholders equity	1,086,598	823,881
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Invested equity & shareholder subordinated debt	291,092	281,303
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<sup>2</sup>...The amount at June 30 includes euro 72m in respect of advance proceeds from the sale of one of the group's non-core assets, CTC. As of the date of this report, this sale has become unconditional and thus this potential liability has been extinguished.