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UNITEDGLOBALCOM INC
Form 425
March 08, 2005

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Subject Company: UnitedGlobalCom, Inc.

Commission File No. 000-49658

Subject Company: Liberty Media International, Inc.

Commission File No. 000-50671

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UnitedGlobalCom, Inc.

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Allen & Company

Scottsdale, Arizona

March 8, 2005

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Safe Harbor

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

Forward Looking Statements: Except for historical information contained herein, this presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including guidance given for 2004 and completion of the proposed merger with Liberty Media International (LMI). These forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. These risks and uncertainties include our ability to complete the proposed merger by obtaining the approval of holders of a majority of the aggregate voting power of our shares not beneficially owned by LMI, Liberty Media Corporation (Liberty) or any of their respective subsidiaries or any of the executive officers or directors of LMI, Liberty or the Company and satisfaction of other conditions necessary to close the merger, our ability to successfully integrate our recently acquired French and Irish systems and fully recognize the anticipated synergies, continued use by subscribers and potential subscribers of the Company s services, changes in the technology and competition, our ability to achieve expected operational efficiencies and economies of scale, our ability to generate expected revenue and achieve assumed margins, as well as other factors detailed from time to time in the Company s filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this release. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any guidance and other forward-looking statement contained herein to reflect any change in the Company s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Please refer to the Appendix at the end of this presentation, as well as the Company s Press Release dated November 9, 2004 and SEC filings, for definitions of the following terms which are used herein including: Operating Cash Flow (OCF), Free Cash Flow, Revenue Generating Units (RGUs), and Average Revenue per Unit (ARPU), as well as a GAAP reconciliation of non-GAAP financial measures.

Additional Information

UnitedGlobalCom, Inc. (UGC) and Liberty Media International, Inc. (LMI) have filed a preliminary Joint Proxy Statement relating to their proposed merger as well as a related Schedule 13E-3. Liberty Global, Inc. (Liberty Global) plans to shortly file a Registration Statement on Form S-4 which will contain a Prospectus/Joint Proxy Statement with respect to the proposed merger. **UGC AND LMI STOCKHOLDERS AND OTHER INVESTORS ARE URGED TO READ THESE DOCUMENTS (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS WHEN AVAILABLE) BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE TRANSACTION.** Investors may obtain these documents free of charge at the SEC's website at www.sec.gov. In addition, copies of the Prospectus/Joint Proxy Statement and other related documents filed by the parties to the merger may be obtained free of charge by directing a request to UnitedGlobalCom, Inc., 4643 South Ulster Street, Suite 1300, Denver, Colorado 80237, Attention: Investor Relations Department, telephone: 303-770-4001.

Participants in Solicitation

UGC and its directors and executive officers may be deemed to be participants in the solicitation of proxies from UGC's stockholders in connection with the special meeting of stockholders to be held to approve the merger with LMI through the formation of a new holding company to be named Liberty Global. Information concerning UGC's directors and executive officers and their direct and indirect interests in UGC and LMI is set forth in UGC's and LMI's preliminary Joint Proxy Statement filed with the SEC on February 14, 2005. A definitive proxy statement will be mailed to UGC stockholders when available. Stockholders may obtain these documents (when available) free of charge at the SEC's website at www.sec.gov. In addition, copies of the definitive Prospectus/Joint Proxy Statement (when available) may be obtained free of charge by directing a request to UnitedGlobalCom, Inc., 4643 South Ulster Street, Suite 1300, Denver, Colorado 80237, Attention: Investor Relations Department, telephone: 303-770-4001. **UGC STOCKHOLDERS SHOULD READ THE PROSPECTUS/JOINT PROXY STATEMENT AND OTHER RELEVANT DOCUMENTS CAREFULLY BEFORE MAKING ANY VOTING DECISION BECAUSE IT CONTAINS IMPORTANT INFORMATION.**

Agenda

UGC Overview
LMI Merger
Strategic & Product Update
Q & A

UGC Overview

[LOGO]

Leading international MSO

- 16m homes serviceable
- 11.6m total RGUs

Integrated broadband model

- State-of-the-art networks
- Over 2.2m voice & data subs
- New products & services

Best in class performance

- Strong balance sheet
- Organic & strategic growth

[LOGO]

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[LOGO]

RGUs Please see Appendix for definition.

2004 Results

| 2004 Guidance | Target (1) | |
|--------------------------|-------------------|---|
| Net Adds (RGUs) | 500,000 | ý |
| Revenue (organic) | ∕∧ 10% | ý |
| RevOCF (organic) | ∕∧ 20%+ | ý |
| OCF Result | \$ 850 mill. | ý |
| Capex % of Rev | 20% | ý |

(1) All guidance is organic and excludes acquisitions and the impact of FX rates, with the exception of the OCF Result.

Track Record of Growth(1)

Revenue

[GRAPH]

**Operating
Cash Flow**

[GRAPH]

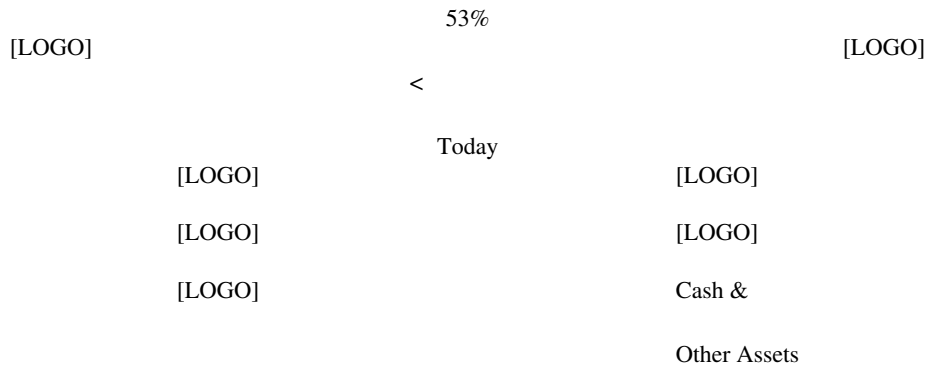
(1) For all periods, excludes the impact of acquisitions, deconsolidations, and/or dispositions, etc. (e.g., Noos acquisition in '04, deconsolidation of Austar in '01). Please see appendix for detailed reconciliations.

