



SECOND QUARTER 2002 RESULTS

EBITDA POSITIVE

- revenue increases 10% on the previous quarter to Euro 60 million
- 53% increase in broadband internet customers to 75,000
- gross margin up to 63% from 60% in the previous quarter
- significant headcount reductions planned

Madrid – 31 July 2002

ONO, (www.ono.es), Spain's leading broadband service provider, today announced its unaudited operating and financial results for the second quarter of the year ending 30 June 2002. The highlights of the results are as follows:

Financial highlights

	<u>Quarter ended</u> <u>30.06.02</u>	<u>Quarter ended</u> <u>31.03.02</u>	<u>%</u> <u>change</u>	<u>Quarter ended</u> <u>30.06.01</u>
Revenues (Euro million)	60.3	54.7	10%	34.1
Gross margin %	63%	60%	3pp	45%
EBITDA (Euro million)	0.9	(2.5)	136%	(15.9)

Operating highlights

	<u>As at</u> <u>30.06.02</u>	<u>As at</u> <u>31.03.02</u>	<u>%</u> <u>change</u>	<u>As at</u> <u>30.06.01</u>
Residential market				
Customers	408,013	370,819	10%	252,340
Telecommunications	379,802	343,153	11%	229,898
Television	266,034	251,547	6%	177,810
Broadband internet	75,073	49,171	53%	25,664
Narrowband internet	37,490	49,243	(24)%	37,502
Penetration				
Customer	31.6%	30.7%	0.9pp	29.5%
Telecommunications	29.4%	28.4%	1.0pp	26.8%
Television	20.6%	20.9%	(0.3)pp	20.7%
Internet	8.7%	8.2%	0.5pp	7.4%
Avg. monthly revenue per customer -Euro	47.8	47.5	-	45.4
Business market				
Customers	6,571	5,308	24%	3,787
Avg. monthly revenue per customer -Euro	218.0	253.0	(14)%	152.3
Infrastructure				
Homes passed	1,572,463	1,483,706	6%	1,159,875



Commenting on ONO's performance in the second quarter of 2002, **Richard Alden**, ONO's Chief Executive Officer, said:

"I am pleased with the operating progress made this quarter and particularly proud that we have reached positive EBITDA some six months ahead of our original plans, despite a difficult climate of reducing consumer confidence and general economic decline.

Overall our results are positive - we have grown our customer base this quarter by 10% to 408,000 customers and grown revenues by 10% as well to reach an annualised revenue figure of nearly Euro 250 million. Meanwhile we have improved gross margins by a further 3 percentage points to reach 63% and have kept gross operating costs strictly under control so that they show an increase of only 6%.

At the same time we are experiencing a much tougher economic climate in the residential TV and business sectors. However, ONO has consistently shown itself to be capable of taking difficult decisions in difficult times and we will continue to adopt strong measures in order to ensure that our overall profitability continues to grow in line with expectations.

Given the combination of unprecedented uncertainty in the financial markets and the rapid evolution of the company out of its construction phase, we are taking urgent and decisive measures to further intensify our cost reduction policy. As part of this programme we have today taken the painful step of filing for governmental approval to reduce our labour force by up to 450 fixed employees. These, and other measures, will ensure that our cost base for 2003 adequately reflects the reality of the difficult times in which we are living."

About ONO

ONO is one of the leading integrated broadband services providers in Spain. It offers direct access telephony, pay television and internet access services to the residential market where it has a target market of over four million homes in exclusive franchise areas. In the business market, ONO offers advanced voice, data and application services across its own high capacity local access and national backbone networks. ONO's principal shareholders are Bank of America, Caisse de dépôt et placement du Quebec, GE Capital, Grupo Ferrovial, Grupo Multitel, Santander Central Hispano and VAL Telecomunicaciones.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Certain statements in this release are "forward looking statements" intended to qualify for the safe harbor under liability established by the Private Securities Litigation Reform Act of 1995 and 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 the ONO group business, which include among others, competitive developments, risks associated with the group's growth, the development of the group's markets, regulatory risks, dependence on its major customers and their spending patterns and other risks which will be presented in the group's filings with the Securities and Exchange Commission.

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Financial results for the second quarter of 2002

Residential services. Revenues were Euro 60.3 million for the second quarter of 2002 compared to Euro 54.7 million in the first quarter of 2002, a 10% increase. This improvement primarily reflects a 10% increase in customer numbers with a small increase in the average monthly revenue per customer from Euro 47.5 for the first quarter to Euro 47.8 in the second quarter.

In the quarter we passed 89,000 new homes and released 86,000 to marketing. The ratio of homes released to marketing to homes passed improved from 81% in the first quarter of 2002 to 82% in the second quarter, as increasing the efficiency of our investments continues to be an important focus for us.

Revenue for residential telecommunications services rose by 11.6% to Euro 31.4 million, as customer numbers grew by 11% to 380,000 and the average monthly revenue per customer increased from Euro 28.8 in the first quarter of 2002 to Euro 29.0 in the second quarter. Telecommunications penetration increased by 1 percentage point in the second quarter to reach 29.4%, against 28.4% in the previous quarter.

