

# Q3 2012 Investor Call

November 5, 2012



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# “Safe Harbor”



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

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including our expectations with respect to our 2012 outlook and future growth prospects, including our expectations for continued organic growth in subscribers, our expectations with respect to our Adjusted FCF generation during the fourth quarter of 2012, the penetration of our advanced services, and our ARPU per customer; our assessment of the strength of our balance sheet, our liquidity and access to capital markets, including our borrowing availability, potential uses of our excess capital, including for acquisitions and continued stock buybacks, our ability to continue to do opportunistic refinancings and debt maturity extensions and the adequacy of our currency and interest rate hedges; our expectation that we will launch a tender offer for Telenet; our expectations with respect to the timing and impact of our expanded roll-out of advanced products and services, including Horizon TV; our insight and expectations regarding competitive and economic factors in our markets, the availability of accretive M&A opportunities and the impact of our M&A activity on our operations and financial performance and other information and statements that are not historical fact. 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 the continued use by subscribers and potential subscribers of the Company's services and willingness to upgrade to our more advanced offerings, our ability to meet challenges from competition and economic factors, the continued growth in services for digital television at a reasonable cost, the effects of changes in technology, law and regulation, our ability to obtain regulatory approval and satisfy the conditions necessary to close acquisitions and dispositions, our ability to achieve expected operational efficiencies and economies of scale, our ability to generate expected revenue and operating cash flow, control capital expenditures as measured by percentage of revenue, achieve assumed margins and control the phasing of our FCF, our ability to access cash of our subsidiaries and the impact of our future financial performance and market conditions generally, on the availability, terms and deployment of capital,

fluctuations in currency exchange and interest rates, the continued creditworthiness of our counterparties, the ability of vendors and suppliers to timely meet delivery requirements, as well as other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission including our most recently filed Forms 10-K and 10-Q. These forward-looking statements speak only as of the date of this presentation. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any 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.

## Additional Information Relating to Defined Terms:

Please refer to the Appendix at the end of this presentation, as well as the Company's Press Release dated November 4, 2012 and SEC filings, for the definitions of the following terms which may be used herein including: Rebased Growth, Operating Cash Flow ("OCF"), Free Cash Flow ("FCF"), Adjusted Free Cash Flow ("Adjusted FCF"), Revenue Generating Units ("RGUs"), Average Revenue per Unit ("ARPU"), as well as GAAP reconciliations, where applicable.

## Additional Information Relating to Accounting Treatment of a Discontinued Operation:

We began accounting for Austar as a discontinued operation effective December 31, 2011. The results of operations, subscriber metrics and cash flows of Austar have been classified as discontinued operation for all periods presented. Accordingly, the financial and statistical information presented herein includes only our continuing operations, unless otherwise indicated.

# Agenda

Q3 2012 Highlights

Financial Results

Q&A

# Q3 2012 Highlights<sup>(1)</sup>



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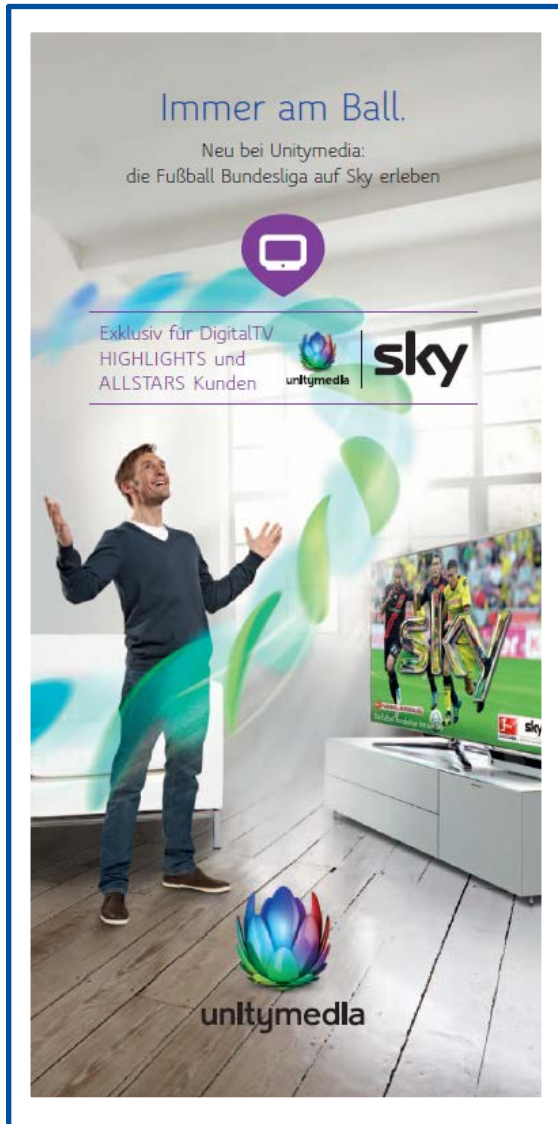
- Added **320,000** organic RGUs
- Successful **launch of Horizon** in NL
- Solid rebased **revenue growth** of 6%
- **Improved** rebased **OCF growth** of 5%
- **Liquidity of \$5.5 bn**, including **\$3.3 bn of cash** with \$2.1 bn at parent
- **Over 95% of total debt due 2016 & beyond**; FX and rates hedged
- Committed to completing **\$1 bn stock repurchase target**, accelerating Q4
- **Proceeding** with tender offer for **TNET**

## Product innovation



(1) Please see Appendix for the definitions and information, including the reconciliations where applicable, on organic RGU additions, rebased growth, OCF and liquidity.