(2) Represents UGC's results as of September 30, 2004 annualized

Agenda

- UGC Overview**
- LMI Merger**
- Strategic & Product Update**
- Q & A**

Current Ownership Structure



UGC / LMI Merger

Liberty Global

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Cash &

Other Assets

Rationale

Liberty Global

Scale

Simplicity

Liquidity

Growth

Agenda

UGC Overview
LMI Merger
Strategic Update
Q & A

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What's Happening in the U.S.?

Business strategies are colliding

| | | | | | |
|---------------|---|--------------|------------------|---|----------------|
| Telcos | > | Video | Satellite | > | 2-way |
| Cable | > | Voice | Mobile | > | Content |

Other Trends

- Everyone's obsessed with wireless**
- But it's not a zero sum game
- Content wins either way**
- But the middleman survives
- Technology providers are hedging**
- But margins and churn are troublesome
- Consumers will call the shots!**

Impact on Our Business

Competition drives our product and network decisions in Europe

What it Means

Incumbent telcos & DSL attackers exploiting double and triple play

Emerging DTT and IPTV video competition

Commoditization of data

Pricing pressure in voice

Potential loss of digital high ground

Our Response

Expand product portfolio (e.g. data, VoIP, digital)

Expand footprint and reach (e.g. M&A, off-net DSL)

Bundle the triple play

Exploit scale & network advantages

Invest in content as differentiator

Our Triple Play Statistics

RGU Breakdown(1)

European Stats(2)

[GRAPH]

11.1m Total RGUs

| | Pen % | ARPU | GM% |
|-------|-------|-------|-----|
| Video | 56% | \$ 12 | 85% |
| Voice | 13% | \$ 39 | 69% |
| Data | 13% | \$ 43 | 98% |

(1) RGUs at September 30, 2004

(2) Based on UGC Europe's YTD results as of September 30, 2004.

European Product Strategy

Digital Home Anything, Anytime, Anywhere

Video

Voice

Data

Content Leadership

Price Leadership

Product Leadership

*Best Content
Go Digital*

*Beat on Price
Innovate on Features*

*Meet on Price
Beat on Speed*

Mobile

Off Footprint

4 Play Positioning

National Coverage

Take your home with you

*Compete head-to-head with
the Telcos*

Video Strategy

Digital Home Anything, Anytime, Anywhere

| Video | Voice | Data |
|--|---|--|
| Content Leadership | Price Leadership | Product Leadership |
| <i>Best Content</i> <i>Go Digital</i> | <i>Beat on Price</i> <i>Innovate on Features</i> | <i>Meet on Price</i> <i>Beat on Speed</i> |
| Maintain basic share | | |
| Customer service and value | | |
| Evaluate Digital conversions | | |
| Up sell | | |

Data Strategy

Digital Home Anything, Anytime, Anywhere

| Video | Voice | Data |
|--|---|--|
| Content Leadership | Price Leadership | Product Leadership |
| <i>Best Content</i> <i>Go Digital</i> | <i>Beat on Price</i> <i>Innovate on Features</i> | <i>Meet on Price</i> <i>Beat on Speed</i> |

Broad portfolio of data tiers

Exploit network superiority

Ultra Speed leader (20 MB)

Value added services

Data Tiering

Digital Home Anything, Anytime, Anywhere

| | | |
|------------------------------------|---|--|
| Video | Voice | Data |
| Content Leadership | Price Leadership | Product Leadership |
| <i>Best Content Go Digital</i> | <i>Beat on Price Innovate on Features</i> | <i>Meet on Price Beat on Speed</i> |

The Netherlands

| TIER | RATE | SEPT 04 | OCT 04 | Q1 05 | Q3/Q4 05 |
|-------------|-------------|----------------|---------------|--------------|-----------------|
| Starter | \$18.25 | 128 / 64 | | 256 / 64 | |
| Entry | \$28.00 | 400 / 128 | | 512 / 128 | |
| Light | \$40.00 | 1024 / 256 | | 2048 / 512 | |
| Classic | \$61.00 | 2560 / 384 | 4096 / 1000 | | 8000 / 1000 |
| Plus | \$97.50 | 4608 / 512 | 8000 / 1000 | | 16000 / 1000 |

Data Economics(1)

| US\$ Millions except per sub | 9 Mos Sep 04 | Per Sub |
|---------------------------------|--------------|---------|
| Revenue | \$ 358.1 | \$ 43 |
| Gross Margin | 349.5 | 42 |
| GM % | 98% | 98% |
| OCF | \$ 198.7 | \$ 24 |
| OCF % | 55% | 55% |
| Annualized OCF | \$ 264.9 | \$ 285 |

1) End-to-end analysis for European business, including the 20% revenue split to chellomedia division. Derived from Q3 04 figures using internal cost allocation methodology, and converted at YTD average of 1.23 \$ / Euro.

Voice Strategy

Digital Home Anything, Anytime, Anywhere

| Video | Voice | Data |
|--|---|--|
| Content Leadership | Price Leadership | Product Leadership |
| <i>Best Content</i> <i>Go Digital</i> | <i>Beat on Price</i> <i>Innovate on Features</i> | <i>Meet on Price</i> <i>Beat on Speed</i> |

Roll-out VoIP (Digital Phone)

NL and HU launched Q4 04

5.5m homes RFS by mid-year

Push the voice/data bundle

VoIP Marketing

Primary line for 25-50% less than incumbent

Lower usage rates & unlimited domestic packages

Ease of use - number portability - feature rich

[PHOTO]

[PHOTO]

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VoIP Results

50,000 sales in first 10-12 weeks

50% - 75% of sales bundled with Internet

25,000 net adds at YE '04; growing backlog

[GRAPH]

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VoIP Economics

| (Cents per Sub/Month) | TDM | VoIP |
|----------------------------|---------------|---------------|
| Revenue | 35.50 | 31.40 |
| Direct Cost | -12.80 | -12.80 |
| Gross Margin | 22.70 | 18.60 |
| Opex | -4.80 | -3.80 |
| Operating CF | 17.90 | 14.80 |
| Cost of Acquisition | | |
| Marketing | 110 | 90 |
| CPE | 265 | 63 |
| Install/Other | 115 | 65 |
| Total | 490 | 218 |
| Payback (1) | 34 mos | 17 mos |

(1) Cash on cash payback, including a 15% WACC.

