ANNUAL REPORT 1998

Hyperion
COMMUNICATIONS

The Power Behind Your

Communications

Hyperion Communications is dedicated to improving the way businesses communicate. We construct and maintain state-of-the-art fiber optic networks that serve as the backbone for our robust array of services, including local dial tone, long distance, dedicated access, high-speed data and Internet services.

Businesses are recognizing Hyperion's powerful combination of technology, service and value, and they're switching to us in record numbers. We're already one of the most established Competitive Local Exchange Carriers (CLECs) in the United States. And, as you'll gather from this annual report, Hyperion is positioned to become a leader in the industry.

HYPERION PROGRESS

October 1991 — Adelphia Communications Corporation forms Hyperion Telecommunications, Inc.

August 1992 — Hyperion begins operation of the company's first competitive access network in Syracuse, NY.

February 1996 — Telecommunications Act of 1996 allows competition in the local service market.

April 1996 — Hyperion raises $175 million in its first high-yield debt offering, allowing us to more aggressively respond to the opening telecommunications market.

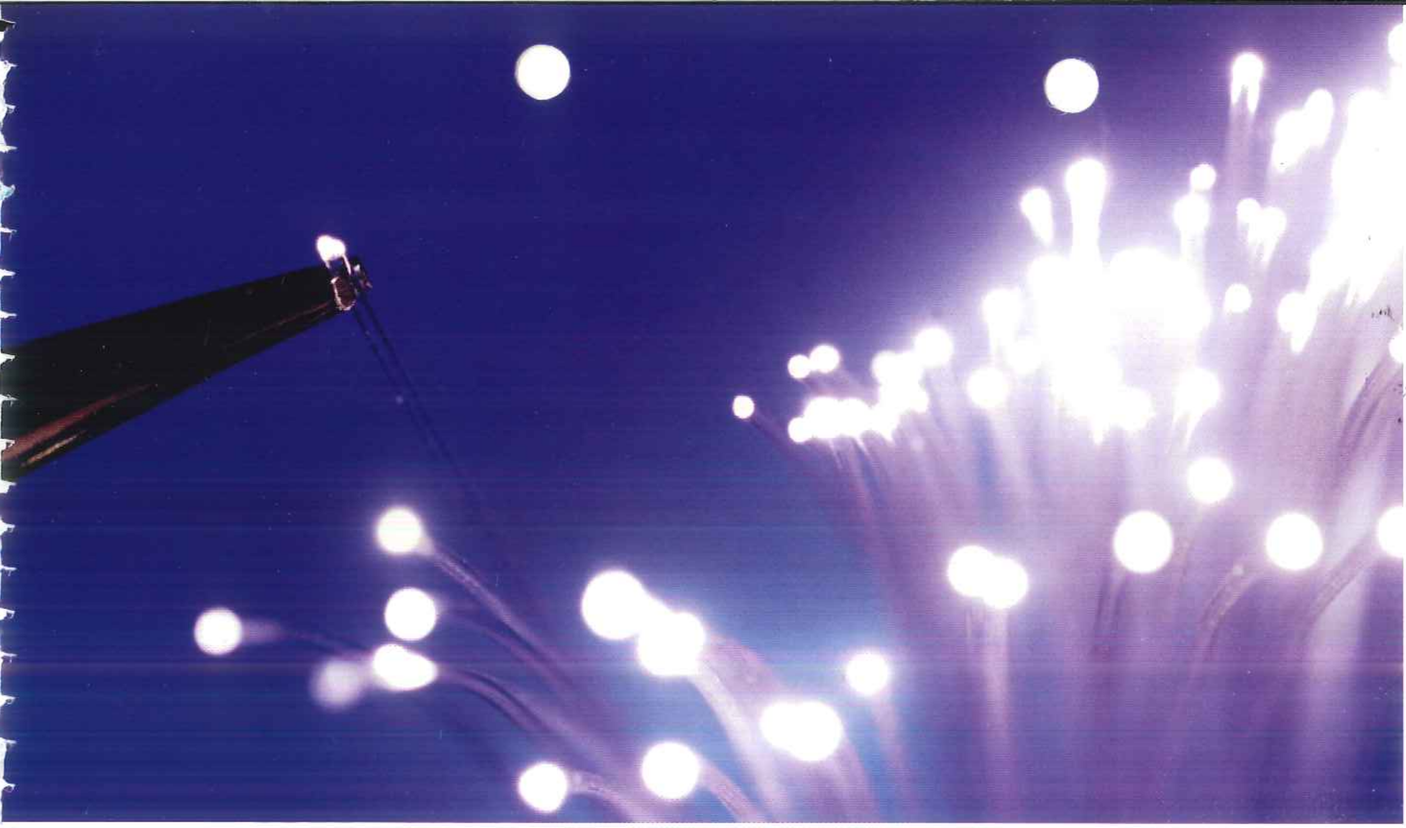
Late 1996 — Hyperion shifts strategic focus from carrier-to-carrier to business end-user in response to changing market conditions.

January 1997 — Hyperion begins offering local dial tone in selected markets.

August 1997 — Hyperion raises an additional $250 million in a high-yield debt offering.

October 1997 — Hyperion successfully places a $200 million preferred stock issuance, increasing the company's invested capital to approximately $700 million.

February 1998 — Partnership roll-up transactions are completed in six markets, increasing Hyperion's weighted average ownership in its networks to 76 percent.



May 1998

Initial Public Offering raises more than $285 million in equity.

May 1998

Hyperion launches long distance service.

July 1998

Hyperion surpasses 50,000 installed access lines and announces the third consecutive quarter in which the company's access line provision rate more than doubles.

August 1998

Hyperion announces an aggressive expansion strategy to possess a fully redundant, self-healing fiber optic network throughout the eastern United States, increasing the company's addressable market potential to more than $40 billion in revenue (or 20 million access lines).

March 1998

Through the Baker Creek Communications partnership, Hyperion successfully bids on LMDS wireless spectrum licenses to achieve "last mile" connectivity to more than 90 million people in the eastern United States.

June 1998

Hyperion and Adelphia announce a plan to combine billing efforts under a new integrated system.

August 1998

Hyperion launches its Internet Access and Web Hosting products in selected markets.

TO OUR CUSTOMERS, EMPLOYEES, PARTNERS AND SHAREHOLDERS:

The telecommunications industry is in the midst of dynamic times characterized by new technologies, new products and applications, new competitors and rapid consolidation. These factors stimulate dramatic changes, as well as create tremendous opportunities for everyone involved. Since the birth of Hyperion in 1991, we have been at the center of this transformation, and as a result, have realized an extensive business opportunity. We are both excited and proud to share Hyperion's significant progress and future direction in our first annual report.

