



## THIRD QUARTER 2000 RESULTS

### 29% REVENUE GROWTH

### 30% CUSTOMER GROWTH TO 215,000 RGUs

### CONTINUED GROSS MARGIN GROWTH

Madrid – November 16, 2000

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

#### Financial Highlights

euro in thousands	<u>September 30</u>	<u>June 30</u>	<u>% change</u>
Revenues	13,349	10,366	28.8%
Adjusted EBITDA <sup>1</sup>	(14,342)	(9,596)	(49.5%)
Cumulative capital expenditure	610,864	527,564	15.8%

- At September 30 the Group had euro 275 million in cash and available facilities, further increased by a capital increase of euro 250 million on November 3, 2000.

#### Residential Services

	<u>September 30</u>	<u>June 30</u>	<u>% change</u>
Customers	121,495	93,579	29.8%
Avg. monthly revenue per customer	euro 39.6	euro 41.1	(3.6%)
Telecommunications customers	109,405	82,680	32.3%
Television customers	95,737	75,826	26.3%
Internet customers	11,369	4,146	174.2%
Telecommunications penetration	22.8%	21.9%	0.9%
Television penetration	19.9%	19.9%	-

---

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



## Business Services

	<u>September 30</u>	<u>June 30</u>	<u>% change</u>
Direct access customers contracted	2,078	1,776	17.0%
Direct access customers in service	1,879	1,205	55.9%
Avg. monthly revenue per customer	euro 155	euro 173	(10.4%)

## Infrastructure

	<u>September 30</u>	<u>June 30</u>	<u>% change</u>
Cities under construction	36	28	28.6%
Cities in service	21	21	0.0%
Television homes passed	731,648	598,485	22.3%
Telephone homes passed	731,648	593,286	23.3%
Local networks (route km)	2,865	2,209	29.7%

Commenting on the Group's continued performance, **Eugenio Galdón, ONO's President** said:

*"We are extremely pleased with the continued operating performance of the company. Despite the fact that July and August are typically slower months in Spain due to the holiday season, we have once again increased our customer penetration. I am especially pleased with the uptake of our new Internet services that were launched only a few months ago. These have allowed us to swiftly consolidate our position as the leading internet access provider in areas where we have built our network and have quickly enabled us to become a true "triple play" operator, leveraging our existing network to add new revenue sources."*

*"During the third quarter we also completed a number of key strategic milestones, securing our telephone licence in Portugal which will complement our existing television licenses there, gaining a telecommunications licence for the province of Barcelona, which we will use to provide business services and acquiring the cable television franchise of Sanlucar in Andalucia. The city of Sanlucar, with approximately 20,000 homes, is one of the most densely penetrated cities in the country in terms of cable television and the franchise, which was previously locally owned, is contiguous with our existing cluster in Andalucia".*

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

*"In the ONO franchises one in four homes is now taking service from us. We have over 215,000 revenue-generating units connected and a customer base of 121,000. This means that, on average, every customer is now taking around 1.8 services from ONO. Although it is still at an early stage, we are particularly encouraged by the fact that our Internet penetration rates imply that we have achieved approximately 25% market share of the overall addressable Internet access market where we have built our network. Over half of such market share is coming from broadband customers."*

*"On the business side, we connected another 674 direct access new business customers and now have close to 1,900 business customers connected. We have also signed the first contracts in Madrid and plan to start offering services in Seville in the final quarter of this year."*



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

*“Our third quarter results include solid revenue growth – up 29% on the second quarter – and improving gross margins, rising to 35% from 31% in the second quarter. As expected, revenues per customer suffered slightly from the seasonal reduction in telephone and pay-per-view usage.”*

*“On November 3, 2000, our shareholders approved a capital increase of euro 250 million. This equity injection, together with the syndicated bank loan that we have available to us today, provides us with financing into the fourth quarter of 2001. We plan to take ONO public in an IPO as soon as market conditions permit and this will add significantly to the equity capital base of the company, giving us one of the most solid and conservative capital bases in the European cable industry.”*