Bundling

Current Status

Now launched in 7 markets

Total ARPU per customer up 8% year-over year

Austria proves the model 42% customers bundled

[PHOTO]

[GRAPH]

[PHOTO]

1) Converted from euros to dollars at nine month 2004 average of 1.22

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European Consolidation

| General Characteristics | Acquisition Criteria |
|------------------------------------|------------------------------------|
| Highly fragmented | Consolidate or enter new markets |
| Financial investors | Value, value, value |
| Favorable regulatory frameworks | Triple play potential |
| Three types of markets | Realizable synergies |
| Valuation gaps in WE | Appropriate free cash flow profile |
| Significant growth in CEE | Maintain reasonable leverage |
| Pan-European scale benefits | |

Selected 2004 Deals

| Deal | Country | RGU's | Indicative Multiple (1) | Rationale |
|-------------|----------------|--------------|--------------------------------|------------------|
| Noos | France | 1.7m | 7.3x | Consolidation |
| Telemach | Slovenia | 110k | 8.2x | New market |
| Chorus | Ireland | 200k | 6.9x | New market |
| Telenet | Belgium | 2.5m | 7.8x | Strategic |

(1) Please refer to our prior releases for further details on the valuations of these transactions.

Conclusions

Premier international MSO

Best in class organic cash flow growth

Outstanding internal and external strategic growth opportunities

Creation of Liberty Global will significantly enhance platform scale and balance sheet

UnitedGlobalCom, Inc.

[PHOTO]

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Scottsdale, Arizona

March 8, 2005

[LOGO]

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Appendix

Operating Cash Flow Definition

Operating Cash Flow is the primary measure used by our chief operating decision makers to evaluate segment-operating performance and to decide how to allocate resources to segments. As we use the term, Operating Cash Flow is defined as revenue less operating, selling, general and administrative expenses (excluding depreciation and amortization, impairment of long-lived assets, restructuring charges and other and stock-based compensation). We believe Operating Cash Flow is meaningful because it provides investors a means to evaluate the operating performance of our segments and our company on an ongoing basis using criteria that is used by our internal decision makers. Our internal decision makers believe Operating Cash Flow is a meaningful measure and is superior to other available GAAP measures because it represents a transparent view of our recurring operating performance and allows management to readily view operating trends, perform analytical comparisons and benchmarking between segments in the different countries in which we operate and identify strategies to improve operating performance. For example, our internal decision makers believe that the inclusion of impairment and restructuring charges within Operating Cash Flow distorts their ability to efficiently assess and view the core operating trends in our segments. In addition, our internal decision makers believe our measure of Operating Cash Flow is important because analysts and investors use it to compare our performance to other companies in our industry. We reconcile the total of the reportable segments' Operating Cash Flow to our consolidated net income as presented in the accompanying condensed consolidated statements of operations, because we believe consolidated net income is the most directly comparable financial measure to total segment operating performance. Investors should view Operating Cash Flow as a supplement to, and not a substitute for, operating income, net income, cash flow from operating activities and other GAAP measures of income as a measure of operating performance.

Operating Cash Flow Definition

Free Cash Flow is not a GAAP measure of liquidity. We define Free Cash Flow as net cash flows from operating activities less capital expenditures. We believe our presentation of free cash flow provides useful information to our investors because it can be used to gauge our ability to service debt and fund new investment opportunities. Investors should view free cash flow as a supplement to, and not a substitute for, GAAP cash flows from operating, investing and financing activities as a measure of liquidity.

Revenue Generating Unit (RGU) is separately an Analog Cable Subscriber, DTH Subscriber, Digital Cable Subscriber, Broadband Internet Subscriber or Telephone Subscriber. A home may contain one or more RGUs. For example, if a residential customer in our Austrian system subscribed to our analog cable service, digital cable service, telephone service and high-speed Internet access service, the customer would constitute four RGUs. Total RGUs is the sum of Analog, DTH, Digital Cable, Broadband Internet and Telephone Subscribers.

Average Revenue Per Unit (ARPU) is calculated as follows: average monthly broadband revenue for the period as indicated, divided by the average of the opening and closing RGUs for the period as indicated.

Non-GAAP Reconciliations**Reconciliation of Operating Cash flow to Net Income (loss) (1)**

| <i>(thousands)</i> | 3 months Sep-04 | 3 months Sep-03 | 9 months Sep-04 | 9 months Sep-03 |
|---|--------------------|--------------------|--------------------|--------------------|
| Total segment Operating Cash Flow | \$ 241,703 | \$ 171,366 | \$ 640,515 | \$ 442,868 |
| Depreciation and amortization | (235,186) | (192,002) | (667,298) | (598,207) |
| Impairment of longlived assets | 25 | 441 | (16,598) | 441 |
| Restructuring charges | (1,824) | 18 | (10,749) | (6,886) |
| Stock-based compensation | (12,178) | (14,261) | (63,894) | (28,647) |
| Operating income (loss) | (7,460) | (34,438) | (118,024) | (190,431) |
| Interest expense, net | (53,616) | (71,247) | (187,806) | (253,210) |
| Foreign currency exchange gain (loss), net | 21,771 | (269,598) | (7,061) | 175,890 |
| Loss on derivative instruments | (16,838) | (103) | (14,512) | (11,497) |
| Gain (loss) on sale of investments in affiliates and other assets, net | (1,174) | (283) | (1,574) | 281,321 |
| Gain on extinguishment of debt | | 2,109,596 | 35,787 | 2,183,997 |
| Other income (expense), net | 302 | (7,935) | 830 | (41,658) |
| Income (loss) before income taxes and other items | (57,015) | 1,725,992 | (292,360) | 2,144,412 |
| Other, net | (13,195) | 11,117 | (22,386) | 231,650 |
| Net income (loss) | (\$70,210) | \$ 1,737,109 | (\$314,746) | \$ 2,376,062 |