1998 HIGHLIGHTS

Hyperion has successfully transitioned from a competitive access provider (CAP) to one of the largest facilities-based competitive local exchange carriers (CLECs) in the eastern half of the United States. In the past year, we increased our emphasis on local communication services, enhanced our infrastructure to support rapid growth, developed new markets and products, and secured the financing required to support our plans.

We expanded our direct sales force to more than 175 sales professionals who are leading the charge to position Hyperion's local and long distance services. Internet services have expanded our portfolio of offerings in the third quarter of 1998, and data services are anticipated to launch in the first quarter of 1999, making Hyperion a leading provider of integrated communication services to businesses. We will continue to expand our direct sales channel, as well as nurture indirect channels of select agents to drive sales of our entire portfolio of communication services.

Our operational accomplishments are reflected in the growth of our customer base, as well as in the increase of installed local access lines. Intense focus on local switched services will result in our switched revenue surpassing our special access revenue during the first half of fiscal year 1999.

While our operational progress has been significant, our financial performance has been equally impressive. For the year ended March 31, 1998, Hyperion's proportionate share of revenues from its operating companies was $17.5 million — a 125 percent increase from last year. The company's financial position was further strengthened by an Initial Public Offering (IPO) in May 1998 which generated more than $285 million in new equity. In addition to the IPO, in August 1997 the company raised $250 million in senior secured notes, and in October 1997 raised $200 million in senior exchangeable redeemable preferred stock. A significant portion of the funds generated will finance our expansion strategy. As a result, at the IPO date, Hyperion's enterprise value had increased to approximately $1 billion, up from approximately $200 million just one year ago.

EXPANSION STRATEGY

This year we successfully launched local communication services in five new markets. With these additions, Hyperion now operates in 20 geographic markets serving 46 cities in the eastern half of the United States. Two additional new markets are scheduled to begin offering services in late 1998.

In August 1998, we entered into a series of strategic agreements that will allow Hyperion to provide state-of-the-art fiber optic communications to most businesses in the eastern half of the United States. These agreements provide Hyperion with 8,100 new route miles of fiber, enabling us to cost effectively enter approximately 25 new first- and second-tier markets, and 25 new third-tier markets by the end of 2001. We plan to interconnect these new markets with our 22 existing networks, creating a fully redundant, self-healing fiber optic network. This expansion increases Hyperion's addressable market potential to more than 20 million business access lines, which represents a revenue opportunity of more than $40 billion.

In addition to these expansion initiatives, we have implemented a continuing strategy to increase our ownership in several of our cable and energy partnerships. As a result, 11 operating networks are now 100 percent owned by Hyperion. Our proportionate share of the operating companies we own and manage has increased from 44 percent to 76 percent. We expect this trend to continue.

PREPARING FOR THE FUTURE

Hyperion's expansion strategy will position the company to enter new markets rapidly and cost effectively; implement an infrastructure to provide both a long distance and Internet backbone network; and aggressively extend data services such as frame relay, ATM and IP. Additionally, our network architecture allows Hyperion to serve several markets from one central office switching location. This results in higher capital utilization of traditional circuit switch technology, and provides Hyperion with the flexibility to exploit emerging packet switched IP technologies and services.

The objective of these initiatives is to further position Hyperion as a super-regional CLEC and leading provider of integrated communication services to businesses in the eastern half of the United States.

OUR CUSTOMERS

Beyond technology, networks, products and services, Hyperion places the customer at the core of its business philosophy. We have created local geographic teams responsible for building and sustaining customer loyalty.

At the heart of these teams are local Customer Care representatives — close to the customer so they can respond quickly. This approach also enables the customer to work with a consistent, knowledgeable Hyperion support team.

Additionally, the Network Operations Control Center located in Coudersport, Pennsylvania, has diagnostic and remote repair capabilities. This state-of-the-art facility, operational 24 hours a day, seven days a week, also represents our commitment to customer service.

SUMMARY

Hyperion's significant progress can be primarily attributed to the dedication of our valued employees. Totaling more than 700 today, the company plans to double its workforce over the next year. We have successfully attracted excellent talent to our growing team, and have every confidence that our employees will continue to meet the challenges ahead. The entire Hyperion team looks forward to building on our success in the coming year and continuing to provide value to our customers and shareholders.

Thank you to our customers, shareholders and employees for your support.

Hyperion's expansion strategy will position the company to enter new markets rapidly and cost effectively

Daniel R. Milliard

Daniel R. Milliard
President and Chief Operating Officer

James Rigas

James P. Rigas
Chief Executive Officer

Q How did Hyperion Communications originate?

A Hyperion Communications was formed in 1991 by Adelphia Communications Corporation, one of the largest cable television companies in the United States.

We started out as a competitive access provider (CAP), delivering dedicated connections between customer locations and interexchange carriers. With the deregulation of the telecommunications industry, we found ourselves well positioned to become a competitive local exchange carrier (CLEC), providing local communication services to businesses and institutions. Today, Hyperion is one of the largest CLECs in the eastern United States and we intend to continue our progress.

"Hyperion is growing very rapidly in terms of revenue, customers, business access lines, geographic presence and employees."

Randolph S. Fowler, Senior Vice President, Business Operations

Q Can you describe the strategic direction of the company?

A Hyperion Communications provides integrated communication services, including local switched, dedicated access, long distance, Internet, data and enhanced services. Our target market is business, government and educational end-users in the eastern half of the United States.

Our approach to the market is to build a fully interconnected super-regional network that serves as the enabling architecture for the rapid expansion of our target market, as well as for the ability to quickly extend our service offerings. This strategy provides our customers with high-quality, reliable and efficient communication solutions. At the same time, our ability to keep most traffic on our own network allows Hyperion to earn greater margins and provide higher returns to our shareholders.

Q The company is growing rapidly. How are you managing this growth?

A Hyperion is growing very rapidly in terms of revenue, customers, business access lines, geographic presence and employees. Building an infrastructure to support this growth is a primary focus of the company. Our initiatives include adding valuable human resources to our team, establishing appropriate general business systems and procedures, and investing in our back office systems (order entry, provisioning and billing). Additionally, we have put in place a dedicated team to manage the expansion of our business and ensure that the required focus is maintained on day-to-day operations.

Q How does Hyperion achieve higher margins on telephony services than most competitors in the CLEC industry?