Cable television revenues for the second quarter of 2002 were Euro 14.4 million compared to Euro 14.7 million in the first quarter of the year, a fall of 2%. This fall reflects a lower level of average monthly revenue per customer, which fell from Euro 20.2 to Euro 18.6 primarily due to a lower level of pay-per-view purchases as the football season has now ended. Cable television net adds grew at a disappointing rate in the quarter, partly attributable to the general economic situation, the general confusion in the Spanish pay TV market caused by the failure of Quiero TV and the proposed merger of the satellite platforms and growing levels of piracy in the market in general.

Internet access revenues were Euro 10 million for the second quarter of 2002 compared to first quarter revenues of Euro 7.4 million, an increase of 35%. The number of internet access subscribers at the end of the second quarter of 2002 was 112,563, of which 75,073 (or 66.7%) were broadband and 37,490 were narrowband. The average monthly revenue per broadband customer increased from Euro 37.2 in the first quarter of this year to Euro 39.7, as an increasing number of subscribers bought cable modems from us. In the coming months the ARPU for broadband internet is likely to fall as we expect the number of sales of cable modems resulting from the special offers for the migration from narrowband to broadband customers to reduce. The average monthly revenue per narrowband customer rose from Euro 17.4 to Euro 19.7, as we again increased prices for this service to encourage the migration to broadband. 27.6% of our customer base now takes a paying internet service from us.

Business services. In the second quarter of 2002, we added 1,263 new business customers to end the quarter at 6,571. This customer acquisition rate is significantly higher than in previous quarters due to a renewed focus on business services and a successful restructuring of our sales-force to ensure we make optimal use of our resources. Average monthly revenues per business customer fell from Euro 253 in the first quarter to Euro 218 in the second, mainly due to lower revenues from carrier services.

Cost of services consists of interconnection costs for telecommunications services, programming fees for cable television services and capacity charges for the internet access service. Gross margin generated in the second quarter was Euro 38.0 million. As a percentage of revenues, gross margin rose to 63% from 60%. This increase is due to reduced interconnection costs, as we carry more and more of our own traffic and lower relative programming costs for television as our customer base grows.

General operating expenses amounted to Euro 45.3 million on a gross basis in the second quarter of 2002 compared to Euro 42.5 million in the first quarter, an increase of Euro 2.8 million. This increase, of 6.6%, compares well to the increase in revenues of 10% and reflects the very strong focus within the company to reduce costs. On a net basis the operating costs were Euro 37.2 million for the second quarter; an increase of Euro 2.0 million from Euro 35.2 million in the first quarter.



Net interest expense for the second quarter of 2002 was Euro 39.4 million, slightly lower than the figure of Euro 40.5 million in the previous quarter, as we used the cash received from the shareholder capital increase in the first quarter of 2002 rather than making significant drawings on the senior bank facility.

Unrealised foreign exchange gains / losses. A proportion of our debt, and a proportion of our cash balances, is denominated in US dollars relating to the senior notes due 2009 and 2011. Under Spanish GAAP, unrealised gains can be set off up to the limit of the unrealised losses from the same transaction and thus as a result of the strengthening of the euro during the second quarter of the year we recognised unrealised foreign exchange gains of approximately Euro 14.7 million in the quarter compared to foreign exchange losses of Euro 4.7 million for the previous quarter.

EVC valuation. Given the significant reduction in worldwide valuations for cable assets we have reversed a proportion of the potential liability that could be payable under certain circumstances with respect to the Equity Value Certificates issued with certain of our Senior Notes. This is a one off adjustment that is not expected to be repeated in subsequent quarters and has given rise to extraordinary income of Euro 51 million in our profit and loss account for the quarter.

Investments, financial needs and resources. Investments in fixed and network assets amounted to Euro 49 million for the second quarter of the year 2002, which brings the total cumulative investment in such assets to Euro 1,411 million.

We ended the second quarter of 2002 with approximately Euro 111 million of cash on hand and had drawn Euro 140 million under our Euro 800 million senior bank facility. A further Euro 145 million was undrawn and available under the facility at that time.



OPERATING DATA

	Quarter ended				
	30 June 2002	31 March 2002	31 Dec. 2001	30 Sept. 2001	30 June 2001
Residential services					
Customers	408,013	370,819	333,997	281,240	252,340
Penetration	31.6%	30.7%	30.1%	28.7%	29.5%
ARPU – Euro	47.8	47.5	45.7	42.2	45.4
Telecommunications:					
Customers	379,802	343,153	308,056	258,166	229,898
Penetration	29.4%	28.4%	27.7%	26.4%	26.8%
ARPU - Euro	29.0	28.8	28.4	26.1	29.7
Television:					
Customers	266,034	251,547	232,199	197,450	177,810
Penetration	20.6%	20.9%	20.9%	20.2%	20.7%
ARPU - Euro	18.6	20.2	18.0	17.3	17.4
Internet:					
Narrowband customers	37,490	49,243	48,964	41,871	37,502
ARPU – Euro	19.7	17.4	16.1	16.0	16.0
Broadband customers	75,073	49,171	37,155	29,301	25,664
ARPU - Euro	39.7	37.2	40.1	36.9	36.5
Customer churn (annualised)	12.5%	12.8%	12.9%	13.2%	11.7%
Business services					
Customers in service	6,571	5,308	4,829	4,369	3,787
ARPU - Euro	218	253	278	158	152
Infrastructure					
Number of cities under construction	76	70	67	63	58
Number of cities with service	69	63	60	51	46
Homes passed for service	1,572,463	1,483,706	1,399,514	1,286,460	1,159,875
Route km. of national backbone	6,169	6,139	5,712	5,319	5,000
Route km. of local access networks	5,634	5,314	5,135	4,723	4,407
Homes released / Homes passed	82%	81%	79%	76%	74%



CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Euro thousand) - (Spanish GAAP - unaudited)

	Three months ended	
	June 30, 2002	March 31, 2002
REVENUES		
Residential services		
Telecommunications	31,395	28,124
Television	14,424	14,719
Internet	9,967	7,388
Business services	4,497	4,431
	60,283	54,662
COST OF SERVICES	(22,267)	(21,932)
GROSS PROFIT	38,016	32,730
NET OPERATING EXPENSES		
Gross expenses	(45,330)	(42,540)
Capitalised costs	8,168	7,340
	(37,162)	(35,200)
EBITDA	854	(2,470)
DEPRECIATION & AMORTISATION	(38,487)	(29,329)
OPERATING LOSS	(37,633)	(31,799)
OTHER INCOME / (EXPENSE)		
Interest expense, net	(39,356)	(40,453)
Foreign exchange gains / (losses)	14,709	(4,673)
Adjustment in value of EVCs	51,492	-
	26,845	(45,126)
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(10,788)	(76,925)
Income tax credit	1,166	21,642
Minority interests	192	623
NET LOSS	(9,430)	(54,660)



CONDENSED CONSOLIDATED BALANCE SHEETS
(Euro thousand) - (Spanish GAAP - unaudited)

	As at	
	June 30, 2002	March 31, 2002
ASSETS		
Current assets		
Cash	1,299	1,111
Short-term investments, net	109,701	135,373
Accounts receivable and other current assets	141,080	132,476
	<u>252,080</u>	<u>268,960</u>
Fixed assets		
Start-up costs, net	137,929	141,384
Intangible assets, net	148,540	152,495
Tangible assets, net	1,140,168	1,111,458
Financial assets, net	160,208	212,823
	<u>1,586,845</u>	<u>1,618,160</u>
Goodwill on consolidation	249,616	253,004
Deferred expenses, net	106,351	110,088
TOTAL ASSETS	<u>2,194,892</u>	<u>2,250,212</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt to credit entities	78,359	79,389
Accrued interest expenses	40,993	32,275
Accounts payable and other current liabilities	225,156	238,643
	<u>344,508</u>	<u>350,307</u>
Long term debt		
Senior bank facility	140,000	65,000
Senior subordinated notes	983,798	1,011,972
Other	2,902	4,534
	<u>1,126,700</u>	<u>1,081,506</u>
Other long term liabilities	49,697	135,070
Commitments and contingencies	27,232	26,891
Minority interests	1	254
Participative loan	300,000	300,000
Shareholders' equity		
Common stock	484,663	484,663
Share premium	337,746	337,746
Accumulated deficit, beginning of period	(411,565)	(411,565)
Net loss for the period	(64,090)	(54,660)
Total shareholders' equity	<u>346,754</u>	<u>356,184</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,194,892</u>	<u>2,250,212</u>



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Euro thousand) - (Spanish GAAP - unaudited)

	Three months ended	
	June 30, 2002	March 31, 2002
OPERATING ACTIVITIES		
Net loss	(9,430)	(54,660)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Exchange rate difference in long term debt	(13,546)	1,739
Amortisation of deferred expenses	(457)	7,523
Depreciation and amortisation	36,870	27,726
Commitments and contingencies	341	(234)
Tax credits	(1,166)	(21,642)
Provision for EVC	(51,492)	-
Losses attributed to minority interests	(192)	(623)
Start-up costs	(5,058)	(4,181)
Deferred expenses	3,990	(4,119)
Changes in operating assets and liabilities		
Accounts receivable and other debtors	(9,808)	(2,258)
Short term restricted cash deposits	25,977	(100,145)
Other current assets	(726)	3,435
Accounts payable	(13,026)	(47,679)
Short term debt and other current liabilities	7,227	(398)
Net cash used in operating activities	(30,496)	(195,516)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(49,530)	(59,127)
Goodwill	-	(227)
Purchases of intangible assets	(196)	1,040
Financial assets	747	-
Net cash used in investing activities	(48,979)	(58,314)
FINANCING ACTIVITIES		
Participative loans from shareholders	-	300,000
Drawing / (repayment) of debt & credit lines	73,369	(51,102)
Other, net	4,731	3,012
Net cash provided by financing activities	78,100	251,910
DECREASE IN CASH & CASH EQUIVALENTS	(1,375)	(1,920)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,583	10,503
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,208	8,583
Cash paid for interest	26,404	42,580