Reconciliation of Free Cash flow

| <i>(thousands)</i> | 3 months Sep-04 | 3 months Sep-03 | 9 months Sep-04 | 9 months Sep-03 |
|--|--------------------|--------------------|--------------------|--------------------|
| Net cash flows from operating activities | \$ 175,064 | \$ 98,701 | \$ 473,347 | \$ 273,441 |
| Capital expenditures | (116,696) | (94,755) | (292,557) | (227,698) |
| Free cash flow | \$ 58,368 | \$ 3,946 | \$ 180,790 | \$ 45,743 |

1. We are unable to provide a reconciliation of forecasted Operating Cash Flow to the most directly comparable GAAP measure, net income, because certain items are out of our control and/or cannot be reasonably predicted. For example, it is impractical to: (1) estimate future fluctuations in interest rates on our variable-rate debt facies; (2) estimate the fluctuations in exchange rates relative to the U.S. dollar and its impact on our results of operations; (3) estimate the financial results of our non-consolidated affiliates; and (4) estimate changes in circumstances that lead to gains and/or losses such as sales of investments in affiliates and other assets. Any and/or all of these items could be significant to our financial results and calculation.

Pro-Forma Leverage

| | FYE '03 | Q4 '03 | Q1 '04 | Q2 '04 | Q3 '04 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Debt Summary: | | | | | |
| UPC Distribution Bank Facility | \$ 3,698,586 | \$ 3,698,586 | \$ 3,584,272 | \$ 3,224,816 | \$ 3,495,406 |
| UGC Convertible Notes | | | 609,830 | 621,813 | |
| UPC Polska Notes | 317,372 | 317,372 | | | |
| UPC Polska 2007 Notes | | 101,701 | 101,701 | | |
| VTR Bank Facility | 123,000 | 123,000 | 93,198 | 88,586 | 83,972 |
| Old UGC Senior Notes | 24,627 | 24,627 | 24,627 | 24,627 | 24,627 |
| Notes payable, related party | 102,728 | 102,728 | | | |
| Subject to compromise: short term debt | 5,099 | 5,099 | | | |
| Other | 80,493 | 80,493 | 74,198 | 55,980 | 60,653 |
| Total Debt | \$ 4,351,905 | \$ 4,351,905 | \$ 3,877,996 | \$ 4,105,540 | \$ 4,286,471 |
| Less: UPC Polska notes (1) | (322,471) | (322,471) | | | |
| Add: UPC Polska note (2) | 101,701 | 101,701 | | | |
| Less: Notes Payable, related party (3) | (102,728) | (102,728) | | | |
| 4 Less: VTR GlobalCom | (25,233) | (25,233) | | | |
| 5 Add: Euro Convertible | 630,279 | 630,279 | 605,400 | | |
| Add: Noos Acquisition ⁶ | 127,042 | | | | |
| Pro-Forma Debt | \$ 4,633,453 | \$ 4,633,453 | \$ 4,483,396 | \$ 4,232,582 | \$ 4,286,471 |
| Cash Summary | | | | | |
| Cash & cash equivalents | \$ 310,361 | \$ 310,361 | \$ 1,275,785 | \$ 1,368,677 | \$ 981,638 |
| Restricted cash | 25,052 | 25,052 | 18,169 | 20,237 | 23,367 |
| Short-term liquid investments | 2,134 | 2,134 | 19,621 | 207,194 | 111,536 |
| Total Cash | 337,547 | 337,547 | 1,313,575 | 1,596,108 | 1,116,541 |
| Rights Offering and Liberty Preemptive Rights ³ | 1,075,385 | 1,075,385 | | | |
| Less: VTR GlobalCom | (25,233) | (25,233) | | | |
| Less: UPC Polska payment (2) | (81,361) | (81,361) | | | |
| Add: Euro Convertible (5) | 617,673 | 617,673 | 593,292 | | |
| Less: Noos Acquisition (6) | (514,130) | | | | |
| Pro-Forma Cash | \$ 1,924,011 | \$ 1,924,011 | \$ 1,906,867 | \$ 1,081,978 | \$ 1,116,541 |
| Net Debt | \$ 4,014,358 | \$ 4,014,358 | \$ 2,564,421 | \$ 2,509,432 | \$ 3,169,930 |
| Pro-Forma Net Debt | \$ 2,709,442 | \$ 2,709,442 | \$ 2,576,529 | \$ 3,150,603 | \$ 3,169,930 |
| Operating Cash Flow ("OCF") | \$ 628,882 | \$ 186,014 | \$ 204,284 | \$ 194,528 | \$ 241,703 |
| Add: Noos Operating Cash Flow (6) | | | | 26,129 | |
| Pro-Forma Operating Cash Flow ("OCF") | \$ 628,882 | \$ 186,014 | \$ 204,284 | \$ 220,657 | \$ 241,703 |
| Net Debt / Annualized OCF (OCF * (4)) | 6.4x | 5.4x | 3.1x | 3.2x | 3.3x |
| Pro Forma Net Debt / Pro-Forma Annualized OCF | 4.3x | 3.6x | 3.2x | 3.6x | 3.3x |

1. Represents the sum of all of the notes outstanding of UPC and UPC Polska (UPC Polska restructuring completed in February 2004) per UGC's filings.