A Broader networks and more on-net customers are key to Hyperion's high margins. Hyperion currently has many of the most substantial networks in the industry. We average more than 200 route miles per operating network, which is higher than most of our competitors. Through partnerships with local utility and cable companies, Hyperion has access to broad rights-of-way and local fiber construction expertise, which has lowered our average cost per fiber mile. As of March 31, 1998, over 80 percent of the 41,500 access lines sold were to customers served directly on Hyperion networks. On-net customers yield gross margins of more than 70 percent compared to lower margins from total service resale and unbundled loop.

Q Hyperion has recently purchased some of its local partnership interests. How will this affect the future success of the company?

A Hyperion's purchase of some local partnership interests has increased the company's proportionate ownership percentage from 44 percent to 76 percent over the past two years. As part of the "roll-up" transactions, we entered into long-term lease agreements with our former partners. This allows Hyperion to preserve the integrity of the networks while continuing to keep fiber costs relatively low. Our simplified ownership structure is more attractive to investors, which translates into better access to the capital markets.

"Broader networks and more on-net customers are key to Hyperion's high margins. Hyperion currently has many of the most substantial networks in the industry."

Edward E. Babcock, Jr., Vice President, Finance

How did Hyperion obtain the substantial funds needed to purchase these partnership interests and expand its business?

A Hyperion has been very active in the capital markets over the past year. In August 1997, we sold $250 million of 12¼% Senior Notes due 2004, and in October 1997, we sold $200 million of 12⅞% Senior Exchangeable Redeemable Preferred Stock due 2007. Combined net proceeds were more than $435 million. This capital is being applied toward the acquisition of partnership interests and the continued expansion of our networks.

In addition, in May 1998, Hyperion completed a successful initial public offering. We sold 12.85 million shares of Class A Common Stock to the public and 3.32 million shares to Adelphia Communications Corporation. As a result of the initial public offering, Hyperion converted approximately $44.3 million in debt to Adelphia for 3.64 million shares of stock, increasing Hyperion's equity by approximately $285 million and providing more than $240 million in cash to further fund our business plan.

How do your account teams work with customers?

A Hyperion's approach to customers is solutions-based. We train our teams to act as consultants, which means we focus on the client's needs. Our account executives work closely with customers to understand their applications and match the appropriate services to create a tailored communications solution.

Once a business becomes a Hyperion customer, we continue to work with them to ensure their solution addresses any changing business needs. This translates into a total solution that fulfills the needs of the customer — now and into the future.

How is Hyperion's customer service unique to the industry?

A We complement our tailored communications solutions with personalized Customer Care. Unlike many companies that offer customer service from a distant location, Hyperion has local Customer Care teams. We assign a local representative to each customer account. This representative is familiar with the customer, the business, and the community in which the business operates. At Hyperion, we focus on retaining current customers as much as we focus on gaining new ones.

> **"Once a business becomes a Hyperion customer, we continue to work with them to ensure that their solution addresses any changing business needs."**
>
> Thomas W. Cady, Vice President, Marketing and Sales

Are your back office systems able to keep up with your current and future growth?

A Seven years ago, we designed and built an open, scalable back office system that allows us to quickly provision and meet our customers' needs. Our provisioning team brings new customers onto Hyperion networks quickly and seamlessly. Plus, we are continually improving our order entry system and streamlining our processes. Currently, Hyperion is transitioning to a convergent billing system that will allow us to bundle products on one invoice and, in turn, quickly adapt to the marketplace.

Left to right: Randolph S. Fowler, Senior Vice President, Business Development, Business Operations and Regulatory Affairs; Edward E. Babcock, Jr., Vice President of Finance; Daniel R. Milliard, President and Chief Operating Officer; James P. Rigas, Chief Executive Officer; Charles R. Drenning, Senior Vice President, Engineering and Operations; Thomas W. Cady, Vice President, Marketing and Sales

Communications technology is rapidly changing. How will Hyperion remain competitive?

A Hyperion is a facilities-based provider, which means we build and maintain our own networks. These networks are 100 percent fiber optic, fully redundant, self-healing SONET rings — the fastest, most reliable networks available. The development of Hyperion's super-regional network will be the foundation for Hyperion's success well into the future. These interconnected networks create the enabling architecture to extend our customer base, increase revenues, expand our line of service offerings and quickly roll out new products. Hyperion truly has a keen eye on the future of the industry.

> **"The development of Hyperion's super-regional network will be the foundation for Hyperion's success well into the future."**
>
> Charles R. Drenning, Senior Vice President, Engineering and Operations

EXTENDING OUR REACH TO

Since Hyperion transitioned its strategic focus to business end-users, the company has experienced considerable growth in terms of revenue, network coverage, customer base, staffing and influence in the marketplace. And we have no intentions of slowing down.

Hyperion continues to progress as a major force in the communications industry with initiatives to increase the size and scope of its networks and offer a robust array of services in new markets in the eastern United States. Today, Hyperion operates in 20 geographic markets serving 46 cities. This represents more than 5,363 route miles of fiber in 11 states.