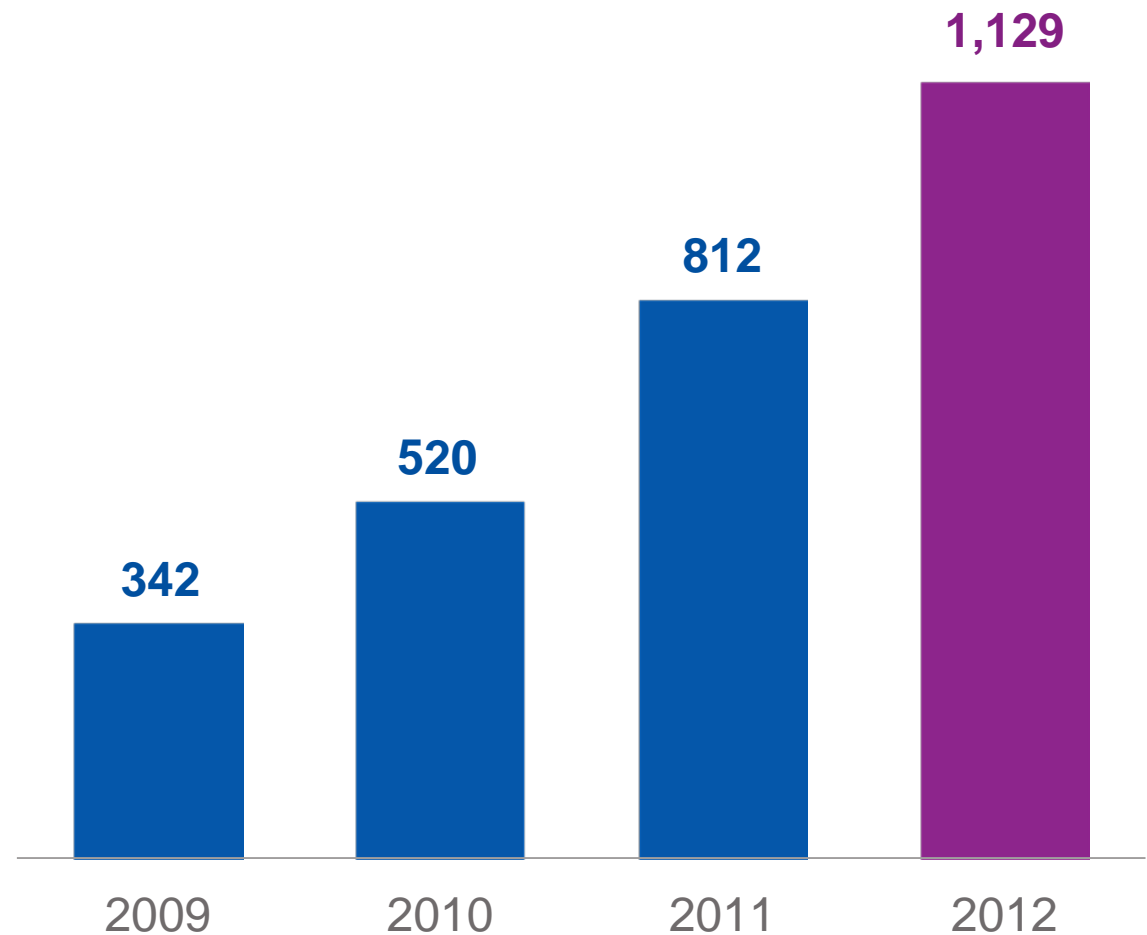
# Strong RGU Growth



## RGU Additions 9 Months YTD<sup>(1)</sup>

(000s)

Triple-play success boosting results



(1) Please see Appendix for the definition and information on organic RGU additions.



# Successful Horizon Launch in NL<sup>(1)</sup>

Sold over 50,000 Horizon subscriptions

Over 125,000 unique Horizon TV online users since launch



All in one with  
Horizon TV  
60 Mb, Voice



horizon  
Endless TV from UPC

Record programmes  
50+ Channels  
10 HD Channels  
UPC On Demand  
Catch Up TV  
Online TV

€54.95

(1) Statistics as of November 1, 2012.