2. Per the final terms and conditions of the UPC Polska restructuring, completed in February 2004, virtually all existing debt was cancelled and in exchange UPC Polska issued to the third party bondholders \$101.7 million in new 9.0% senior notes, and paid \$81.4 million in cash.

3. Includes proceeds of approximately \$1.02 billion from the rights offering completed in February 2004, as well as the net proceeds from Liberty of \$157 million when Liberty exercised its preemptive right for certain transactions (e.g., UGC Europe exchange offer) less cancellation of the Notes Payable to Liberty for \$103 million.
4. VTR was required to make a loan repayment of over \$25 million as per the loan agreement.
5. UGC received net proceeds of Euro 490mm (Euro 500mm par value) from its recent convertible offering (US\$ equivalent based on F/X spot rates as of the reporting dates as indicated).
6. Noos was acquired in July 2004, as discussed previously in the presentation.

Supplemental Information

| (amounts in thousands) | For the 3 months ended | | For the 9 months ended | |
|--|------------------------|--------------------|------------------------|---------------------|
| | Sep-04 | Sep-03 | Sep-04 | Sep-03 |
| Interest Expense Breakdown: | | | | |
| Cash Pay: | | | | |
| UPC Distribution Bank Facility | \$ (49,588) | \$ (64,172) | \$ (167,727) | \$ (199,432) |
| UGC Convertible Notes | (2,675) | | (5,135) | |
| VTR Bank Facility | (1,582) | (2,073) | (5,207) | (7,286) |
| UPC Polska 2007 Notes | | | (3,392) | |
| Old UGC senior notes | | (691) | (86) | (1,655) |
| Other | (1,976) | (2,826) | (9,601) | (7,833) |
| <i>Total</i> | (55,821) | (69,762) | (191,148) | (216,206) |
| Non-Cash: | | | | |
| UPC Polska senior discount notes accretion 1 | | (1,323) | | (29,151) |
| Old UGC senior notes accretion | | | | (313) |
| Amortization of deferred financing costs | (3,175) | (2,860) | (13,561) | (18,143) |
| <i>Total</i> | (3,175) | (4,183) | (13,561) | (47,607) |
| Total Interest Expense | \$ (58,996) | \$ (73,945) | \$ (204,709) | \$ (263,813) |
| Summary of Working Capital Changes: 2 | | | | |
| Change in receivables and other assets | \$ 33,537 | \$ 12,910 | (\$14,830) | \$ 69,461 |
| Change in accounts payable, acc. liabilities & other | (29,858) | (19,572) | 70,953 | (32,360) |
| <i>Total</i> | \$ 3,679 | (\$6,662) | \$ 56,123 | \$ 37,101 |

1. Per the final terms and conditions of the UPC Polska restructuring, completed in February 2004, virtually all existing debt was cancelled and in exchange UPC Polska issued to the third party bondholders \$101.7 million in new 9.0% senior notes, and paid \$81.1 million in cash. In addition, the \$101.7 million notes were repaid in full in July 2004 with proceeds from the UPC Distribution Co. Bank Facility.

2. Please refer to management's discussion and analysis of financial condition and results of operations for interest expense and Statement of Cash Flows for working capital changes per UGC's 10Q as of September 30, 2004 and June 30, 2004.

Revenue for the Nine Months Ended September 30

| | 2004 | | 2003 | | Increase (Decrease) | | Increase (Decrease) Excluding F/X Effects | | | |
|----------------------------------|------|----------|------|----------|---------------------|----------|--|----|----------|---------|
| | | | | | \$ | % | \$ | % | | |
| Europe (UGC Europe): | | | | | | | | | | |
| UPC Broadband | | | | | | | | | | |
| The Netherlands | \$ | 178,996 | \$ | 150,838 | \$ | 28,158 | 18.7% | \$ | 14,028 | 9.3% |
| Austria | | 72,482 | | 65,085 | | 7,397 | 11.4% | | 1,692 | 2.6% |
| France (other than Noos) | | 31,905 | | 29,744 | | 2,161 | 7.3% | | (357) | (1.2)% |
| France (Noos) | | 88,686 | | | | 88,686 | | | 88,686 | |
| Norway | | 27,140 | | 22,912 | | 4,228 | 18.5% | | 2,520 | 11.0% |
| Sweden | | 21,141 | | 18,710 | | 2,431 | 13.0% | | 692 | 3.7% |
| Belgium | | 9,195 | | 7,785 | | 1,410 | 18.1% | | 685 | 8.8% |
| Total Western Europe | | 429,545 | | 295,074 | | 134,471 | 45.6% | | 107,946 | 36.6% |
| Hungary | | 53,194 | | 40,358 | | 12,836 | 31.8% | | 6,699 | 16.6% |
| Poland | | 28,464 | | 21,391 | | 7,073 | 33.1% | | 4,770 | 22.3% |
| Czech Republic | | 19,644 | | 15,422 | | 4,222 | 27.4% | | 2,375 | 15.4% |
| Slovak Republic | | 7,967 | | 6,164 | | 1,803 | 29.3% | | 869 | 14.1% |
| Romania | | 6,842 | | 4,543 | | 2,299 | 50.6% | | 2,431 | 53.5% |
| Total Central and Eastern Europe | | 116,111 | | 87,878 | | 28,233 | 32.1% | | 17,144 | 19.5% |
| Corporate and other | | 6,668 | | 8,607 | | (1,939) | (22.5)% | | (2,462) | (28.6)% |
| Total UPC Broadband | | 552,324 | | 391,559 | | 160,765 | 41.1% | | 122,628 | 31.3% |
| chellomedia | | | | | | | | | | |
| Priority Telecom | | 29,308 | | 29,972 | | (664) | (2.2)% | | (2,967) | (9.9)% |
| Media | | 32,218 | | 25,508 | | 6,710 | 26.3% | | 4,183 | 16.4% |
| Investments | | 187 | | 60 | | 127 | 211.7% | | 113 | 188.3% |
| Total chellomedia | | 61,713 | | 55,540 | | 6,173 | 11.1% | | 1,329 | 2.4% |
| Intercompany eliminations | | (35,286) | | (33,261) | | (2,025) | 6.1% | | 765 | (2.3)% |
| Total Europe | | 578,751 | | 413,838 | | 164,913 | 39.8% | | 124,722 | 30.1% |
| Latin America: | | | | | | | | | | |
| Broadband | | | | | | | | | | |
| Chile (VTR) | | 75,096 | | 58,608 | | 16,488 | 28.1% | | 9,436 | 16.1% |
| Brazil, Peru and other | | 1,909 | | 2,069 | | (160) | (7.7)% | | (160) | (7.7)% |
| Total Latin America | | 77,005 | | 60,677 | | 16,328 | 26.9% | | 9,276 | 15.3% |
| Corporate and other | | 2,707 | | | | 2,707 | 100.0% | | 2,707 | 100.0% |
| Total UGC | \$ | 658,463 | \$ | 474,515 | \$ | 183,948 | 38.8% | \$ | 136,705 | 28.8% |
| Less Noos | | | | | \$ | (88,686) | | \$ | (88,686) | |
| Total UGC, excluding Noos | | | | | \$ | 95,262 | 20.1% | \$ | 48,019 | 10.1% |