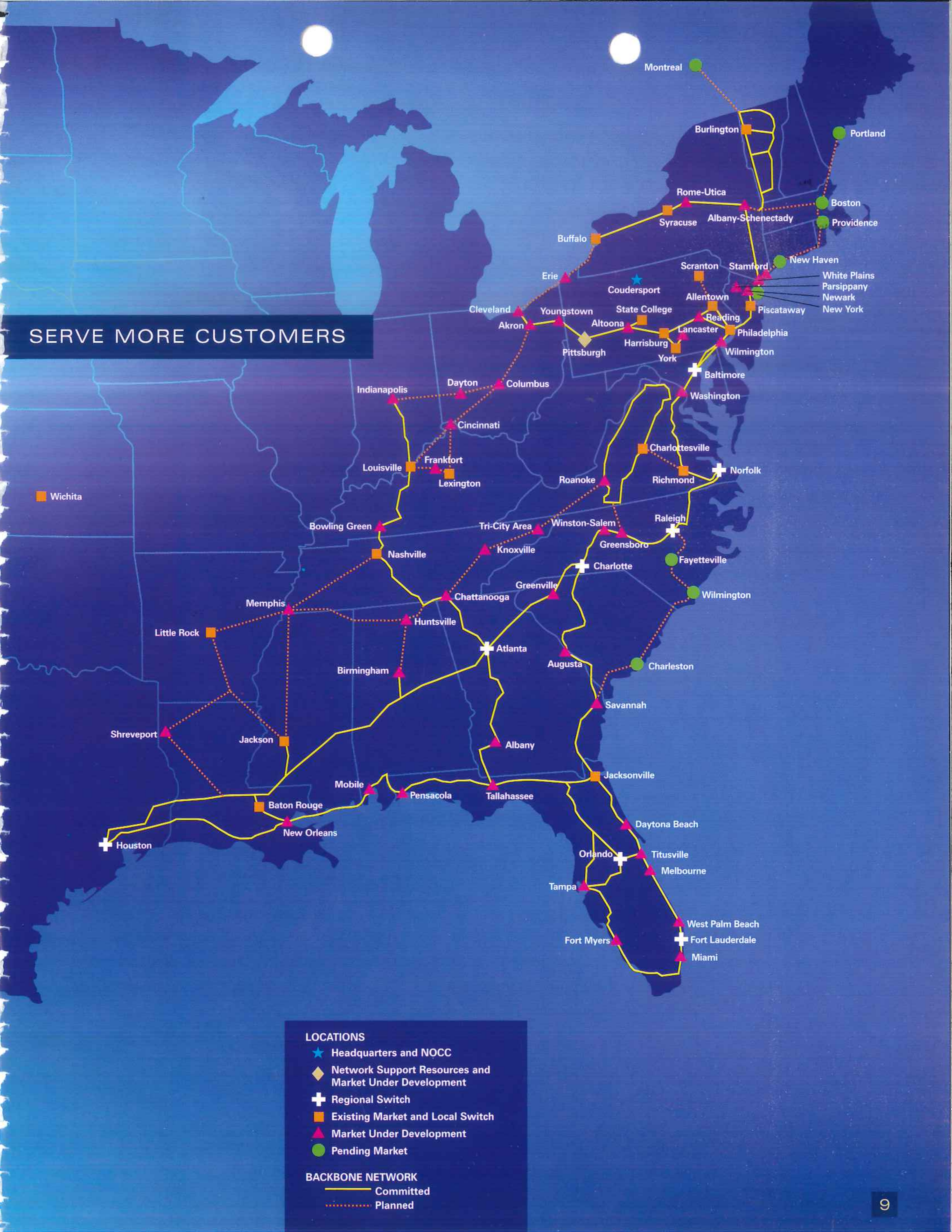
In July 1998, Hyperion Communications took a big step toward ensuring its future success by laying the foundation to become a super-regional CLEC throughout the eastern and southeastern United States. Over the next year and a half, Hyperion will develop a fully redundant, self-healing fiber optic network through the regional interconnection of its existing 20 markets with more than 50 new markets. This coverage is expected to increase the company's addressable market potential to more than 20 million business access lines equaling $40 billion in annual revenue.

Through agreements with Qwest Communications, Williams Communications and several other fiber optic network providers, Hyperion has ownership or an indefeasible right of use of fiber representing over 8,100 new route miles.

Along with extensive coverage, the super-regional network provides the enabling architecture for Hyperion to extend its line of service offerings, including high-tech data applications such as IP, ATM and frame relay. These new services will complement our current product lines and further position Hyperion as a facilities-based one-stop-shop for business communications. Additionally, the network architecture implemented by Hyperion will allow the company to serve several markets from one central office switching location. This will result in higher capital utilization of traditional circuit switched technology, and will give Hyperion the flexibility to exploit emerging packet switched IP technologies and services.

Hyperion is committed to being a major influence in the communications industry. The infrastructure is in place for us to make a significant contribution to the explosive growth in the telecommunications market in the eastern United States. Our goal is quite simple: To offer the most comprehensive suite of communications services to businesses over advanced state-of-the-art fiber optic networks, ensuring a level of service, quality and customer care unsurpassed in our industry.

SERVE MORE CUSTOMERS




GETTING OUR CUSTOMERS ON

Over the years, we've learned a lot about what customers want from a communications provider. Customers want to receive their communications services from a single supplier. They want a provider that tailors a communications solution to fit their current needs and offers new, innovative services to prepare them for the future.

THE RIGHT TRACK

Hyperion's philosophy is simple: Give customers what they want.

Hyperion builds customized solutions from a robust array of services, including local dial tone, long distance, dedicated access and high-speed data and Internet services. Our products and services are designed to fulfill the current and future needs of our customers, and we attractively position them by focusing on customer benefits. Since each of our products and services target different needs and applications, we organize them into categories called "Tracks" to help customers select the appropriate combination of offerings. At Hyperion, we are committed to helping our customers succeed by getting them on the "right track."

HYPERION LOCAL TRACK

Hyperion Local Track provides customers with local dial tone and local data services and allows access to the long distance carrier of their choice, including Hyperion Long Distance. Our Business Line and Business Trunk products deliver basic local service. Hyperion's ISDN products provide a local service solution to customers with sophisticated communication needs, including videoconferencing, high-speed Internet connections and simultaneous use of phone/fax/data equipment.

HYPERION GLOBAL TRACK

Hyperion Global Track extends the reach of our customers through domestic and international long distance services. Customers use Hyperion Long Distance as a reliable and affordable way to complete intrastate, interstate and international calls. Plus, Hyperion Calling Cards give customers the convenience of using Hyperion Long Distance anywhere and at any time.

HYPERION INTERNET TRACK

Hyperion Internet Track provides customers with easy access to a worldwide marketplace through quick and cost-effective dial-up or dedicated Internet access. Plus, Hyperion provides customers with Internet support services to ensure they receive the most out of their investment.

HYPERION DATA TRACK

Hyperion plans to launch a suite of data services during the first quarter of 1999. We will leverage our backbone network and technologies such as frame relay, ATM and IP to fulfill the data communication needs of our customers.

HYPERION DIRECT TRACK

Hyperion Direct Track provides customers with a dedicated communications link between business locations or between business locations and an interexchange carrier. These non-switched communications channels are offered in a range of transmission capacities and accommodate the dedicated communication needs of businesses and institutions.

HYPERION ADVANCED TRACK

Hyperion Advanced Track provides customers with integrated call services and an individualized dialing plan. Customers can receive advanced calling services at multiple locations without the need for duplicate systems. Plus, these services are easily upgradeable to ensure that our customers' phone systems are never outdated.

HYPERION MAIL TRACK

Hyperion Mail Track provides customers with an electronic voice messaging system and gives them a convenient and dependable way to communicate with others. This enhanced service also allows customers to integrate their voice and e-mail systems.

With an extensive array of services available, and more on the horizon, Hyperion is an attractive choice to customers who want the convenience of an integrated communications solution.