# Update on Mobile<sup>(1)</sup>

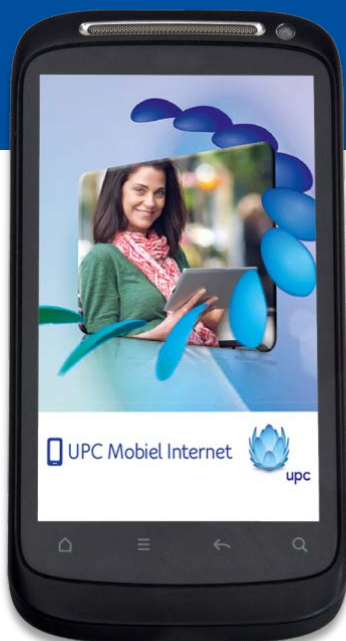


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Early days at UPC/Unity, VTR MNO positive & TNET changes strategy

## UPC/Unity Mobile

- Currently building full MVNO Pan-European platform
- Multiple full MVNO deals signed and launched
- 193,000 postpaid SIMs



## VTR Mobile

- Over 78,000 mobile subs
- Great user experience
- Postpaid ~75% bundled
- Above industry ARPU



## Telenet Mobile

- Attacker pricing model
- 66,000 net adds in Q3
- ~16% of cable TV customers now take mobile



(1) Statistics as of September 30, 2012.

# Fall Campaigns

Market leading bundles with speed advantage at competitive prices

## Germany

Clear speed leadership with 50MB

Competitive price points across footprint



## Switzerland



Speed leadership with 100MB  
With HD DVR and wifi-modem



# Agenda

A large, stylized white lily flower with multiple petals and long, thin stamens, rendered in a 3D-like style with soft shadows, serves as a background for the slide.

Q3 2012 Highlights

Financial Results

Q&A

# YTD Financial Summary<sup>(1,2)</sup>

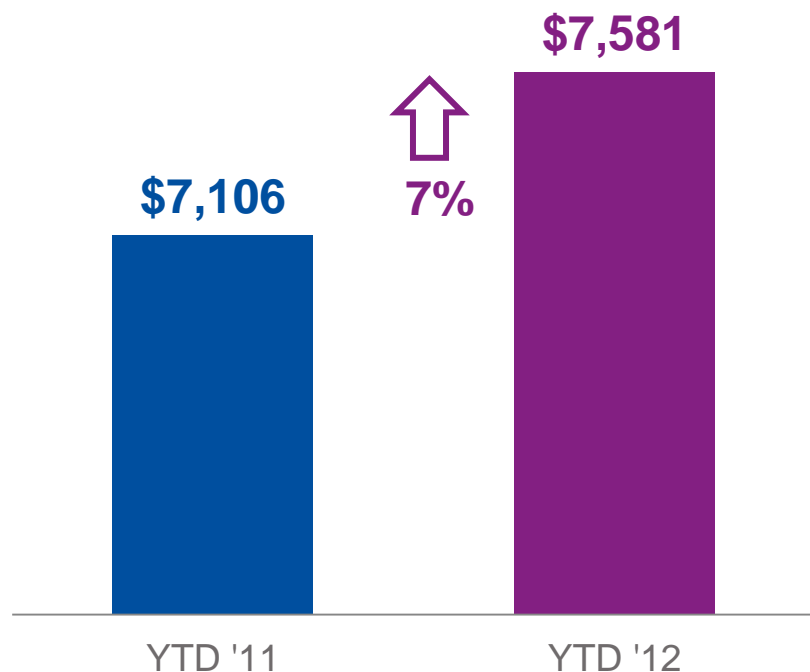


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Strong top-line rebased growth driven by 1.5 mm LTM RGU Additions

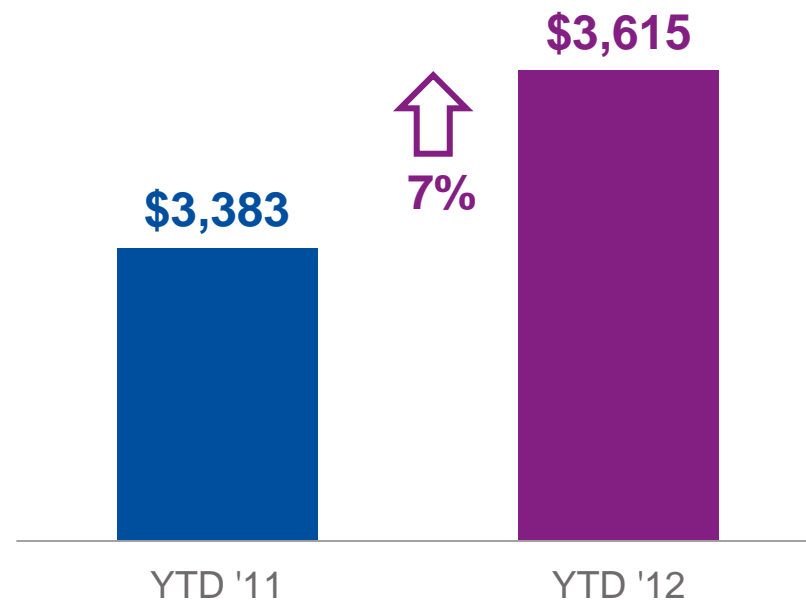
## Revenue

Rebased Growth of 6%



## OCF

Rebased Growth of 4%



(1) All amounts are in USD millions.