## **Financial results for the third quarter of fiscal 2000.**

**Total revenues.** Total revenues for the third quarter of fiscal 2000 increased to euro 13.3m compared to revenues of euro 10.4m for the second quarter of fiscal 2000 representing an increase of 29%. As expected, revenue growth in the quarter suffered from the typical seasonal reduction in telephone and PPV usage. For example, the total number of switched minutes in the month of August was 40% below that of July. This was expected and is likely to recur annually. Despite the effect of the summer period the number of direct access residential and business customers increased by 30% and 56% respectively. Internet access customers rose by 174% to 11,369 at the end of the third quarter.

**Residential services.** Residential telecommunications revenues were euro 8.0m for the third quarter of fiscal 2000, an increase of euro 1.5m, or 23%, over the preceding quarter. The net increase reflects increased customer numbers offset by a 9% decrease in the average monthly revenue per customer to euro 27.7 for the quarter vs. euro 30.4 in the previous quarter. The decrease in the average monthly revenue per customer was mainly due to significantly lower telephony usage during the holiday months which was expected. Telecommunications penetration increased to 22.8%, a 0.9% increase on the previous quarter.

Cable television revenues in the quarter were euro 3.9m, up 29% from the second quarter of 2000. The increase in revenues is mainly the result of the increase in the number of customers during the quarter. Average monthly revenue per customer fell slightly to euro 15.3 from euro 15.8 in the previous quarter mainly due to lower pay per view usage during the months of July and August, during the soccer close season. Cable television penetration remained unchanged on the previous quarter at 19.9% as expected due to the typical effects of the summer on TV viewing.

The number of internet access subscribers at the end the end of the third quarter was 11,369, of which 6,686 (or 59%) were broadband. By September 30, 2000, we had also connected 4,683 flat-rate narrowband internet access customers since the service was launched in July 2000, for a total internet customer penetration of 9.3% with respect to our total customer base.



**Business services.** At the end of the third quarter we had contracted for direct access telecommunications services service with 2,078 business customers, of which 1,879 customers were installed and in service, up 56% from the previous quarter. Sales during the quarter were slightly slower than the previous quarter as a direct result of the holiday period, but despite a typically quiet period, we connected 674 customers during the quarter, up 168 from the last quarter.

Average monthly revenues per business customer were at euro 155 compared with approximately euro 173 in the previous quarter, mainly due to lower usage during the months of July and August.

**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 4.7m, an improvement of euro 1.5m with respect to the previous quarter. As a percentage of revenues, gross margin rose to 35% from 31% in the second quarter. This increase is due to generally improving margins on all our services.

**Selling, customer service, general and administrative expenses** amounted to euro 19.0m over the quarter compared to euro 12.8m in the second quarter of the year, an increase of euro 6.2m. This planned increase was due to increased marketing and client acquisition costs for the launch of new internet products and business activities outside of our franchise areas as well as growth in and selling, customer service, network operations and maintenance and general and administrative costs for our core residential cable business.

We expect our SG&A expenses to continue to increase in line with the development of our business. In the short term, we expect that increased marketing and sales expenses as well as customers service and network operations and maintenance costs will grow significantly, in line with our plans, as we increase our customer and network base.

**Adjusted EBITDA losses.** As expected, our EBITDA losses increased in the third quarter, principally in line with increased operational costs and amounted to euro 14.3m in the quarter, up euro 4.7m 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. The cost accounted for in the third quarter is euro 0.5 m, euro 1.0m lower than in the second quarter, in line with the fewer number of games played during the summer period.

**Provisions for EVCs and Stock Options.** In 1999 we 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 this item in the third quarter of 2000, amounting to euro 6.0m.