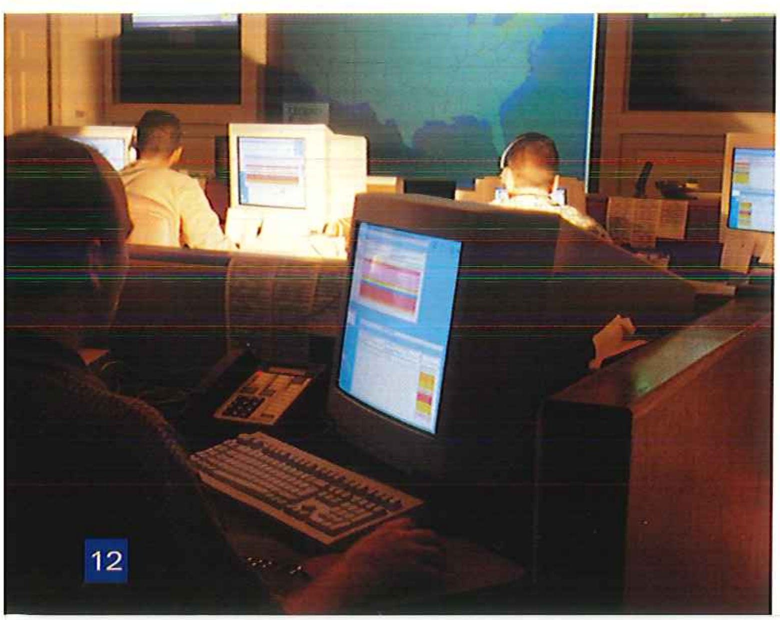
If it's important to our customers, it's important to us

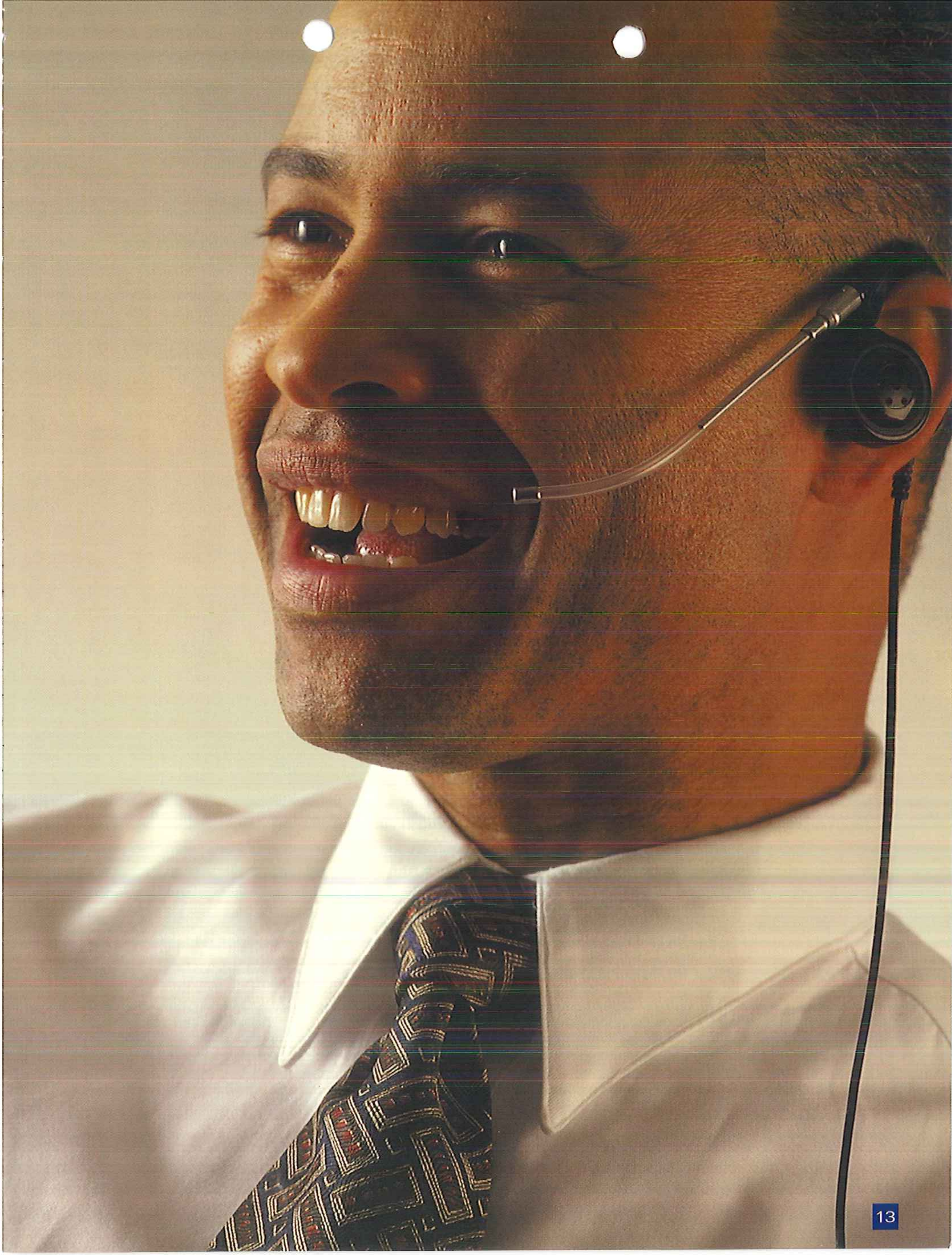
At Hyperion, Customer Care is an integral part of our business. Customer Care is a service-oriented culture engrained within Hyperion that puts the customer first. We are committed to consistently exceeding our customers' expectations, knowing that each positive encounter with our company contributes to how Hyperion is perceived in the marketplace.

ATTITUDE IS EVERYTHING

Our entire staff is dedicated to Customer Care. Our sales reps work with customers to develop tailored communications solutions. Provisioning teams seamlessly transition customers onto Hyperion networks. Our Network Operations Control Center provides around-the-clock coverage to ensure ultimate reliability. Our value-added products address the needs of the marketplace. And unlike many companies that offer centralized customer service from a distant location, Hyperion provides local Customer Care teams in every market we serve.