(2) Please see Appendix for the definition and reconciliation of OCF and for information on rebased growth.

# Q3 Regional Summary<sup>(1)</sup>



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Excluding VTR Wireless, Q3 OCF rebased growth of 7%

Three months ended September 30, 2012

	Revenue (\$mm)	Rebased Growth	OCF (\$mm)	Rebased Growth
Europe (excl. BE) <sup>(2)</sup>	\$1,687	6%	\$906	6%
Belgium (Telenet)	461	6%	241	8%
Chile (VTR)	241	7%	82	(7%)
<b>Total LGI<sup>(3)</sup></b>	<b>\$2,519</b>	<b>6%</b>	<b>\$1,225</b>	<b>5%</b>

(1) Please see Appendix for information on rebased growth and the definition and reconciliation of OCF.

(2) Europe consists of the UPC/Unity Division, but excludes Telenet and Chellomedia.

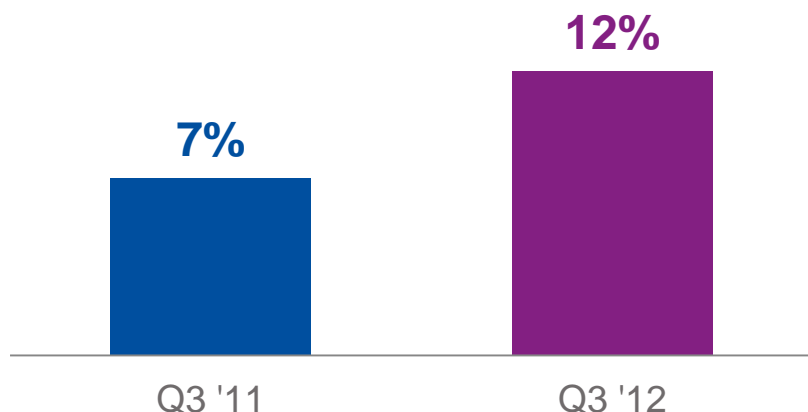
(3) Consolidated figures include the Corporate and other category and intersegment eliminations, totaling approximately \$130 mm of revenue and (\$3) mm of OCF.

# Western Europe Rebased OCF Growth<sup>(1)</sup>

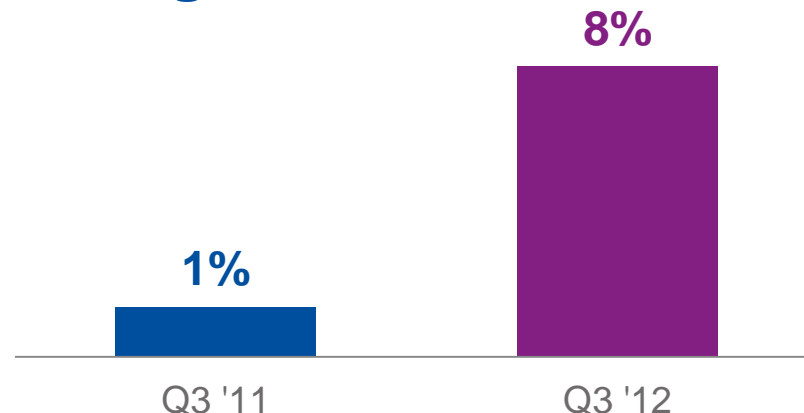


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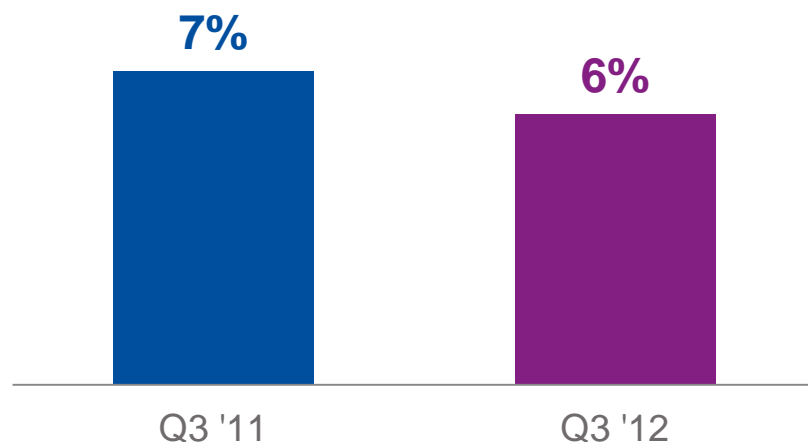
**Germany<sup>(2)</sup>** – ramping growth