| | 2004 | | 2003 | | Increase (Decrease) | | Increase (Decrease) Excluding F/X Effects | | | |
|---|------|-----------|------|-----------|---------------------|----------|--|----|----------|---------|
| | \$ | | \$ | | \$ | % | \$ | % | | |
| Europe (UGC Europe): | | | | | | | | | | |
| UPC Broadband | | | | | | | | | | |
| The Netherlands | \$ | 519,948 | \$ | 430,620 | \$ | 89,328 | 20.7% | \$ | 41,340 | 9.6% |
| Austria | | 221,780 | | 189,880 | | 31,900 | 16.8% | | 11,393 | 6.0% |
| France (other than Noos) | | 94,164 | | 84,435 | | 9,729 | 11.5% | | 1,013 | 1.2% |
| France (Noos) | | 88,686 | | | | 88,686 | | | 88,686 | |
| Norway | | 81,134 | | 69,978 | | 11,156 | 15.9% | | 8,397 | 12.0% |
| Sweden | | 64,315 | | 54,867 | | 9,448 | 17.2% | | 3,402 | 6.2% |
| Belgium | | 27,243 | | 23,071 | | 4,172 | 18.1% | | 1,661 | 7.2% |
| Total Western Europe | | 1,097,270 | | 852,851 | | 244,419 | 28.7% | | 155,892 | 18.3% |
| Hungary | | 155,666 | | 121,300 | | 34,366 | 28.3% | | 21,349 | 17.6% |
| Poland | | 76,687 | | 63,200 | | 13,487 | 21.3% | | 11,250 | 17.8% |
| Czech Republic | | 58,438 | | 45,775 | | 12,663 | 27.7% | | 8,331 | 18.2% |
| Slovak Republic | | 23,837 | | 18,634 | | 5,203 | 27.9% | | 2,217 | 11.9% |
| Romania | | 18,775 | | 14,441 | | 4,334 | 30.0% | | 4,462 | 30.9% |
| Total Central and Eastern Europe | | | | | | | | | | |
| Europe | | 333,403 | | 263,350 | | 70,053 | 26.6% | | 47,609 | 18.1% |
| Corporate and other | | 18,722 | | 23,043 | | (4,321) | (18.8)% | | (6,037) | (26.2)% |
| Total UPC Broadband | | 1,449,395 | | 1,139,244 | | 310,151 | 27.2% | | 197,464 | 17.3% |
| chellomedia | | | | | | | | | | |
| Priority Telecom | | 86,794 | | 89,998 | | (3,204) | (3.6)% | | (11,250) | (12.5)% |
| Media | | 91,140 | | 72,251 | | 18,889 | 26.1% | | 10,549 | 14.6% |
| Investments | | 640 | | 331 | | 309 | 93.4% | | 248 | 74.9% |
| Total chellomedia | | 178,574 | | 162,580 | | 15,994 | 9.8% | | (453) | (0.3)% |
| Intercompany eliminations | | (102,166) | | (93,627) | | (8,539) | (9.1)% | | 843 | 0.9% |
| Total Europe | | 1,525,803 | | 1,208,197 | | 317,606 | 26.3% | | 197,854 | 16.4% |
| Latin America: | | | | | | | | | | |
| Broadband | | | | | | | | | | |
| Chile (VTR) | | 216,537 | | 161,667 | | 54,870 | 33.9% | | 25,382 | 15.7% |
| Brazil, Peru and other | | 5,830 | | 5,794 | | 36 | 0.6% | | 36 | 0.6% |
| Total Latin America | | 222,367 | | 167,461 | | 54,906 | 32.8% | | 25,418 | 15.2% |
| Corporate and other | | 2,707 | | 8 | | 2,699 | 100.0% | | 2,699 | 100.0% |
| Total UGC | \$ | 1,750,877 | \$ | 1,375,666 | \$ | 375,211 | 27.3% | \$ | 225,971 | 16.4% |
| Less Noos | | | | | | (88,686) | | | (88,686) | |
| Total UGC, excluding Noos | | | | | | 286,525 | 20.8% | | 137,285 | 10.0% |

Operating Cash Flow for the Three Months Ended September 30,

| | 2004 | | 2003 | | Increase (Decrease) | | Increase (Decrease) Excluding F/X Effects | |
|----------------------------------|------------|---|------------|---|---------------------|----------|--|---------|
| | \$ | % | \$ | % | \$ | % | \$ | % |
| Europe (UGC Europe): | | | | | | | | |
| UPC Broadband | | | | | | | | |
| The Netherlands | \$ 93,596 | | \$ 78,608 | | \$ 14,988 | 19.1% | \$ 7,546 | 9.6% |
| Austria | 28,221 | | 25,830 | | 2,391 | 9.3% | 232 | 0.9% |
| France (other than Noos) | 4,945 | | 5,651 | | (706) | (12.5)% | (1,130) | (20.0)% |
| France (Noos) | 17,777 | | | | 17,777 | | 17,777 | |
| Norway | 9,680 | | 7,402 | | 2,278 | 30.8% | 1,665 | 22.5% |
| Sweden | 8,762 | | 8,249 | | 513 | 6.2% | (198) | (2.4)% |
| Belgium | 4,396 | | 2,811 | | 1,585 | 56.4% | 1,254 | 44.6% |
| Total Western Europe | 167,377 | | 128,551 | | 38,826 | 30.2% | 27,146 | 21.1% |
| Hungary | 20,810 | | 14,574 | | 6,236 | 42.8% | 3,906 | 26.8% |
| Poland | 9,987 | | 5,645 | | 4,342 | 76.9% | 3,534 | 62.6% |
| Czech Republic | 9,969 | | 6,910 | | 3,059 | 44.3% | 2,128 | 30.8% |
| Slovak Republic | 3,507 | | 2,175 | | 1,332 | 61.2% | 948 | 43.6% |
| Romania | 3,051 | | 1,992 | | 1,059 | 53.2% | 1,121 | 56.3% |
| Total Central and Eastern Europe | 47,324 | | 31,296 | | 16,028 | 51.2% | 11,637 | 37.2% |
| Corporate and other | (14,950) | | (16,756) | | 1,806 | 10.8% | 2,765 | 16.5% |
| Total UPC Broadband | 199,751 | | 143,091 | | 56,660 | 39.6% | 41,548 | 29.0% |
| chellomedia | | | | | | | | |
| Priority Telecom | 4,011 | | 3,780 | | 231 | 6.1% | (83) | (2.2)% |
| Media | 10,129 | | 8,264 | | 1,865 | 22.6% | 1,033 | 12.5% |
| Investments | (152) | | 22 | | (174) | (790.9)% | 10 | (45.5)% |
| Total chellomedia | 13,988 | | 12,066 | | 1,922 | 15.9% | 960 | 8.0% |
| Total Europe | 213,739 | | 155,157 | | 58,582 | 37.8% | 42,508 | 27.4% |
| Latin America: | | | | | | | | |
| Broadband | | | | | | | | |
| Chile (VTR) | 25,925 | | 18,929 | | 6,996 | 37.0% | 4,600 | 24.3% |
| Brazil, Peru and other | 41 | | 44 | | (3) | (6.8)% | (3) | (6.8)% |
| Total Latin America | 25,966 | | 18,973 | | 6,993 | 36.9% | 4,597 | 24.2% |
| Corporate and other | 1,998 | | (2,764) | | 4,762 | 172.3% | 4,762 | 172.3% |
| Total UGC | \$ 241,703 | | \$ 171,366 | | \$ 70,337 | 41.0% | \$ 51,867 | 30.3% |
| Less Noos | | | | | | | | |
| Total UGC, excluding Noos | | | | | \$ (17,777) | | \$ (17,777) | |
| | | | | | \$ 52,560 | 30.7% | \$ 34,090 | 19.9% |

Operating Cash Flow for the Three Months Ended September 30,
Increase (Decrease)

| | 2004 | | 2003 | | Increase (Decrease) | | Excluding F/X Effects | |
|----------------------------------|------------|---|------------|---|---------------------|---------|-----------------------|---------|
| | \$ | % | \$ | % | \$ | % | \$ | % |
| Europe (UGC Europe): | | | | | | | | |
| UPC Broadband | | | | | | | | |
| The Netherlands | \$ 267,097 | | \$ 188,528 | | \$ 78,569 | 41.7% | \$ 54,296 | 28.8% |
| Austria | 86,489 | | 73,288 | | 13,201 | 18.0% | 5,350 | 7.3% |
| France (other than Noos) | 10,508 | | 8,709 | | 1,799 | 20.7% | 845 | 9.7% |
| France (Noos) | 17,777 | | | | 17,777 | | 17,777 | |
| Norway | 27,338 | | 19,345 | | 7,993 | 41.3% | 7,100 | 36.7% |
| Sweden | 25,929 | | 23,091 | | 2,838 | 12.3% | 439 | 1.9% |
| Belgium | 12,475 | | 8,596 | | 3,879 | 45.1% | 2,742 | 31.9% |
| Total Western Europe | 447,613 | | 321,557 | | 126,056 | 39.2% | 88,549 | 27.5% |
| Hungary | 63,189 | | 46,401 | | 16,788 | 36.2% | 11,600 | 25.0% |
| Poland | 27,398 | | 19,032 | | 8,366 | 44.0% | 7,556 | 39.7% |
| Czech Republic | 26,325 | | 18,473 | | 7,852 | 42.5% | 5,930 | 32.1% |
| Slovak Republic | 10,629 | | 8,207 | | 2,422 | 29.5% | 1,116 | 13.6% |
| Romania | 9,204 | | 5,442 | | 3,762 | 69.1% | 3,842 | 70.6% |
| Total Central and Eastern Europe | 136,745 | | 97,555 | | 39,190 | 40.2% | 30,044 | 30.8% |
| Corporate and other | (49,748) | | (39,607) | | (10,141) | (25.6)% | (5,624) | (14.2)% |
| Total UPC Broadband | 534,610 | | 379,505 | | 155,105 | 40.9% | 112,969 | 29.8% |
| chellomedia | | | | | | | | |
| Priority Telecom | 11,305 | | 10,128 | | 1,177 | 11.6% | 152 | 1.5% |
| Media | 24,412 | | 17,151 | | 7,261 | 42.3% | 5,042 | 29.4% |
| Investments | (233) | | (738) | | 505 | 68.4% | 526 | 71.3% |
| Total chellomedia | 35,484 | | 26,541 | | 8,943 | 33.7% | 5,720 | 21.6% |
| Total Europe | 570,094 | | 406,046 | | 164,048 | 40.4% | 118,689 | 29.2% |
| Latin America: | | | | | | | | |
| Broadband | | | | | | | | |
| Chile (VTR) | 74,942 | | 47,884 | | 27,058 | 56.5% | 16,999 | 35.5% |
| Brazil, Peru and other | 236 | | (44) | | 280 | 100.0% | 280 | 100.0% |
| Total Latin America | 75,178 | | 47,840 | | 27,338 | 57.1% | 17,279 | 36.1% |
| Corporate and other | (4,757) | | (11,018) | | 6,261 | 56.8% | 6,261 | 56.8% |
| Total UGC | \$ 640,515 | | \$ 442,868 | | \$ 197,647 | 44.6% | \$ 142,229 | 32.1% |
| Less Noos | | | | | | | | |
| | | | | | \$ (17,777) | | \$ (17,777) | |
| Total UGC, excluding Noos | | | | | \$ 179,870 | 40.6% | \$ 124,452 | 28.1% |

Non-GAAP Reconciliations**Reconciliation of Operating Cash Flow with Net Income (Loss) (1)**

| (thousands) | For the Year Ended | | | |
|--|--------------------|----------------|--------------|--------------|
| | Dec-00 | Dec-01 | Dec-02 | Dec-03 |
| Total Segment Operating Cash Flow | \$ (368,464) | \$ (191,243) | \$ 296,374 | \$ 628,882 |
| Depreciation and amortization | (815,522) | (1,147,176) | (730,001) | (808,663) |
| Impairment of long-lived assets | 0 | (1,320,942) | (436,153) | (402,239) |
| Restructuring charges and other | 0 | (204,127) | (1,274) | (35,970) |
| Stock-based compensation | 43,183 | (8,818) | (28,228) | (38,024) |
| Operating income (loss) | (1,140,803) | (2,872,306) | (899,282) | (656,014) |
| Interest expense, net | (795,486) | (966,134) | (641,786) | (314,078) |
| Foreign currency exchange gain (loss), net | (215,900) | (148,192) | 739,794 | 121,612 |
| Gain on early extinguishment of debt | 0 | 3,447 | 2,208,782 | 2,183,997 |
| Gain (loss) on sale of investments in affiliates, net | 6,194 | (416,803) | 117,262 | 279,442 |
| Other income (expense), net | 117,574 | (265,512) | (120,832) | (14,884) |
| Income (loss) before income taxes and other items | (2,028,421) | (4,665,500) | 1,403,938 | 1,600,075 |
| Other, net | 807,531 | 150,735 | (415,670) | 395,293 |
| Income (loss) before cum. effect of change in acctg. principle | (1,220,890) | (4,514,765) | 988,268 | 1,995,368 |
| Cumulative effect of change in accounting principle | 0 | 20,056 | (1,344,722) | 0 |
| Net income (loss) | \$ (1,220,890) | \$ (4,494,709) | \$ (356,454) | \$ 1,995,368 |

1. We are unable to provide a reconciliation of forecasted Operating Cash Flow to the most directly comparable GAAP measure, net income, because certain items are out of our control and/or cannot be reasonably predicted. For example, it is impractical to: (1) estimate future fluctuations in interest rates on our variable-rate debt facilities; (2) estimate the fluctuations in exchange rates relative to the U.S. dollar and its impact on our results of operations; (3) estimate the financial results of our non-consolidated affiliates; and (4) estimate changes in circumstances that lead to gains and/or losses such as sales of investments in affiliates and other assets. Any and/or all of these items could be significant to our financial results. and calculation.

Supplemental Information

Summary of Pro Forma Revenue and Operating Cash Flow

| (thousands) | Dec-00 | For the Year Ended | | | YTD |
|--|--------------|--------------------|--------------|--------------|--------------|
| | | Dec-01 | Dec-02 | Dec-03 | Sep-04 |
| UGC Consolidated Revenue | \$ 1,251,034 | \$ 1,561,894 | \$ 1,515,021 | \$ 1,891,530 | \$ 1,750,877 |
| Less: | | | | | |
| UGC Europe - miscellaneous (1) | (107,868) | (122,096) | | | |
| UPC Germany (2) | (9,682) | (45,848) | (27,061) | | |
| Austar United (3) | (172,425) | (155,396) | | | |
| Noos - France (4) | | | | | (88,686) |
| UGC Revised Consolidated Revenues - Pro Forma | \$ 961,059 | \$ 1,238,554 | \$ 1,487,960 | \$ 1,891,530 | \$ 1,662,191 |
| UGC Consolidated Operating Cash Flow | \$ (368,464) | \$ (191,243) | \$ 296,374 | \$ 628,882 | \$ 640,515 |
| Less: | | | | | |
| UGC Europe - miscellaneous (1) | 53,897 | 40,708 | 0 | 0 | 0 |
| UPC Germany (2) | (4,854) | (22,185) | (12,052) | 0 | |
| Austar United (3) | 43,598 | 41,847 | 0 | 0 | 0 |
| Noos - France (4) | 0 | 0 | 0 | 0 | (17,777) |
| UGC Revised Consolidated Revenues - Ongoing only | \$ (275,823) | \$ (130,873) | \$ 284,322 | \$ 628,882 | \$ 622,738 |

(1) Represents the effect of certain disposed, deconsolidated and closed operations by UGC Europe in the prior years as if they had occurred on January 1, 2000, including: Disposed operations: within the DTH business -Polish DTH; Closed operations: Programming -sports programming in Poland, Hungary and Czech Republic, closed or disposed in December 2001. Priority Telecom -primarily closure of international wholesale operations. UPC Media -UPCtv channel closure.

(2) As a result of the transfer of 22.3% of UGC Europe's interest in UPC Germany, UPC Germany was deconsolidated effective August 1, 2002.

(3) As a result of the sale of 49.99% of our indirect interest in United Australia/Pacific, Inc., we deconsolidated the results of operations of Austar United effective November 15, 2001.

(4) On July 7, 2004, we completed the acquisition of Noos, the largest cable television operator in France.