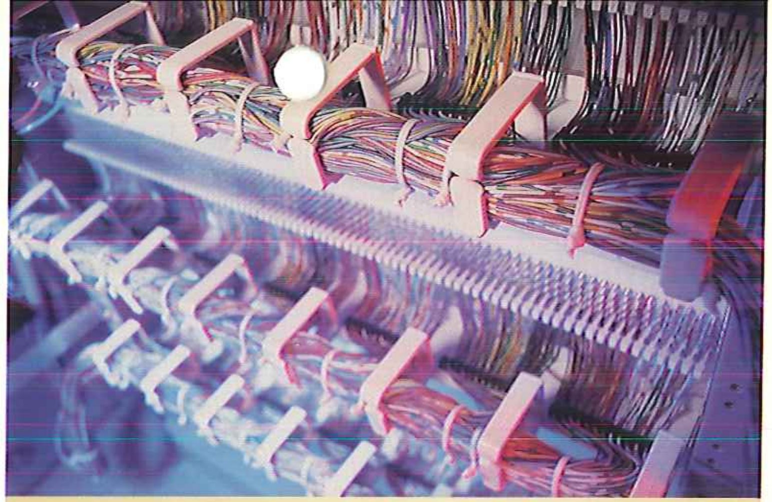
If it's important to our customers, it's important to us. This attitude has made Hyperion a leader in the communications industry and continues to guide our progress in every aspect of our business.





SHAPING THE

Hyperion's Network Operations
Control Center



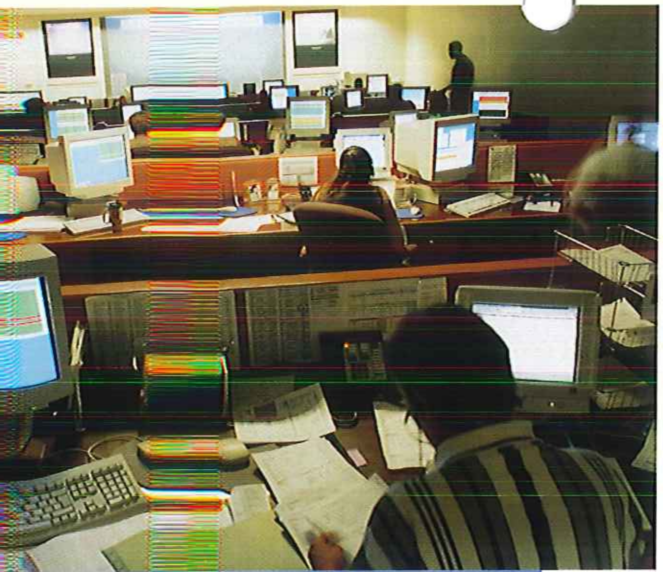
Hyperion's SONET networks are fully redundant and offer a powerful combination of speed, high bandwidth and superior reliability

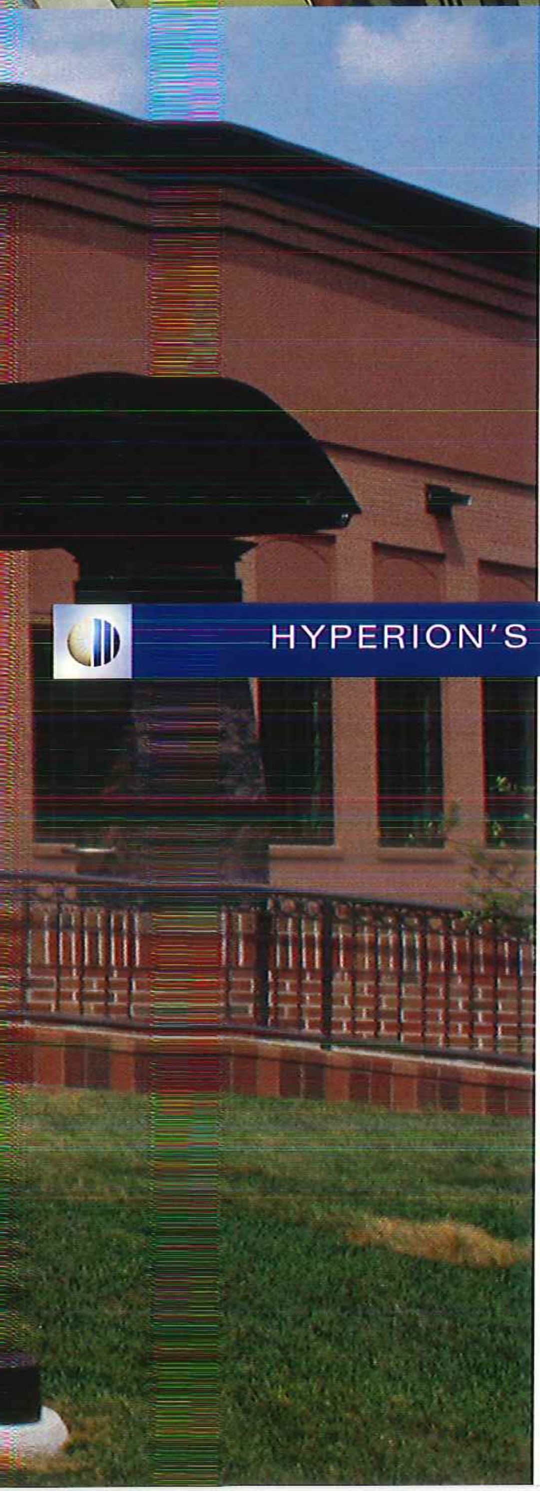
FUTURE OF COMMUNICATIONS

Hyperion's reputation for reliability begins with its advanced networks. Hyperion integrates leading-edge technologies that meet the demand for maximum bandwidth, maximum reliability and maximum value. As a facilities-based service provider, Hyperion and its local partners have invested approximately $500 million in the infrastructure of Hyperion and the operating companies. Our local backbone networks are 100 percent fiber optic, self-healing rings utilizing synchronous optical network (SONET) technology. The SONET rings are fully redundant and offer a powerful combination of speed, high bandwidth and superior reliability.

Hyperion continues to increase the size and scope of its networks to position the company as a super-regional CLEC. Hyperion's use of Dense Wave Division Multiplexing SONET rings, along with the advanced technology of our Lucent 5ESS 2000 digital switches, will allow the company to regionalize the switching for both local and long distance traffic. A single switch will interconnect several markets via self-healing, high-capacity fiber rings. This enables Hyperion to carry a large portion of local and long distance traffic on its own fiber networks, further increasing reliability as well as pricing flexibility. Plus, this approach optimizes Hyperion's investment in transitioning from circuit-switched to the emerging packet-switched IP technologies.