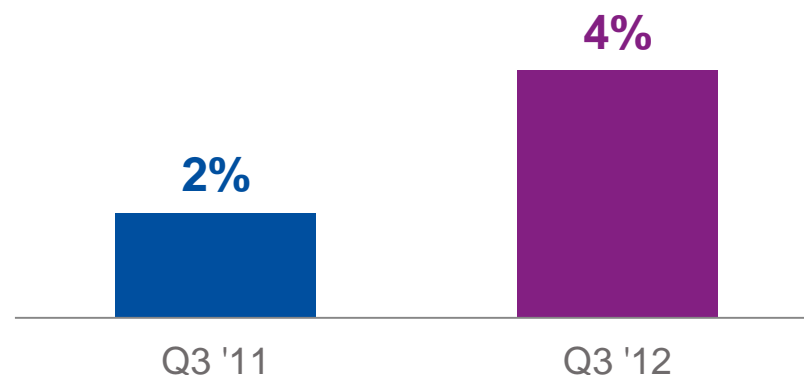
**Belgium** – lapping football costs



**Netherlands** – steadying trend



**Switzerland** – driving RGUs



(1) Please note all growth figures are rebased. Please see Appendix for information on rebased growth.

(2) Q3 2011 is reported rebased growth of Unitymedia. The Q3 2012 rebased growth includes both Unitymedia and Kabel BW.