We have issued stock options to certain employees. During the third quarter 2000 we hedged these liabilities through a capital increase for an amount equivalent to the number of



shares under the outstanding stock option plan. This increase was fully subscribed by a subsidiary of BSCH, thereby removing the liability under this stock option plan. As a result of the postponement of our initial public offering in October 2000, we may have to reinstate this liability in the future. We recognised an accounting gain on the hedging of this liability of euro 21.9 m (see “extraordinary income, net”).

**Depreciation and amortisation expense** was euro 10.1m for the third quarter of fiscal 2000, an increase of euro 3.1m over depreciation and amortisation expense of euro 7.1m for the second quarter of 2000. This increase is proportional to the increased capital expenditures for the continuing construction of our telecommunications networks.

**Net interest expense.** Net interest expense for the third quarter of 2000 was euro 23.6m, up euro 8.9m from the previous quarter, mainly due to the interest expense on the euro 200m senior notes, which we issued in June 2000.

**Unrealised foreign exchange gains/(losses).** A proportion of our debt and a proportion of our cash balances 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. A proportion of our restricted cash balance is held in US Dollar and in the quarter we benefited from the strengthening of this currency.

**Extraordinary income, net.** This caption includes the recognition of the gain on sale of our 20% holding in Cable i Televisió de Catalunya, S.A. (“CTC”) of euro 41.9m, which was legally formalised during the third quarter. We also recognised an extraordinary gain of euro 21.9m as a result of hedging our employee stock option plan. These gains were offset by a one off charge of euro 3.9m, principally for the write off of assets no longer in use in the Santander franchise which is now fully upgraded to provide integrated television, telephony and broadband internet services.

**Net profit** for the quarter amounted to euro 19.5m as compared with a loss of euro 54.4m for the second quarter of 2000. Excluding the exceptional income described above, the net loss for the period was euro 39.2m.

**Investments, financial needs and resources.** During the third quarter we invested euro 83m in network and network related assets which brings the total cumulative investment to euro 611 million. The investments in the third quarter are lower than those in the previous quarter as a result of fluctuations in the timing of the investments, particularly with respect to work in progress. Cumulative investments for the year to date are euro 302m, with an average quarterly spend of approximately euro 100m.

We ended the quarter with euro 275m of cash and available facilities on hand. On November 3, 2000, our shareholders agreed to increase capital by euro 250m on a pro-rata basis to their shareholding. We expect that these funds will be sufficient to fund our business into the fourth quarter of 2001.



**About ONO:**

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 4.8 million homes and 0.4 million businesses in Spain and Portugal. In addition, ONO holds telecommunications licences for the provinces of Madrid, Barcelona and Seville, with a combined addressable market of an additional 0.8 million businesses. Through ONOLab, ONO is developing broadband Internet access and broadband content. 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, Grupo Multitel and VAL Telecomunicaciones.

**Safe Harbour Statement Under the Private Securities Litigation Reform Act of 1995:**

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 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.

**For further information, please contact:**

Michael Vorstman  
Chief Financial Officer  
(+34) 91 708 9336  
vorstmanm@en.ono.es

Jonathan Cumming  
Treasurer  
(+34) 91 708 9444  
cummingj@en.ono.es

Alejandra Moore  
Grupo Albion  
(+34) 670 799 335  
amoore@grupoalbion.com

**(Tables Follow)**



## OPERATING STATISTICS

	<i>At quarter end:</i>			
	Sept 30 2000	June 30 2000	March 31 2000	Decem 31 1999
<b>Residential services</b>				
Customers	121,495	93,579	66,918	40,306
Monthly revenue per customer (euro)	39.6	41.1	43.7	41.3
Number of RGUs per customer	1.82	1.79	1.72	1.63
Telecommunications:				
Customers	109,405	82,680	57,700	33,278
Penetration	22.8%	21.9%	21.0%	18.2%
Monthly revenue per customer (euro)	27.7	30.4	31.0	29.5
Television:				
Customers	95,737	75,826	53,389	30,237
Penetration	19.9%	19.9%	18.1%	15.3%
Monthly revenue per customer (euro)	15.3	15.8	15.8	16.4
Internet:				
Broadband Customers	6,686	4,146	1,212	303
Monthly revenue per customer (euro)	42.8	43.1	n.a.	n.a.
Narrowband Customers	4,683	n.a.	n.a.	n.a.
Monthly revenue per customer (euro)	13.5	n.a.	n.a.	n.a.
<b>Business services</b>				
Customers contracted	2,078	1,776	990	478
Customers in service	1,879	1,205	699	333
Monthly revenue per customer (euro)	154.6	173.0	301.1	123.9
<b>Infrastructure</b>				
Number of cities under construction	36	28	22	20
Number of cities with service	21	21	16	11
Route Km of national backbone	3,138	3,000	3,000	3,000
Route Km of local networks	2,865	2,209	1,685	1,242
Homes passed for television service	731,648	598,485	473,493	364,803
Homes passed for telecommunications service	731,648	593,286	454,688	326,111



**CABLEUROPA SA and subsidiaries**

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

	<b>Quarter Ended</b>	
	<b>September 30,</b>	<b>June 30,</b>
	<b>2000</b>	<b>2000</b>
<b>REVENUES</b>	13,349	10,366
Residential Services:		
Telecommunications	7,985	6,466
Cable television	3,948	3,059
Internet	762	368
Business services	654	473
Cost of services	(8,692)	(7,168)
Gross profit	4,657	3,198
General operating expenses	(18,999)	(12,794)
<b>Adjusted EBITDA</b>	(14,342)	(9,596)
Amortization of soccer rights	(451)	(1,502)
Amortization of EVCs and stock options	(5,985)	(12,713)
Depreciation and amortization	(10,125)	(7,074)
<b>LOSS FROM OPERATIONS</b>	(30,903)	(30,885)
Interest expense, net	(23,555)	(14,661)
Unrealised foreign exchange gains/(losses)	1,271	(20,690)
Extraordinary income/(expense), net*	58,698	(287)
Decrease in taxation credits	0	(19,011)
Minority interests	14,011	31,133
<b>Net Profit /(Loss)</b>	<b>19,522</b>	<b>(54,401)</b>
* Extraordinary income, net (in euro thousand):		
Gain on sale of CTC	41,873	-
Gain on hedging of stock option liabilities	21,937	-
Write off of assets	(3,985)	-
Other items	(1,127)	(287)
Total	58,698	(287)



**CABLEUROPA SA and subsidiaries**

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

	<u>September 30,</u> <u>2000</u>	<u>June 30,</u> <u>2000</u>
<b>Assets</b>		
Restricted investments	140,406	133,883
Cash and cash equivalents	23,594	146,709
Other current assets	100,494	136,727
Property, plant & equipment	520,072	454,990
Other long term assets	193,283	175,310
Capitalised tax credits	38,979	38,979
	<hr/>	<hr/>
Total assets	1,016,828	1,086,598
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and stockholders equity</b>		
EVCs	33,000	27,018
Short-term debt	58,721	52,542
Accounts payable	177,520	167,321
Accrued expenses and other liabilities	10,004	11,904
Senior Notes due 2009	433,296	433,296
Senior Notes due 2010	200,000	200,000
Other liabilities	22,391	126,927
	<hr/>	<hr/>
Total liabilities	934,932	1,019,008
Minority interests		
Common stock	132,535	132,485
Shareholder subordinated debt	11,198	11,198
Net loss	(89,546)	(76,234)
	<hr/>	<hr/>
	54,187	67,449
Stockholders' Equity		
Common stock and paid in capital	154,528	147,409
Accumulated deficit and other reserves	(126,819)	(147,268)
	<hr/>	<hr/>
	27,709	141
	<hr/>	<hr/>
Total liabilities and stockholders equity	1,016,828	1,086,598
	<hr/> <hr/>	<hr/> <hr/>
Invested equity & shareholder subordinated debt	298,261	291,092
	<hr/> <hr/>	<hr/> <hr/>