Hyperion's Network Operations Control Center
protects our customers' vital communications
24 hours a day, seven days a week



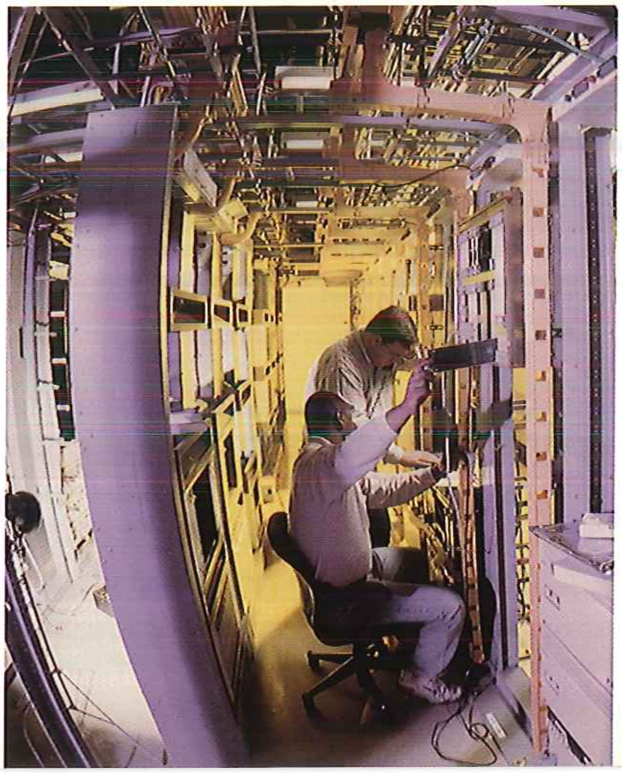


When it comes to communications, reliability is the name of the game. And Hyperion is at the top of its game 24 hours a day, seven days a week.

At the heart of Hyperion's communications infrastructure is the Network Operations Control Center located in Coudersport, Pennsylvania. Through active remote control, monitoring and diagnostics, the Center constantly tests all customer lines and troubleshoots any problems before they surface. When a service error occurs, our technicians immediately re-route network traffic and dispatch local crews to ensure minimal or no network downtime.

Hyperion's staff of networking and switching professionals also perform regular updates and enhancements to the system. Our people, our process and our technology make the Network Operations Control Center key to Hyperion's reputation for reliability.

HYPERION'S NETWORK OPERATIONS CONTROL CENTER



Hyperion's Network Operations Control Center
protects our customers' vital communications
24 hours a day, seven days a week

Hyperion Telecommunications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)

ASSETS:	March 31, 1997	March 31, 1998
Current assets:		
Cash and cash equivalents	$ 59,814	$ 230,750
Other current assets	768	4,434
Total current assets	60,582	235,184
U.S. government securities - pledged	——	70,535
Investments	44,685	50,116
Property, plant and equipment - net	53,921	250,633
Other assets - net	15,413	28,425
Total	$ 174,601	$ 634,893
LIABILITIES, PREFERRED STOCK, COMMON STOCK AND OTHER STOCKHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$ 2,342	$ 11,775
Due to affiliates - net	6,081	1,442
Other current liabilities	757	4,687
Total current liabilities	9,180	17,904
13% Senior Discount Notes due 2003	187,173	215,213
12 1/4% Senior Secured Notes due 2004	——	250,000
Note payable - Adelphia	25,855	35,876
Other debt	2,647	27,687
Total liabilities	224,855	546,680
12 7/8% Senior Exchangeable Redeemable Preferred Stock due 2007	——	207,204
Common stock and other stockholders' equity (deficiency):		
Class A Common Stock, $0.01 par value,300,000,000 shares authorized, 338,000 and 396,500 shares outstanding, respectively	3	4
Class B Common Stock, $0.01 par value, 150,000,000 shares authorized and 32,500,000 shares outstanding	325	325
Additional paid in capital	153	179
Class A Common Stock Warrant	——	13,000
Class B Common Stock Warrants	11,087	11,087
Loans to stockholders	(3,000)	(3,000)
Accumulated deficit	(58,822)	(140,586)
Total common stock and other stockholders' equity (deficiency)	(50,254)	(118,991)
Total	$ 174,601	$ 634,893

These condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements included in Appendix A to Hyperion Telecommunications, Inc.'s proxy statement for the 1998 annual meeting of stockholders.

Hyperion Telecommunications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

	Year Ended March 31, 1996	1997	1998
Revenues	$ 3,322	$ 5,088	$ 13,510
Operating expenses:			
Network operations	2,690	3,432	7,804
Selling, general and administrative	3,084	6,780	14,314
Depreciation and amortization	1,184	3,945	11,477
Total	6,958	14,157	33,595
Operating loss	(3,636)	(9,069)	(20,085)
Other income (expense):			
Gain on sale of investment	—	8,405	—
Interest income	199	5,976	13,304
Interest expense and fees	(6,088)	(28,377)	(49,334)
Loss before income taxes and equity in net loss of joint ventures	(9,525)	(23,065)	(56,115)
Income tax benefit (expense)	197	(259)	—
Loss before equity in net loss of joint ventures	(9,328)	(23,324)	(56,115)
Equity in net loss of joint ventures	(4,292)	(7,223)	(12,967)
Net loss	(13,620)	(30,547)	(69,082)
Dividend requirements applicable to preferred stock	—	—	(12,409)
Net loss applicable to common stockholders	$ (13,620)	$ (30,547)	$ (81,491)
Basic and diluted net loss per weighted average share of common stock	$ (0.42)	$ (0.89)	$ (2.33)
Weighted average shares of common stock outstanding	32,500	34,421	34,986

These condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements included in Appendix A to Hyperion Telecommunications, Inc.'s proxy statement for the 1998 annual meeting of stockholders.