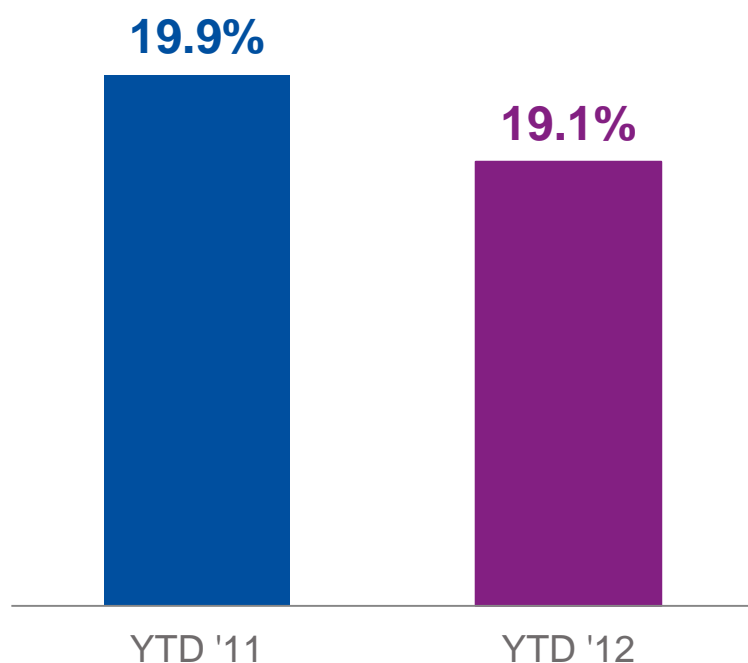


# YTD CapEx & Adjusted FCF Results<sup>(1)</sup>

Expect strong Adjusted FCF in Q4

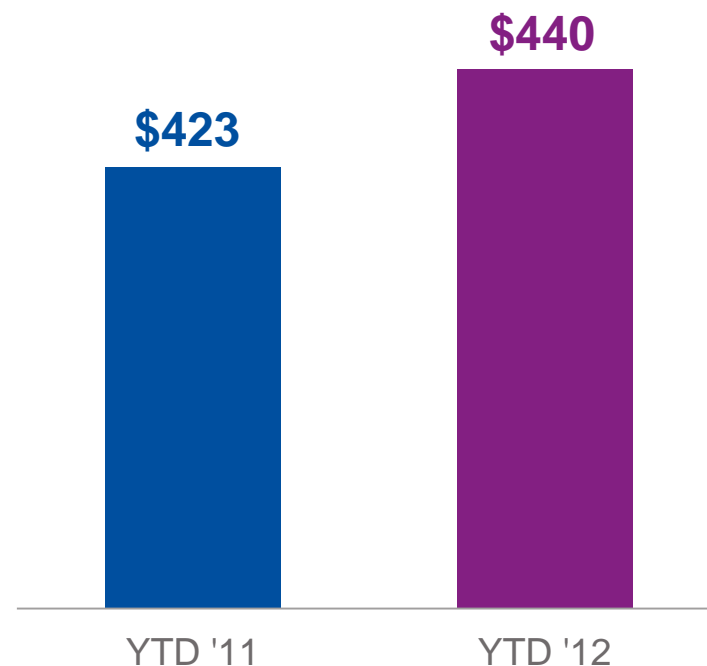
## CapEx to Revenue

YoY decline of 80bps



## Adjusted Free Cash Flow<sup>(2)</sup>

YTD Adj. FCF increase of 4%



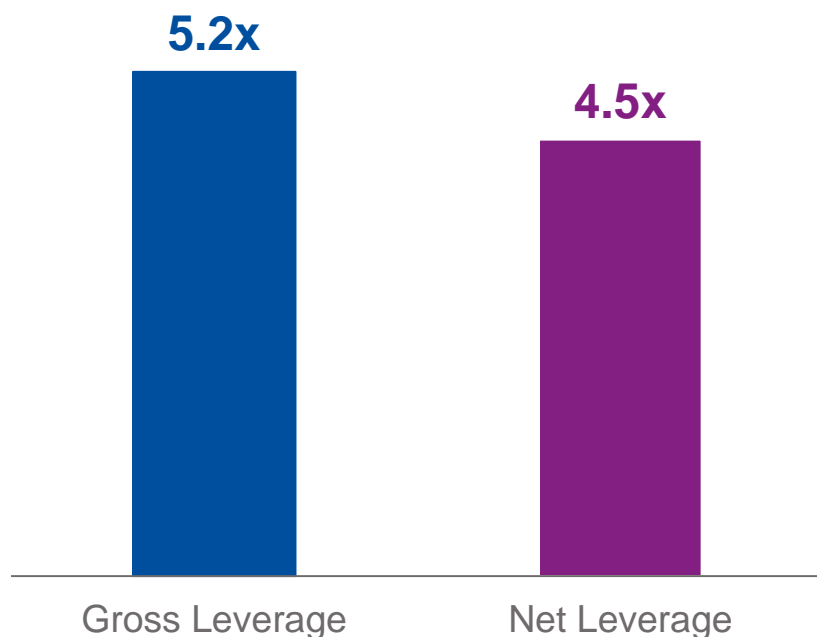
(1) Please see Appendix for the definition and reconciliation of Adjusted FCF and the definition of CapEx.

(2) All amounts are in USD millions.

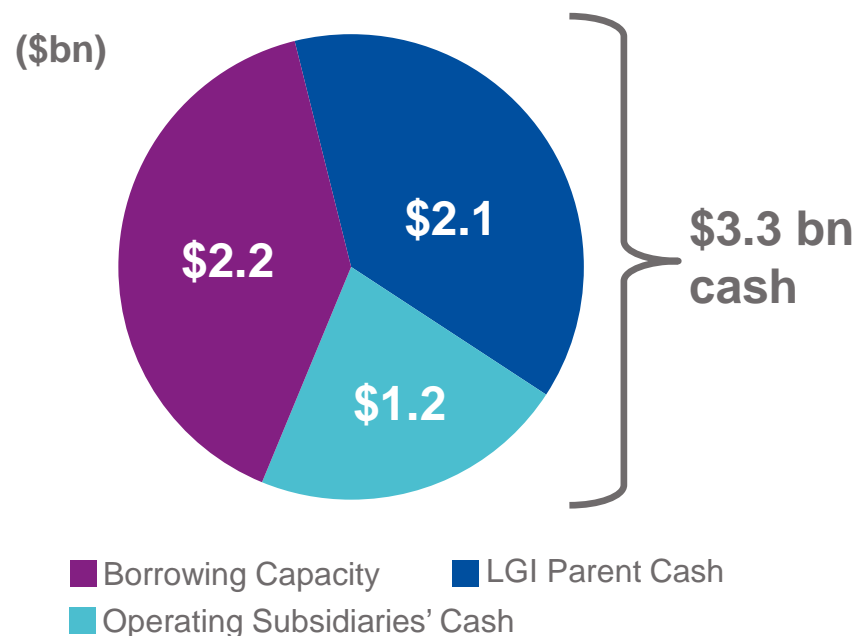
# Leverage and Total Liquidity<sup>(1)</sup>

Liquidity to fund Telenet offer & complete 2012 buyback

## Adjusted Leverage Q3 '12



## Total Liquidity of \$5.5 bn



(1) Please see Appendix for definitions of Adjusted Leverage ratio and total liquidity.

# Conclusions

Improved Revenue & OCF rebased growth

Confirming all 2012 guidance targets

Horizon fortifying bundling advantage

Excited about fall marketing campaigns



# Appendix



# Appendix



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## Definitions and Additional Information

**GAAP** are accounting principles generally accepted in the United States.

**Revenue Generating Unit** (“RGU”) is separately an Analog Cable Subscriber, Digital Cable Subscriber, DTH Subscriber, MMDS Subscriber, Internet Subscriber or Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer in our Austrian system subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, DTH, MMDS, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion.

Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers, free service to employees) generally are not counted as RGUs. We do not include

subscriptions to mobile services in our externally reported RGU counts. In this regard, our September 30, 2012 RGU counts exclude 571,000 postpaid subscriber identification module (“SIM”) cards in service in Belgium, Germany, Poland, Chile, the Netherlands and Hungary and 41,400 prepaid SIM cards in service in Chile.

**Average Revenue Per Unit** (“ARPU”) refers to the average monthly subscription revenue per average customer relationship and is calculated by dividing the average monthly subscription revenue (excluding installation, late fees and mobile services revenue) for the indicated period, by the average of the opening and closing balances for customer relationships for the period. Customer relationships of entities acquired during the period are normalized. Unless otherwise indicated, ARPU per customer relationship for the UPC/Unity Division and LGI Consolidated are not adjusted for currency impacts. ARPU per customer relationship amounts reported for periods prior to January 1, 2012 have not been restated to reflect the January 1, 2012 change in our reporting of SOHO RGUs. In addition, it should be noted that ARPU per customer relationship for the UPC/Unity Division and for LGI Consolidated is adversely impacted by the inclusion of KBW in Q3 2012.

**Organic RGU additions** exclude RGUs of acquired entities at the date of acquisition, but include the impact of changes in RGUs from the date of acquisition. All subscriber/RGU

additions or losses refer to net organic changes, unless otherwise noted.

**Advanced service RGUs** represent our services related to digital video, including digital cable and direct-to-home satellite (“DTH”), broadband internet and telephony.

**Small office home office** (“SOHO”); Certain of our business-to-business (“B2B”) revenue is derived from small or home office subscribers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Effective January 1, 2012, we recorded non-organic adjustments to begin including the SOHO subscribers of our UPC/Unity Division in our RGU and customer counts. As a result, all mass marketed products provided to SOHOs, whether or not accompanied by enhanced service levels and/or premium prices, are now included in the respective RGU and customer counts of our broadband communications operations, with only those services provided at premium prices considered to be “SOHO RGUs” or “SOHO customers.” With the exception of our B2B SOHO subscribers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes. All RGU, customer, bundling and ARPU amounts presented for periods prior to January 1, 2012 have not been restated to reflect this change.

# Appendix



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## Definitions and Additional Information

**Digital penetration** is calculated by dividing the number of digital cable RGUs by the total number of digital and analog cable RGUs.

**Broadband internet and telephony penetration** is calculated by dividing the number of broadband internet or telephony RGUs by the respective homes serviceable.

**Bundling penetration** is calculated by dividing the total number of double- and triple-play customers by the total number of customers.

**DVR and HD** refer to digital video recorder and high definition digital services, respectively.

**DVR/HD penetration** is calculated by dividing the total number of DVR and/or HD RGUs by total number of digital cable RGUs.

**OCF margin** is calculated by dividing OCF by total revenue for the applicable period.

**Information on Rebased Growth:** For purposes of calculating rebased growth rates on a comparable basis for all businesses that we owned during 2012, we have adjusted our historical revenue and OCF for the three and nine months ended September 30, 2011 to (i) include the pre-acquisition revenue and OCF of certain entities acquired during 2011 and 2012 in our rebased amounts for the three and nine months ended September 30, 2011 to the same extent that the revenue and OCF of such

entities are included in our results for the three and nine months ended September 30, 2012, (ii) exclude the pre-disposition revenue and OCF of a small studio business that was disposed of at the beginning of 2012 from our rebased amounts for the three and nine months ended September 30, 2011 and (iii) reflect the translation of our rebased amounts for the three and nine months ended September 30, 2011 at the applicable average foreign currency exchange rates that were used to translate our results for the three and nine months ended September 30, 2012. The acquired entities that have been included in whole or in part in the determination of our rebased revenue and OCF for the three months ended September 30, 2011 include KBW, Aster and five small entities in Europe. The acquired entities that have been included in whole or in part in the determination of our rebased revenue and OCF for the nine months ended September 30, 2011 include KBW, Aster and seven small entities in Europe. We have reflected the revenue and OCF of the acquired entities in our 2011 rebased amounts based on what we believe to be the most reliable information that is currently available to us (generally pre-acquisition financial statements), as adjusted for the estimated effects of (i) any significant differences between GAAP and local generally accepted accounting principles, (ii) any significant effects of acquisition accounting adjustments, (iii) any significant differences between our accounting policies and those of the acquired

entities and (iv) other items we deem appropriate. We do not adjust pre-acquisition periods to eliminate non-recurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As we did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that we have identified all adjustments necessary to present the revenue and OCF of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in our historical results or that the pre-acquisition financial statements we have relied upon do not contain undetected errors. The adjustments reflected in our rebased amounts have not been prepared with a view towards complying with Article 11 of Regulation S-X. In addition, the rebased growth percentages are not necessarily indicative of the revenue and OCF that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating our rebased amounts or the revenue and OCF that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis, and are not presented as a measure of our pro forma financial performance. Therefore, we believe our rebased data is not a non-GAAP financial measure as contemplated by Regulation G or Item 10 of Regulation S-K.

# Appendix



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## Operating Cash Flow Definition and Reconciliation

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Operating cash flow is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, operating cash flow is defined as revenue less operating and selling, general and administrative expenses (excluding stock-based compensation, depreciation and amortization, provisions for litigation and impairment, restructuring and other operating items). Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition

costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe operating cash flow is a meaningful measure and is superior to available GAAP measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (i) readily view operating trends, (ii) perform analytical comparisons and benchmarking between segments and (iii) identify strategies to improve operating performance in the different countries in which we operate. We believe our operating cash flow measure is useful to investors because it is one of the bases for comparing

our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other public companies. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings (loss), cash flow from operating activities and other GAAP measures of income or cash flows. A reconciliation of total segment operating cash flow to our operating income is presented below.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	in millions			
Total segment operating cash flow from continuing operations.....	\$ 1,224.7	\$ 1,163.3	\$ 3,615.2	\$ 3,382.8
Stock-based compensation expense .....	(27.2)	(32.9)	(90.5)	(105.7)
Depreciation and amortization.....	(670.3)	(629.3)	(2,009.7)	(1,838.3)
Impairment, restructuring and other operating items, net.....	(18.1)	(17.9)	(32.6)	(28.5)
Operating income.....	<u>\$ 509.1</u>	<u>\$ 483.2</u>	<u>\$ 1,482.4</u>	<u>\$ 1,410.3</u>



## Free Cash Flow and Adjusted Free Cash Flow Definitions and Reconciliations<sup>(\*)</sup>

We define free cash flow as net cash provided by our operating activities, plus (i) excess tax benefits related to the exercise of stock incentive awards and (ii) cash payments for direct acquisition costs, less (a) capital expenditures, as reported in our consolidated cash flow statements, (b) principal payments on vendor financing obligations and (c) principal payments on capital leases (exclusive of our network lease in Belgium and our duct leases in Germany), with each item excluding any cash provided or used by our discontinued operations.

We believe that our presentation of free cash flow provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities. Free cash flow should not be understood to represent our ability to fund discretionary amounts, as we have various mandatory and contractual obligations, including debt repayments, which are not deducted to arrive at this amount. Investors should view free cash flow as a supplement to, and not a substitute for, GAAP measures of liquidity included in our

consolidated cash flow statements. The following table provides the reconciliation of our continuing operations' net cash provided by operating activities to FCF and Adjusted FCF for the indicated periods:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	in millions			
Net cash provided by operating activities of continuing operations.....	\$ 431.3	\$ 439.2	\$ 1,825.0	\$ 1,725.1
Excess tax benefits from stock-based compensation <sup>1</sup> .....	(6.3)	10.2	3.7	33.3
Cash payments for direct acquisition costs <sup>2</sup> .....	5.1	7.6	19.5	17.0
Capital expenditures .....	(456.6)	(448.8)	(1,450.7)	(1,415.7)
Principal payments on vendor financing obligations .....	(33.2)	(2.6)	(59.9)	(3.4)
Principal payments on certain capital leases .....	(3.3)	(3.3)	(9.4)	(8.2)
FCF .....	<u>\$ (63.0)</u>	<u>\$ 2.3</u>	<u>\$ 328.2</u>	<u>\$ 348.1</u>
FCF .....	\$ (63.0)	\$ 2.3	\$ 328.2	\$ 348.1
Payments associated with Old Unitymedia's pre-acquisition capital structure <sup>3</sup> .....	—	—	—	12.9
FCF deficit of VTR Wireless .....	<u>37.2</u>	<u>28.7</u>	<u>111.5</u>	<u>62.4</u>
Adjusted FCF .....	<u>\$ (25.8)</u>	<u>\$ 31.0</u>	<u>\$ 439.7</u>	<u>\$ 423.4</u>

<sup>(\*)</sup> Please see next slide for accompanying footnotes.





## Footnotes to previous slide 20

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- 1) Excess tax benefits from stock-based compensation represent the excess of tax deductions over the related financial reporting stock-based compensation expense. The hypothetical cash flows associated with these excess tax benefits are reported as an increase to cash flows from financing activities and a corresponding decrease to cash flows from operating activities in our consolidated cash flow statements.
- 2) Represents costs paid during the period to third parties directly related to acquisitions.
- 3) Represents derivative payments on the pre-acquisition capital structure of Old Unitymedia during the post-acquisition period. These payments were reflected as a reduction of cash provided by operations in our condensed consolidated cash flow statements for the three and nine months ended September 30, 2011. Old Unitymedia's pre-acquisition debt was repaid on March 2, 2010 with part of the proceeds of the debt incurred for the Unitymedia acquisition.

## Q3 CapEx & Adjusted FCF Results

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- 1) The capital expenditures that we report in our consolidated cash flow statements do not include amounts that are financed under vendor financing or capital lease arrangements.  
  
Instead, these expenditures are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid.

## Leverage & Total Liquidity

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- 1) Our gross and net debt ratios are defined as total debt and net debt to annualized OCF of the latest quarter. Net debt is defined as total debt less cash and cash equivalents. For our adjusted ratios, the debt amount excludes the loan that is backed by the shares we hold in Sumitomo Corporation.
- 2) Liquidity refers to our consolidated cash and cash equivalents plus our aggregate unused borrowing capacity, as represented by the maximum undrawn commitments under our subsidiaries' applicable facilities without regard to covenant compliance calculations.