Hyperion Telecommunications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Year Ended March 31, 1996	1997	1998
Cash flows from operating activities:			
Net loss	$ (13,620)	$ (30,547)	$ (69,082)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,061	2,604	9,038
Amortization	123	1,341	2,439
Equity in net loss of joint ventures	4,292	7,223	12,967
Non-cash interest expense	6,088	23,467	34,038
Deferred income taxes	(206)	257	—
Gain on sale of investment	—	(8,405)	—
Issuance of Class A Common Stock bonus	—	156	27
Changes in operating assets and liabilities, net of effects of acquisitions:			
Other assets - net	(227)	(624)	(5,302)
Accounts payable and other liabilities - net	1,656	(295)	9,542
Net cash used in operating activities	(833)	(4,823)	(6,333)
Cash flows from investing activities:			
Net cash used for acquisitions	—	(5,040)	(65,968)
Expenditures for property, plant and equipment	(6,084)	(24,627)	(68,629)
Investment in fiber asset and senior secured note	—	(20,000)	—
Proceeds from sale of investment	—	11,618	—
Investments in joint ventures	(12,815)	(34,769)	(64,260)
Investments in U.S. government securities - pledged	—	—	(83,400)
Sale of U.S. government securities - pledged	—	—	15,653
Net cash used in investing activities	(18,899)	(72,818)	(266,604)
Cash flows from financing activities:			
Proceeds from issuance of preferred stock	—	—	194,522
Proceeds from sale and leaseback of equipment	—	—	14,876
Proceeds from debt	—	163,705	250,000
Repayments of debt	—	—	(2,326)
Proceeds from issuance of Class B Common Stock warrants	—	11,087	—
Costs associated with debt financing	—	(6,555)	(12,664)
Loans to stockholders	—	(3,000)	—
Borrowings on (repayment of) note payable - Adelphia	9,226	(25,000)	—
Advances from (to) affiliates	10,506	(2,782)	(535)
Net cash provided by financing activities	19,732	137,455	443,873
Net increase in cash and cash equivalents	—	59,814	170,936
Cash and cash equivalents, beginning of year	—	—	59,814
Cash and cash equivalents, end of year	$ —	$ 59,814	$ 230,750

These condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements included in Appendix A to Hyperion Telecommunications, Inc.'s proxy statement for the 1998 annual meeting of stockholders.

INDEPENDENT AUDITORS' REPORT

Hyperion Telecommunications, Inc.:

We have audited the consolidated balance sheets of Hyperion Telecommunications, Inc. and subsidiaries as of March 31, 1997 and 1998, and the related consolidated statements of operations, of common stock and other stockholders' equity (deficiency) and of cash flows for each of the three years in the period ended March 31, 1998. Such consolidated financial statements and our report thereon dated June 10, 1998, expressing an unqualified opinion (which are not included herein), are included in Appendix A to the proxy statement for the 1998 annual meeting of stockholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of March 31, 1997 and 1998 and the related condensed consolidated statements of operations and cash flows for each of the three years in the period ended March 31, 1998 is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

Pittsburgh, Pennsylvania

June 10, 1998

Hyperion Communications

MANAGEMENT INFORMATION

Board of Directors and Senior Officers

John J. Rigas
Chairman and Director

James P. Rigas
Vice Chairman,
Chief Executive Officer and Director

Michael J. Rigas
Vice Chairman and Director

Timothy J. Rigas
Vice Chairman, Chief Financial Officer, Treasurer and Director

Daniel R. Milliard
President,
Chief Operating Officer,
Secretary and Director

Charles R. Drenning
Senior Vice President,
Engineering and Operations,
and Director

Randolph S. Fowler
Senior Vice President,
Business Development,
Business Operations and
Regulatory Affairs, and Director

Pete J. Metros
Director
President, Rapistan Demag Corporation

James L. Gray
Director
Chairman & CEO,
PRIMESTAR Partners

Company Officers

Edward E. Babcock, Jr.
Vice President
Finance

Thomas W. Cady
Vice President
Marketing and Sales

Mark A. Erickson
Vice President
Operations

Ted A. Huf
Vice President
Engineering

John D. Lasater
Vice President
Industry Marketing and
Major Account Sales

Company Directors

Robert L. Edleman
Director
Sales Channel Development

Phillip M. Fraga, Esq.
Director
Legal and Regulatory Affairs

Chris Keagle
Director
Network Operations Control Center

Janet S. Livengood, Esq.
Director
Legal and Regulatory Affairs

Kevin J. Rafferty
Director
New City Development

Dave Sullivan
Director
Operations Support Systems

Jack Wilson
Director
Product Marketing and Development

Hyperion Communications

FIELD MANAGEMENT

Regional Management

Robert E. Guth
Regional Vice President

David L. Martin
Regional Vice President

John Stroebele
Regional Vice President

General Management

Richard E. Bruner
Syracuse, New York

Barak A. Byers
Somerset, New Jersey

Paul Carlisle
Louisville, Kentucky

Jerry Gerasimou
Buffalo, New York

Robert Frost
Burlington, Vermont

Robert L. Hamlin
Charlottesville, Virginia

Kathy M. Harriman
Nashville, Tennessee

Brian Lippold
Wichita, Kansas

Peter K. Murray
Philadelphia, Pennsylvania

Kevin Shutters
Little Rock, Arkansas

STOCKHOLDER INFORMATION

Annual Meeting of Stockholders

The 1998 annual meeting of stockholders of Hyperion Telecommunications, Inc. will be held at 11:00 a.m. on Tuesday, October 6, 1998 at the Coudersport Theater, Main Street, Coudersport, Pennsylvania.

Common Stock Information

Hyperion's Class A Common Stock is listed for trading on the National Association of Securities Dealers Automated Quotations System National Market System (NASDAQ-NMS). Hyperion's NASDAQ-NMS symbol is "HYPT."

Dividend Policy

Hyperion has no plans to pay dividends on its common stock. Hyperion presently intends to retain any earnings to fund the growth of the company's business. The payment of any future dividends will be determined by the Board of Directors in light of the conditions then existing, including the company's results of operations, financial condition, cash requirements, restrictions in financing agreements, business conditions and other factors.

Securities Exchange Act Registration

Hyperion Telecommunications, Inc.'s Class A Common Stock is registered pursuant to Section 12(g) of the Securities Exchange Act of 1934.

Annual Report on Form 10-K

Copies as filed with the Securities and Exchange Commission are available by contacting:
Hyperion Communications
Investor Relations Department
Main at Water Street
Coudersport, PA 16915
814-274-9830
Fax 814-274-9863
www.hyperion.net

Registrar and Transfer Agent

American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005

Independent Auditors

Deloitte & Touche LLP
2500 One PPG Place
Pittsburgh, PA 15222

Outside Counsel

Buchanan Ingersoll PC
One Oxford Centre
301 Grant Street
Pittsburgh, PA 15219-1410

FORWARD-LOOKING STATEMENTS

Throughout this report, we make numerous forward-looking statements regarding business strategies, market potential, future financial performance, product launches and other matters that involve many risks and uncertainties which could cause actual results to differ materially from such forward-looking statements. These forward-looking statements are based on the beliefs of management as well as assumptions made by and information currently available to management. Generally, potential risks and uncertainties include, but are not limited to, such factors as the continued health of the telecommunications industry and the overall economy; the ability of vendors to deliver required equipment and services; changes in law and regulations; changes in strategic relationships; competitive responses; access to capital resources; increases in external costs; and the overall market acceptance of Hyperion's proposed products and services. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements.