LIBERTY MEDIA INTERNATIONAL INC
Form PRER14A
March 29, 2005

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SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant: þ
Filed by a Party other than the Registrant: o

Check the appropriate box:
þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

Liberty Media International, Inc.

(Name of Registrant as Specified in its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Liberty Media International, Inc. Series A Common Stock, par value $.01 per share
Liberty Media International, Inc. Series B Common Stock, par value $.01 per share
UnitedGlobalCom, Inc. Class A Common Stock, par value $.01 per share
UnitedGlobalCom, Inc. Class C Common Stock, par value $.01 per share

(2) Aggregate number of securities to which transaction applies:
As of December 31, 2004, (1) 167,205,861 outstanding shares of LMI Series A Common Stock, which include options to acquire 1,690,899 shares of LMI Series A Common Stock, (2) 10,331,016 outstanding shares of LMI Series B Common Stock, which include options to acquire 3,066,716 shares of LMI Series B Common Stock, (3) 429,845,505 outstanding shares of UGC Class A Common Stock, which include (x) equity incentive awards to acquire 48,617,610 shares of UGC Class A Common Stock, (y) 1,629,284 shares of UGC Class A Common Stock placed in escrow in connection with a pending transaction and (z) 15,396,224 shares of UGC Class A Common Stock reserved for issuance in connection with certain outstanding claims, and (4) 2,141,272 outstanding shares of UGC Class C Common Stock.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
Based upon the averages of the high and low prices reported for the LMI Series A Common Stock, LMI

Series B Common Stock and UGC Class A Common Stock, respectively, on the Nasdaq National Market on February 10, 2005, which were $44.54, $47.18 and $9.64, respectively. The filing fee is being calculated based upon an aggregate transaction value of $12,099,118,914.10, which is obtained by: (1) multiplying (x) the number of outstanding shares of LMI Series A Common Stock listed above by (y) $44.54, and (2) adding thereto the product of (x) the number of outstanding shares of LMI Series B Common Stock listed above and (y) $47.18, and (3) adding thereto the product of (x) the number of outstanding shares of UGC Class A Common Stock listed above and (y) $9.64, and (4) adding thereto the product of (x) the number of outstanding shares of UGC Class C Common Stock listed above and (y) $9.64 (shares of UGC Class C Common Stock are not publicly traded, but they are convertible at the option of the holder into shares of UGC Class A Common Stock, on a one-to-one basis).

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(4) Proposed maximum aggregate value of transaction:
$12,099,118,914.10

(5) Total fee paid:
$1,424,066.30, estimated pursuant to Section 14(g) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, on the basis of $117.70 per million of the estimated maximum aggregate value of the transaction.

þ Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

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The information in this joint proxy statement/ prospectus is not complete and may be changed. We may not sell the securities offered by this joint proxy statement/ prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/ prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

Subject to completion dated March 28, 2005

[ ], 2005

To the stockholders of Liberty Media International, Inc.:

The 2005 Annual Meeting of Stockholders of Liberty Media International, Inc. (LMI) will be held at [ ], on [ ], 2005 at [ ] a.m., local time. At the annual meeting, you will be asked to consider and vote on the merger proposal, a proposal to adopt the Agreement and Plan of Merger, dated as of January 17, 2005, among LMI, UnitedGlobalCom, Inc. (UGC), Liberty Global, Inc. and two subsidiaries of Liberty Global. If the merger proposal is approved, LMI and UGC will be combined under a new parent company named Liberty Global, Inc. The combination of the two companies will create a global broadband company with significant scale outside of the United States. LMI and UGC will each designate one-half of the directors of Liberty Global, and the senior management of Liberty Global will consist of senior executives of LMI and UGC.

LMI currently controls UGC. In the mergers combining LMI and UGC:

- LMI stockholders will receive, for each share of LMI Series A or Series B common stock they own, one share of the corresponding series of Liberty Global stock; and

- UGC stockholders (other than LMI and its wholly owned subsidiaries) will have the right to elect to receive, for each share of UGC common stock they own, 0.2155 of a share of Liberty Global Series A common stock or $9.58 in cash. The cash election will be subject to proration, so that the total cash consideration paid does not exceed 20% of the aggregate value of the merger consideration payable to the public stockholders of UGC.

The exchange ratios at which LMI shares and UGC shares will be converted into Liberty Global shares are fixed, and there will be no adjustment in the exchange ratios for any changes in the market price of either the LMI or UGC common stock. Depending on the number of UGC stockholders who make the cash election, we estimate that former LMI stockholders will own between 69% and 73% of the equity and between 75% and 79% of the aggregate voting power of Liberty Global, with the remaining percentages of equity and voting power being owned by the former UGC stockholders, other than LMI and its wholly owned subsidiaries (based upon the LMI Series A closing stock price on March 23, 2005 and outstanding share information for UGC as of February 28, 2005). It is anticipated that Liberty Global Series A and Series B common stock will be listed on the Nasdaq National Market under the symbols LBTYA and LBTYB , respectively, the same symbols under which LMI common stock currently trades.

At the annual meeting, you will also be asked to consider and vote upon:

- the LMI election of directors proposal, a proposal to elect David E. Rapley and Larry E. Romrell to serve as Class I members of our board of directors until the 2008 annual meeting of LMI stockholders or until their successors are elected;

- the LMI incentive plan proposal, a proposal to approve the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005);

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the LMI auditors ratification proposal, a proposal to approve the selection of KPMG LLP as LMI s independent auditors for the year ending December 31, 2005; and

such other proposals, if any, as may properly come before the annual meeting.

This document describes the annual meeting, the proposals to be considered and voted upon at the annual meeting and related matters. Our board of directors has approved the merger agreement and the merger involving LMI and recommends that you vote FOR the adoption of the merger agreement. Our board has also considered and approved each of the other proposals described above and recommends that you vote FOR each of them.

We are very excited about the prospective business combination of our company with UGC, and we look forward to obtaining your approval of the merger proposal and the other proposals being submitted to you at the annual meeting.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the annual meeting, please vote as soon as possible to make sure that your shares are represented.

Thank you for your continued support and interest in our company.

Sincerely,

John C. Malone
Chairman of the Board, Chief Executive Officer and President
Liberty Media International, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the mergers or the securities being offered in the mergers, has passed upon the merits or fairness of the mergers or passed upon the adequacy or accuracy of the disclosure in this booklet. Any representation to the contrary is a criminal offense.

Investing in Liberty Global s securities involves risks. See Risk Factors beginning on page 58.

The accompanying joint proxy statement/ prospectus is dated [ ], 2005 and is first being mailed on or about [ ], 2005 to LMI stockholders of record as of 5:00 p.m., New York City time, on [ ], 2005.

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The information in this joint proxy statement/ prospectus is not complete and may be changed. We may not sell the securities offered by this joint proxy statement/ prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/ prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

Subject to completion dated March 28, 2005

(UGC LOGO)

[ ], 2005

To the stockholders of UnitedGlobalCom, Inc.:

UnitedGlobalCom, Inc. (UGC) has entered into a merger agreement with Liberty Media International, Inc. (LMI) providing for the combination of our two companies under a new parent company named Liberty Global, Inc. The combination of our two companies will create a global broadband company with significant scale outside of the United States. LMI and UGC will each designate one-half of the directors of Liberty Global, and the senior management of Liberty Global will consist of senior executives of LMI and UGC.

LMI currently controls UGC. In the mergers combining LMI and UGC:

- UGC stockholders (other than LMI and its wholly owned subsidiaries) will have the right to elect to receive, for each share of UGC common stock they own, 0.2155 of a share of Liberty Global Series A common stock or $9.58 in cash. The cash election will be subject to proration, so that the total cash consideration paid does not exceed 20% of the aggregate value of the merger consideration payable to the public stockholders of UGC; and

- LMI stockholders will receive, for each share of LMI Series A or Series B common stock they own, one share of the corresponding series of Liberty Global stock.

The exchange ratios at which LMI shares and UGC shares will be converted into Liberty Global shares are fixed, and there will be no adjustment in the exchange ratios for any changes in the market price of either the LMI or UGC common stock. Depending on the number of UGC stockholders who make the cash election, we estimate that former UGC stockholders (other than LMI and its wholly owned subsidiaries) will own between 27% and 31% of the equity and between 21% and 25% of the aggregate voting power of Liberty Global, with the remaining percentages of equity and voting power being owned by the former LMI stockholders (based upon the LMI Series A closing stock price on March 23, 2005 and outstanding share information for UGC as of February 28, 2005). It is anticipated that Liberty Global Series A and Series B common stock will be listed on the Nasdaq National Market under the symbols LBTYA and LBTYB , respectively, the same symbols under which LMI common stock currently trades.

UGC is calling a special meeting of its stockholders to consider and vote on the merger agreement and the merger involving UGC. The special meeting will be held at [ ], on [ ], 2005 at [ ] a.m., local time

The board of directors of UGC has approved the merger agreement and the merger involving UGC and recommends that UGC stockholders vote **FOR** the adoption of the merger agreement. In approving the merger agreement and making its recommendation, the UGC board considered (1) the unanimous determination of a special committee of members of the UGC board (who are independent under the rules of the Nasdaq Stock Market and have no relationship with LMI or any of its affiliates that the special committee viewed as undermining its independence) that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is substantively and procedurally fair to, and in the best interests of, the unaffiliated stockholders of UGC and (2) the approval by the special committee of the merger agreement in compliance with the rules of the Nasdaq Stock Market. The special committee was formed in compliance

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with the rules of the Nasdaq Stock Market for purposes of negotiating exclusively on UGC s behalf any transaction with LMI.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please vote as soon as possible to make sure that your shares are represented. If you do not vote, it will have the same effect as a vote AGAINST the adoption of the merger agreement.

We are very excited about the prospective business combination of our company with LMI, and we look forward to obtaining your approval at the special meeting.

Sincerely,

Gene W. Schneider
Chairman of the Board
UnitedGlobalCom, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the mergers or the securities being offered in the mergers, has passed upon the merits or fairness of the mergers or passed upon the adequacy or accuracy of the disclosure in this booklet. Any representation to the contrary is a criminal offense.

Investing in Liberty Global s securities involves risks. See Risk Factors beginning on page 58.

The accompanying joint proxy statement/ prospectus is dated [ ], 2005 and is first being mailed on or about [ ], 2005 to UGC stockholders of record as of 5:00 p.m., New York City time, on [ ], 2005.

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REFERENCES TO ADDITIONAL INFORMATION

LMI and UGC are each subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, in accordance with the Exchange Act, LMI and UGC each file periodic reports and other information with the Securities and Exchange Commission. In addition, this joint proxy statement/ prospectus incorporates important business and financial information about UGC from other documents that are not included in or delivered with this joint proxy statement/ prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of documents filed by LMI and UGC with the Securities and Exchange Commission, including the UGC documents incorporated by reference in this joint proxy statement/ prospectus, through the Securities and Exchange Commission website at *http://www.sec.gov* or by contacting LMI or UGC, as applicable, by writing or telephoning the office of Investor Relations:

Liberty Media International, Inc.	UnitedGlobalCom, Inc.
12300 Liberty Boulevard	4643 South Ulster Street, Suite 1300
Englewood, Colorado 80112	Denver, Colorado 80237
Telephone: (800) 783-7676	Telephone: (303) 770-4001

If you would like to request any documents from either LMI or UGC, please do so by [ ], 2005 in order to receive them before the applicable stockholders meeting. If you request any documents, they will be mailed to you by first class mail, or another equally prompt means, within one business day after your request is received.

See Additional Information Where You Can Find More Information beginning on page 176.

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LIBERTY MEDIA INTERNATIONAL, INC.
Notice of Annual Meeting of Stockholders
to be Held [ ], 2005

Dear Liberty Media International, Inc. Stockholder:

You are cordially invited to attend, and notice is hereby given of, the 2005 Annual Meeting of Stockholders of Liberty Media International, Inc. (LMI) to be held at [ ], on [ ], 2005 at [ ] a.m., local time, for the following purposes:

1. To consider and vote upon a proposal (which we refer to as the merger proposal) to adopt the Agreement and Plan of Merger, dated as of January 17, 2005, among LMI, UnitedGlobalCom, Inc. (UGC), Liberty Global, Inc. and two subsidiaries of Liberty Global pursuant to which, among other things, LMI and UGC would become wholly owned subsidiaries of Liberty Global and each outstanding share of LMI common stock would be exchanged for one share of the corresponding series of Liberty Global common stock;

2. To consider and vote upon a proposal (which we refer to as the LMI election of directors proposal) to elect David E. Rapley and Larry E. Romrell to serve as Class I members of our board of directors until the 2008 annual meeting of LMI stockholders or until their successors are elected;

3. To consider and vote upon a proposal (which we refer to as the LMI incentive plan proposal) to approve the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005);

4. To consider and vote upon a proposal (which we refer to as the LMI auditors ratification proposal) to ratify the selection of KPMG LLP as LMI s independent auditors for the year ending December 31, 2005; and

5. To transact such other business as may properly be presented at the meeting or any postponements or adjournments of the meeting.

Holders of record of LMI common stock as of 5:00 p.m., New York City time, on [ ], 2005, the record date for the LMI annual meeting, will be entitled to notice of and to vote at the LMI annual meeting or any adjournment or postponement thereof. The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI common stock outstanding on the record date, voting together as a single class, is required to approve the merger proposal. A plurality of the affirmative votes of the shares of LMI common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the annual meeting is required to elect Messrs. Rapley and Romrell as Class I members of LMI s board of directors pursuant to the LMI election of directors proposal. The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI common stock outstanding on the record date that are present at the annual meeting, in person or by proxy, voting together as a single class, is required to approve the LMI incentive plan proposal and the LMI auditors ratification proposal. A list of stockholders entitled to vote at the LMI annual meeting will be available at the office of LMI for review by any LMI stockholder, for any purpose germane to the LMI annual meeting, for at least 10 days prior to the LMI annual meeting.

If the merger proposal is approved, the LMI board of directors, including the members elected at the annual meeting, will be succeeded by a board of directors that is appropriate for a wholly owned subsidiary of Liberty Global.

Pursuant to a voting agreement entered into between John C. Malone, the Chairman of the Board, Chief Executive Officer and President of LMI, and UGC, Mr. Malone has agreed to vote the shares of LMI

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Series A common stock and LMI Series B common stock owned by him or which he has the right to vote (representing, as of February 28, 2005, approximately 26.5% of the outstanding voting power of LMI) **FOR** the merger proposal.

We describe the merger proposal, as well as the other enumerated proposals to be considered at the annual meeting, in more detail in the accompanying joint proxy statement/ prospectus. We encourage you to read the joint proxy statement/ prospectus in its entirety before voting.

The board of directors of LMI unanimously recommends that you vote FOR the approval of the merger proposal and each of the other enumerated proposals to be considered and voted upon at the annual meeting.

Your vote is very important, regardless of the number of shares you own. To make sure your shares are represented at the annual meeting, please vote as soon as possible, whether or not you plan to attend the annual meeting. You may vote by proxy in any one of the following ways:

Use the toll-free telephone number shown on the proxy card;

Use the Internet website shown on the proxy card; or

Complete, sign, date and promptly return the enclosed proxy card in the postage-paid envelope. It requires no postage if mailed in the United States.

You may revoke your proxy in the manner described in the accompanying joint proxy statement/ prospectus. If you attend the LMI annual meeting, you may vote your shares in person even if you have previously submitted a proxy.

By Order of the Board of Directors,

Elizabeth M. Markowski
Secretary

Englewood, Colorado
[ ], 2005

PLEASE COMPLETE, EXECUTE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY OR VOTE BY TELEPHONE OR OVER THE INTERNET, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE LMI ANNUAL MEETING. IF YOU HAVE ANY QUESTIONS ABOUT THE PROPOSALS OR ABOUT VOTING YOUR LMI SHARES, PLEASE CALL D.F. KING & CO. AT [ ].

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(LOGO)

UNITEDGLOBALCOM, INC.
Notice of Special Meeting of Stockholders
to be Held [ ], 2005

Dear UnitedGlobalCom, Inc. Stockholder:

You are cordially invited to attend, and notice is hereby given of, a special meeting of stockholders of UnitedGlobalCom, Inc. (UGC) to be held at [ ], on [ ], 2005 at [ ] a.m., local time, for the following purposes:

1. To consider and vote upon a proposal (which we refer to as the merger proposal) to adopt the Agreement and Plan of Merger, dated as of January 17, 2005, among Liberty Media International, Inc. (LMI), UGC, Liberty Global, Inc. and two subsidiaries of Liberty Global pursuant to which, among other things, UGC and LMI would become wholly owned subsidiaries of Liberty Global and UGC stockholders (other than LMI and its wholly owned subsidiaries) would have the right to elect to receive, for each share of UGC common stock they own, 0.2155 of a share of Liberty Global Series A common stock or $9.58 in cash (with the cash election subject to proration so that the total cash consideration paid does not exceed 20% of the aggregate value of the merger consideration payable to the public stockholders of UGC); and

2. To transact such other business as may properly be presented at the meeting or any postponements or adjournments of the meeting.

The approval of the merger proposal requires a vote of the holders of UGC common stock, with all classes voting together as a single class, that satisfies two criteria:

first, the merger proposal must be approved by the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of UGC common stock outstanding on the record date; and

second, the merger proposal must be approved by the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of UGC common stock outstanding on the record date, exclusive of the shares 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 UGC.

As LMI has agreed in the merger agreement to vote its UGC shares (representing approximately 91% in aggregate UGC voting power) **FOR** the merger proposal, the first criteria will be met.

Holders of record of UGC common stock as of 5:00 p.m., New York City time, on [ ], 2005, the record date of the UGC special meeting, will be entitled to notice of and to vote at the UGC special meeting or at any adjournment or postponement thereof. A list of stockholders entitled to vote at the UGC special meeting will be available at UGC s office for review by any UGC stockholder, for any purpose germane to the UGC special meeting, for at least 10 days prior to the UGC special meeting.

We describe the merger proposal in more detail in the accompanying joint proxy statement/ prospectus. We encourage you to read the joint proxy statement/ prospectus in its entirety before voting.

The board of directors of UGC, after consideration of the favorable recommendation of, and approval of the merger agreement in compliance with the rules of the Nasdaq Stock Market by, a special committee of independent directors of the UGC board, unanimously recommends that you vote FOR the approval of the merger proposal.

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Your vote is very important, regardless of the number of shares you own. To make sure your shares are represented at the special meeting, please vote as soon as possible, whether or not you plan to attend the special meeting. You may vote by proxy in any one of the following ways:

Use the toll-free telephone number shown on the proxy card;

Use the Internet website shown on the proxy card; or

Complete, sign, date and promptly return the enclosed proxy card in the postage-paid envelope. It requires no postage if mailed in the United States.

You may revoke your proxy in the manner described in the accompanying joint proxy statement/ prospectus. If you attend the UGC special meeting, you may vote your shares in person even if you have previously submitted a proxy.

By Order of the Board of Directors,

Ellen P. Spangler
Secretary

Denver, Colorado
[ ], 2005

PLEASE COMPLETE, EXECUTE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY OR VOTE BY TELEPHONE OR OVER THE INTERNET, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE UGC SPECIAL MEETING. IF YOU HAVE ANY QUESTIONS ABOUT THE MERGER PROPOSAL OR ABOUT VOTING YOUR UGC SHARES, PLEASE CALL D.F. KING & CO. AT [ ].

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QUESTIONS AND ANSWERS

The questions and answers below highlight only selected information from this joint proxy statement/ prospectus. They do not contain all of the information that may be important to you. You should read carefully the entire joint proxy statement/ prospectus, including the appendices included herein, and the additional documents incorporated by reference in this joint proxy statement/ prospectus to fully understand the matters being considered at the stockholders meetings.

Concerning the Mergers

Q: What is the proposed business combination transaction for which LMI stockholders and UGC stockholders are being asked to vote?

A: LMI and UGC have agreed to combine their businesses by each merging with a separate wholly owned subsidiary of a new parent company named Liberty Global, Inc. The merger involving LMI requires the approval of the stockholders of LMI, while the merger involving UGC requires the approval of the stockholders of UGC (including a majority of the minority approval). Stockholders of LMI and stockholders of UGC (other than LMI and its wholly owned subsidiaries) would become stockholders of Liberty Global.

Q: What will holders of LMI common stock receive as a result of the mergers?

A: Each share of LMI Series A common stock or LMI Series B common stock owned by an LMI stockholder will be exchanged for one share of the corresponding series of Liberty Global common stock. Each series of Liberty Global common stock will have the same rights, powers and preferences as the corresponding series of LMI common stock.

Q: What will holders of UGC common stock receive as a result of the mergers?

A: Stockholders of UGC (other than LMI and its wholly owned subsidiaries) may elect to receive, for each share of UGC common stock owned by them, either:

0.2155 of a share of Series A common stock of Liberty Global (plus cash in lieu of any fractional share interest), which we refer to as the **stock election**; or

$9.58 in cash, without interest, which we refer to as the **cash election**.

UGC stockholders who make the cash election will be subject to proration so that, in the aggregate, the cash consideration paid to UGC stockholders does not exceed 20% of the aggregate value of the merger consideration payable to UGC s public stockholders. If proration is made, any share as to which a UGC stockholder elected to receive cash but with respect to which such election is denied due to proration will be converted into 0.2155 of a share of Series A common stock of Liberty Global (plus cash in lieu of any fractional share interest). See The Transaction Agreements Merger Agreement UGC Stockholders Making Stock and Cash Elections; Proration.

Q: Where will Liberty Global common stock trade?

A: We expect Liberty Global Series A common stock and Liberty Global Series B common stock to trade on the Nasdaq Stock Market, following the mergers, under the symbols LBTYA and LBTYB, respectively, the same symbols under which LMI common stock currently trades.

Q: How do UGC stockholders make their cash election or stock election?

A: A form of election is included with the joint proxy statement/ prospectus being mailed to UGC stockholders. To make a cash election or a stock election, UGC stockholders must properly complete, sign

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and send the form of election, together with the shares of UGC common stock as to which the election relates, to EquiServe Trust Company N.A., the exchange agent, at the following address:

EquiServe Trust Company N.A.
[ ]
[ ]

Questions regarding the cash or stock elections should be directed to D.F. King & Co. at:
[ ]
[ ]

The exchange agent must receive the form of election and UGC shares to which the election relates by the election deadline. The election deadline will be 5:00 p.m., New York City time, on [ ], 2005, which we will extend if the mergers are not expected to be completed on or before the fourth business day after the initial election deadline.

If you own shares of UGC common stock in street name through a broker, bank or other nominee and you wish to make an election, you should seek instructions from the broker, bank or other nominee holding your shares concerning how to make a valid election.

Q: May UGC stockholders make the cash election for some of their UGC shares and the stock election for other UGC shares they own?

A: Yes. UGC stockholders who properly complete the form of election may make the cash election for some of their shares and the stock election for other UGC shares they own. As mentioned above, a UGC stockholder who makes a cash election will be subject to possible proration.

Q: May UGC stockholders change their election after they have submitted their form of election?

A: Yes, as long as the exchange agent receives from the stockholder, before the election deadline, a written notice of revocation or a new election form. If an election form was submitted by a broker, bank or other nominee, the broker, bank or other nominee should be contacted as to how to revoke or change the election so submitted.

Q: Where can UGC stockholders obtain additional forms of election?

A: Additional forms of election can be obtained by calling EquiServe Trust Company N.A. at [ ].

Q: May UGC stockholders trade their shares of UGC common stock after making an election and submitting their shares to the exchange agent?

A: No. UGC stockholders will be unable to sell or otherwise transfer their shares of UGC common stock once they have been submitted to the exchange agent in connection with their election, unless and until their election is revoked and their shares are returned to them. The exchange agent will promptly return shares of UGC common stock following receipt of a written notice of revocation as to those shares or if the merger agreement is terminated.

Q: What if a UGC stockholder fails to timely submit an election form?

A: If the exchange agent does not receive a properly completed form of election from a UGC stockholder before the election deadline, together with the shares of UGC common stock as to which the election relates, then that stockholder will be treated as though he or she made the stock election. UGC stockholders bear the risk of delivery and should send their election form and stock certificates by courier or by hand to the appropriate addresses shown in the form of election. UGC stockholders who hold their shares in street name should promptly contact their broker, bank or other nominee as to their choice of election to ensure that their election and shares of UGC stock are timely received by the exchange agent.

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Q: May a UGC stockholder who votes against the UGC merger submit a form of election?

A: Yes. Irrespective of the manner in which a UGC stockholder votes on the merger proposal, that stockholder should submit a form of election in the event the merger proposal is adopted. UGC stockholders who do not make an election will not be entitled to any portion of the cash consideration and will be treated as though they have made the stock election as to all of their shares of UGC common stock.

Q: Can LMI stockholders make the cash election?

A: No. If the mergers are approved, each share of LMI Series A common stock or LMI Series B common stock owned by an LMI stockholder will be exchanged for one share of the corresponding series of Liberty Global common stock. Because LMI stockholders do not have an election, they will not receive an election form with the joint proxy statement/ prospectus being mailed to them.

Q: What stockholder approvals are required to approve the merger proposal?

A: In order for the mergers to occur, the LMI stockholders must approve the merger proposal at the LMI annual meeting and the UGC stockholders must approve the merger proposal at the UGC special meeting.

For LMI, the approval of the merger proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI common stock outstanding on the record date for the LMI annual meeting, voting together as a single class.

Pursuant to a voting agreement entered into between John C. Malone, the Chairman of the Board, Chief Executive Officer and President of LMI, and UGC, Mr. Malone has agreed to vote the shares of LMI Series A common stock and LMI Series B common stock owned by him or which he has the right to vote (representing, as of February 28, 2005, approximately 26.5% of the aggregate voting power of LMI) in favor of the approval of the merger proposal. See The Transaction Agreements Voting Agreement. In addition, the directors and executive officers of LMI (other than Mr. Malone), who together beneficially own shares of LMI common stock representing 3.3% of LMI s aggregate voting power, as of February 28, 2005, have indicated to LMI that they intend to vote FOR the merger proposal at the LMI annual meeting.

For UGC, the approval of the merger proposal requires a vote of the holders of the shares of UGC common stock outstanding on the record date for the UGC special meeting, with all classes voting together as a single class, that satisfies two criteria:

first, the merger proposal must be approved by the affirmative vote of the holders of at least a majority of the aggregate voting power of the outstanding shares of UGC common stock, which we refer to as the **statutory approval**; and

second, the merger proposal must be approved by the affirmative vote of the holders of at least a majority of the aggregate voting power of the outstanding shares of UGC common stock, exclusive of shares 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 UGC, which we refer to as the **minority approval**.

LMI, which beneficially owns shares of UGC common stock representing approximately 91% of the aggregate voting power of all UGC shares as of February 28, 2005, has agreed in the merger agreement to vote those shares in favor of the merger proposal. As a result, the statutory approval is assured. However, because the votes of LMI and its wholly owned subsidiaries, LMI s directors and executive officers and UGC s directors and executive officers do not count for purposes of the minority approval, approval of the merger proposal at the UGC special meeting is dependent upon the vote of the public stockholders of UGC.

Q: What do LMI and UGC stockholders need to do to vote on the merger proposal?

A: After carefully reading and considering the information contained in this joint proxy statement/ prospectus, LMI and UGC stockholders should complete, sign and date their proxy cards and mail them in the

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enclosed return envelope, or vote by the telephone or through the Internet, in each case as soon as possible so that their shares are represented and voted at the applicable stockholders meeting. Stockholders who have shares registered in the name of a broker, bank or other nominee should follow the voting instruction card provided by their broker, bank or other nominee in instructing them how to vote their shares.

Q: If shares are held in street name by a broker, bank or other nominee, will the broker, bank or other nominee vote those shares for the beneficial owner on the merger proposal?

A: If you hold your shares in street name and do not provide voting instructions to your broker, bank or other nominee, your shares will not be voted on the merger proposal. Accordingly, your broker, bank or other nominee will vote your shares held in street name only if you provide instructions on how to vote. You should follow the directions your broker, bank or other nominee provides to you regarding how to vote your shares. If your shares are held in street name and they are not voted on the merger proposal, that will have the same effect as a vote AGAINST the merger proposal.

Q: What if an LMI or UGC stockholder does not vote on the merger proposal?

A: If you fail to respond with a vote on the merger proposal, it will have the same effect as a vote **AGAINST** the merger proposal. If you respond but do not indicate how you want to vote, your proxy will be counted as a vote **FOR** the merger proposal. If you respond and indicate that you are abstaining from voting, your proxy will have the same effect as a vote **AGAINST** the merger proposal.

Q: May stockholders change their vote on the merger proposal after returning a proxy card or voting by telephone or over the Internet?

A: Yes. Before their proxy is voted at the applicable stockholders meeting, LMI or UGC stockholders who want to change their vote on the merger proposal may do so by telephone or over the Internet (if they originally voted by telephone or over the Internet), by voting in person at the applicable stockholders meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to the address below:

in the case of an LMI stockholder, to: Liberty Media International, Inc., c/o EquiServe Trust Company, N.A., P.O. Box [ ], Edison, New Jersey 08818-[ ]; and

in the case of a UGC stockholder, to: UnitedGlobalCom, Inc., c/o EquiServe Trust Company, N.A., P.O. Box [ ], Edison, New Jersey 08818-[ ].

Any signed proxy revocation or new signed proxy must be received before the start of the applicable stockholders meeting. Your attendance at the applicable stockholders meeting will not, by itself, revoke your proxy.

If your shares are held in an account by a broker, bank or other nominee who you previously contacted with voting instructions, you should contact your broker, bank or other nominee to change your vote.

Q: When do LMI and UGC expect to complete the mergers?

A: We expect to complete the mergers as quickly as possible once all the conditions to the mergers, including obtaining the approvals of our stockholders at the respective stockholders meetings of LMI and UGC, are fulfilled. We currently expect to complete the mergers within a few days following the stockholders meetings.

Q: Should UGC stockholders send their proxy cards to the same address as they send their forms of election and UGC shares?

A: No. Separate envelopes are enclosed for UGC stockholders to return (1) their forms of election and UGC shares and (2) their proxy cards. **UGC stockholders should check to be sure they are mailing their materials in the**

proper envelope and to the proper address. UGC stockholders are urged to please NOT send their election form and UGC shares with their proxy cards, or vice versa.

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Q: Should LMI stockholders send their LMI shares with their proxy cards?

A: No. LMI stockholders will receive written instructions from the exchange agent after the mergers are completed on how to exchange their LMI shares for Liberty Global shares. **LMI stockholders are urged to please NOT send their LMI shares with their proxy cards.**

Q: Who can help answer questions about the voting and election procedures and the mergers?

A: LMI and UGC have retained D.F. King & Co. to serve as an information agent and proxy solicitor in connection with each of the stockholders meetings and the mergers.

LMI stockholders who have questions about the LMI annual meeting, including the voting procedures, or the mergers should call D.F. King & Co. at [ ] with their questions.

UGC stockholders who have questions about the UGC special meeting, including the voting and election procedures, or the mergers should call D.F. King & Co. at [ ] with their questions.

In addition, LMI stockholders may call LMI s Investor Relations Department at (800) 783-7676, and UGC stockholders may call UGC s Investor Relations Department at (303) 770-4001.

Concerning the LMI Annual Meeting

Q: Why is LMI having its annual meeting at this time?

A: LMI s common stock is traded on the Nasdaq National Market, and it is a requirement of the Nasdaq Stock Market that all issuers of securities traded on that market hold an annual meeting once a year. LMI s annual meeting will satisfy this requirement. If the merger proposal is approved and the mergers close, Liberty Global, as the successor to LMI, will not be required to hold an annual meeting until 2006.

Q: In addition to the merger proposal, what other proposals are to be considered and voted upon at the LMI annual meeting?

A: LMI stockholders are being asked to consider and vote on the following three proposals, which we refer to collectively as the annual business matter proposals, in addition to the merger proposal:

- the LMI election of directors proposal, a proposal to elect David E. Rapley and Larry E. Romrell to serve as Class I members of LMI s board of directors until the 2008 annual meeting of LMI stockholders or until their successors are elected;

- the LMI incentive plan proposal, a proposal to approve the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005);

- the LMI auditors ratification proposal, a proposal to approve the selection of KPMG LLP as LMI s independent auditors for the year ending December 31, 2005.

We are not aware of any other matters to be acted upon at the annual meeting.

Q: What stockholder approval is required to approve the LMI election of directors proposal?

A: A plurality of the affirmative votes of the shares of LMI common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the annual meeting is required to elect Messrs. Rapley and Romrell as Class I members of LMI s board of directors.

Q: How will the vote on the merger proposal impact the LMI directors elected pursuant to the LMI election of directors proposal?

A:

If the merger proposal receives the requisite stockholder approvals at the respective stockholders meetings of LMI and UGC, the LMI directors elected pursuant to the LMI election of directors proposal will serve until the closing of the mergers. At that time, the LMI board of directors, including the members elected as Class I directors at the annual meeting, will be succeeded by a board of directors that is appropriate for a wholly owned subsidiary of Liberty Global, the new parent company.

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If the merger proposal does not receive the requisite stockholder approvals, or if for any other reason the merger agreement is terminated, then the persons elected as Class I directors at the LMI annual meeting will serve until the 2008 annual meeting of LMI stockholders or until their successors are elected.

Q: What stockholder approval is required to approve the LMI incentive plan proposal?

A: Approval of the LMI incentive plan proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI common stock outstanding on the record date for the LMI annual meeting that are present at the annual meeting, in person or by proxy, voting together as a single class.

Q: Why are LMI stockholders being asked to vote on the LMI incentive plan proposal?

A: The Liberty Media International, Inc. 2004 Incentive Plan was originally adopted by the LMI board of directors on May 11, 2004, and approved by LMI s sole stockholder at that time, Liberty Media Corporation. On March 9, 2005, the compensation committee of the LMI board of directors determined to amend the incentive plan in anticipation of Liberty Global assuming the incentive plan following the completion of the mergers. Prior to the amendment, the maximum number of shares of any series of Liberty Global common stock with respect to which awards could have been granted under the incentive plan following the mergers was 20 million. LMI s compensation committee determined to amend and restate the incentive plan to provide, among other things, that, if the mergers are completed, the maximum number of shares of any series of Liberty Global common stock with respect to which awards may be issued by Liberty Global under the incentive plan will be 25 million. The increase was deemed advisable because following the mergers equity incentive awards granted to the employees of UGC and its subsidiaries will be granted under the Liberty Global plan, instead of the various UGC stock incentive plans which will no longer be available for future awards, and because Liberty Global will have a significantly larger number of shares of common stock outstanding following the mergers than LMI has currently. In order for certain awards under the incentive plan to be eligible for favorable tax treatment under Section 162(m) of the Internal Revenue Code, the incentive plan, as amended and restated, must be approved by the public stockholders of LMI.

Q: How will the vote on the merger proposal impact the LMI incentive plan proposal?

A: If the merger proposal receives the requisite stockholder approvals at the respective stockholders meetings of LMI and UGC and the mergers are completed, the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005) will be assumed by Liberty Global, and Liberty Global will succeed LMI as the issuer under the incentive plan. In addition, the incentive plan will automatically be renamed the Liberty Global, Inc. 2005 Incentive Plan, and the number of shares with respect to which awards may be issued will increase from 20 million to 25 million, as described above.

Q: What stockholder approval is required to approve the LMI auditors ratification proposal?

A: The LMI auditors ratification proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI common stock outstanding on the record date for the LMI annual meeting that are present at the annual meeting, in person or by proxy, voting together as a single class.

Q: What do LMI stockholders need to do to vote on the annual business matter proposals?

A: After carefully reading and considering the information relating to the annual business matter proposals contained in this joint proxy statement/ prospectus, LMI stockholders should complete, sign and date their proxy cards and mail them in the enclosed return envelope, or vote by the telephone or through the Internet, in each case as soon as possible so that their shares are represented and voted at the annual meeting. Stockholders who have shares

registered in the name of a broker, bank or other nominee should follow the voting instruction card provided by their broker, bank or other nominee in instructing their broker, bank or other nominee how to vote their shares on each of the annual business matter proposals.

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Q: If LMI shares are held in street name by a broker, bank or other nominee, will the broker, bank or other nominee vote those shares for the beneficial owner on each of the annual business matter proposals?

A: If LMI stockholders hold shares in street name and do not provide voting instructions to their broker, bank or other nominee, their shares will not be voted on the incentive plan proposal but may, in the discretion of the broker, bank or other nominee, be voted on the election of directors proposal and the auditors ratification proposal. Accordingly, their broker, bank or other nominee will vote their shares held in street name for or against the incentive plan proposal only if they provide instructions on how to vote.

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SUMMARY

The following summary includes information contained elsewhere in this joint proxy statement/prospectus. This summary does not purport to contain a complete statement of all material information relating to the merger agreement, the mergers and the other matters discussed herein and is subject to, and is qualified in its entirety by reference to, the more detailed information and financial statements contained or incorporated in this joint proxy statement/prospectus, including the appendices included herein. You may obtain the information about UGC that we incorporate by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled Additional Information Where You Can Find More Information. You should carefully read this joint proxy statement/prospectus in its entirety, as well as the merger agreement included with this proxy statement/prospectus as Appendix B and the other Appendices included herein.

The Companies

(see page 71)

Liberty Media International, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (720) 875-5800

LMI, through its subsidiaries and affiliates, provides broadband distribution services and video programming services to subscribers in Europe, Japan, Latin America and Australia. LMI s broadband distribution services consist primarily of cable television distribution, Internet access, telephony, and, in selected markets, direct-to-home satellite distribution. LMI s broadband distribution services include those of UGC, which is a controlled subsidiary of LMI. LMI s programming networks create original programming and also distribute programming obtained from international and home-country content providers. LMI s principal assets include interests in UGC, LMI/Sumisho Super Media, LLC, Jupiter Programming Co., Ltd. (JPC), Liberty Cablevision of Puerto Rico Ltd. and Pramer S.C.A. LMI s corporate website is located at *www.libertymediainternational.com.*

UnitedGlobalCom, Inc.
4643 South Ulster Street
Suite 1300
Denver, Colorado 80237
Telephone: (303) 770-4001

UGC is an international broadband communications provider of video, voice and broadband Internet access services with operations in 16 countries outside the United States. UGC s networks pass approximately 15.9 million homes and serve approximately 8.7 million video subscribers, 0.8 million voice subscribers and 1.4 million broadband Internet access subscribers. UGC Europe, Inc., UGC s largest consolidated operation, is a pan-European broadband communications company, providing video, high-speed Internet access and telephone services through its broadband networks in 13 European countries. UGC s primary Latin American operation, VTR GlobalCom S.A., provides video, high-speed Internet access and telephone services primarily to residential customers in Chile. UGC also has consolidated operations in Brazil and Peru; an approximate 19% interest in SBS Broadcasting S.A., a European commercial television and radio broadcasting company; an approximate 34% interest in Austar United Communications Ltd., a pay-TV provider in Australia; and an indirect investment in Telenet Group Holding N.V., a broadband communications provider in Belgium. UGC s corporate website is located at *www.unitedglobal.com.*

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Liberty Global, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (720) 875-5800
Liberty Global is a newly-formed corporation and currently a wholly owned subsidiary of LMI. Liberty Global has not conducted any activities other than those incident to its formation, the matters contemplated by the merger agreement and the preparation of applicable filings under the federal securities laws. Upon consummation of the mergers, LMI and UGC will become wholly owned subsidiaries of Liberty Global, and Liberty Global will become a publicly traded company. Following the mergers, Liberty Global s corporate website will be located at [ ].
Cheetah Acquisition Corp.
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (720) 875-5800
Cheetah Acquisition Corp, which we refer to as **LMI Merger Sub,** is a wholly owned transitory merger subsidiary of Liberty Global, recently formed solely for the purpose of merging with and into LMI.
Tiger Global Acquisition Corp.
12300 Liberty Boulevard
Englewood, Colorado 80112
Telephone: (720) 875-5800
Tiger Global Acquisition Corp., which we refer to as **UGC Merger Sub,** is a wholly owned transitory merger subsidiary of Liberty Global, recently formed solely for the purpose of merging with and into UGC.

Structure of The Mergers
(see page 88)

To accomplish the combination of the businesses of LMI and UGC under a new parent company, Liberty Global was formed with two wholly owned subsidiaries, LMI Merger Sub and UGC Merger Sub. At the effective time of the mergers:

- LMI Merger Sub will merge with and into LMI, and LMI will be the surviving corporation in that merger (which we refer to as the **LMI merger**); and

- UGC Merger Sub will merge with and into UGC, and UGC will be the surviving corporation in that merger (which we refer to as the **UGC merger**).

As a result of the mergers described above and the conversion and exchange of securities described in this joint proxy statement/prospectus, LMI will become a direct, wholly owned subsidiary of Liberty Global, and UGC will become an indirect, wholly owned subsidiary of Liberty Global. Following the mergers, Liberty Global will own directly 46.5% of the common stock of UGC and indirectly through Liberty Global s wholly owned subsidiary LMI 53.5% of the common stock of UGC (based upon outstanding UGC share information as of February 28, 2005).

The Stockholders Meetings and Proxy Solicitations
(see page 73)

LMI Annual Meeting

Where and When. The LMI annual meeting will take place at [ ], [ ], [ ], [ ] [ ], on [ ], 2005, at [ ] a.m., local time.

Who May Vote. You may vote at the LMI annual meeting if you were the record holder of LMI Series A common stock or LMI Series B common stock as of 5:00 p.m., New York City time, on [ ], 2005,

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the record date for the LMI annual meeting. On that date, there were [ ] shares of LMI Series A common stock outstanding and entitled to vote and 7,264,300 shares of LMI Series B common stock outstanding and entitled to vote. The holders of LMI Series A common stock and the holders of LMI Series B common stock will vote together as a single class. You may cast one vote for each share of LMI Series A common stock that you owned on the record date for the LMI annual meeting and ten votes for each share of LMI Series B common stock that you owned on the record date for the LMI annual meeting.

UGC Special Meeting

Where and When. The UGC special meeting will take place at [ ], [ ], [ ], [ ] [ ], on [ ], 2005, at [ ] a.m., local time.

Who May Vote. You may vote at the UGC special meeting if you were the record holder of UGC Class A common stock, UGC Class B common stock or UGC Class C common stock as of 5:00 p.m., New York City time, on [ ], 2005, the record date for the UGC special meeting. On that date, there were [ ] shares of UGC Class A common stock outstanding and entitled to vote, 10,493,461 shares of UGC Class B common stock outstanding and entitled to vote and 379,603,223 shares of UGC Class C common stock outstanding and entitled to vote. The holders of UGC Class A common stock, the holders of UGC Class B common stock and the holders of UGC Class C common stock will vote together as a single class. You may cast one vote for each share of UGC Class A common stock that you owned on the record date for the UGC special meeting and ten votes for each share of UGC Class B common stock or UGC Class C common stock that you owned on the record date for the UGC special meeting.

Fairness Determinations and Recommendations of the Special Committee and the UGC Board

Throughout this joint proxy statement/ prospectus, when we refer to **unaffiliated stockholders of UGC,** we mean holders of UGC Class A common stock other than LMI and its affiliates.

Fairness Determination and Recommendation of the Special Committee (see page 25)

A special committee of the board of directors of UGC, which we refer to as the Special Committee, consisting of three UGC directors (who are independent under the rules of the Nasdaq Stock Market and have no relationship with LMI or any of its affiliates that the Special Committee viewed as undermining its independence) evaluated the fairness of the UGC merger and negotiated the terms of the mergers.

The Special Committee determined that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is substantively and procedurally fair to, and in the best interests of, the unaffiliated stockholders of UGC. The Special Committee also determined to approve, and to recommend that the UGC board of directors approve, the merger agreement and the UGC merger. In making these determinations, the Special Committee considered various factors, including:

- the opinion of Morgan Stanley & Co. Incorporated, financial advisor to the Special Committee, directed to the Special Committee that, as of the date of the opinion and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders;

- that the UGC merger would be conditioned on the approval of the holders of a majority of UGC s publicly traded shares (i.e., other than shares owned by LMI, Liberty or any of their respective subsidiaries or any of the executive officers or directors of LMI, Liberty or UGC);

- the premium presented to the unaffiliated stockholders of UGC by the merger consideration in relation to various benchmarks, including the relative trading prices of UGC common stock and LMI common stock prior to the commencement of merger discussions;

- that the cash election provided the unaffiliated stockholders of UGC with some protection in the event the price of LMI s stock declines prior to closing;

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the opportunity presented to the unaffiliated stockholders of UGC by the stock election to participate in the benefits expected to be realized by the combined companies in the future;

that the implied valuation in the mergers of the Japanese distribution and content assets of LMI is attractive as a financial matter, and such assets offer opportunities in diverse markets;

that Michael T. Fries, the current Chief Executive Officer of UGC, would be the Chief Executive Officer of the combined company;

that Liberty Global would have no single stockholder or group of stockholders exercising voting control over the combined company;

that the opportunity for growth is greater as a part of the combined company;

that UGC stockholders would own interests in a company with a more diverse portfolio of investments, which would be better able to weather economic change, including fluctuations in foreign exchange rates;

the absence of the ability to sell UGC to a third party as a result of LMI s controlling equity position in UGC;

that the receipt of Liberty Global stock by the unaffiliated stockholders of UGC in the mergers will generally not be taxable to such stockholders, while the receipt of cash consideration generally will be taxable to such stockholders; and

the other factors referred to under Special Factors Fairness Determinations and Recommendations of the Special Committee and the UGC Board.

Fairness Determination and Recommendation of the UGC Board (see page 30)

Based upon the recommendation of the Special Committee [and adopting the analysis of the Special Committee], the UGC board of directors unanimously determined that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is [substantively and procedurally] fair to, and in the best interests of, the unaffiliated stockholders of UGC. The UGC board also unanimously determined that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is fair to, and in the best interests of, UGC and its stockholders. Accordingly, the UGC board of directors recommends that UGC stockholders vote **FOR** the merger proposal at the UGC special meeting.

Opinion of the Financial Advisor to the Special Committee
(see page 30)

Morgan Stanley, financial advisor to the Special Committee, delivered a written opinion to the Special Committee to the effect that, as of January 17, 2005 and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders. The full text of Morgan Stanley s opinion, dated January 17, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley in rendering its opinion, is included as Appendix D to this joint proxy statement/prospectus. UGC stockholders should read this opinion carefully and in its entirety. The opinion does not constitute a recommendation to any UGC stockholder as to how to vote with respect to the UGC merger or as to what form of consideration to elect.

Fairness Determinations of the Boards of Directors of LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub (see page 37)

The UGC merger is considered a 13E-3 transaction because each of LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub is an affiliate of UGC, and the unaffiliated stockholders of UGC are entitled to receive consideration in the UGC merger other than Liberty Global common stock. As a result, under the

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federal securities laws, LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub are each required to consider the substantive and procedural fairness of the UGC merger to the unaffiliated stockholders of UGC.

Fairness Determination of the LMI Board (see page 38)

The LMI board of directors determined that the transactions contemplated by the merger agreement, including the UGC merger, are, substantively and procedurally, fair to the unaffiliated stockholders of UGC. In making this determination, the LMI board considered various factors, including:

- that the merger was negotiated with the Special Committee, which was advised by its own counsel and financial advisors;
- that the UGC merger is structured so that it is a condition to its completion that it be approved by at least a majority of the outstanding shares of UGC common stock not beneficially owned by LMI or Liberty or the directors and executive officers of LMI, Liberty and UGC;
- that the 0.2155 to 1.0 exchange ratio represents an 8.6% premium over the closing sale price for the shares of UGC Class A common stock on December 14, 2004, the last trading day before Mr. Malone s first conversation with the Special Committee, and a slight premium over the closing sale price of those shares on January 11, 2005, the last trading day before LMI management and the Special Committee reached an agreement in principle on the financial terms of the UGC merger;
- its belief that since LMI s spin off from Liberty in June 2004, UGC s historical trading price has included an acquisition premium attributable to market speculation that LMI would buy out the public minority stockholders of UGC;
- its belief that LMI s common stock trades with a holding company discount of between 9% and 19%, implying a larger premium to the unaffiliated UGC stockholders on a fair value-to-fair value basis;
- that the unaffiliated stockholders of UGC who elect to receive Liberty Global stock will have the opportunity to participate in LMI s Japanese cable distribution and programming businesses, as well as continue to participate in the potential growth of the businesses of UGC;
- that LMI was foregoing its ability to obtain a control premium for its investment in UGC, while the unaffiliated stockholders of UGC who become stockholders of Liberty Global would participate as stockholders of the new company in any control premium because there will be no single controlling stockholder of the new company; and
- the other factors referred to under Special Factors Fairness Determinations of the Boards of Directors of LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub.

Fairness Determinations of the Boards of Liberty Global, LMI Merger Sub and UGC Merger Sub (see page 40)

Adopting the analysis of the board of directors of LMI, the boards of directors of each of Liberty Global, LMI Merger Sub and UGC Merger Sub unanimously determined that the transactions contemplated by the merger agreement, including the UGC merger, are, substantively and procedurally, fair to the unaffiliated stockholders of UGC. Each of these boards of directors is comprised of two persons serving on the board of directors of LMI, each of whom was present for and participated in the adopted analysis of the LMI board.

Recommendation of and Reasons for the LMI Merger (see page 40)

LMI s board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the LMI merger, are advisable, fair to, and in the best interests of, LMI and its stockholders. Accordingly, LMI s board of directors recommends that LMI stockholders vote **FOR** the

merger proposal at the LMI annual meeting.

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LMI s board of directors considered various factors in approving the merger agreement and the LMI merger, including:

- that the mergers would eliminate the current dual public holding company structure in which LMI s principal consolidated asset is its interest in another public company, UGC;
- that the elimination of the holding company structure would eliminate the holding company discount in LMI s stock price;
- the opinion of Banc of America Securities LLC, financial advisor to LMI, directed to the LMI board that, as of the date of the opinion, and based upon and subject to the factors, limitations and assumptions set forth in the opinion, the consideration to be received by LMI stockholders (other than affiliates of LMI) in the transactions contemplated by the merger agreement was fair from a financial point of view to such stockholders;
- that the strengths of the respective management teams of LMI and UGC would complement each other, and that there was little if any overlap at the operating level that would impede a smooth integration of the two companies;
- that the consummation of the mergers would eliminate any potential competition between LMI and UGC, including in the pursuit of acquisition opportunities and capital raising activities;
- that the receipt of the merger consideration in the LMI merger would be tax-free to the LMI stockholders;
- that the merger agreement included a limitation on the cash election and that LMI had sufficient cash to fund the maximum amount of cash anticipated to be payable if the cash elections were fully exercised; and
- the other factors referred to under Special Factors Recommendation of and Reasons for the LMI Merger.

Opinion of LMI s Financial Advisor
(see page 41)

Banc of America Securities, LMI s financial advisor, delivered a written opinion to the LMI board of directors to the effect that, as of January 17, 2005 and based upon and subject to the factors, limitations and assumptions set forth in the opinion, the consideration to be received by the stockholders of LMI (other than affiliates of LMI) in the transactions contemplated by the merger agreement was fair from a financial point of view to such stockholders. The full text of Banc of America Securities opinion, dated January 17, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Banc of America Securities in rendering its opinion, is included as Appendix E to this joint proxy statement/ prospectus. LMI stockholders should read this opinion carefully and in its entirety. The opinion does not constitute a recommendation to any LMI stockholder as to how any LMI stockholder should vote with respect to the LMI merger.

Management of Liberty Global
(see page 101)

Following the mergers, the board of directors of Liberty Global will consist of ten members, of whom five are current members of LMI s board of directors and five are current members of UGC s board of directors. The members of the Liberty Global board of directors will be:

- John C. Malone, currently Chairman of the Board, Chief Executive Officer, President and a director of LMI and a director of UGC;
- Michael T. Fries, currently President, Chief Executive Officer and a director of UGC;
- John P. Cole, Jr., currently a director of UGC and a member of the Special Committee;

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John W. Dick, currently a director of UGC and a member of the Special Committee;

Paul A. Gould, currently a director of UGC and a member of the Special Committee;

David E. Rapley, currently a director of LMI;

Larry E. Romrell, currently a director of LMI;

Gene W. Schneider, currently the Chairman of the Board of Directors of UGC;

J.C. Sparkman, currently a director of LMI; and

J. David Wargo, currently a director of LMI.

The management of Liberty Global will be comprised of certain executive officers from each of LMI and UGC, including Mr. Malone who has agreed to serve as the Chairman of the Board of Liberty Global and Mr. Fries who has agreed to serve as the Chief Executive Officer and President of Liberty Global. For more information on the proposed directors and executive officers of Liberty Global, see Management of Liberty Global, Management of LMI and Executive Officers, Directors and Principal Stockholders of UGC.

Interests of Certain Persons in the Mergers
(see page 49)

In considering the recommendations of LMI s and UGC s boards of directors to vote to approve the merger proposal, stockholders of LMI and UGC should be aware that members of LMI s and UGC s boards of directors and members of LMI s and UGC s executive management teams have relationships, agreements or arrangements that provide them with interests in the mergers that may be in addition to or different from those of LMI s or UGC s public stockholders. Both LMI s and UGC s boards of directors were aware of these interests and considered them when approving the merger agreement and the mergers.

Material United States Federal Income Tax Consequences of the Mergers
(see page 81)

Completion of the mergers is conditioned upon the receipt by LMI of the opinion of Baker Botts L.L.P., or another nationally recognized law firm, to the effect that the LMI merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and upon the receipt by UGC of the opinion of a nationally recognized law firm, to the effect that, when integrated with the LMI merger, the conversion of shares of UGC common stock into shares of Liberty Global Series A common stock that is effected pursuant to the UGC merger will qualify as an exchange within the meaning of Section 351 of the Internal Revenue Code. The opinions will be based upon factual representations and covenants, including those contained in letters provided by LMI, UGC, Liberty Global and/or others, and certain assumptions set forth in the opinions. No rulings have been or will be requested from the Internal Revenue Service with respect to any tax matters relating to the mergers.

Assuming the mergers are treated as described above, the mergers generally will not result in the recognition of gain or loss by LMI, UGC, Liberty Global, the LMI stockholders or, except to the extent that they receive cash, the UGC stockholders. The taxation of the receipt of cash by a holder of UGC common stock is very complicated and subject to uncertainties. Due to the uncertainties concerning the taxation of the receipt of cash, Liberty Global or the exchange agent, as applicable, expect to withhold 30% (unless reduced by an applicable treaty) of all cash payments made to UGC stockholders that are non-U.S. holders as a result of making a valid cash election. **UGC stockholders should consult their tax advisors if they are considering making a cash election with respect to their UGC common stock.**

LMI stockholders and UGC stockholders should be aware that the tax consequences to them of the applicable merger may depend upon their own situations. In addition, LMI stockholders and UGC stockholders may be subject to state, local or foreign tax laws that are not discussed in this joint proxy statement/ prospectus. **LMI stockholders and UGC stockholders should therefore consult with their own tax advisors for a full understanding of the tax**

consequences to them of the mergers.

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Merger Agreement
(see page 88 and Appendix B)

The merger agreement is included as Appendix B to this joint proxy statement/ prospectus. We encourage you to read the merger agreement because it is the legal document that governs the mergers.

Conditions to Completion of the Mergers

LMI s and UGC s respective obligations to complete the mergers are subject to the satisfaction or waiver of a number of conditions, including, among others:

- the statutory approval and the minority approval, each having been obtained at the UGC special meeting;
- the approval of the merger proposal by the LMI stockholders at the LMI annual meeting;
- approval for listing on the Nasdaq National Market of the Liberty Global common stock to be issued in connection with the mergers;
- LMI and Liberty Global having received an opinion that the mergers should not cause the spin off of LMI by Liberty, which occurred on June 7, 2004, to fail to qualify as a tax-free distribution to Liberty under Section 355(e) of the Internal Revenue Code of 1986, as amended (the Code); and
- LMI and UGC each having received an opinion from its respective tax counsel as to the treatment of the mergers for U.S. federal income tax purposes.

We expect to complete the mergers as promptly as practicable after all of the conditions to the mergers have been satisfied or, if applicable, waived. Neither the condition relating to the minority approval at the UGC special meeting nor the conditions relating to the receipt of the tax opinions may be waived.

Termination of the Merger Agreement

We may jointly agree to terminate the merger agreement at any time without completing the mergers, even after receiving the requisite stockholder approvals of the merger proposal. In addition, either UGC (with the approval of the Special Committee) or LMI may terminate the merger agreement if, among other things:

- the mergers have not been consummated before September 30, 2005;
- any order, decree or ruling that permanently restrains, enjoins or prohibits the mergers becomes final and non-appealable; or
- any of the stockholder approvals required to approve the merger proposal have not been obtained.

In addition, LMI may terminate the merger agreement if the board of directors of UGC (with the approval of the Special Committee) has withdrawn or modified, in any manner adverse to LMI, its recommendation to the UGC stockholders.

No termination fee will be payable by any party to the merger agreement if the merger agreement is terminated.

Appraisal or Dissenters Rights
(see page 51)

Under Delaware law, holders of shares of UGC Class A common stock will not be entitled to appraisal rights in connection with the UGC merger.

Under Delaware law, LMI stockholders are not entitled to appraisal rights in connection with the LMI merger.

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Regulatory Matters
(see page 51)
At the date of this joint proxy statement/ prospectus, each of LMI and UGC has obtained all regulatory approvals required for the completion of the mergers.
Voting Agreement
(see page 100 and Appendix C)
On January 17, 2005, at the insistence of the Special Committee and at the request of the LMI board of directors, John C. Malone, the Chairman of the Board, Chief Executive Officer and President of LMI, entered into a voting agreement with UGC, pursuant to which Mr. Malone has agreed to vote the shares of LMI Series A common stock and LMI Series B common stock owned by him or which he has the right to vote (representing, as of February 28, 2005, approximately 26.5% of the aggregate voting power of LMI) in favor of the approval of the merger proposal. A copy of the voting agreement is included as Appendix C to this joint proxy statement/ prospectus.
Risk Factors
(see page 58)
The mergers entail several risks, including:

- risks relating to the value of the merger consideration received compared with the value of the securities exchanged therefor;
- risks relating to the value of the merger consideration received by UGC stockholders compared to the value of the merger consideration at the time elected by UGC stockholders;
- risks associated with the ability of the parties to realize the anticipated benefits of the mergers;
- risks associated with class action lawsuits relating to the UGC merger; and
- risks associated with transaction costs.

In addition, the parties to the mergers face risks and uncertainties relating to:

- overseas operations and regulations;
- technology and competition;
- certain financial matters; and
- governance matters.

Please carefully read the information included under the heading Risk Factors.
Recommendations regarding the LMI Annual Business Matter Proposals
(see page 172)
LMI s board of directors has approved each of the annual business matter proposals and recommends that the LMI stockholders vote **FOR** the election of Messrs. Rapley and Romrell as Class I directors pursuant to the LMI election of directors proposal, **FOR** the LMI incentive plan proposal and **FOR** the LMI auditors ratification proposal. Prior to the LMI board approving the LMI auditors ratification proposal, KPMG LLP was selected by the audit committee of the LMI board to serve as the independent auditors of LMI for the year ending December 31, 2005.

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Selected Summary Historical Financial Data of LMI

The following tables present selected historical financial information of (i) certain international cable television and programming subsidiaries and assets of Liberty (LMC International), for periods prior to the June 7, 2004 spin off transaction, whereby LMI s common stock was distributed on a pro rata basis to Liberty s stockholders as a dividend, and (ii) LMI and its consolidated subsidiaries for periods following such date. Upon consummation of the spin off, LMI became the owner of the assets that comprise LMC International. The following selected financial data was derived from the audited consolidated financial statements of LMI as of December 31, 2004, 2003 and 2002 and for each of the four years ended December 31, 2004. Data for other periods has been derived from unaudited information. This information is only a summary, and you should read it together with the historical financial statements of LMI included elsewhere herein.

	December 31,				
	2004(1)	**2003**	**2002**	**2001**	**2000**
	amounts in thousands				
Summary Balance Sheet Data:					
Investment in affiliates	$ 1,865,642	1,740,552	1,145,382	423,326	1,189,630
Other investments	$ 838,608	450,134	187,826	916,562	134,910
Property and equipment, net	$ 4,303,099	97,577	89,211	80,306	82,578
Intangible assets, net	$ 2,897,953	689,026	689,046	701,935	803,514
Total assets	$ 13,702,363	3,687,037	2,800,896	2,169,102	2,301,800
Debt, including current portion	$ 5,018,787	54,126	35,286	338,466	101,415
Stockholders equity	$ 5,226,806	3,418,568	2,708,893	2,039,593	1,907,085

	Year ended December 31,				
	2004(1)	**2003**	**2002**	**2001**	**2000**
	amounts in thousands, except per share amounts				
Summary Statement of Operations Data:					
Revenue	$ 2,644,284	108,390	100,255	139,535	125,246
Operating income (loss)	$ (313,873)	(1,455)	(39,145)	(122,623)	3,828
Share of earnings (losses) of affiliates(2)	$ 38,710	13,739	(331,225)	(589,525)	(168,404)
Earnings (loss) from continuing operations(3)	$ (31,758)	20,889	(329,887)	(820,355)	(129,694)
Earnings (loss) from continuing operations per common share (pro forma for spin off)(4)	$ (.20)	.14	N/A	N/A	N/A

(1)

Prior to January 1, 2004, the substantial majority of LMI operations were conducted through equity method affiliates, including UGC, J-COM and JPC. As more fully discussed in the notes to LMI s historical financial statements included elsewhere herein, in January 2004, LMI completed a transaction that increased LMI s ownership in UGC and enabled LMI to fully exercise its voting rights with respect to its historical investment in UGC. As a result, UGC has been accounted for as a consolidated subsidiary and included in LMI s consolidated financial position and results of operations since January 1, 2004. See Liberty Global s unaudited condensed pro forma combined financial statements included elsewhere herein for the pro forma effects of consolidating UGC on Liberty Global s results of operations. See also Appendix A: Information Concerning Liberty Media International, Inc. Part 4: Historical Financial Information of LMI and its Significant Affiliates and Acquirees to this joint proxy statement/ prospectus.

(2) Effective January 1, 2002, LMI adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (Statement 142), which, among other matters, provides that goodwill, intangible assets with indefinite lives and excess costs that are considered equity method goodwill are no longer

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amortized, but are evaluated for impairment under Statement 142 and, in the case of equity method goodwill, APB Opinion No. 18. Share of losses of affiliates includes excess basis amortization of $92,902,000 and $41,419,000 in 2001 and 2000, respectively.

(3) LMI s loss from continuing operations in 2002 and 2001 included LMI s share of UGC s net losses of $190,216,000 and $439,843,000, respectively. Because LMI had no commitment to make additional capital contributions to UGC, LMI suspended recording its share of UGC s losses when LMI s carrying value was reduced to zero in 2002. In addition, LMI s loss from continuing operations in 2002 included $247,386,000 of other-than-temporary declines in fair values of investments, and LMI s loss from continuing operations in 2001 included $534,962,000 of realized and unrealized losses on derivative instruments.

(4) Earnings (loss) per common share amounts were computed assuming that the shares issued in the spin off were outstanding since January 1, 2003. In addition, the weighted average share amounts for periods prior to July 26, 2004, the date that certain subscription rights were distributed to stockholders pursuant to a rights offering by LMI, have been increased to give effect to the benefit derived by LMI s stockholders as a result of the distribution of such subscription rights. For additional information, see note 3 to the LMI consolidated financial statements included elsewhere herein.

Selected Summary Historical Financial Data of UGC

The following summary financial data of UGC was derived from the audited financial statements of UGC for the five years ended December 31, 2004. This information is only a summary, and is not necessarily comparable from period to period as a result of certain impairments, restructuring charges, gains on extinguishments of debt, acquisitions and dispositions, merger transactions, gains on issuance of common equity securities by subsidiaries and cumulative effects of changes in accounting principles. For this and other reasons, you should read it together with UGC s historical financial statements and related notes and also with UGC s management s discussion and analysis of financial condition and results of operations incorporated by reference herein.

	December 31,				
	2004	2003	2002	2001	2000
	amounts in thousands				
Summary Balance Sheet Data:					
Cash, cash equivalents and short term liquid investments	$ 1,077,958	312,495	456,039	999,086	2,223,912
Property and equipment, net	$ 4,193,095	3,342,743	3,640,211	3,692,485	3,880,657
Goodwill and other intangible assets, net	$ 2,615,877	2,772,067	1,264,109	2,843,922	5,154,907
Total assets	$ 9,134,297	7,099,671	5,931,594	9,038,640	13,146,952
Long-term debt, including current portion, not subject to compromise	$ 4,878,949	3,926,706	3,838,906	10,033,387	9,893,044
Long-term debt, including current portion, subject to	$	317,372	2,812,988		

compromise						
Stockholders equity (deficit)	$ 2,395,943	1,472,492	(4,284,874)	(4,555,480)	(85,234)	

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	Year ended December 31,				
	2004(1)	2003(2)	2002(3)	2001(4)	2000(5)
	amounts in thousands				
Summary Statements of Operations Data:					
Revenue	$ 2,525,446	1,891,530	1,515,021	1,561,894	1,251,034
Operating loss	$ (240,547)	(656,014)	(899,282)	(2,872,306)	(1,140,803)
Income (loss) from continuing operations	$ (382,355)	1,995,368	988,268	(4,514,765)	(1,220,890)
Earnings (loss) per share from continuing operations:					
Basic earnings (loss) per share	$ (0.50)	7.41	2.29	(41.47)	(12.00)
Diluted earnings (loss) per share	$ (0.50)	7.41	2.29	(41.47)	(12.00)

(1) Includes impairments, gains on extinguishment of debt and gains on sales of investments in affiliates and other, net, totaling $38.9 million, $35.8 million and $12.3 million, respectively.

(2) Includes impairments, gains on extinguishment of debt and gains on sales of investments in affiliates and other, net, totaling $402.2 million, $2.2 billion and $279.4 million, respectively.

(3) Includes impairments, gains on extinguishment of debt and gains on sales of investments in affiliates and other, net, totaling $436.2 million, $2.2 billion and $117.3 million, respectively. Effective January 1, 2002, UGC adopted Statement 142, which, among other things, provides that goodwill, intangible assets with indefinite lives and excess costs on equity method investments are no longer amortized, but are evaluated for impairment under Statement 142. The cumulative effect of the adoption of Statement 142 was a charge of $1.3 billion.

(4) Includes impairments, restructuring charges, gains on sales of investments in affiliates, other-than-temporary losses on investments and amortization of indefinite-lived intangible assets totaling $1.3 billion, $204.1 million, $416.8 million, $342.4 million and $447.2 million, respectively.

(5) Includes amortization of indefinite-lived intangible assets totaling $287.5 million.

Ratio (Deficiency) of Earnings to Fixed Charges of UGC

	Year ended December 31,		
	2004	2003	2002
	amounts in thousands, except ratios		
Income (loss) before income taxes and other items	$ (498,831)	1,568,066	1,328,695

Fixed charges:

Interest within rental expense	25,851	20,970	14,540
Interest, whether expensed or capitalized, including amortization of discounts	283,280	327,132	680,101
Total fixed charges	309,131	348,102	694,641
Distributed income of equity investees	17,098	4,714	11,276
Adjusted earnings (losses)	(172,602)	1,920,882	2,034,612
Fixed charges	309,131	348,102	694,641
Ratio of earnings to fixed charges		5.52	2.93
Dollar amount of coverage deficiency	$ (481,733)		

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Selected Unaudited Condensed Pro Forma Combined Financial Data of Liberty Global

We have included in this joint proxy statement/ prospectus the selected unaudited condensed pro forma combined financial data of Liberty Global set forth below after giving effect to (1) the proposed mergers (the Proposed Mergers) and the resulting step acquisition of the UGC interest not already owned by LMI using the purchase method of accounting; and (2) the July 1, 2004 acquisition of Suez-Lyonnaise Télécom SA (Noos) and the January 1, 2005 consolidation of LMI/ Sumisho Super Media LLC (Super Media) and Jupiter Telecommunications Co., Ltd. (J-COM) (together with the Noos acquisition, the Consummated Transactions) based upon the assumptions and adjustments described in the unaudited condensed pro forma combined financial information and notes of Liberty Global contained elsewhere in this document.

The unaudited condensed pro forma combined balance sheet data as of December 31, 2004 gives effect to the Proposed Mergers and the consolidation of Super Media and J-COM as if they occurred on December 31, 2004. The unaudited condensed pro forma combined statement of operations data for the year ended December 31, 2004 is presented as if the Proposed Mergers and the Consummated Transactions were consummated on January 1, 2004. The selected unaudited condensed pro forma combined financial information is based upon estimates and assumptions, which are preliminary. The unaudited pro forma information does not purport to be indicative of the financial position and results of operations that Liberty Global will obtain in the future, or that Liberty Global would have obtained if the Proposed Mergers and Consummated Transactions were effective as of the dates indicated above. The selected unaudited condensed pro forma combined information of Liberty Global has been derived from and should be read in conjunction with the historical financial statements and related notes thereto of LMI and UGC. The LMI historical financial statements are included elsewhere herein and the UGC historical financial statements are incorporated by reference into this document.

Selected Unaudited Condensed Pro Forma Combined Financial Data of Liberty Global

		Year ended December 31, 2004 amounts in thousands, except per share amounts
Summary Statement of Operations Data:		
Revenue	$	4,348,873
Depreciation and amortization	$	(1,415,786)
Operating loss	$	(127,203)
Net loss	$	(209,761)
Net loss per share:		
Basic and diluted net loss per share	$	(0.83)
Shares used in computing basic and diluted net loss per share		251,726

		December 31, 2004
Summary Balance Sheet Data:		
Cash and cash equivalents	$	2,622,235
Investment in affiliates	$	1,716,960
Property and equipment, net	$	6,744,295

Intangible assets not subject to amortization	$	7,132,396
Total assets	$	19,789,388
Debt, excluding current portion	$	7,094,682
Stockholders equity	$	8,685,635

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Comparative Per Share Financial Data

The following table shows (1) the basic and diluted loss per common share and book value per share data for each of LMI and UGC on a historical basis, (2) the basic and diluted loss per common share and book value per share for Liberty Global on a pro forma basis and (3) the equivalent pro forma net income and book value per share attributable to the shares of Liberty Global common stock issuable at an exchange ratio of 0.2155 per UGC share. Pro forma per share data has been presented assuming UGC stockholders (other than LMI and its wholly owned subsidiaries) receive (1) all stock consideration or (2) 80% stock and 20% cash consideration.

The following information should be read in conjunction with (1) the separate historical financial statements and related notes of LMI included elsewhere herein, (2) the separate historical financial statements and related notes of UGC incorporated by reference herein and (3) the unaudited condensed pro forma combined financial statements of Liberty Global included elsewhere herein. The pro forma information is not necessarily indicative of the results of operations that would have resulted if the Proposed Mergers and the Consummated Transactions had been completed as of the assumed dates or of the results that will be achieved in the future.

We calculate historical book value per share by dividing stockholders equity by the number of shares of common stock outstanding at December 31, 2004. We calculate pro forma book value per share by dividing pro forma stockholders equity by the pro forma number of shares of Liberty Global common stock that would have been outstanding had the Proposed Mergers been completed as of December 31, 2004.

Liberty Global pro forma combined loss applicable to common stockholders, pro forma stockholders equity and the pro forma number of shares of Liberty Global common stock outstanding have been derived from the unaudited condensed pro forma combined financial information for Liberty Global appearing elsewhere herein.

We calculate the UGC equivalent pro forma per share data by multiplying the pro forma per share amounts by the exchange ratio of 0.2155 shares of Liberty Global common stock for each share of UGC common stock.

Neither LMI nor UGC has paid any cash dividends on its common stock during the periods presented.

		Liberty Global				
		Pro forma		UGC		
					Pro forma equivalent	
	LMI					
	Historical	All stock	80% stock and 20% cash	Historical	All stock	80% stock and 20% cash
Basic and diluted net loss per common share:						
Year ended December 31, 2004	$ (0.20)	(0.83)	(0.89)	(0.50)	(0.18)	(0.19)
Book value per share as of:						
December 31, 2004	$ 30.25	34.50	33.88	3.03	7.43	7.30
Cash dividends	$					

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Comparative Per Share Market Price and Dividend Information

Market Price

The following table sets forth high and low sales prices for a share of LMI Series A common stock, LMI Series B common stock and UGC Class A common stock for the periods indicated.

LMI Series A common stock and LMI Series B common stock trade on The Nasdaq National Market under the symbols LBTYA and LBTYB, respectively. In connection with LMI s June 7, 2004 spin off from Liberty, LMI common stock first began trading on a when-issued basis on June 2, 2004.

UGC Class A common stock trades on The Nasdaq National Market under the symbol UCOMA. There is no trading market for the UGC Class B common stock or UGC Class C common stock.

	LMI				UGC	
	Series A		Series B		Class A	
	High	Low	High	Low	High	Low
2003						
First quarter					$ 3.22	$ 2.20
Second quarter					$ 5.63	$ 2.81
Third quarter					$ 7.70	$ 4.92
Fourth quarter					$ 9.00	$ 5.95
2004						
First quarter					$ 10.90	$ 7.22
Second quarter(1)	$ 38.00	$ 33.98	$ 41.25	$ 38.79	$ 8.34	$ 6.50
Third quarter	$ 37.00	$ 28.60	$ 41.25	$ 34.05	$ 7.51	$ 5.80
Fourth quarter	$ 47.27	$ 33.25	$ 49.31	$ 36.19	$ 9.79	$ 7.18
2005						
First quarter through March 23	$ 47.70	$ 42.46	$ 50.25	$ 45.35	$ 10.23	$ 8.97

(1) As to LMI common stock, from the period beginning on June 8, the date on which regular way trading began in LMI common stock, and ending on June 30.

On January 14, 2005, the last trading day before the public announcement of the mergers, LMI Series A common stock closed at $43.69 per share, LMI Series B common stock closed at $46.44 per share and UGC Class A common stock closed at $9.64 per share. Based upon the exchange ratio in the stock election of 0.2155, the pro forma equivalent per share value of the UGC Class A common stock on January 14, 2005, was equal to approximately $9.42 per share.

On March 23, 2005, LMI Series A common stock closed at $44.27 per share, LMI Series B common stock closed at $46.87 per share and UGC Class A common stock closed at $9.54 per share. Based upon the exchange ratio in the stock election of 0.2155, the pro forma equivalent per share value of the UGC Class A common stock on March 23, 2005, was equal to approximately $9.54 per share.

[Liberty Global has applied to list its Series A common stock and Series B common stock on the Nasdaq National Market under the symbols LBTYA and LBTYB, respectively, the same symbols under which LMI common stock currently trades.]

Dividends

LMI. In July 2004, LMI distributed, as a dividend to its stockholders, 0.20 of a transferable subscription right for each share of LMI common stock owned by them as of 5:00 p.m., New York City time, on July 26, 2004, the record date for the LMI rights offering. Each whole right to purchase LMI Series A common stock entitled the holder to purchase one share of LMI Series A common stock at a subscription price of $25.00 per share. Each whole right to purchase

LMI Series B common stock entitled the holder to purchase one share of

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LMI Series B common stock at a subscription price of $27.50 per share. In addition, each whole Series A and Series B right entitled the holder to subscribe, at the same applicable subscription price pursuant to an oversubscription privilege, for additional shares of the applicable series of LMI common stock, subject to proration. LMI has paid no other dividends since it became a publicly traded company.

Pursuant to the merger agreement, LMI may not pay any dividends (other than dividends payable in LMI common stock) until the mergers are completed or the merger agreement is terminated. Except for the foregoing, there are currently no restrictions on the ability of LMI to pay dividends in cash or stock. It is LMI s current dividend policy to not pay cash dividends. All decisions regarding the payment of future dividends by LMI will be made by its board of directors, from time to time, in accordance with applicable law.

UGC. In January 2004, UGC distributed, as a dividend to its stockholders, 0.28 of a transferable subscription right for each share of UGC common stock owned by them at the close of business on January 21, 2004, the record date for the UGC rights offering. Each whole right to purchase UGC Class A common stock entitled the holder to purchase one share of UGC Class A common stock at a subscription price of $6.00 per share. Each whole right to purchase UGC Class B common stock entitled the holder to purchase one share of UGC Class B common stock at a subscription price of $6.00 per share. Each whole right to purchase UGC Class C common stock entitled the holder to purchase one share of UGC Class C common stock at a subscription price of $6.00 per share. In addition, each whole Class A, Class B and Class C right entitled the holder to subscribe, at the same subscription price pursuant to an oversubscription privilege, for additional shares of the applicable class of UGC common stock, subject to proration. UGC has paid no other dividends since its predecessor became a publicly traded company on August 2, 1993.

Pursuant to the merger agreement, UGC may not pay any dividends until the mergers are completed or the merger agreement is terminated. Except for the foregoing, there are currently no restrictions on the ability of UGC to pay dividends in cash or stock. It is UGC s current policy to not pay cash dividends. All decisions regarding the payment of future dividends by UGC will be made by its board of directors, from time to time, in accordance with applicable law.

Liberty Global. Following the consummation of the mergers, all decisions regarding the payment of dividends by Liberty Global will be made by its board of directors, from time to time, in accordance with applicable law after taking into account various factors, including its financial condition, operating results, current and anticipated cash needs, plans for expansion and possible loan covenants which may restrict or prohibit its payment of dividends.

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SPECIAL FACTORS

Background of the Mergers

LMI was formerly a wholly owned subsidiary of Liberty. On June 7, 2004, Liberty distributed to its stockholders, on a pro rata basis, all of the issued and outstanding shares of LMI common stock, and LMI became an independent, publicly-traded company. From time to time following the spin off, LMI s board of directors and management reviewed the assets held by LMI to determine the available alternatives for enhancing the value of the company. Among the alternatives discussed following the spin off was a potential combination of LMI with its subsidiary UGC, in which LMI owns capital stock representing 53.6% of the equity and 91% of the outstanding voting power. On November 12, 2004, John C. Malone, Chairman of the Board, Chief Executive Officer and President of LMI, stated in response to questions posed during a conference call with LMI investors that LMI would eventually like to combine with UGC, but not at the then-current market prices, which he believed undervalued LMI. During the period from June 2004 through early December 2004, LMI did not have any contact with UGC regarding a potential combination.

At a meeting of the LMI board of directors on December 10, 2004, Mr. Malone sought authorization from the board to contact and initiate discussions with UGC concerning a possible combination of LMI and UGC in a stock-for-stock transaction. Mr. Malone discussed with the board his view that a combination of the two companies should be approached as a merger of equals, with the board of directors and senior management team of the combined company being drawn from members of the boards and senior management teams of both companies. After discussion of the exchange ratio implied by the relative trading prices and sum-of-the parts values of the two companies, the board concluded that any valuation discussions with UGC should be on a market-to-market or fair value-to-fair value basis, with no premium to either company s stockholders. The LMI board authorized Mr. Malone to contact and initiate discussions with UGC on the basis discussed at that meeting.

On the evening of December 10, 2004, as a prelude to discussions with UGC, LMI delivered a letter to UGC stating that it wished to initiate discussions concerning a possible transaction involving the shares of UGC that LMI did not already own, and seeking a mutual confidentiality agreement in anticipation of such talks. This letter did not include any terms of a proposed transaction.

At a telephonic meeting of the UGC board of directors held on December 13, 2004, the board appointed three outside directors, John P. Cole, Jr., John W. Dick and Paul A. Gould, to serve as a Special Committee; to advise the UGC board with respect to the fairness of any transactions proposed by LMI; if deemed appropriate by the Special Committee, to negotiate the terms and conditions of a transaction with representatives of LMI; following such negotiations, to make a recommendation to the UGC board as to whether such proposal should be accepted or rejected by the UGC board; and to retain, at UGC s expense, such attorneys, investment bankers, accountants, actuaries or other advisors as the Special Committee might deem appropriate in order to advise and assist it. Messrs. Cole, Dick and Gould were selected to serve on the Special Committee because they were independent under the rules of the Nasdaq Stock Market and have no relationship with LMI or any of its affiliates that the Special Committee viewed as undermining the independence of the Special Committee, as further described under Fairness Determinations and Recommendations of the Special Committee and the UGC Board.

Subsequently, by unanimous written consent effective as of December 22, 2004, the UGC board approved payment to each member of the Special Committee of a fee of $95,000 for serving on the Special Committee and provided the Special Committee with certain additional powers in connection with the performance of its duties, including full access to UGC s records and personnel and the authority to execute and deliver any documents or agreements it deemed appropriate in connection with its duties.

After conducting interviews and follow-up conversations with three law firms, on December 14, 2004, the Special Committee retained Debevoise & Plimpton LLP to act as its legal advisor. Among the reasons for this selection were Debevoise s strong reputation, its experience in mergers and acquisitions transactions, its

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experience in representing other special committees, the seniority and experience of the attorneys who would be working on the transaction and the absence of any material prior relationship with LMI, UGC or any of their affiliates.

On December 15, 2004, the Special Committee, together with representatives of Debevoise, conducted preliminary interviews with representatives of two internationally recognized investment banking firms: Morgan Stanley & Co. Incorporated and another firm. Mr. Gould and Debevoise participated in these meetings in person, and Messrs. Cole and Dick joined by telephone. Each firm was asked to provide additional information to assist the Special Committee in its decision.

Also on December 15, 2004, the members of the Special Committee, together with their legal advisors, spoke by telephone with Mr. Malone. Mr. Malone noted that LMI was not making a formal offer and said that he would be interested in discussing with the Special Committee a stock-for-stock transaction based upon relative fair values in which LMI and UGC and their respective boards of directors and management teams would be combined. He indicated that in his view the recent market prices of LMI s and UGC s stocks reflected a fair relative valuation of the two companies. Mr. Malone asked the Special Committee whether they would be interested in discussing a transaction within that framework. In response to questions from the Special Committee, Mr. Malone expressed his views as to the benefits to be derived from a combination of LMI and UGC. The Special Committee also asked Mr. Malone whether LMI would be willing to sell its interest in UGC in a transaction for the entire company. Mr. Malone responded that LMI would not be willing to consider such a transaction and had no current intention of selling its interest in UGC to a third party.

On December 20, 2004, the Special Committee, together with representatives of Debevoise, conducted further interviews with representatives of Morgan Stanley and another investment banking firm. Mr. Gould and Debevoise participated in these meetings in person, and Messrs. Cole and Dick joined by telephone. The Special Committee and its legal advisor raised questions designed to ascertain any prior relationships of each firm with Liberty, LMI and UGC.

On December 21, 2004, the Special Committee had two separate telephone meetings during which the Special Committee extensively discussed the qualifications and fee expectations of the investment banking firms being considered for the position of financial advisor to the Special Committee. At the instruction of the Special Committee, Mr. Gould subsequently requested that each firm reduce its initial fee proposal.

On December 22, 2004, the Special Committee had a further telephonic meeting to discuss the selection of a financial advisor. The Special Committee reviewed the revised fee proposals made by Morgan Stanley and another investment banking firm in response to the committee s request. After discussion, the Special Committee agreed to choose Morgan Stanley provided it was able to meet the Special Committee s fee expectations. Morgan Stanley met those expectations and was retained on December 22, 2004, to act as the Special Committee s financial advisor. Among the reasons for selecting Morgan Stanley were Morgan Stanley s strong reputation, experience in transactions of this kind and knowledge of UGC, its business and the industries in which UGC and LMI operate.

On December 23, 2004, the Special Committee held a telephonic meeting with its legal and financial advisors. Participants discussed the Special Committee s December 15, 2004 conversation with Mr. Malone regarding a possible transaction. Participants also discussed the methodologies that Morgan Stanley anticipated using in advising the Special Committee, strategic issues and next steps with respect to Morgan Stanley s commencing its financial analysis, including due diligence plans. At this meeting, Debevoise also reviewed with the members of the Special Committee the Delaware law applicable to the potential transaction and their duties thereunder.

On December 28, 2004, the Special Committee held a telephonic meeting with its legal and financial advisors to discuss the status of Morgan Stanley s financial due diligence. The Special Committee agreed to arrange a call with Mr. Malone on December 31, 2004.

On December 29, 2004, representatives of Debevoise contacted Elizabeth Markowski, the general counsel of LMI, and Ellen Spangler, the general counsel of UGC, regarding legal due diligence matters.

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On December 30, 2004, the Special Committee held a telephonic meeting with its legal advisors. The Special Committee discussed legal and strategic issues relating to a potential transaction, including whether the Special Committee should seek to obtain a requirement that a majority of the unaffiliated stockholders of UGC approve any transaction, also known as the majority of the minority condition.

On December 31, 2004, the Special Committee held a telephonic meeting with its legal and financial advisors. Morgan Stanley described the status of its financial due diligence. Morgan Stanley also discussed its preliminary views as to the potential values of LMI and UGC and implied exchange ratios from various perspectives, including public equity analyst reports, a preliminary discounted cash flow analysis, the valuation of companies in similar industries and markets as UGC and LMI, historical trading prices of the LMI and UGC common stock and precedent transactions involving purchases of minority interests by controlling stockholders. The Special Committee discussed with Morgan Stanley the approach that Morgan Stanley took in formulating its preliminary views and also discussed certain negotiating considerations.

Later on December 31, 2004, the Special Committee and its legal and financial advisors spoke by telephone with Mr. Malone, Ms. Markowski and two other executives of LMI. On this call Mr. Malone expressed his views as to the prospects of the LMI and UGC businesses, benefits to be obtained by combining LMI and UGC, and why such a combination should be on a market-to-market or fair value-to-fair value basis. Mr. Malone insisted that LMI would not pay a premium for the UGC minority stake, as LMI already controlled UGC and UGC s stockholders would share in all of the benefits of the combined company. He said that any discussion should focus on the parties respective views as to the relative values of the two companies. He further observed that when he had first approached UGC about discussing a possible combination, the relative market prices of the stocks of the two companies implied an exchange ratio between 0.1923 and 0.1961 shares of LMI Series A common stock for each share of UGC Class A common stock. Since that time, he noted, whether due to speculation regarding LMI s intentions towards its largest investment or currency exchange rate changes, UGC s stock price had moved and had already built in a premium. Following the call with Mr. Malone, the Special Committee reconvened by telephone with its legal and financial advisors to discuss its next steps. The Special Committee then continued the discussion with its legal advisors only.

On January 3, 2005, the Special Committee held a telephonic meeting with its legal and financial advisors. Morgan Stanley discussed potential arguments that could be used when negotiating to maximize the value of the merger consideration to be received by the unaffiliated stockholders of UGC and provided an update as to its preliminary views regarding the potential values of LMI and UGC, including potential combination benefits that might result from the proposed transaction and approaches to sharing those benefits, the implied exchange ratios and potential premiums with respect to various benchmark dates. The Special Committee discussed Morgan Stanley s views with them, inquired as to the status of Morgan Stanley s financial due diligence, and requested that Morgan Stanley obtain additional information. The Special Committee and its advisors discussed potential strategic options for the consummation of a potential transaction. Subsequently, the Special Committee continued its discussions in executive session.

On January 4, 2005, the Special Committee held a telephonic meeting with its legal advisors. The Special Committee reviewed the merits of a public versus a private negotiating process and instructed Debevoise to discuss the matter with Ms. Markowski. The Special Committee also met in executive session and had a conference call with Michael T. Fries, the Chief Executive Officer and President of UGC, to review various matters relating to the UGC business and the discussions with LMI. Morgan Stanley spoke separately with Mr. Fries by telephone to discuss similar matters.

On January 5, 2005, representatives of Debevoise called Ms. Markowski to discuss the possibility of pursuing a public process. Ms. Markowski stated that to date LMI had simply asked if the Special Committee would be interested in pursuing discussions on the basis outlined by Mr. Malone in earlier conversations, and that to her knowledge the Special Committee had yet to respond. She also noted that the parties had yet to exchange views on relative values. Ms. Markowski advised Debevoise that in the absence of an agreement in principle on the essential terms of a transaction, she did not believe LMI would be willing to make a formal offer and engage in a public negotiating process.

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Later on January 5, 2005, the Special Committee met telephonically with its legal and financial advisors. Morgan Stanley reported on its recent conversation with Mr. Fries. Debevoise reported on its conversation with Ms. Markowski. The Special Committee agreed to convene in person in New York on January 10, 2005. The Special Committee further agreed to dispatch its financial advisors to meet with Mr. Malone in person on the morning of January 10, 2005 to discuss the details of a possible transaction with LMI and the preliminary valuations of the two companies by Morgan Stanley. The Special Committee and its advisors also discussed certain strategic issues, including the value of obtaining a majority of the minority condition. On the evening of January 5, 2005, Morgan Stanley spoke by telephone with Mr. Fries at the instruction of the Special Committee to follow up on certain financial due diligence matters.

On January 7, 2005, the Special Committee met telephonically with its legal and financial advisors. Morgan Stanley provided the Special Committee with an overview of the points that it anticipated discussing with Mr. Malone and responded to the Special Committee s questions and comments.

On the morning of January 10, 2005, representatives of Morgan Stanley met in person with Mr. Malone and Ms. Markowski. Morgan Stanley provided preliminary views as to valuations of LMI and UGC and discussed those values and the implied exchange ratios with Mr. Malone. Morgan Stanley also explored with Mr. Malone LMI s willingness to consider a cash alternative or the addition of another component to the stock consideration to provide additional value to the UGC public stockholders.

On the afternoon of January 10, 2005, the Special Committee met in person in New York with its legal advisors to discuss the duties of the members of the Special Committee under Delaware law and legal and strategic issues, including whether the Special Committee should insist upon a majority of the minority condition. Representatives of Morgan Stanley subsequently joined the meeting and briefed the members of the Special Committee on the results of their conversations earlier in the day with the LMI representatives. Morgan Stanley informed the Special Committee that Mr. Malone had repeated his interest in a stock-for-stock transaction at an exchange ratio reflecting a price at or about market, which at that time implied an exchange ratio of 0.20 LMI shares for each share of UGC. Morgan Stanley reported that Mr. Malone had exhibited some very limited flexibility within that range, including a willingness to consider offering UGC stockholders a cash option for up to 20% of the aggregate value of the merger consideration, the possibility of providing a small amount of additional merger consideration in the form of structured securities and an interest in having the combined company pursue a stock buy-back strategy after the consummation of a transaction. After discussion with Morgan Stanley, and having considered their prior discussions and the preliminary views previously presented to the Special Committee by Morgan Stanley, the Special Committee concluded that Mr. Malone s position was below the range of merger consideration that it could reasonably expect to achieve in the proposed transaction. As a strategic matter, the Special Committee also noted that it could expect Mr. Malone to improve upon his initial position over the course of negotiations. The Special Committee agreed that Mr. Malone s position provided the basis for further discussion.

Later on the evening of January 10, 2005, the Special Committee, Mr. Malone, Ms. Markowski, the respective legal advisors of LMI and the Special Committee, Morgan Stanley and LMI s financial advisor, Banc of America Securities, met to discuss further a possible transaction. Mr. Malone emphasized that he had not made an offer for UGC and that he would not engage in a public negotiating process. He expressed concern that recent increases in the UGC stock price raised doubts as to whether the UGC and LMI stock prices continued to reflect the relative fair values of the two companies, and again stated that LMI was unwilling to pay a premium for the UGC stock at its then-market price. He also repeated the statements made earlier that day to Morgan Stanley. Representatives of the Special Committee noted their strong interest in having a majority of the minority condition as an element of any transaction. Mr. Malone stated that LMI was not interested in pursuing a transaction with such a condition. At the request of the Special Committee, Mr. Malone stated his personal willingness as a significant stockholder of LMI to enter into a voting agreement to support the approval of a potential transaction by the LMI stockholders. Representatives of Morgan Stanley and Banc of America agreed to meet the following morning to discuss the structured securities Mr. Malone indicated may be included in the merger consideration.

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Subsequently, the Special Committee met with its legal and financial advisors to discuss its response to LMI. After discussion with Morgan Stanley, and having considered their prior discussions and the preliminary views previously presented to the Special Committee by Morgan Stanley, the Special Committee concluded that proposing an exchange ratio of 0.23 LMI shares for each share of UGC would be an aggressive and appropriate response to LMI s position in the context of a negotiation.

On the morning of January 11, 2005, representatives of Morgan Stanley and Banc of America Securities met to discuss the possible inclusion of structured securities as an additional component of the merger consideration. Banc of America and Morgan Stanley discussed Banc of America s preliminary structure of a security that could contain both debt and equity characteristics and explored other potential structures. In addition, Banc of America and Morgan Stanley discussed the valuation methodologies each was employing with respect to LMI and UGC.

On the afternoon of January 11, 2005, Messrs. Dick and Gould met with the Special Committee s legal and financial advisors. Mr. Cole was not present. Morgan Stanley updated the members of the Special Committee on its discussions with Banc of America Securities. After discussion with its advisors, the Special Committee members observed that the structured securities described by Mr. Malone and Banc of America Securities could not be valued properly because the proposal was not fully developed. The Special Committee members further noted that the proposed structured securities were quite complex and concluded that a negotiation over the terms of these securities would distract the parties from the Special Committee s central concern of maximizing economic value for the unaffiliated stockholders of UGC. Morgan Stanley also discussed with the Special Committee members a range of premiums to various assumed UGC stock prices at various exchange ratios. The discussion was based upon both the then-current trading price of LMI s stock and a higher assumed price, which Morgan Stanley observed may have more fully reflected the underlying value of LMI than LMI s public market trading price.

Later that afternoon, Messrs. Dick and Gould met with Mr. Malone, Ms. Markowski, and the respective legal and financial advisors of the Special Committee and LMI. The initial positions of the two sides were as follows: The Special Committee members and their representatives stated (based upon the prior evening s Special Committee discussions) that an exchange ratio of 0.23 LMI shares for each share of UGC would be acceptable. Mr. Malone and his representatives stated that an exchange ratio of 0.20 continued to reflect LMI s sense of an at-market transaction. The Special Committee noted that a majority of the minority condition was of key importance and that it would be interested in obtaining a standstill agreement with Mr. Malone and his affiliates with respect to acquisitions of LMI stock after the consummation of any transaction. Mr. Malone stated that a majority of the minority condition remained unacceptable to LMI and refused to sign a standstill agreement. After extensive further discussion and negotiation, Mr. Malone agreed that LMI would consider a majority of the minority condition if UGC agreed to include in any merger agreement certain termination rights for LMI to avoid a prolonged process. Messrs. Dick and Gould continued negotiations with Mr. Malone without the presence of advisors. At the conclusion of this discussion, each side summarized their last proposals. Mr. Malone had proposed that, subject to the approval of the LMI board, he would consider an exchange ratio of 0.213, reflecting an at-market transaction based upon that day s closing stock prices, with a 20% cash election option at $9.50 per share of UGC, representing a premium over that day s UGC closing stock price of $9.26 per share, and the majority of the minority condition if the merger agreement included certain termination rights for LMI. In response, Messrs. Dick and Gould proposed, subject to confirmation by the entire Special Committee, that they would consider an exchange ratio of 0.22 LMI shares for each share of UGC, a 20% cash election option at $9.75 per share and that the Special Committee would drop its request that Mr. Malone sign a standstill agreement.

On the morning of January 12, 2005, the Special Committee met telephonically with its legal and financial advisors to update Mr. Cole on the prior day s negotiations and to discuss the Special Committee s response to LMI s proposed financial terms for a transaction. At this meeting, Morgan Stanley also discussed with the Special Committee implied values per UGC share and resulting premiums at assumed LMI share prices based upon the 0.213 exchange ratio proposed by Mr. Malone and the 0.22 exchange ratio proposed by Messrs. Dick and Gould and, in each case, based upon an election to receive consideration consisting of either 100% stock or 80% stock and 20% cash.

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Also on the morning of January 12, 2005, the board of directors of LMI met to discuss the terms of the potential transaction. Mr. Malone discussed with the LMI board the negotiations with the Special Committee over the prior two days. Noting that the closing prices of the two companies stocks the prior day implied an exchange ratio of 0.213, Mr. Malone advised the board that he would be willing to support a transaction at that exchange ratio and compromise with a marginally higher exchange ratio. Mr. Malone then requested authority from the LMI board to propose an exchange ratio of 0.215 and a cash election alternative of $9.55 per share. After discussing the concerns of the board with respect to the time to complete the transaction in light of the uncertainty created by the majority of the minority condition and the termination rights Mr. Malone was negotiating for, the LMI board authorized Mr. Malone to propose the foregoing exchange ratio and cash alternative election.

On the afternoon of January 12, 2005, the Special Committee reconvened by telephone with its legal and financial advisors and received reports on conversations with representatives of LMI, who had contacted Debevoise and Morgan Stanley to request a conference call with the Special Committee to continue negotiations.

Thereafter, the Special Committee and its legal and financial advisors met telephonically with Mr. Malone and Ms. Markowski. Mr. Malone informed the Special Committee that, after consultation with the LMI board, LMI s best and final proposal was an exchange ratio of 0.215 LMI shares for each share of UGC with a 20% cash election option at $9.55 per share. Mr. Malone insisted that the price negotiations be concluded prior to market close in order to protect LMI against further movements in the stock price, which he believed continued to reflect speculation about a possible transaction, and stated that LMI would withdraw from negotiations if there was no agreement in principle on the exchange ratio before market close.

The Special Committee, after separate discussion with its legal and financial advisors, informed the LMI representatives that it would be prepared to recommend the transaction at an exchange ratio of 0.216 LMI shares for each share of UGC with a 20% cash election option at $9.60 per share. Mr. Malone responded that, subject to receiving approval from the LMI board and only if this proposal was sufficient to obtain agreement, he was prepared to accept an exchange ratio of 0.2155 LMI shares for each share of UGC with a 20% cash election option at $9.58 per share. The Special Committee and the LMI representatives agreed that they would instruct their respective legal advisors to proceed to negotiate definitive documentation on that basis, with final agreement subject to the successful completion of such documentation, board approval and the receipt by each of LMI and the Special Committee from their respective financial advisors of an opinion as to the fairness, from a financial point of view, of the proposed merger consideration.

On the morning of January 13, 2005, Baker Botts L.L.P., counsel to LMI, delivered to Debevoise an initial draft of a proposed merger agreement. On the morning of January 14, 2005, Debevoise delivered to Baker Botts an initial draft of a proposed voting agreement and provided initial comments to the draft merger agreement. Also on January 14, 2005, the Special Committee met telephonically with its legal advisors to discuss the provisions of the proposed merger agreement.

From January 14 through January 17, 2005, the terms of the merger agreement and the voting agreement were negotiated, including the scope of the representations and warranties that would be provided by each of the parties and the scope of the termination right required by LMI in exchange for agreeing to provide UGC with a majority of the minority voting condition.

On January 17, 2005, the Special Committee met in person in New York with its legal and financial advisors. At this meeting, Morgan Stanley delivered its financial analysis in connection with the proposed transaction and its opinion that, as of the date of the opinion and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the merger consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders. See Fairness Determinations and Recommendations of the Special Committee and the UGC Board. Morgan Stanley also discussed with the Special Committee the impact on the value of LMI s offer of UGC stockholders elections to receive cash consideration at various LMI share prices. The Special Committee then unanimously determined that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is substantively and procedurally fair to, and in the best interests, of

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the unaffiliated stockholders of UGC, approved the UGC merger and the merger agreement, the voting agreement and the transactions contemplated thereby and resolved to recommend that the UGC board of directors approve the UGC merger and the merger agreement, the voting agreement and the transactions contemplated thereby, and that the stockholders of UGC approve the UGC merger, the merger agreement and the transactions contemplated thereby. Following the meeting of the Special Committee, the UGC board of directors met. The Special Committee reported its recommendation that the UGC board approve and declare advisable the UGC merger, the merger agreement, the voting agreement and the transactions contemplated thereby, and its recommendation that the stockholders of UGC approve the UGC merger, the merger agreement and the transactions contemplated thereby. Morgan Stanley discussed with the UGC board the opinion that it delivered to the Special Committee, as described under Opinion of the Financial Advisor to Special Committee. The UGC board [, adopting the analysis of the Special Committee,] then unanimously determined that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is [substantively and procedurally] fair to, and in the best interests of, the unaffiliated stockholders of UGC. The UGC board also unanimously determined that the UGC merger, on the terms and conditions set forth in the merger agreement and the voting agreement, is fair to, and in the best interests of, UGC and its stockholders, approved the entry into the merger agreement and the other documents contemplated thereby, and resolved to recommend that the holders of UGC capital stock approve the UGC merger and approve and adopt the merger agreement.

On January 17, 2005, the LMI board of directors met to consider the business combination with UGC. Participating in the meeting from Banc of America Securities was a team led by Stephen Ketchum. Ms. Markowski was also present. At this meeting, Mr. Malone recounted for the LMI board the history of the negotiations with the Special Committee. He noted that the relative trading prices of LMI s and UGC s stock implied a ratio of 0.194 to 1 over a period of two to three weeks prior to his initiation of discussions, but that the market price of UGC s stock had climbed during the negotiations increasing the implied exchange ratio. Banc of America Securities then delivered its financial analysis in connection with the proposed transaction and its oral opinion, which was subsequently confirmed in writing, that, as of January 17, 2005 and based upon and subject to the factors, limitations and assumptions set forth in the opinion, the consideration to be received by the holders of LMI s common stock, other than affiliates of LMI, pursuant to the merger agreement is fair from a financial point of view to the holders of LMI s common stock, other than any affiliate of LMI. See Opinion of LMI s Financial Advisor. Ms. Markowski reviewed the terms of the merger agreement and the voting agreement to be signed by Mr. Malone, the negotiation of each of which had been completed in all material respects. The LMI board then unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the LMI merger, are advisable, fair to, and in the best interests, of LMI and its stockholders, determined that the transactions contemplated by the merger agreement, including the UGC merger, are, substantively and procedurally, fair to the unaffiliated stockholders of UGC, approved the entry into the merger agreement, and resolved to recommend that the holders of LMI common stock approve the LMI merger and approve and adopt the merger agreement.

On the evening of January 17, 2005, the parties finalized the merger agreement, including the disclosure schedules to the merger agreement, and, early on the morning of January 18, 2005, executed the merger agreement and the voting agreement. Also on January 18, 2005, LMI and UGC issued a joint press release announcing the merger agreement and the proposed mergers.

Fairness Determinations and Recommendations of the Special Committee and the UGC Board

The Special Committee

The UGC board of directors created the Special Committee to negotiate exclusively on UGC s behalf any transaction with LMI, because certain of the other directors of UGC have a conflict of interest in evaluating LMI s proposal on behalf of the stockholders of UGC (other than LMI and its affiliates). This conflict of interest exists because these directors also serve as LMI s officers or directors. In addition, the members of the management of UGC who serve on the UGC board could be viewed as having a conflict of interest because of LMI s position as the controlling stockholder of UGC. Therefore, the Special Committee is comprised of

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three members of the UGC board who are independent under the rules of the Nasdaq Stock Market and who have no relationship with LMI or any of its affiliates that the Special Committee viewed as undermining the independence of the Special Committee. The Special Committee considered that each member of the committee currently serves as a director of UGC, and that, assuming the consummation of the proposed transaction, each member of the committee expects to serve as a director of Liberty Global. The Special Committee also recognized the following, as to Paul A. Gould: (1) that Mr. Gould currently serves as a director of Liberty, that Mr. Gould served as a director of Liberty s predecessor (Old Liberty) prior to its 1994 business combination transaction with Tele-Communications, Inc. (TCI), each a company in which Mr. Malone was Chairman of the Board and a significant stockholder, and that Mr. Gould served as a member of the special committee of Old Liberty s board formed to evaluate the transaction with TCI and the consideration to be received by the public stockholders of Old Liberty in that transaction; (2) that subsequent to the 1994 business combination transaction between TCI and Old Liberty, Mr. Gould served as a member of the board of directors of TCI and several companies in which TCI or Liberty had a substantial investment or controlling interest; (3) that, in connection with the 1999 merger between TCI and AT&T Corp., Mr. Gould and another TCI director each received a fee of $1 million for their services on a special committee of the TCI board formed to evaluate the merger transaction with AT&T and the consideration to be received by the public stockholders of TCI in the TCI-AT&T merger; and (4) that Mr. Gould joined the UGC board in conjunction with Liberty s acquisition of control of UGC in January 2004. The Special Committee noted that Mr. Gould s service on the boards of directors of various entities affiliated with Mr. Malone or in which Mr. Malone, directly or indirectly, was a substantial investor consisted in each case of service as an independent director. The Special Committee deemed Mr. Gould s receipt of fees with respect to this service as a director to be insufficiently material to undermine his independence, given Mr. Gould s personal finances. The Special Committee also noted that neither Mr. Cole nor Mr. Dick had any history of service on boards of directors of entities affiliated with Mr. Malone other than UGC and its subsidiaries, and that the Special Committee did not designate any member as its chairman and took all decisions unanimously. The Special Committee therefore determined that the factors described above regarding Mr. Gould would not undermine the independence of the Special Committee.

The members of the Special Committee are:

John P. Cole, Jr. Mr. Cole has served as a director of UGC and its predecessors since March 1998. Mr. Cole served as a member of the United Pan-Europe Communications N.V., or UPC, Supervisory Board from February 1999 to September 2003. Mr. Cole is a founder of the Washington, D.C. law firm of Cole, Raywid and Braveman, which specializes in all aspects of telecommunications and media law.

John W. Dick. Mr. Dick has served as a director of UGC since March 2003. He served as a member of the UPC Supervisory Board from May 2001 to September 2003, and a director of UGC Europe, Inc. from September 2003 to January 2004. He is the non-executive Chairman and a director of Hooper Industries Group, a privately held U.K. group consisting of: Hooper and Co (Coachbuilders) Ltd. (building special/bodied Rolls Royce and Bentley motorcars) and Hooper Industries (China) (providing industrial products and components to Europe and the U.S.). Until 2002, Hooper Industries Group also held Metrocab UK (manufacturing London taxicabs) and Moscab (a joint venture with the Moscow city government, producing left-hand drive Metrocabs for Russia). Mr. Dick has held his positions with Hooper Industries Group since 1984. Mr. Dick is also a director of Austar United Communications Limited, a public company in which UGC has an approximate 34% interest.

Paul A. Gould. Mr. Gould has served as a director of UGC since January 2004. Mr. Gould has served as Managing Director of Allen & Company L.L.C., an investment banking services company, and has been associated with Allen & Company and its affiliates for more than the last five years. Mr. Gould is also a director of Ampco-Pittsburgh Corporation and Liberty.

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Fairness Determination and Recommendation of the Special Committee

On January 17, 2005, the Special Committee unanimously:

determined that the UGC merger, on the terms and conditions set forth in the merger agreement and the voting agreement, is substantively and procedurally fair to, and in the best interests of, the unaffiliated stockholders of UGC; and

determined to approve, and to recommend that the UGC board of directors approve, the UGC merger, the merger agreement, the voting agreement and the transactions contemplated thereby, and that the UGC board recommend that the stockholders of UGC approve the UGC merger, the merger agreement and the transactions contemplated thereby.

The material factors considered by the Special Committee in making its fairness determination and recommendation are:

Supportive Factors

Negotiation Process and Procedural Fairness. The terms of the UGC merger, the merger agreement, the voting agreement and the transactions contemplated thereby were the result of extensive negotiations conducted by the Special Committee, which is comprised of independent directors, with the assistance of independent financial and legal advisors. The Special Committee recognized that it had obtained increases in the exchange ratio and cash amount offered by LMI, and concluded that an exchange ratio of 0.2155 Liberty Global shares for each share of UGC or a cash amount of $9.58 per UGC share at the election of the unaffiliated stockholders of UGC (up to an overall cap of 20% of the aggregate value of the merger consideration payable to such stockholders being paid in cash) were the most favorable financial terms that could be obtained from LMI and that further negotiation could have caused LMI to abandon the transaction.

Independent Financial Advisor. The Special Committee considered the presentation by its independent financial advisor, Morgan Stanley, and Morgan Stanley s opinion that, as of the date of the opinion and based upon and subject to the assumptions, qualifications and limitations set forth in Morgan Stanley s opinion, the merger consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders. The Special Committee noted that Morgan Stanley had been selected as its financial advisor after a competitive process, based upon the firm s strong reputation, experience in transactions of this kind and knowledge of UGC, its business and the industries in which UGC and LMI operate.

In evaluating the presentation and opinion of Morgan Stanley, which is summarized below under Opinion of the Financial Advisor to the Special Committee, the Special Committee considered that Morgan Stanley s compensation arrangements had been structured and negotiated to enhance the firm s ability to provide objective advice to the Special Committee for the benefit of the unaffiliated stockholders of UGC. Morgan Stanley was entitled to receive an initial fee of $1.0 million at the time the engagement letter was executed. Morgan Stanley became entitled to receive an additional fee of $4.5 million at the time the Special Committee requested, and Morgan Stanley delivered, an opinion as to the fairness, from a financial point of view, of the merger consideration to be received by the unaffiliated stockholders of UGC. Morgan Stanley would have received the same fee had its opinion been as to the inadequacy of the merger consideration from a financial point of view. Morgan Stanley will not receive any additional compensation upon the successful completion of the UGC merger. The Special Committee believed that this fee arrangement helped advance the interests of the unaffiliated stockholders of UGC by ensuring that the Special Committee received the unbiased advice of its financial advisor.

In evaluating the presentation and opinion of Morgan Stanley, which is summarized below under Opinion of the Financial Advisor to the Special Committee, the Special Committee noted that Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any particular analysis or factor considered by it. The Special Committee observed that the merger consideration was generally lower than the implied merger consideration ranges generated by two of the analyses performed by Morgan Stanley, described below under Discounted Cash Flow Analysis and Equity Research

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Analysts Price Targets. In considering the discounted cash flow analysis, the Special Committee recognized that Morgan Stanley had judged it appropriate to conduct its analysis based on a management case and an adjusted case. The Special Committee noted Morgan Stanley s view that the adjusted case likely reflected a more balanced view of UGC s future performance, and that the low end of the adjusted case discounted cash flow analysis implied an equity value per share of UGC common stock equal to the cash consideration per share in the proposed transaction. The Special Committee also took note of Morgan Stanley s observation that equity research analyst price targets for LMI and UGC varied widely and, in any event, may not have provided the most reliable estimates of the value of either company. In reviewing each of the analyses presented by Morgan Stanley, the Special Committee also considered the fact, pointed out by Morgan Stanley to the Special Committee, that LMI s significant ownership interest in UGC meant that relatively significant increases in the implied value of UGC would likely be necessary in order to have a material impact on the relative exchange ratio. The Special Committee further noted that Morgan Stanley had provided other valuation metrics that were supportive of its analysis.

Holders of Majority of Public Shares Determine Whether Transaction is Completed. The provisions of the merger agreement permit the holders of a majority of UGC s publicly held shares (excluding shares held by LMI, Liberty or any of their respective subsidiaries or any of the executive officers or directors of LMI, Liberty or UGC) to determine whether to approve the UGC merger. The Special Committee believed that this decision, which it expected would be taken in light of, among other things, the detailed information provided to the stockholders of UGC in this joint proxy statement/ prospectus regarding the transaction and the factors considered by the Special Committee and the UGC board of directors in making their respective recommendations would allow each stockholder of UGC to make its own informed judgment as to whether the proposed transactions are in its best interests.

Premium Analysis. Based upon the presentation made by Morgan Stanley, the Special Committee noted that the equity and cash merger consideration represented a premium to the unaffiliated stockholders of UGC relative to many of the benchmarks summarized below under Opinion of the Financial Advisor to the Special Committee Exchange Ratio and Price Premium Analysis. The Special Committee noted in particular that the equity merger consideration represented an exchange ratio premium of:

- 5.0% with respect to the average UGC and LMI stock prices for the period since the LMI Series A common stock commenced trading on a when-issued basis on June 2, 2004;

- 11.6% with respect to the UGC and LMI closing stock prices on December 10, 2004, the day on which LMI delivered a letter to UGC indicating that LMI wished to initiate discussions between the parties; and

- 1.1% with respect to the UGC and LMI closing stock prices on January 11, 2005, the last trading day prior to the agreement in principle between the Special Committee and LMI on the exchange ratio.

The Special Committee also noted that the equity merger consideration represented an exchange ratio discount with respect to other benchmarks presented by Morgan Stanley, including a discount of approximately 3.6% with respect to the UGC and LMI closing stock prices on November 11, 2004 and of 2.3% with respect to the UGC and LMI closing stock prices on January 14, 2005. The Special Committee noted Morgan Stanley s observation that the proposed exchange ratio would have represented a premium to the unaffiliated stockholders of UGC on 135 of the 158 trading days between June 2, 2004, the day on which the LMI Series A common stock commenced being publicly traded on a when-issued basis, and the last trading date before the entry into the merger agreement.

The Special Committee also took note of Morgan Stanley s observation that, in transactions involving stock consideration, premiums paid by the acquirer are generally smaller than in all-cash transactions in recognition of the target stockholders continuing opportunity to benefit from the performance of the combined company and to realize the benefits of the combination. In reviewing the benchmarks presented by Morgan Stanley, the Special Committee also considered the fact, pointed out by Morgan Stanley to the Special Committee as noted above, that LMI s significant ownership interest in UGC meant that relatively significant increases in

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the implied value of UGC would likely be necessary in order to have a material impact on the relative exchange ratio and corresponding premium paid.

After discussion, the Special Committee concluded that a very large premium in this context was therefore unlikely, and that the range of historical exchange ratios supported the conclusion that the proposed transaction is fair to the unaffiliated stockholders of UGC.

Option to Receive Cash Provides Some Protection Against Stock Price Declines. The Special Committee noted that the option to elect to receive cash for up to 20% of the aggregate value of the merger consideration payable to the unaffiliated stockholders of UGC provides some protection to the unaffiliated stockholders of UGC if the price of LMI s stock declines prior to closing.

Opportunity Benefits of Participation in the Combined Company. Because unaffiliated stockholders of UGC will have the option to receive up to 100% of the merger consideration in stock of the combined company, they will have the opportunity to participate in the benefits expected to be realized by the transaction in the future.

UGC management and Morgan Stanley discussed with the Special Committee potentially significant synergies, strategic opportunities and other benefits that the unaffiliated stockholders of UGC would have the opportunity to participate in as stockholders of the combined company. The benefits discussed included: the creation of a company able to operate around the world and achieve the benefits of such scale; the creation of a more liquid stock with larger public float, which should also represent a stronger acquisition currency; the elimination of a holding company discount in the LMI stock price; enhanced position with vendors, manufacturers and content providers; enhanced growth potential given stronger position to pursue distribution, consolidation and content investment opportunities; a strong balance sheet, which should reduce the combined company s future financing costs; and organizational and corporate synergies.

Confidence in Combined Company Management. The Special Committee noted that the Chief Executive Officer of the combined company would be Michael T. Fries, the current Chief Executive Officer of UGC. The Special Committee considered that its familiarity with Mr. Fries abilities and past performance gave increased confidence that the intended benefits of the UGC merger would be achieved.

Investment in Japanese Distribution and Content Assets at an Attractive Valuation. The Special Committee considered the valuations implied by Morgan Stanley s analysis of the Japanese distribution and content assets to be contributed to the combined company by LMI in the mergers and the other transactions contemplated by the UGC merger and, after discussions with Morgan Stanley regarding comparable valuation multiples for similar assets in the industry, found them attractive as a financial matter. In particular, the Special Committee took note of Morgan Stanley s analysis that the proposed transaction implied UGC stockholders would receive a stake in the assets of Jupiter Telecommunications Co, Ltd., or J-COM, at a valuation multiple of 5.9 times J-COM s 2005 estimated EBITDA, which compared favorably to comparable company analyses provided by Morgan Stanley indicating that valuation multiples of 9 to 10 times estimated 2005 EBITDA would be within a market range for similar assets. The Special Committee further observed that these assets offered growth opportunities to the unaffiliated stockholders of UGC in diverse markets. The Special Committee believed that this opportunity for the unaffiliated stockholders of UGC to participate in the value of J-COM at a relatively attractive valuation supported the view that the merger is fair to such stockholders.

Improved Management Attention and Focus. Because LMI and UGC operate similar businesses in many respects, their current structure creates significant long-term potential for conflicts between the two companies over the exploitation of commercial opportunities. The Special Committee observed that uniting the two businesses under a single management team will eliminate any such conflicts and permit a unified management team to pursue opportunities more efficiently.

Improved Equity Position. The Special Committee noted that, as a result of the UGC merger and assuming that all unaffiliated stockholders of UGC elect to receive Liberty Global stock, the unaffiliated stockholders of UGC would hold approximately 25% of the aggregate voting power of Liberty Global, which would have no single stockholder or group of stockholders exercising voting control over the combined company. This contrasts to the current situation of unaffiliated stockholders of UGC, who have a minority voting interest in a company controlled by LMI.

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Intention to Commence Share Repurchases. The Special Committee noted that LMI had stated that, given the substantial liquidity and free cash flow profile of the combined company, LMI expected that the Liberty Global board of directors would authorize a stock repurchase program following the combination. The Special Committee noted that this expectation underscores LMI s belief in the value of the combined business. LMI and UGC subsequently announced that they expect the Liberty Global board to authorize such a program and that any share repurchases under the program would occur from time to time in the open market or in privately negotiated transactions, subject to market conditions.

Growth Opportunities. The Special Committee recognized the opportunity for growth to be greater as part of the combined company. Important opportunities to acquire assets from third parties are expected to arise in Europe in the near future, and UGC s ability to avail itself of these opportunities will be greatly enhanced by a combination with LMI. The Special Committee also observed that the Japanese business interests owned by LMI provide significant opportunities for growth, both within Japan and in other important Asian growth markets. The combined company is expected to have a significantly stronger balance sheet than UGC and the ability to offer stock as an acquisition currency at more favorable valuations.

Diversification Benefits. The Special Committee noted that by combining UGC s principally European and Latin American business with LMI s Japanese business, UGC stockholders would own a company with a more diverse portfolio of investments, which would be better able to weather economic change including fluctuations in foreign exchange rates.

Absence of Ability to Sell UGC to Third Party. LMI informed the Special Committee early in the negotiations that it was not interested in pursuing a sale of all of its interest in UGC. In light of LMI s intentions, the Special Committee concluded that realization of third party sale value or causing a sale of a substantial portion, in a liquidation, break-up or similar transaction, of UGC s assets were not alternatives available to UGC. Consequently, the Special Committee considered a transaction with LMI or continuing UGC as a publicly traded entity, with LMI remaining as controlling stockholder, as the only practical alternatives available. The Special Committee determined that the merger afforded the unaffiliated stockholders of UGC the opportunity to participate in the benefits of the combined company described above under Opportunity Benefits of Participation in the Combined Company, as well as the other benefits described above under Investment in Japanese Distribution and Content Assets at an Attractive Valuation, Improved Management Attention and Focus, Growth Opportunities and Diversification Benefits. The Special Committee observed that none of these benefits would be available to the unaffiliated stockholders of UGC if UGC continued as a publicly traded company with LMI as its controlling stockholder and deemed this alternative inferior to the proposed transaction.

Terms of Merger Agreement. The Special Committee considered the draft merger agreement and the summary of the key terms and provisions thereof provided by its counsel. The Special Committee concluded that the terms and provisions of the merger agreement were customary for transactions of this kind and provided appropriate protections to the unaffiliated stockholders of UGC. The merger agreement provides only limited circumstances under which LMI is permitted to not close the transaction, and any termination of the merger agreement by UGC must be approved by the Special Committee. The voting agreement entered into by Mr. Malone, pursuant to which he agreed to vote the LMI shares that he owns or which he has the right to vote (representing, as of February 28, 2005, approximately 26.5% of the aggregate voting power of LMI) in favor of the merger agreement and the LMI merger, increases the likelihood that the merger agreement and the LMI merger will be approved by the LMI stockholders.

Financing of Transaction. The Special Committee noted that LMI has available to it sufficient cash to pay the cash portion of the merger consideration and the combined company will have sufficient cash to fund the potential stock purchase program described above after the closing.

Stock Consideration Non-Taxable. The Special Committee noted that the receipt of Liberty Global stock by the unaffiliated stockholders of UGC validly electing to receive stock as merger consideration will generally not be taxable to such stockholders.

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Negative Factors

Market Price of Shares. The Special Committee was aware that the relative trading prices of UGC and LMI at the market close on January 14, 2005 implied that LMI would be acquiring the shares of UGC held by the unaffiliated stockholders of UGC at a very slight discount to market. After discussions with Morgan Stanley and review of the analyses described below under Opinion of the Financial Advisor to the Special Committee, the Special Committee concluded that the long-term valuations of UGC and LMI provided by Morgan Stanley were more accurate indicators of the underlying values of UGC and LMI than either of their market closing prices on any particular date. The Special Committee also noted that the merger consideration represented a premium to the unaffiliated UGC stockholders relative to many of the other benchmarks presented by Morgan Stanley. See the discussion above under Premium Analysis.

Exposure to Japanese Market. While acknowledging the diversification opportunity that LMI s investments in the Japanese broadband and programming markets offers the unaffiliated stockholders of UGC, the Special Committee also considered that such diversification carried with it exposure to new and different risk factors for the unaffiliated stockholders of UGC, including exposure to downturns in the Japanese economy and new foreign currency exchange risks.

Tax Treatment. The Special Committee was aware that the receipt of the $9.58 per share cash price available to the unaffiliated stockholders of UGC validly electing to receive cash consideration, subject to proration, will generally be taxable to such stockholders.

Risks the Mergers May Not be Completed. The Special Committee considered the risk that the conditions to the merger agreement may not be satisfied and, therefore, that the UGC merger may not be consummated.

Matters Not Considered

The Special Committee did not consider the third party sale value or liquidation or break-up of UGC s assets because LMI stated that it was not willing to pursue these alternatives. As the beneficial owner of a majority of the aggregate voting power of UGC s stock, LMI can prevent the pursuit of these alternatives. The Special Committee did not consider the net book value of UGC to be a useful indicator of UGC s value because UGC s value as a going concern exceeds its net book value and because the Special Committee believed that the net book value of UGC is indicative of historical costs but is not a material indicator of the value of UGC as a going concern.

Other Matters Considered

Conflicts of Interest. The Special Committee was aware of the conflicts of interest of the members of the UGC board of directors who are also officers or directors of LMI, as well as the potential conflicts of interest of management representatives on the UGC board. The Special Committee believes that the process of using a committee of independent directors, together with the condition that the UGC merger and the merger agreement be approved by a majority of the stockholders of UGC (other than LMI, Liberty or any of their respective subsidiaries or any of the executive officers or directors of LMI, Liberty or UGC), effectively mitigates these potential conflicts.

This discussion summarizes the material factors considered by the Special Committee, including factors that support as well as weigh against the UGC merger, the merger agreement, the voting agreement and the transactions contemplated thereby. In view of the variety of factors and the amount of information considered, the Special Committee did not find it practicable to, and did not, make specific assessments of, quantify, or otherwise assign relative weights to these factors in reaching its determination. In addition, individual members of the Special Committee may have given different weights to different factors. The determination that the UGC merger, on the terms and conditions set forth in the merger agreement and the voting agreement, is substantively and procedurally fair to, and in the best interests of, the unaffiliated stockholders of UGC was made after consideration of all of these factors as a whole. The Special Committee concluded that the supportive factors outweighed the negative factors.

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Fairness Determination and Recommendation of the UGC Board

Following the meeting of the Special Committee, based upon the recommendation of the Special Committee [and adopting the analysis of the Special Committee], the UGC board unanimously determined that the UGC merger, on the terms and conditions set forth in the merger agreement and voting agreement, is [substantively and procedurally] fair to, and in the best interests of, the unaffiliated stockholders of UGC. The UGC board also unanimously determined that:

the UGC merger, on the terms and conditions set forth in the merger agreement and the voting agreement, is fair to, and in the best interests of, UGC and its stockholders;

authorized UGC to enter into the merger agreement and the voting agreement;

resolved to recommend that the UGC stockholders approve the UGC merger and approve and adopt the merger agreement; and

resolved to call a special meeting of the UGC stockholders for the purpose of submitting the merger agreement and the transactions set forth therein to the UGC stockholders.

In addition to the analysis of the Special Committee[, which was adopted by the UGC board in reaching its fairness determination,] the UGC board of directors considered that the Special Committee received from Morgan Stanley an opinion that, as of the date of the opinion and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the merger consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders.

Opinion of the Financial Advisor to the Special Committee

The Special Committee engaged Morgan Stanley to provide financial advisory services in connection with the UGC merger. Morgan Stanley was selected by the Special Committee based upon Morgan Stanley s qualifications, expertise and reputation, as well as its knowledge of the business and affairs of UGC and the industry in which UGC operates. At a meeting of the Special Committee held on January 17, 2005, Morgan Stanley delivered its oral opinion, subsequently confirmed in writing, that, as of that date, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders.

The full text of Morgan Stanley s opinion, dated January 17, 2005, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is included as Appendix D to this joint proxy statement/ prospectus. The summary of Morgan Stanley s fairness opinion set forth in this joint proxy statement/ prospectus is qualified in its entirety by reference to the full text of the opinion. Stockholders should read this opinion carefully and in its entirety. Morgan Stanley s opinion is directed to the Special Committee and only addresses the fairness from a financial point of view of the consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement. Morgan Stanley s opinion does not address any other aspect of the mergers and does not constitute a recommendation to any UGC stockholder as to how to vote at the UGC stockholders meeting or as to what form of consideration UGC stockholders should elect. Morgan Stanley has consented to the inclusion of its report and the summary of its report in this joint proxy statement/ prospectus. By rendering its opinion and giving such consent Morgan Stanley has not admitted that it is an expert with respect to any part of this joint proxy statement/ prospectus within the meaning of the term expert as used in, or that Morgan Stanley comes within the category of persons whose consent is required under, the Securities Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other information of UGC and LMI;

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reviewed certain internal financial statements and other financial and operating data concerning UGC and LMI prepared by the managements of UGC and LMI, respectively;

reviewed certain financial projections prepared by the respective managements of UGC and LMI;

discussed the past and current operations and financial condition and prospects of UGC and LMI with senior executives of UGC and LMI, respectively;

considered information relating to certain strategic, financial and operational benefits anticipated from the UGC merger, discussed with the management of UGC;

discussed the strategic rationale for the UGC merger with the senior executives of UGC;

reviewed the reported prices and trading activity of the UGC Class A common stock and the LMI Series A common stock;

compared the financial performance of UGC and LMI, as well as the prices and trading activity of the UGC Class A common stock and the LMI Series A common stock with that of certain other comparable publicly-traded companies and their securities;

reviewed the financial terms, to the extent publicly available, of selected minority buy-back transactions;

participated in discussions and negotiations among representatives of UGC and LMI and their respective financial and legal advisors;

reviewed the proposed merger agreement and certain related documents; and

performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information reviewed by Morgan Stanley for the purposes of its opinion. With respect to the internal financial statements, other financial and operating data, and financial forecasts, including information relating to certain strategic, financial and operational benefits anticipated from the UGC merger, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting best available estimates and judgments of the future financial performance of UGC and LMI. Morgan Stanley also relied without independent investigation on the assessment by the executives of UGC regarding the strategic rationale for the UGC merger. In addition, Morgan Stanley assumed that the mergers will be consummated in accordance with the terms set forth in the proposed merger agreement, including, among other things, that the LMI merger and UGC merger will be treated as a tax-free reorganization and exchange, respectively, each pursuant to the Code, without material modification, delay or waiver. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities or technologies of UGC or LMI, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley s opinion is necessarily based upon financial, economic, market and other conditions as in effect on, and the information made available to it as of, January 17, 2005.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to an acquisition, business combination or other extraordinary transaction involving UGC or its assets.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its opinion. Some of these summaries include information presented in tabular format. In order to understand fully the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses used by Morgan Stanley.

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Historical Share Price Analysis

Morgan Stanley reviewed the historical price performance and trading volumes of UGC Class A common stock from January 20, 2004 through January 14, 2005, and of LMI Series A common stock from June 2, 2004 through January 14, 2005. For the period that Morgan Stanley reviewed UGC s share price, the high and low closing prices were $10.60 and $6.00, respectively, and for the period that Morgan Stanley reviewed LMI s share price, the high and low closing prices were $47.27 and $29.15, respectively.

Morgan Stanley also reviewed the respective recent stock price performances of UGC Class A common stock and LMI Series A common stock in comparison to the stock price performances of selected comparable companies, as well as with the S&P 500. Morgan Stanley observed the appreciation or depreciation in closing market prices over certain time periods as shown below:

Company	Appreciation/(Depreciation) 1/20/04 to 1/14/05	Appreciation 6/2/04(1) to 1/14/05
UGC	(9.1)%	29.4%
LMI	NA	13.8%
Comcast Corp.	(5.8)%	16.6%
NTL Inc.	(0.6)%	10.8%
Cablevision Systems Corp.	(9.9)%	13.5%
S&P 500	4.0%	5.3%

(1) Date on which LMI common stock began trading on a when-issued basis prior to LMI s spin off from Liberty.

The foregoing historical share price analysis was presented to the Special Committee to provide it with background information and perspective with respect to the relative historical share prices and share price performances of UGC and LMI. No company used in the share price performance analysis is identical to UGC or LMI because of differences in business mix, operations and other characteristics.

Comparable Company Analysis

Morgan Stanley compared certain publicly available financial information of UGC with corresponding publicly available information for the following cable companies:

U.S. Cable Companies

Comcast Corp.
Cablevision Systems Corp.
Charter Communications, Inc.
Insight Communications Co.

European Cable Companies

NTL Inc.
Telewest Global Inc.

For each of the comparable companies, Morgan Stanley calculated the current cable aggregate value, defined as equity value plus net debt and minority interests and less unconsolidated and non-cable assets, as a multiple of 2005 estimated earnings before expenses for interest, taxes, depreciation and amortization, or EBITDA, based upon publicly available information, including reports of equity research analysts. The multiples calculated in this analysis are referred to in this section as the aggregate value/2005E EBITDA multiples.

Morgan Stanley calculated implied equity values per share of UGC common stock by applying aggregate value/2005E EBITDA multiples ranging from 8.0x to 9.0x to UGC s 2005 estimated EBITDA, as provided by UGC management, and to UGC s 2005 estimated EBITDA as provided by management and converted at

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a current spot rate of US$1.31 per Euro. The following table presents the ranges of equity values per common share implied by this analysis:

	Implied Equity Value Per Share of UGC Common Stock	
	Low	High
2005E EBITDA, as provided by UGC management	$ 8.17	$ 9.53
2005E EBITDA, as provided by UGC management and converted at US$1.31 per Euro spot exchange rate	$ 8.82	$ 10.27

Morgan Stanley noted that the implied value of the stock consideration per share of UGC common stock in the merger was $9.42 as of January 14, 2005, and that the cash consideration was $9.58 per share of UGC common stock.
No company used in the comparable company analysis is identical to UGC because of differences between the business mix, operations and other characteristics of UGC and the comparable companies. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of UGC, such as the impact of currency exchange rates, competition on the business of UGC as well as on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of UGC or the industry or in the markets generally.

Discounted Cash Flow Analysis

Morgan Stanley performed a discounted cash flow analysis of the projected unlevered free cash flows of UGC. This analysis was based upon 2005 projections and long-term growth assumptions for the period beginning January 1, 2005 and ending December 31, 2009 prepared by UGC management.
Morgan Stanley calculated implied equity values per share of UGC common stock by using discount rates ranging from 8% to 10% and terminal value multiples of estimated 2010 EBITDA ranging from 7.5x to 8.5x. Morgan Stanley calculated different ranges of equity values per share of UGC common stock by utilizing the 2005 projections and long-term growth rate guidance provided by UGC management, as well as sensitivities performed by Morgan Stanley adjusting for various revenue growth rates and EBITDA margins. The following table presents the ranges of implied equity values per share of UGC common stock implied by this analysis:

	Implied Equity Value Per Share of UGC Common Stock	
	Low	High
Analysis Utilizing Sensitivities	$ 9.58	$ 12.05
Analysis Utilizing UGC Management Projections and Guidance	$ 12.83	$ 15.89

Morgan Stanley noted that the implied value of the stock consideration per share of UGC common stock in the merger was $9.42 as of January 14, 2005, and that the cash consideration was $9.58 per share of UGC common stock.
The discount rates used in the discounted cash flow analysis of UGC reflect UGC s weighted average cost of capital. The weighted average cost of capital represents the cost of capital for UGC based upon the relative proportion of debt,

preferred equity and common equity employed by UGC. The terminal EBITDA multiple range used in the discounted cash flow analysis was based upon a review of the trading multiples for, and the business position of, UGC and other comparable companies, as well as reviewing implied perpetual growth rates.

While discounted cash flow analysis is a widely accepted and practiced valuation methodology, it relies on a number of assumptions including growth rates, terminal multiples, discount rates and currency exchange rates.

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The valuation stated above is not necessarily indicative of UGC s actual, present or future value or results, which may be more or less favorable than suggested by this type of analysis.

Sum-of-the-Parts Analysis

Morgan Stanley performed an analysis of LMI as the sum of its constituent businesses and performed financial analyses on the assets represented by LMI s investments in the following entities:

UGC

Jupiter Telecommunications Co., Ltd.

Jupiter Programming Co., Ltd.

Liberty Cablevision of Puerto Rico Ltd.

Mediatti Communications, Inc.

Chofu Cable, Inc.

Pramer S.C.A.

Metrópolis-Intercom S.A.

Torneos y Competencias, S.A.

The News Corporation Limited

The Wireless Group plc

ABC Family Worldwide, Inc.

This analysis was performed to determine an implied valuation range for LMI common stock.

Morgan Stanley reviewed various publicly available financial, operating and stock market information, as well as financial data and forecasts provided by LMI management, for the individual LMI businesses. Based upon this data, Morgan Stanley estimated implied value ranges for each constituent business by applying analyses as appropriate for the individual business segments, including analyses based upon book value, per subscriber value, multiples to 2004 and 2005 estimated EBITDA, as provided by LMI management and publicly available research reports, and public market value, taking into account applicable tax rates. The multiples for the various assets used in the sum-of-the-parts analysis were arrived at after a review of publicly traded companies with a similar operating profile to the LMI assets. Market position, growth prospects and profitability were a few of the many factors used in comparing the LMI assets to the publicly traded comparables.

This analysis yielded an implied valuation range of LMI common stock of $48.86 to $51.13 per share. Morgan Stanley then applied discounts of 10%, 15% and 20% to approximate the holding company discount for LMI s UGC holdings that is widely acknowledged by the research community. Applying these discounts to the sum-of-the-parts analysis yielded an implied valuation range of LMI common stock of $44.26 to $48.83 per share. Morgan Stanley noted that the closing price per share of LMI Series A common stock was $43.69 as of January 14, 2005.

In connection with its sum-of-the-parts analysis, Morgan Stanley noted in particular the values of Jupiter Telecommunications Co., Ltd., or J-COM, implied by the 0.2155x exchange ratio pursuant to the merger agreement, as well as the exchange ratios implied by deriving share prices for LMI based upon valuations of LMI s 45.45% ownership stake in J-COM. Morgan Stanley applied various analyses in order to arrive at an implied value range for J-COM, including analyses based upon multiples to 2005 EBITDA, which were included in the sum-of-the-parts

analysis, as well as discounted cash flow analyses. Morgan Stanley observed that, applying the valuations of LMI s assets, other than UGC and J-COM, derived in connection with the sum-of-the-parts analysis, as well as both the exchange ratio of 0.2155x pursuant to the merger and LMI s share price of $43.69 as of January 14, 2005, the implied forward EBITDA multiple for J-COM was 5.9x. In

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addition, Morgan Stanley observed that, based upon valuations of LMI s 45.45% stake in J-COM implied by Morgan Stanley s analyses and assuming values per share of UGC common stock of $10.00, $11.00 and $12.00, the implied exchange ratios derived from the resulting implied LMI per share prices ranged from 0.1780x to 0.1954x.

Equity Research Analysts Price Targets

Morgan Stanley reviewed the range of available price targets prepared and published by equity research analysts for UGC Class A common stock and LMI Series A common stock during the periods from September 22, 2004 to January 14, 2005 for UGC and from November 15, 2004 to December 8, 2004 for LMI. These price targets reflect each analyst s estimate of the future public market trading price of UGC Class A common stock or LMI Series A common stock, as applicable, at the end of the relevant period considered for each estimate. Applying a discount rate of 10% to these price targets, Morgan Stanley arrived at a range of present values for the per share price targets as of January 2005. The results of this analysis are set forth below:

	Present Value of Research Price Targets for UGC Class A Common Stock	
	Low	**High**
UGC	$ 9.70	$ 13.88
LMI	$ 37.57	$ 46.73

Morgan Stanley noted that the analysis summarized above included present values with respect to two research price targets for UGC Class A common stock that had been increased on January 14, 2005 from prior research reports. On January 14, 2005, Morgan Stanley issued a new research report increasing its price target for UGC Class A common stock from $9.00, or $8.31 at present value, to $11.00, or $10.00 at present value. Also on January 14, 2005, Janco Partners issued a new research report increasing its price target for UGC Class A common stock from $12.43, or $11.48 at present value, to $15.27, or $13.88 at present value.

Morgan Stanley also noted that the public market trading price targets published by the securities research analysts do not reflect current market trading prices and are subject to uncertainties, including the future financial performances of UGC and LMI, as applicable, and future financial market conditions.

Precedent Transaction Analysis

Morgan Stanley reviewed publicly available information with respect to selected minority buy-back transactions. The transactions reviewed included transactions involving cash and/or stock consideration with aggregate transaction values in excess of $1 billion, referred to in this section as the cash/stock transactions, and stock only transactions with aggregate transaction values in excess of $500 million, referred to in this section as the stock-only transactions. For each transaction, Morgan Stanley analyzed, as of the announcement date, the premium offered by the acquiror to the target s closing price one day prior to the announcement of the transaction. In the cash/stock transactions, the range of final premiums was 10.5% to 47.6%, with a median of 23.5%. In the stock-only transactions, the range of final premiums was 2.3% to 47.6%, with a median of 19.4%. The foregoing precedent transaction analysis was presented to the Special Committee to provide it with background information and perspective in connection with its review of the UGC merger.

No company or transaction utilized in the analysis of selected precedent transactions is identical to UGC, LMI or the UGC merger. Mathematical analysis, such as determining the average or median, is not in itself a meaningful method of using precedent transaction data.

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Exchange Ratio and Price Premium Analyses

Morgan Stanley reviewed the ratios determined by dividing the closing prices of UGC Class A common stock by the closing prices of LMI Series A common stock for certain periods from June 2, 2004 to January 14, 2005. Morgan Stanley then examined the premiums represented by the exchange ratio of 0.2155 pursuant to the merger agreement as compared to these ratios of closing market prices of UGC common stock to LMI common stock. The results of this analysis are set forth below:

Period/Benchmark	Ratio of UGC Price(s) to LMI Closing Price(s)	0.2155 Exchange Ratio % Premium/(Discount)
January 14, 2005	0.2206x	(2.3)%
January 11, 2005	0.2131x	1.1%
December 14, 2004	0.1914x	12.6%
December 10, 2004	0.1931x	11.6%
November 11, 2004	0.2235x	(3.6)%
High UGC Class A Common Share Price since June 2, 2004	0.2239x	(3.8)%
Low UGC Class A Common Share Price since June 2, 2004	0.1853x	16.3%
Five Trading Day Average During the Period from June 2, 2004 to January 14, 2005	0.2178x	(1.0)%
Ten Trading Day Average During the Period from June 2, 2004 to January 14, 2005	0.2133x	1.0%
Twenty Trading Day Average During the Period from June 2, 2004 to January 14, 2005	0.2103x	2.5%
Three-Month Average During the Period from June 2, 2004 to January 14, 2005	0.2060x	4.6%
Average Since June 2, 2004	0.2053x	5.0%

Morgan Stanley also examined the implied percentage premium of the $9.42 implied stock consideration, as of January 14, 2005, and of the $9.58 cash consideration, each as compared to UGC s Class A common stock closing prices over various periods. The results of this analysis are set forth below:

		Implied Price Premium/(Discount)	
Time Period/Benchmark	UGC Share Price	$9.42 Implied Stock Consideration(1)	$9.58 Cash Consideration
January 14, 2005	$ 9.64	(2.3)%	(0.6)%
January 11, 2005	$ 9.26	1.7%	3.5%
December 14, 2004	$ 8.67	8.6%	10.5%
December 10, 2004	$ 8.66	8.7%	10.6%
November 11, 2004	$ 8.48	11.0%	13.0%

High Since June 2, 2004	$	9.78	(3.7)%	(2.0)%
Low Since June 2, 2004	$	6.00	56.9%	59.7%

(1) Based upon 0.2155x exchange ratio and current LMI share price of $43.69 as of January 14, 2005

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any particular analysis or factor considered by it. The summary provided and the analyses described above must be considered as a whole, and selecting any portion of Morgan Stanley s analyses, without considering all analyses, would create an incomplete view of the process underlying Morgan Stanley s opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various

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assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley s view of the actual value of UGC or LMI.

In performing its analysis, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of UGC and LMI. Any estimates contained in the analyses performed by Morgan Stanley are not necessarily indicative of actual values, which may be significantly more or less favorable than suggested by such estimates. The analyses performed were prepared solely as a part of Morgan Stanley s analysis of the fairness from a financial point of view of the consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement and were conducted in connection with the delivery by Morgan Stanley of its opinion, dated January 17, 2005, to the Special Committee. Morgan Stanley s analyses do not purport to be appraisals or to reflect the prices at which shares of UGC common stock or LMI common stock might actually trade.

The consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was determined through negotiations between the Special Committee and LMI and was approved by UGC s board of directors. Morgan Stanley s opinion to the Special Committee was one of many factors taken into consideration by the UGC board of directors in making its determination to approve the merger.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services for UGC and have received fees for the rendering of these services. Morgan Stanley received fees of approximately 1 million during the past two years in connection with such services and expects to be paid a fee of approximately $1.5 million for services being provided to UGC other than in connection with this transaction. In the ordinary course of its business, Morgan Stanley and its affiliates may from time to time trade in the securities or the indebtedness of UGC and LMI and its affiliates for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and for the accounts of its customers and accordingly, may at any time hold a long or short position in such securities or indebtedness for any such account.

Pursuant to an engagement letter dated December 22, 2004, UGC agreed to pay Morgan Stanley a financial advisory fee of $1 million. In addition, UGC agreed to pay Morgan Stanley a transaction fee of $4.5 million upon delivery of its opinion. UGC also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services and to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising out of Morgan Stanley s engagement and any related transactions.

Fairness Determinations of the Boards of Directors of LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub

The UGC merger is considered a 13e-3 transaction for purposes of Rule 13e-3 under the Exchange Act because each of LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub is an affiliate of UGC and public stockholders of UGC are entitled to receive consideration in the UGC merger other than Liberty Global common stock. As a result, under Rule 13e-3, LMI, Liberty Global, LMI Merger Sub and UGC Merger Sub are each required to consider the substantive and procedural fairness of the UGC merger to the unaffiliated stockholders of UGC.

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Fairness Determination of the LMI Board

The LMI board of directors determined that the transactions contemplated by the merger agreement, including the UGC merger, are, substantively and procedurally, fair to the unaffiliated stockholders of UGC. In making this determination, the LMI board considered various factors, including:

- that the merger was negotiated with the Special Committee, which was advised by its own counsel and financial advisors;
- that the merger is structured so that it is a condition to the completion of the merger that it be approved by at least a majority of the outstanding shares of UGC common stock not beneficially owned by LMI or Liberty or the directors and executive officers of LMI, Liberty and UGC;
- that the 0.2155 to 1.0 exchange ratio represents an 8.6% premium over the closing sale price for the shares of UGC Class A common stock on December 14, 2004, the last trading day before Mr. Malone s first conversation with the Special Committee, and a slight premium over the closing sale price of those shares on January 11, 2005, the last trading day before LMI management and the Special Committee reached an agreement in principle on the financial terms of the UGC merger. The LMI board also considered that from the time of the LMI spin off in June 2004 through the last trading day before the public announcement of the mergers, the historical ratio in which the shares of UGC Class A common stock has traded relative to the LMI Series A common stock has predominantly been below the 0.2155 exchange ratio;
- its belief that since LMI s spin off from Liberty in June 2004, UGC s historical trading price has included an acquisition premium attributable to market speculation that LMI would buy out the public minority stockholders of UGC;
- its belief that LMI common stock trades with a holding company discount of between 9% and 19%, implying a larger premium to the unaffiliated stockholders of UGC on a fair value to fair value basis;
- that the unaffiliated stockholders of UGC who elect to receive Liberty Global stock will have the opportunity to participate in LMI s Japanese cable distribution and programming businesses, as well as continue to participate in the potential growth of the businesses of UGC;
- that LMI was foregoing its ability to obtain a control premium for its investment in UGC, while the unaffiliated stockholders of UGC who become stockholders of Liberty Global would participate as stockholders of the new company in any control premium because there will be no single controlling stockholder of the new company;
- that LMI has sufficient voting power to determine a disposition of UGC, and informed the Special Committee that it would not be interested in a sale of UGC to a third party; and
- the fact that the Special Committee received an opinion from Morgan Stanley to the effect that, as of the date of such opinion and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the unaffiliated stockholders of UGC pursuant to the merger agreement was fair from a financial point of view to such stockholders. LMI management recognized that Morgan Stanley s opinion is directed solely to the Special Committee, and that LMI is not entitled to rely on that opinion.

In addition to the foregoing positive factors which the LMI board considered in making its fairness determination, the LMI board also evaluated the following negative factors, which it viewed as insufficient to outweigh the positive factors:

- that on January 14, 2005, the last trading day prior to the LMI board meeting approving the merger agreement, the UGC Class A common stock was trading above the 0.2155 exchange ratio; and

that the holders of UGC Class A common stock are not entitled to appraisal rights under Delaware law, and that no provision is included in the merger agreement to provide them that right.

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The LMI board further considered the prices at which each of LMI and, before its spin off from Liberty in June 2004, Liberty had purchased shares of UGC over the preceding two year period, including the range of prices paid in such purchases. With the exception of Liberty s acquisition of all of the UGC Class B common stock of the founders of UGC in January 2004, all UGC stock purchases during that two-year period were made at prices between $3.62 and $8.59 per share, which is below the $9.58 cash consideration being offered to the unaffiliated stockholders of UGC in the cash election and the $9.42 implied value of the exchange ratio being made available in the stock election, as of January 14, 2005, the last trading day prior to the LMI board meeting approving the merger agreement. Those purchases had all involved shares of UGC Class A common stock purchased pursuant to the exercise of contractual preemptive rights or pursuant to subscription rights that had been made available to all UGC stockholders. In the case of Liberty s acquisition of the shares of UGC Class B common stock from the UGC founders, the average per share price paid for those shares was $19.93. The LMI board did not view the amount paid for the shares of UGC Class B common stock acquired from the UGC founders as relevant to its determination of the fairness of the consideration being paid to the unaffiliated stockholders of UGC in the UGC merger. That transaction involved a control premium due to the removal at that time of substantial constraints on the ability of Liberty to exercise control over UGC. By contrast, the stock consideration and cash consideration being made available to the unaffiliated stockholders of UGC does not include a control premium as LMI already has a 53.6% equity interest and an approximate 91% voting interest in UGC.

LMI s purpose for engaging in the mergers is to acquire, through Liberty Global, all of the outstanding shares of UGC capital stock that LMI does not already own. The LMI board did not consider other alternatives to achieving its goal of acquiring the minority interest in UGC. The LMI board considered the alternative of maintaining the status quo in which LMI was the controlling stockholder of UGC and instituting a stock repurchase program for LMI stock. On balance, the LMI board determined that the proposed mergers would be preferable to maintaining the status quo. Consummating the mergers was viewed as preferable as it would eliminate or significantly reduce the holding company discount at which LMI believes its stock has traded since its spin off from Liberty in June 2004, as well as eliminate any potential competition between LMI and UGC, including in the pursuit of acquisition opportunities and capital raising activities.

The LMI board did not consider UGC s net book value (assets minus liabilities as reflected in UGC s financial statements for accounting purposes) in its evaluation of fairness to the unaffiliated stockholders of UGC, as that metric does not take into account the future cash flow potential of UGC, which is the most common basis for valuing cable television companies. In any event, UGC s net book value was substantially less than the value of the merger consideration. The LMI board did not consider the liquidation value of UGC because liquidation was not an acceptable option to LMI, as the controlling stockholder of UGC. Because liquidation would involve selling UGC s assets and businesses for cash, liquidation value would most likely yield a lower valuation for UGC due to the significant tax liability such a sale would entail. Although a sale of UGC to a third party was also not considered by the LMI board to be an acceptable option, the LMI board considered the going concern value of UGC to the extent that it was encompassed in the comparable company analysis and discounted cash flow analysis of UGC performed by Banc of America Securities as part of its relative valuation analyses of LMI in relation to UGC. Those analyses, which were adopted by the LMI board for this purpose, were performed by Banc of America Securities for the purpose of valuing UGC s contribution to the sum-of-the parts value of LMI and are described under Opinion of LMI s Financial Advisor. Banc of America Securities was not requested to and did not consider the fairness of the UGC merger to the unaffiliated stockholders of UGC. However, given the purpose for which the comparable company analysis and discounted cash flow analysis were made, the LMI board deemed it appropriate to consider them in making its determination regarding the fairness of the UGC merger to the unaffiliated stockholders of UGC. Because UGC s unaffiliated stockholders are being given the opportunity to continue to participate in the growth of UGC s business and the other businesses of Liberty Global through the stock election and in the belief that the mergers will eliminate the holding company discount at which LMI s stock trades, the LMI board believes that the going concern value of UGC supports the determination of LMI s board that the UGC merger is fair to the unaffiliated stockholders of UGC.

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The LMI board did not find it practicable to, and therefore did not, quantify or otherwise assign relative weights to the individual factors considered in making its fairness determination. Rather, its fairness determination was made after consideration of all of the foregoing factors as a whole.

Fairness Determinations of the Boards of Liberty Global, LMI Merger Sub and UGC Merger Sub

Adopting the analysis of the board of directors of LMI, the boards of directors of each of Liberty Global, LMI Merger Sub and UGC Merger Sub unanimously determined that the transactions contemplated by the merger agreement, including the UGC merger, are, substantively and procedurally, fair to the unaffiliated stockholders of UGC. Each of these boards of directors is comprised of two persons, John C. Malone and Robert R. Bennett, who serve on the board of directors of LMI and were present for and participated in the adopted analysis of the LMI board.

Liberty Global is a new company created by LMI, its sole stockholder, for the purpose of becoming the new parent company of LMI and UGC if the mergers are completed. Liberty Global s purpose in engaging in the mergers is the facilitation of the combination of LMI and UGC. As Liberty Global was created for the foregoing purpose, no alternatives to the mergers were considered by Liberty Global.

Each of LMI Merger Sub and UGC Merger Sub is a new company created by Liberty Global, its sole stockholder, to facilitate the mergers. The sole purpose of each of LMI Merger Sub and UGC Merger Sub in engaging in the mergers is the facilitation of the combination of LMI and UGC. As they were created for the foregoing purpose, no alternatives to the mergers were considered by LMI Merger Sub or UGC Merger Sub.

Recommendation of and Reasons for the LMI Merger

LMI s board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the LMI merger, are advisable, fair to, and in the best interests of, LMI and its stockholders. Accordingly the LMI board recommends that the LMI stockholders vote **FOR** the merger proposal at the LMI annual meeting. In determining that the merger agreement and the LMI merger are in the best interests of LMI and its stockholders, the LMI board considered that the mergers would eliminate the current dual public holding company structure in which LMI s principal consolidated asset is its interest in another public company, UGC. The LMI board determined that the principal benefit to LMI stockholders from the combination of the two companies under a single public company, Liberty Global, was the elimination of the holding company discount in LMI s stock price. The LMI board also considered the following matters in reaching its determination:

- the presentation by its financial advisor, Banc of America Securities, and Banc of America Securities oral opinion, subsequently confirmed in writing, that as of the date of such opinion and based upon and subject to the factors, limitations and assumptions set forth in Banc of America Securities written opinion, the consideration to be received by LMI stockholders (other than affiliates of LMI) in the transactions contemplated by the merger agreement was fair from a financial point of view to such stockholders. In evaluating the presentation and opinion of Banc of America Securities, the LMI board was aware of the compensation arrangements with Banc of America Securities, including that a substantial portion of its fee was contingent upon completion of the mergers;

- the integration of the management teams of the two companies, with Mr. Malone serving as Chairman of the Board of Liberty Global and Mr. Fries as Chief Executive Officer. The LMI board believed that the strengths of the respective management teams at the corporate level of the two companies would complement each other, and that there was little if any overlap at the operating level that would impede a smooth integration of the two companies;

- that the consummation of the mergers would eliminate any potential competition between LMI and UGC, including in the pursuit of acquisition opportunities and capital raising activities;

- that the receipt of the merger consideration in the LMI merger would be tax-free to the LMI stockholders;

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the background of the negotiations between Mr. Malone and the Special Committee that resulted in the agreed exchange ratio and cash election alternative. Mr. Malone had advised the LMI board of his conclusion, based upon these negotiations, that the Special Committee would not approve the transaction at any lower exchange ratio. The LMI board took note of the premium that the exchange ratio represented for the shares of UGC stock, based upon the relative trading prices of the two companies prior to the initiation of discussions with the Special Committee, and the information provided by Banc of America Securities as to premiums paid in other transactions. Based upon the foregoing, the increase in the exchange ratio over the course of the negotiations did not detract from the LMI board s conclusion that the LMI merger would be in the best interests of LMI and its stockholders;

that the merger agreement included a limitation on the cash election, and that LMI had sufficient cash to fund the maximum amount of cash anticipated to be payable if the cash elections were fully exercised; and

the draft of the merger agreement and the voting agreement and the summary of the terms of each provided by LMI s counsel. In general, the terms of the merger agreement are customary for transactions of this nature and the Special Committee had insisted on the voting agreement as a condition to its approval of the merger agreement. The LMI board considered that the provision of the merger agreement requiring approval of the UGC merger by the vote of a majority of the minority stockholders of UGC was a negative factor from LMI s perspective because of the resulting uncertainty that the transaction would be consummated. Because the merger agreement also included provisions allowing LMI to terminate the merger agreement if UGC s annual report on Form 10-K was not filed by May 15, 2005 or if the mergers are not consummated by September 30, 2005, the uncertainty resulting from the inclusion of the minority approval requirement did not outweigh the other factors supporting the LMI board s conclusion that the LMI merger would be in the best interests of LMI and its stockholders.

If the mergers are completed, LMI stockholders will not have dissenters rights of appraisal under Delaware law or the merger agreement because shares of LMI common stock are, and shares of Liberty Global common stock will be, listed on the Nasdaq National Market.

Opinion of LMI s Financial Advisor

On January 10, 2005, the board of directors of LMI retained Banc of America Securities LLC to act as its financial advisor in connection with the possible acquisition of the minority interest of UGC. Banc of America Securities is a nationally recognized investment banking firm. Banc of America Securities is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions and has negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. LMI selected Banc of America Securities to act as its financial advisor on the basis of Banc of America Securities experience and expertise in transactions similar to the mergers, and its reputation in the media industry and investment community and its historical investment banking relationship with LMI and its affiliates.

On January 17, 2005, Banc of America Securities delivered its oral opinion, subsequently confirmed in writing, to the LMI board of directors that as of the date of the opinion the consideration to be received by the holders of LMI s common stock, other than any affiliates of LMI, pursuant to the merger agreement is fair from a financial point of view to the holders of LMI s common stock, other than any affiliates of LMI. The amount of the consideration was determined by negotiations between LMI and the Special Committee and was not based upon recommendations from Banc of America Securities. LMI s board of directors did not limit the investigations made or procedures followed by Banc of America Securities in rendering its opinion.

We have attached the full text of Banc of America Securities written opinion to the LMI board of directors as Appendix E. You should read this opinion carefully and in its entirety in connection with this joint proxy statement/ prospectus. The following summary of Banc of America Securities opinion, is qualified in its entirety by reference to the full text of the opinion. Banc of America Securities has consented to the

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inclusion of its report and the summary of its report in this joint proxy statement/ prospectus. By rendering its opinion and giving such consent Banc of America Securities has not admitted that it is an expert with respect to any part of this joint proxy statement/ prospectus within the meaning of the term expert as used in, or that Banc of America Securities comes within the category of persons whose consent is required under, the Securities Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Banc of America Securities opinion is directed to the LMI board of directors. It does not constitute a recommendation to any stockholder of LMI or UGC on how to vote with respect to the mergers. The opinion addresses only the financial fairness of the consideration to be received by the holders of LMI s common stock, other than any affiliates of LMI, pursuant to the merger agreement. The opinion does not address the relative merits of the mergers or any alternatives to the mergers, the underlying decision of the LMI board of directors to proceed with or effect the mergers or any other aspect of the transactions contemplated by the merger agreement. In furnishing its opinion, Banc of America Securities did not admit that it is an expert within the meaning of the term expert as used in the Securities Act, nor did it admit that its opinion constitutes a report or valuation within the meaning of the Securities Act. Statements to that effect are included in the Banc of America Securities opinion.

For purposes of rendering its opinion Banc of America Securities has:

- reviewed certain publicly available financial statements and other business and financial information of LMI and UGC;
- reviewed certain internal financial statements and other financial and operating data concerning LMI and UGC;
- analyzed certain financial forecasts to which Banc of America Securities was directed by the management of LMI;
- reviewed and discussed with senior executives of LMI information relating to certain benefits anticipated from the mergers;
- discussed the past and current operations, financial condition and prospects of LMI with senior executives of LMI and discussed the past and current operations, financial condition and prospects of UGC with senior executives of UGC;
- reviewed the reported prices and trading activity for the LMI common stock and the UGC common stock;
- compared the financial performance of UGC and the prices and trading activity of the UGC common stock with that of certain other publicly traded companies that Banc of America Securities deemed relevant;
- compared the financial terms of the mergers to the financial terms, to the extent publicly available, of certain other business combination transactions that Banc of America Securities deemed relevant;
- participated in discussions and negotiations among representatives of LMI and UGC and their financial and legal advisors;
- reviewed the January 16, 2005 draft merger agreement and certain related documents; and
- performed such other analyses and considered other factors as Banc of America Securities deemed appropriate.

Banc of America Securities reviewed the January 16, 2005 draft merger agreement in its preparation of its opinion. While LMI and UGC had the opportunity to agree to materially add, delete or alter material terms of the merger

agreement before its execution, the final merger agreement was substantially similar to the January 16, 2005 draft merger agreement.

Banc of America Securities did not assume any responsibility to independently verify the information listed above. Instead, with the consent of the LMI board of directors, Banc of America Securities relied on the

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information as being accurate and complete in all material respects. Banc of America Securities also made the following assumptions with the consent of the LMI board of directors:

- with respect to financial forecasts for LMI and UGC, Banc of America Securities was directed by the management of LMI to rely on certain publicly available financial forecasts in performing its analyses and has assumed that, in the good faith belief of the management of LMI, such forecasts reflect the best currently available estimates of the future financial performance of LMI and UGC;

- that the LMI merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and the regulations promulgated thereunder, and that the conversion of the UGC common stock into shares of Liberty Global Series A common stock pursuant to the merger agreement, will qualify as an exchange within the meaning of Section 351(a) of the Code and the regulations promulgated thereunder;

- that the final executed merger agreement will not differ in any material respect from the January 16, 2005 draft merger agreement reviewed by Banc of America Securities, and that the mergers will be consummated as provided in the January 16, 2005 draft merger agreement, with full satisfaction of all covenants and conditions set forth in it and without any waivers thereof;

- that all material governmental, regulatory or other consents and approvals necessary for the consummation of the mergers will be obtained without any adverse effect on LMI or UGC or the contemplated benefits of the mergers; and

- that the terms of the merger agreement and the mergers are the most beneficial terms from LMI s perspective that could under the circumstances be negotiated among the parties to the merger agreement and the mergers.

In addition, for purposes of its opinion, Banc of America Securities has:

- relied on advice of counsel to LMI as to all legal matters with respect to LMI, the mergers and the January 16, 2005 draft merger agreement; and

- not assumed responsibility for making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities, contingent or otherwise, of LMI or UGC, nor did Banc of America Securities receive any appraisals with respect thereto.

Banc of America Securities opinion was based upon economic, monetary and market and other conditions in effect on, and the information made available to it as of, the date of the opinion. Accordingly, although subsequent developments may affect its opinion, Banc of America Securities did not assume any obligation to update, revise or reaffirm its opinion.

The following represents a brief summary of the material financial analyses performed by Banc of America Securities in connection with providing its opinion to the LMI board of directors. Some of the summaries of financial analyses performed by Banc of America Securities include information presented in tabular format. In order to fully understand the financial analyses performed by Banc of America Securities, you should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities.

LMI and UGC Valuation Analyses

Valuation Approach

Banc of America Securities conducted valuation analyses of both LMI and UGC to evaluate the respective exchange ratios of shares of LMI and UGC, which were designed to yield a range of exchange ratios for evaluating the fairness of the exchange ratio in the mergers. The exchange ratio ranges that resulted from the analyses conducted by Banc of America Securities were presented to the LMI board of directors in two forms,

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with one range of ratios reflecting the consideration to be received by UGC stockholders in Liberty Global shares and/or cash for each UGC share, and with the other range of ratios reflecting the consideration to be received by LMI stockholders in Liberty Global shares, expressed as the number of Liberty Global shares to be received for each LMI share.

These two ranges of exchange ratios are different ways of expressing the economic exchange involved in the creation of Liberty Global and the consummation of the mergers. For example, an exchange ratio expressed in terms of the number of shares of Liberty Global stock to be received by a holder of a share of stock of either UGC or LMI, respectively, can be converted into an exchange ratio expressed in terms of the number of shares of Liberty Global stock to be received by a holder of a share of the other by applying an implied exchange ratio and the number of outstanding shares of the companies immediately prior to the exchange. For the purposes of Banc of America Securities analysis, the implied exchange ratios used were the exchange ratios derived from closing stock prices on January 14, 2005 and the outstanding shares used were 807.1 million for UGC and 173.7 million for LMI, respectively.

Valuation Methodologies

Exchange Ratio Analysis. Banc of America Securities reviewed the historical ratio of the closing price per share of LMI common stock and that of UGC common stock for several time periods since June 2, 2004 (the day on which LMI common stock began trading on a when-issued basis prior to LMI s spin off from Liberty). During this period, the historical exchange ratio calculated on a daily basis ranged from a low of 0.1853 on July 20, 2004 to a high of 0.2239 on September 30, 2004.

The weighted average exchange ratios for selected time periods since June 2, 2004 were:

Period Prior to January 14, 2005	Weighted Average Exchange Ratio
1 Week	0.2168
1 Month	0.2087
2 Months	0.2034
3 Months	0.2060
Since LMI common stock began trading on a when-issued basis prior to LMI s spin off from Liberty (June 2, 2004)	0.2054

Premiums Paid Analysis. Banc of America Securities reviewed the consideration paid in 19 merger and acquisition transactions announced after March 31, 1995 and involving U.S. companies in which the aggregate values paid exceeded $500 million and in which the acquirer owned more than 50% of the target prior to the acquisition. Banc of America Securities calculated the premiums paid relative to the stock prices of the acquired companies in all cash or cash and stock deals and premiums paid relative to the exchange ratio for all stock deals one day, one week and one month prior to the announcement of the acquisition offer.

The Premiums Paid Analysis indicated the following median and mean premiums for these transactions, excluding pending transactions:

	Premium One Day Before Announcement	Premium One Week Before Announcement	Premium One Month Before Announcement
High (All Deals)	46.4%	42.7%	73.4%
Low (All Deals)	(12.0)%	(21.4)%	(17.9)%

Median (All Deals)	19.8%	19.8%	22.2%
Mean (All Deals)	19.2%	19.5%	26.1%
High (Stock Only)	29.2%	37.0%	73.4%
Low (Stock Only)	(12.0)%	(21.4)%	(17.9)%
Median (Stock Only)	19.2%	13.5%	14.6%
Mean (Stock Only)	15.7%	13.0%	23.1%

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Based upon this analysis, Banc of America Securities established an exchange ratio premium range of 10% 25% to the one day and one month prior exchange ratios. This exchange ratio premium range was selected because it encompassed substantively all the means and medians yielded by the Premiums Paid Analysis.

The table below sets forth the exchange ratios derived from applying the premium range to the exchange ratios derived from the closing stock prices of LMI and UGC on January 14, 2005.

	Consideration to be Received by UGC Stockholders	Consideration to be Received by LMI Stockholders
10% Premium (1 Day Prior)	0.2427	0.8879
25% Premium (1 Day Prior)	0.2758	0.7813
10% Premium (1 Month Prior)	0.2105	1.0236
25% Premium (1 Month Prior)	0.2392	0.9008

Banc of America Securities noted that the per-share value of the stock consideration to be received by UGC stockholders pursuant to the merger agreement based upon LMI s closing stock price on January 14, 2005 implied a discount of 2.3% over UGC s closing stock price on January 14, 2005. The premium implied over UGC s closing stock price one week prior to January 14, 2005 was 2.5% and the implied premium over the price one month prior to that date was 8.6%.

Holding Company Discount Analysis. Banc of America Securities performed a sum-of-the-parts valuation of LMI to determine the net asset value of LMI, in part in order to derive the appropriate range of holding company discounts implicit in LMI s market price. In order to derive LMI s sum-of-the-parts value, LMI s ownership in UGC was taken at market value and the values of the other assets of LMI were calculated using publicly available information and management estimates. Banc of America Securities sum-of-the-parts equity value for LMI ranged from approximately $8.8 billion to $9.1 billion, implying a current holding company discount of approximately 13% to 17%. In addition, Banc of America Securities reviewed several Wall Street analysts reports, published over a three week period beginning in mid-November 2004, each of which provided (i) an estimated net asset value per share for LMI, and (ii) in all but one case, a target share price for LMI and the discount represented by the target share price relative to such net asset value per share. These reports were used by Banc of America Securities to derive a range of discounts or premiums at which Wall Street analysts estimate LMI s shares trade relative to its net asset value per share as well as a range of discounts to net asset value per share represented by those analysts published target prices. The specific reports were selected because they were deemed to be sufficiently recent to be relevant and because they provided estimates of LMI s net asset value per share, which could be used to calculate an implied premium or discount to LMI s stock price (which we refer to as the holding company discount) as of the report date. Other available research was excluded from this analysis because it did not provide an estimated net asset value per share and could not, therefore, be used to quantify a holding company discount. The estimated net asset value per share included in the reports included a high of $56.81 and a low of $41.89, yielding a median estimated net asset value of $49.22.

The holding company discount analysis yielded the following information regarding LMI s estimated holding company discount:

	Premium (Discount) of Target Price to Net Asset Value per Share
Median	(9)%
Low	(10)%
High	(2)%

	Premium (Discount) of Market Price to Net Asset Value per Share
Median	(14)%
Low	(24)%
High	4%

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The report that did not assign a target price for LMI stock was not included in the calculation of premium or discount of target price to net asset value above.

Banc of America Securities used the results of these analyses to determine what discount, if any, should be applied to the net asset valuations calculated in the relative valuation analysis of LMI and UGC (described below). Based upon the results of the holding company discount analysis, Banc of America Securities applied a holding company discount range of 0% to 20% to LMI s sum-of-the-parts value in the relative valuation analysis.

Relative Valuation Analysis. Banc of America Securities used a sum-of-the-parts approach to value LMI in relation to UGC. In establishing LMI s sum-of-the-parts valuation, the value of LMI s assets not including UGC was calculated using publicly available information and management estimates. In valuing UGC s contribution to LMI s sum-of-the-parts value, Banc of America Securities used three different valuation methodologies, each of which is described below.

For purposes of the analyses outlined below, Banc of America Securities used a holding company discount range between 0% and 20%.

A. *Public Market Valuation.* Based upon the closing market price of UGC s stock on January 14, 2005 and the fully diluted shares outstanding of UGC, Banc of America Securities established a valuation for UGC that was then applied to LMI s holdings in UGC for the purposes of the sum-of-the-parts valuation.

The public market valuation of UGC yielded exchange ratios as follows:

	Consideration to be Received by UGC Stockholders	**Consideration to be Received by LMI Stockholders**
20% Holding Company Discount	0.2357	0.9143
0% Holding Company Discount	0.1886	1.1429

Banc of America Securities noted that, assuming a public market valuation for UGC, LMI traded at a 15% holding company discount as of January 14, 2005.

B. *Comparable Company Analysis.* Based upon publicly available information, Banc of America Securities calculated the implied exchange ratio between LMI s stock and UGC s stock assuming respective valuations based upon application of multiples of aggregate value to estimated forward cable earnings before interest, taxes, depreciation and amortization (which we refer to as Cable EBITDA) for 2005 for five companies in the U.S. cable industry that Banc of America Securities deemed to be comparable to UGC.

Banc of America Securities defined aggregate value to mean:

equity value, defined as the product of the number of shares of common stock outstanding for a company multiplied by its stock price as of January 14, 2005; plus

outstanding funded debt; less

cash, cash equivalents and non-cable unconsolidated assets.

The following table sets forth multiples indicated by this analysis for these five companies:

Aggregate Value to:	**Range of Multiples**	**Median**
2005E Cable EBITDA	7.9x to 10.0x	8.9x

The comparable company analysis compared UGC to the five U.S. cable companies which were selected because they were all U.S. publicly traded companies and, given their scale, the scope of services provided by them and the quality of their respective businesses, Banc of America Securities considered them to be most relevant to UGC for purposes

of its analysis. Banc of America Securities noted that the two largest publicly traded UK cable companies, NTL and Telewest, trade at a median multiple of 6.1x 2005 estimated Cable EBITDA. Banc of America Securities, however, did not view these two companies as being comparable to UGC for purposes of this analysis. Banc of America Securities did not include every company that could be deemed to be a participant in the same industry.

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Based upon the median of US cable company trading multiples, which Banc of America Securities deemed to be the most relevant for purposes of the analysis, the comparable companies valuation of UGC yielded a range of exchange ratios as follows:

	Consideration to be Received by UGC Stockholders	Consideration to be Received by LMI Stockholders
20% Holding Company Discount	0.2262	0.9529
0% Holding Company Discount	0.1809	1.1911

Banc of America Securities noted that, assuming a comparable companies valuation for UGC, LMI traded at an 11% holding company discount as of January 14, 2005.

C. *Discounted Cash Flow Analysis.* Banc of America Securities used certain publicly available financial cash flow forecasts for UGC for 5 years (2005 through 2009), to which it was directed by the management of UGC, to perform discounted cash flow analysis. In conducting this analysis, Banc of America Securities first calculated the present values of the forecasted cash flows. Second, Banc of America Securities estimated the terminal value of UGC at the end of 2009 by applying multiples to UGC s estimated 2009 EBITDA, which multiples ranged from 8.0x to 10.0x. Banc of America Securities then discounted the cash flows and terminal values to present values using discount rates ranging from 8% to 12%. Banc of America Securities selected the range of discount rates to reflect a realistic range of the weighted average cost of capital for companies in UGC s industry and with capitalization profiles not dissimilar from UGC s.

This analysis indicated a range of aggregate value for UGC, expressed as multiples of estimated 2005E Cable EBITDA, as follows:

Multiple of Aggregate Value to 2005E Cable EBITDA

Discount Rate	Terminal Multiple of 8.0x Projected Calendar Year 2009 EBITDA	Terminal Multiple of 9.0x Projected Calendar Year 2009 EBITDA	Terminal Multiple of 10.0x Projected Calendar Year 2009 EBITDA
8.0%	9.8x	10.8x	11.7x
10.0%	9.1x	9.9x	10.7x
12.0%	8.4x	9.1x	9.9x

Based upon the mid-point using a terminal multiple of 9.0x and a discount rate of 10% the discounted cash flow valuation of UGC yielded exchange ratios as follows:

	Consideration to be Received by UGC Stockholders	Consideration to be Received by LMI Stockholders
20% Holding Company Discount	0.2447	0.8807
0% Holding Company Discount	0.1957	1.1009

Banc of America Securities noted that, assuming a discounted cash flow valuation of UGC, LMI traded at a 17% holding company discount as of January 14, 2005.

As noted above, the discussion above is merely a summary of the analyses and examinations that Banc of America Securities considered to be material to its opinion. It is not a comprehensive description of all analyses and examinations actually conducted by Banc of America Securities. The preparation of a fairness opinion is not susceptible to partial analysis or summary description. Banc of America Securities believes that its analyses and the summary above must be considered as a whole. Banc of America Securities further believes that selecting portions of its analyses and the factors considered, without considering all analyses and factors, would create an incomplete view of the process underlying the analyses set forth in its presentation to the LMI board of directors. Banc of America Securities did not assign any specific weight to any of the analyses described above. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that that analysis was given greater weight than any other analysis. Accordingly, the ranges of valuations resulting from any particular analysis described above should not be taken to be Banc of America Securities view of the actual value of LMI.

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In performing its analyses, Banc of America Securities made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of LMI and UGC. The analyses performed by Banc of America Securities are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those suggested by these analyses. These analyses were prepared solely as part of Banc of America Securities analysis of the financial fairness of the consideration to be received by the holders of LMI s common stock, other than any affiliates of LMI, pursuant to the merger agreement and were provided to the LMI board of directors in connection with the delivery of Banc of America Securities opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future.

As described above, Banc of America Securities opinion and presentation to the LMI board of directors were among the many factors taken into consideration by the LMI board of directors in making its determination to approve, and to recommend that LMI s stockholders approve, the merger agreement.

Pursuant to the engagement letter between LMI and Banc of America Securities, LMI has paid Banc of America Securities a fee of $500,000 upon execution of the engagement letter and an additional $500,000 upon rendering of Banc of America Securities opinion described above and agreed to an additional fee of $4,000,000, payable upon the consummation of the mergers. LMI has separately engaged Banc of America Securities to act as LMI s financial advisor in connection with a separate assignment, for which it has agreed to pay Banc of America Securities $200,000 per quarter until December 31, 2005, and an additional $500,000 upon delivery of a formal presentation to LMI. The LMI board of directors was aware of these fees and took them into account in considering Banc of America Securities fairness opinion and in approving the merger agreement and the LMI merger. Each engagement letter calls for LMI to reimburse Banc of America Securities for its reasonable out-of-pocket expenses, and LMI has agreed to indemnify Banc of America Securities, its affiliates, and their respective partners, directors, officers, agents, consultants, employees and controlling persons against particular liabilities, including liabilities under the federal securities laws.

In the ordinary course of their business, Banc of America Securities and its affiliates may actively trade the debt and equity securities or loans of LMI, UGC and their affiliates for their own account and for the accounts of customers, and accordingly, Banc of America Securities and its affiliates may at any time hold a long or short position in such securities or loans. Banc of America Securities or its affiliates have also performed, and may in the future perform, various investment banking, lending and other financial services for LMI and UGC and their affiliates for which Banc of America Securities or its affiliates has received, and would expect to receive, customary fees.

Availability of Opinions and Reports

Morgan Stanley s opinion and its report to the Special Committee (portions of which report will be omitted pursuant to a confidential treatment request filed with the SEC) will be made available for inspection and copying at the principal executive offices of UGC during its regular business hours by any interested stockholder of UGC or any representative of an interested stockholder of UGC who has been designated as such in writing. Banc of America Securities opinion and its report to the LMI board of directors (portions of which report will be omitted pursuant to a confidential treatment request filed with the SEC) will be made available for inspection and copying at the principal executive offices of LMI during its regular business hours by any interested stockholder of LMI or any representative of an interested stockholder of LMI who has been designated as such in writing.

Conduct of the Business of UGC if the Mergers are Not Completed

If the mergers are not completed, UGC intends to continue to operate its business substantially in the manner it is operated today with its existing capital structure and management team remaining. From time to time, UGC will evaluate and review its business operations, properties, dividend policy and capitalization, and make such changes as are deemed appropriate, and continue to seek to identify strategic alternatives to maximize stockholder value.

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Amount and Source of Funds and Financing of the Mergers; Expenses

Prior to the effective time of the mergers, LMI will loan to Liberty Global a sufficient amount of cash for Liberty Global to fund the cash consideration deliverable to the UGC stockholders (other than LMI and its wholly owned subsidiaries) in the UGC merger. LMI will fund this loan with its available cash. The mergers are not conditioned on the receipt of financing by LMI to pay the cash consideration deliverable to UGC stockholders.

It is expected that LMI and UGC will incur an aggregate of approximately $22 million in expenses in connection with the mergers. These expenses will be comprised of:

- approximately $10.6 million in financial advisory fees;
- approximately $5 million of printing and mailing expenses associated with this joint proxy statement/ prospectus;
- approximately $3.2 million in legal and accounting fees;
- approximately $1.5 million in SEC filing fees; and
- approximately $1.3 million in solicitation fees and other miscellaneous expenses.

It is expected that LMI s portion of these expenses will equal approximately $11 million and UGC s portion of these expenses will equal approximately $11 million.

Interests of Certain Persons in the Mergers

Interests of Directors and Executive Officers

In considering the recommendation of UGC s board of directors to vote to approve the merger proposal, stockholders of UGC should be aware that members of UGC s board of directors and members of UGC s executive management have relationships, agreements or arrangements that provide them with interests in the mergers that may be in addition to or different from those of the public stockholders of UGC. Similarly, in considering the recommendation of LMI s board of directors to vote to approve the merger proposal, stockholders of LMI should be aware that members of LMI s board of directors and members of LMI s executive management have relationships, agreements or arrangements that provide them with interests in the mergers that may be in addition to or different from those of the public stockholders of LMI. In addition, the current directors of LMI and UGC will be entitled to the continuation of certain indemnification arrangements following completion of the mergers.

Following completion of the mergers, John C. Malone, Chairman of the Board, Chief Executive Officer and President of LMI, will become Chairman of the Board of Liberty Global, and Michael T. Fries, Chief Executive Officer and President of UGC, will become President and Chief Executive Officer of Liberty Global. Five of LMI s current directors, including Mr. Malone, and five of UGC s current directors, including Mr. Fries and the three members of the Special Committee, have agreed to together comprise the board of Liberty Global. In addition, Liberty Global s management will be comprised of members of LMI s and UGC s management teams. The directors and executive officers of Liberty Global are expected to beneficially own shares of Liberty Global common stock representing in the aggregate approximately [ ]% of the aggregate voting power of Liberty Global, based upon their beneficial ownership interests in LMI and UGC, respectively, as of the record dates for the stockholders meetings, and assuming no cash elections are made by the UGC stockholders.

Both LMI s board of directors and UGC s board of directors were aware of these interests and arrangements and considered them when approving the mergers. For more information regarding these interests and arrangements, see Management of LMI, Executive Officers, Directors and Principal Stockholders of UGC and Management of Liberty Global, including:

- under Management of LMI Pro Forma Security Ownership Information of LMI Management, the beneficial ownership interests in Liberty Global estimated to be held by the directors and executive

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officers of LMI immediately following the mergers, based upon their beneficial ownership interests in LMI and UGC, as of February 28, 2005, and assuming none of them elects any cash consideration in the UGC merger;

under Executive Officers, Directors and Principal Stockholders of UGC Pro Forma Security Ownership Information of UGC Management, the beneficial ownership interests in Liberty Global estimated to be held by the directors and executive officers of UGC immediately following the mergers, based upon their beneficial ownership interests in LMI and UGC, as of February 28, 2005, and assuming none of them elects any cash consideration in the UGC merger; and

under Executive Officers, Directors and Principal Stockholders of UGC Pro Forma Cash Consideration Deliverable to UGC Management, the aggregate amount of cash consideration that could be received by the directors and executive officers of UGC in the UGC merger, based upon their beneficial ownership interests in UGC as of February 28, 2005, and assuming (1) they exercise their cash election with respect to all of their UGC beneficial ownership interests (other than interests held pursuant to stock options) and (2) that their cash elections are not reduced pursuant to applicable proration procedures.

Voting Intentions

The directors and executive officers of UGC, who together beneficially own shares of UGC common stock representing less than 1% of UGC s aggregate voting power, as of February 28, 2005, have indicated to UGC that they intend to vote in favor of the approval of the merger proposal at the UGC special meeting. Also, LMI, which beneficially owns shares of UGC common stock representing approximately 91% of UGC s aggregate voting power, as of February 28, 2005, has agreed in the merger agreement to vote, and to cause its subsidiaries to vote, in favor of the approval of the merger proposal at the UGC special meeting. The directors and executive officers of LMI (including Mr. Malone), who together beneficially own shares of UGC common stock representing less than 1% of UGC s aggregate voting power, as of February 28, 2005, have indicated to UGC that they intend to vote in favor of the approval of the merger proposal at the UGC special meeting.

Transactions in UGC Securities

Except as described below, none of (1) LMI or its wholly owned subsidiaries, (2) the directors and executive officers of UGC, or (3) the directors and executive officers of LMI:

has effected any transactions in shares of UGC common stock during the 60 days preceding the date of this joint proxy statement/ prospectus; or

intends to effect any such transactions prior to the stockholders meetings.

Certain of UGC s executive officers hold restricted stock awards under UGC s equity incentive plans. A portion of the restricted shares of UGC Class A common stock granted to these persons will vest prior to the stockholders meetings. UGC and [most of] these executive officers whose grants will so vest have agreed that UGC will withhold, upon the vesting date, a number of shares sufficient to satisfy the withholding tax obligations associated with the vesting.

Accounting Treatment

The mergers will be accounted for as a step acquisition by LMI of the remaining minority interest in UGC. The purchase price in this step acquisition will include the consideration issued to UGC public stockholders to acquire the UGC interest not already owned by LMI and the direct acquisition costs incurred by LMI. As UGC was a consolidated subsidiary of LMI prior to the mergers, the purchase price will first be applied to eliminate the minority interest in UGC from the consolidated balance sheet of LMI, and the remaining purchase price will be allocated on a pro rata basis to the identifiable assets and liabilities of UGC based upon their respective fair values at the effective date of the mergers and the 46.5% interest in UGC to be acquired by Liberty Global pursuant to the mergers. Any excess purchase price that remains after amounts have been

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allocated to the net identifiable assets of UGC will be recorded as goodwill. As the acquiring company for accounting purposes, LMI will be the predecessor to Liberty Global and the historical financial statements of LMI will become the historical financial statements of Liberty Global. See Liberty Global Unaudited Condensed Pro Forma Combined Financial Statements.

Regulatory Matters

At the date of this joint proxy statement/ prospectus, each of LMI and UGC has obtained all regulatory approvals required for the completion of the mergers.

Appraisal or Dissenters Rights

Under Section 262 of the Delaware General Corporation Law (DGCL), holders of shares of UGC Class A common stock will not be entitled to appraisal rights in connection with the UGC merger. Unlike holders of shares of UGC Class A common stock, holders of shares of UGC Class B common stock or UGC Class C common stock (in each case, other than LMI and its wholly owned subsidiaries) will be entitled to appraisal rights in connection with the UGC merger because those shares are not listed on a stock exchange or traded on the Nasdaq National Market and are held of record by less than 2,000 persons. At the date of this joint proxy statement/ prospectus, the only holders of UGC Class B or Class C common stock other than LMI and its wholly owned subsidiaries are Liberty and its wholly owned subsidiaries, which own shares of UGC Class C common stock. Gene W. Schneider, the Chairman of the Board of UGC, and two employees of UGC hold currently exercisable options to acquire shares of UGC Class B common stock; however, none of Mr. Schneider and the two employees will be entitled to appraisal rights with respect to those shares unless their respective options are first exercised.

Under Section 262 of the DGCL, LMI stockholders are not entitled to appraisal rights in connection with the LMI merger.

Section 262 of the DGCL is included as Appendix H to this joint proxy statement/ prospectus and is incorporated herein in its entirety by this reference.

Federal Securities Law Consequences

The issuance of shares of Liberty Global common stock in the mergers will be registered under the Securities Act, and the shares of Liberty Global common stock so issued will be freely transferable under the Securities Act, except for shares of Liberty Global common stock issued to any person who is deemed to be an affiliate of either LMI or UGC at the time of the stockholders meetings. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or are under common control with either LMI or UGC and may include directors, executive officers and significant stockholders of each of LMI and UGC. Affiliates may not sell their shares of Liberty Global common stock acquired in connection with the mergers, except pursuant to:

- an effective registration statement under the Securities Act covering the resale of those shares;
- an exemption under paragraph (d) of Rule 145 under the Securities Act; or
- any other applicable exemption under the Securities Act.

Liberty Global s registration statement on Form S-4, of which this document forms a part, does not cover the resale of shares of Liberty Global common stock to be received by affiliates in the mergers. The merger agreement requires that LMI and UGC each use its commercially reasonable efforts to cause each of their respective affiliates to deliver to Liberty Global a written agreement to the effect that these persons will not sell, transfer or otherwise dispose of any of the shares of Liberty Global common stock issued to them in the mergers in violation of the Securities Act or the related rules and regulations of the Securities and Exchange Commission. See The Transaction Agreements Merger Agreement Covenants.

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Class Action Lawsuits Relating to the UGC Merger

Since January 18, 2005, twenty-one lawsuits have been filed in the Delaware Court of Chancery and one lawsuit has been filed in Denver District Court, State of Colorado, all purportedly on behalf of the public stockholders of UGC regarding the announcement on January 18, 2005 of the execution by LMI and UGC of the merger agreement. The defendants named in these actions include Gene W. Schneider, Michael T. Fries, David B. Koff, Robert R. Bennett, John C. Malone, John P. Cole, Bernard G. Dvorak, John W. Dick, Paul A. Gould and Gary S. Howard (directors of UGC), UGC and LMI. The allegations in each of the complaints, which are substantially similar, assert that the defendants have breached their fiduciary duties of loyalty, care, good faith and candor and that various defendants have engaged in self-dealing and unjust enrichment, affirmed an unfair price, and impeded or discouraged other offers for UGC or its assets in bad faith and for improper motives. In addition to seeking to enjoin the UGC merger, the complaints seek remedies including damages for the public holders of UGC stock and an award of attorney s fees to plaintiffs counsel. In connection with the Delaware lawsuits, defendants have been served with one request for production of documents. On February 11, 2005, the Delaware Court of Chancery consolidated all twenty-one Delaware lawsuits into a single action. Under the terms of the court s consolidation order, the plaintiffs are required to file a consolidated amended complaint as soon as practicable, and the defendants are not required to respond to any other complaints filed in the twenty-one constituent actions. As of the date of this joint proxy statement/ prospectus, the plaintiffs have not filed a consolidated amended complaint and, pursuant to the terms of the court order, the defendants have not filed an answer or other response. The defendants believe the lawsuits are without merit.

Provisions for Unaffiliated Stockholders of UGC

Delaware law provides stockholders of a Delaware corporation who have a proper purpose and who meet certain statutory requirements the right to inspect a list of stockholders and other corporate books and records. Other than in accordance with Delaware law or any action by a governmental authority, the unaffiliated stockholders of UGC will not be given any special access to the corporate files of UGC in connection with or in contemplation of the mergers. Unless otherwise required by Delaware law or any action by a governmental authority, neither UGC nor LMI intends to obtain counsel or appraisal services for the unaffiliated stockholders of UGC in connection with the mergers.

Plans for UGC After the Mergers; Certain Effects of the Mergers

UGC Business

Following the mergers, the business and operations of UGC will be conducted substantially as they are currently being conducted with the exception that, among other things, UGC will become a subsidiary of a new parent company named Liberty Global, Inc. The centralized management, administration, finance, accounting, legal and other parent company tasks performed by UGC prior to the mergers will be performed by Liberty Global following the mergers. It is anticipated that the centralization of these functions will not create an economic benefit for UGC as we anticipate that substantially all of UGC s corporate staff will either remain employed by UGC or will become members of Liberty Global s corporate staff following the completion of the mergers. However, the centralization of these functions is anticipated to provide LMI with potential cost-savings. Since its June 2004 spin off, LMI has paid Liberty for the portion of Liberty s personnel costs (taking into account wages and fringe benefits) allocable to LMI for time spent by Liberty personnel performing services for LMI under the services agreement entered into between LMI and Liberty at the time of the spin off. Following the mergers, it is anticipated that the corporate staff of Liberty Global and its subsidiaries will perform the services previously provided by Liberty personnel under the services agreement. Based upon the amounts budgeted to be paid to Liberty for LMI s allocable portion of Liberty s personnel costs for 2005, it is estimated that LMI will realize an annualized cost savings of approximately $700,000 as a result of the centralization of these functions.

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UGC Directors and Officers

Following the mergers, Liberty Global s management team will be responsible for the businesses of UGC. Liberty Global s management team will include certain members of UGC s current management team, including Michael T. Fries, the President and Chief Executive Officer of UGC, who has agreed to serve as the President and Chief Executive Officer of Liberty Global. Liberty Global will have a staggered board that will include five of UGC s ten directors, who will be assigned to board classes with different terms than those to which they are currently assigned on UGC s board. See Management of Liberty Global.

Following the mergers, each of LMI and UGC will have a board of directors comprised of persons appropriate to serve on a board of directors of a subsidiary of Liberty Global. Hence, UGC will no longer have a separate audit committee and compensation committee, eliminating the fees paid by UGC to and expenses paid by UGC on behalf of its nonemployee directors and committee members, which aggregated $258,000 for the year ended December 31, 2004. For information regarding UGC s director compensation policy, see Item 11. Executive Compensation Compensation of Directors in UGC s Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference in this joint proxy statement/ prospectus.

For information regarding the current directors and executive officers of LMI, Liberty Global, LMI Merger Sub and UGC Mergers Sub, see Management of LMI, including Current Management of Liberty Global, LMI Merger Sub and UGC Merger Sub included under Management of LMI.

UGC Capital Structure

UGC will be the surviving corporation in the UGC merger, and its existing capital structure will remain in place immediately following the mergers. Each share of UGC common stock acquired by Liberty Global in the UGC merger will be converted into one share of the corresponding class of common stock of UGC as the surviving corporation and will remain outstanding immediately following the mergers, and each share of UGC common stock held by LMI or any of its wholly owned subsidiaries, at the time of the UGC merger, will be converted into one share of the corresponding class of common stock of UGC as the surviving corporation and will remain outstanding immediately following the mergers. As a result, Liberty Global will own directly 46.5% of the common stock of UGC as the surviving corporation in the UGC merger, and indirectly through Liberty Global s wholly owned subsidiary LMI 53.5% of the common stock of UGC as the surviving corporation in the UGC merger (based upon outstanding UGC share information as of February 28, 2005).

Liberty Global will have a different capital structure than UGC has. See Description of Liberty Global Capital Stock and Comparison of Rights of Stockholders of LMI, UGC and Liberty Global. In addition, it is anticipated that Liberty Global common stock will have greater liquidity due to the size of Liberty Global s stockholder base. However, we cannot quantify the benefit of this liquidity to the unaffiliated stockholders of UGC who make the stock election in the UGC merger.

Outstanding Convertible Notes of UGC

As of December 31, 2004, UGC had outstanding 500,000,000 aggregate principal amount of 3¼% convertible senior notes due April 15, 2024 (which we refer to as the UGC convertible notes). The UGC convertible notes were issued under an indenture dated as of April 6, 2004 between UGC and The Bank of New York, as trustee. The indenture provides that after the consummation of the UGC merger, the note holders will be entitled, subject to the restrictions on convertibility set forth in the indenture, to convert their notes into the number of shares of Liberty Global Series A common stock that they would have received in the UGC merger if they had converted their notes into UGC Class A common stock immediately prior to the UGC merger and had made the stock election. In connection with the mergers, UGC, Liberty Global and the trustee will enter into a supplemental indenture to implement this modification in the conversion right of the UGC convertible notes. In addition, under the indenture the UGC convertible notes will become convertible in connection with the UGC merger unless at least 90% of the aggregate value of the merger consideration (excluding cash payments for fractional share interests) into which the UGC Class A common stock is converted consists of Liberty Global Series A common stock. Hence, whether the UGC convertible notes become convertible in connection with the UGC merger will depend on the amount of cash paid to those UGC stockholders (if any)

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who make the cash election for their shares of UGC Class A common stock. Under the conversion provisions of the indenture, UGC convertible notes are convertible into, at the option of UGC, (1) shares of UGC Class A common stock at the conversion price of 9.7561 euros per share, (2) an amount in cash determined by multiplying the number of shares of UGC Class A common stock into which the surrendered note is convertible by a measure of the average trading price of UGC Class A common stock for the five trading days following the conversion date, or (3) a combination of such stock and cash. UGC will give the requisite notice under the indenture of any conversion rights accruing to holders of the UGC convertible notes in connection with the UGC merger at least 20 days prior to the anticipated effective date of the UGC merger, and the procedures to be followed to effect conversion. The merger will not constitute a change in control as defined in the indenture, which would have given the note holders the right to require UGC to repurchase the UGC convertible notes at par, plus accrued and unpaid interest.

Listing and Registration; Reporting Obligations

Following the mergers, UGC Class A common stock will be delisted from the Nasdaq National Market and deregistered under the Exchange Act, and UGC will cease to be a reporting company under the Exchange Act. During 2004, UGC incurred approximately $2.7 million in compliance costs associated with its reporting obligations (excluding fees paid to UGC s independent auditors) and approximately $128,000 in Nasdaq listing fees. Not paying these costs and fees will represent a cost-savings for UGC following the completion of the mergers.

Following the mergers, LMI Series A common stock and LMI Series B common stock will be delisted from the Nasdaq National Market and deregistered under the Exchange Act, and LMI will cease to be a reporting company under the Exchange Act. However, we do not anticipate realizing any economic benefits associated with this delistment, deregistration and cessation of reporting obligations because Liberty Global will incur comparable costs to those that LMI otherwise would have incurred had the mergers not been completed.

It is anticipated that the shares of Liberty Global common stock issuable in connection with the mergers will be registered under the Exchange Act, and it is a condition to the mergers that such shares be authorized for listing on the Nasdaq National Market, subject only to official notice of issuance. [Liberty Global has applied to list its Series A common stock and Series B common stock on the Nasdaq National Market under the symbols LBTYA and LBTYB , respectively, the same symbols under which LMI common stock currently trades.] Liberty Global will become subject to the reporting requirements of the Exchange Act contemporaneously with the completion of the mergers.

Neither LMI Merger Sub nor UGC Merger Sub has or will have any securities listed on a securities exchange or registered under the Exchange Act. Neither LMI Merger Sub nor UGC Merger Sub is or will be subject to the reporting obligations of the Exchange Act.

Effect on Net Book Value and Net Earnings

As the successor entity to LMI, Liberty Global would have experienced, on a pro forma basis, (1) an increase of $3,458,829,000 in its interest in the net book value of UGC at December 31, 2004 if the mergers had been completed at December 31, 2004 and the unaffiliated stockholders of UGC had elected to receive all stock consideration. In addition, Liberty Global would have experienced, on a pro forma basis, an increase of $184,607,000 in its interest in the net loss of UGC for the year ended December 31, 2004 if the mergers had been completed at January 1, 2004 and the unaffiliated stockholders of UGC had elected to receive all stock consideration. Such changes in Liberty Global s interest in UGC s net book value and net loss are the result of the increase in Liberty Global s ownership interest in UGC that will occur if the mergers are consummated. If the mergers had been completed at December 31, 2004, Liberty Global s ownership interest in UGC would have increased to 100% from the 53.6% owned by LMI at that date. There is no effect on LMI s interest in UGC s net book value or net loss as a result of the mergers. For additional information, see Liberty Global Unaudited Condensed Pro Forma Combined Financial Statements.

Neither LMI Merger Sub nor UGC Merger Sub has any interests, or has had any historical interests, in the net book value or net loss of UGC. Following the completion of the mergers, each of LMI Merger Sub and

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UGC Merger will cease to exist. As a result, neither company will ever have an interest in the net book value or net loss of UGC.

Other

If the mergers are completed, and except as described in this joint proxy statement/prospectus, none of LMI, Liberty Global, LMI Merger Sub or UGC Merger Sub has any plans or proposals that relate to or would result in:

any extraordinary transaction, such as a merger, reorganization or liquidation, involving UGC or any of its subsidiaries;

any purchase, sale or transfer of a material amount of assets of UGC or any of its subsidiaries;

the acquisition or disposition by any person of additional securities of UGC; or

any other material change in UGC s corporate structure and business.

Forward-Looking Information; Certain Projections

While UGC has historically provided limited annual guidance regarding selected financial and operating measures, UGC does not, as a matter of course, make public detailed financial projections. However, UGC s management provided to Morgan Stanley, the financial advisor of the Special Committee, preliminary budget projections for UGC for 2005, projected debt information for UGC for 2005 and 2004 and projected selected compound annual growth rates for UGC s broadband operations for the next five years. The projections summarized below are included in this document solely because they were provided to the Special Committee s financial advisor. The projections were not provided to LMI, or to any directors of UGC who are also officers of LMI. UGC management provided certain of the information summarized below to the financial advisor of LMI, Banc of America Securities, under a confidentiality agreement between LMI and UGC.

The projections summarized below were prepared internally at UGC as part of its regular internal budgeting process, were preliminary, and were not reviewed by the Special Committee or the UGC board prior to the time they were provided to Morgan Stanley. Accordingly, the projections were not prepared by UGC with a view to public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants regarding prospective financial information. Neither UGC s nor LMI s independent accountants have compiled, examined or reviewed the projections or performed any procedures with respect to the projections, and expressly disclaim any association with them. The projections were prepared by UGC management as of December 26, 2004, and are based on assumptions which UGC believes were reasonable, given the information known by its management at the time the projections were prepared. Hence, UGC believes that Morgan Stanley was reasonable in relying on the projections as part of the mix of information it considered in connection with its analyses of the fairness of the consideration being paid to the unaffiliated stockholders of UGC.

The projections reflect numerous assumptions with respect to business, economic, regulatory, competitive and market conditions and other matters, all of which are difficult to predict and many of which are beyond UGC s control. The projections were not prepared in anticipation of the proposed mergers and do not give any effect to the mergers. There can be no assurance that the assumptions made in preparing the projections summarized below will prove accurate, and UGC s future financial results may differ materially from those reflected in the projections.

In light of the uncertainties inherent in forward looking information of any kind, we caution against placing undue reliance on the projections. For information concerning factors which may cause UGC s future financial results to materially vary, see Information Regarding Forward-Looking Statements. UGC does not intend to update or revise the projections to reflect circumstances existing after the date they were prepared or to reflect the occurrence of future events. Although the projections were prepared in the course of UGC s 2005 budget process, the 2005 budget ultimately approved by the UGC board differs in some respects from the

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following projections. The projections should not be viewed as a representation by UGC, the Special Committee, LMI or any of their advisors or representatives that the forecasts reflected therein will be achieved.

These projections have assumed the foreign currency exchange rates indicated below. Fluctuations in exchange rates relative to the U.S. dollar can significantly affect the actual financial results of UGC.

2005 Budget for UGC (1)
(RGUs in Thousands; US$ s in Millions)

Total RGUs (2)		12,526
Net Gain in RGUs (2)		1,091
Revenue	$	3,184
Operating Expense		(2,100)
Operating Cash Flow (OCF) (3)	$	1,084
OCF % Margin		34%
Capital Expenditures		(703)
Capex as % of Revenue		*22%*
Operating FCF		381
Interest, working capital and other		(268)
Free Cash Flow (FCF) (4)	$	113
Foreign Exchange Rate Assumptions:		
US$ per Euro 1		1.23
Chilean Pesos per US$1		610

(1) The 2005 preliminary budget information presented in this table (other than RGUs) includes the impact of certain acquisitions. These acquisitions include broadband businesses in Ireland (Chorus) and the content/programming businesses of ZoneVision and Canal+ NL (which has not closed as of the date of this joint proxy statement/prospectus and the closing of which is conditioned upon receipt of regulatory approval which has not yet been granted). The preliminary 2005 budget figures include assumptions as to the completion and timing of these acquisitions, including the Canal+ NL acquisition which has not yet closed but which management assumed would close in February 2005 for purposes of preparing the preliminary 2005 budget. The impact of the February 2005 acquisition of broadband businesses in Slovenia (Telemach) was not accounted for in the information presented.

(2) A Revenue Generating Unit (RGU) is separately an analog cable subscriber, digital cable subscriber, DTH subscriber, MMDS subscriber, Internet subscriber or telephony subscriber. A home may contain one or more RGUs. For example, if a residential customer in UGC s Austrian system subscribed to its analog cable service, digital cable service, telephony service and high-speed broadband Internet access service, that customer would constitute four RGUs. Excludes RGUs from the Chorus acquisition, which closed in December 2004.

(3) Operating Cash Flow (OCF) is defined by UGC 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).

(4) Free Cash Flow (FCF) is defined by UGC as net cash flows from operating activities less capital expenditures. FCF is inherently difficult to predict, primarily due to uncertainties associated with working capital forecasts. UGC s management currently anticipates that UGC s FCF for 2005 will not be less than the FCF it reported for 2004.

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UGC also provided to Morgan Stanley net debt information for 2005 and 2004 of $3,483 million and $2,986 million, respectively, which represent the estimated amounts as of December 31, 2005 and 2004, respectively, of the sum of total debt less total cash and cash equivalents. These estimates were derived using the US$ per Euro 1 exchange rate of 1.23 listed in the table above, which was the approximate 2004 year-to-date average exchange rate. The US$ per Euro 1 exchange rate in effect at December 31, 2004 was significantly different, as was the exchange rate used by Morgan Stanley in its analyses.

In addition, UGC provided to Morgan Stanley the following compound annual growth rates for UGC s broadband operations, on a consolidated basis, for the five year period 2004 2009:

	UGC Consol.
RGUs	5%-7%
ARPU (1)	6%-8%
Revenue	12%-14%
OCF	18%-20%
Capex (% of Sales)(2)	8%-12%

(1) Average Revenue Per Unit (ARPU) compound annual growth rate is calculated from the projected annual broadband revenue for each year in the period, divided by the average of the opening and closing RGUs for that year.

(2) Capital expenditures (Capex) represents a capex range for 2009 only.

The projections set forth above should be read together with UGC s historical financial statements and other financial information and Managements Discussion and Analysis of Financial Condition and Results of Operations set forth in UGC s Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference into this joint proxy statement/prospectus. See Additional Information Where You Can Find More Information.

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RISK FACTORS

In addition to the other information contained in, incorporated by reference in or included as an appendix to this joint proxy statement/prospectus, you should carefully consider the following risk factors in deciding whether to vote to approve the merger proposal.

Factors Relating to the Mergers

Fluctuations in market prices may cause the value of the shares of Liberty Global common stock that you receive in the mergers to be less than the value of your shares of LMI common stock or UGC common stock prior to the mergers. The ratios at which shares of LMI common stock and shares of UGC common stock will be converted into shares of Liberty Global common stock in the mergers are fixed, and there will be no adjustment to these ratios for changes in the market price of LMI common stock or UGC common stock. Accordingly, the value of the stock consideration to be received by holders of LMI common stock and holders of UGC common stock upon completion of the mergers is not ascertainable at this time and will ultimately depend upon the market prices of LMI common stock and UGC common stock at the effective time of the mergers. Those market prices may be higher or lower than the market prices of those shares on the date on which the merger agreement was executed, the date of this joint proxy statement/prospectus or the date on which the LMI stockholders and UGC stockholders vote on the merger proposal. Neither LMI nor UGC is permitted to walk away from the mergers or resolicit the vote of its stockholders solely because of changes in the market price of either party s common stock at any time prior to the effective time of the mergers. Also, there is no collar or other adjustment mechanism that will ensure stockholders receive merger consideration with a minimum or maximum value.

At the time UGC stockholders make their stock election or cash election, they may not know if 0.2155 of a share of Liberty Global common stock will be worth more or less than the cash election amount of $9.58 per share. To make a valid stock election or cash election, UGC stockholders must submit their form of election and related UGC shares to the exchange agent by the election deadline. The election deadline is scheduled for 5:00 p.m., New York time, on [_____], 2005. We will extend the election deadline to no later than 5:00 p.m., New York time, on the second business day prior to the completion of the mergers if we anticipate that the mergers will not occur within four business days after the initial election deadline. As the initial trading price of the shares of Liberty Global Series A common stock is expected to approximate the trading price of the LMI Series A common stock immediately prior to the completion of the mergers, there can be no assurance that the value of the stock consideration will not fluctuate, with the trading price of the LMI Series A common stock, between the submission of a form of election and the completion of the mergers. Hence, while UGC stockholders will know the value of the stock consideration at the time they submit their form of election, there can be no assurance that the stock consideration will not have a lower value when the mergers are completed and the Liberty Global Series A common stock is first made available to UGC stockholders.

UGC stockholders who make the cash election may not have all of their UGC shares exchanged for cash, and the average per share value of the merger consideration they receive could be less than $9.58. The merger agreement limits the amount of cash payable to UGC stockholders who make the cash election to no more than 20% of the aggregate value of the merger consideration payable to UGC stockholders who are not Permitted Holders within the meaning of UGC s indenture with respect to its 3¼% convertible senior notes due 2024, which we refer to as the **cash threshold amount.** The term Permitted Holders is generally defined to include LMI and Liberty and the Chief Executive Officer and each member of the board of directors of each of UGC, LMI and Liberty as of April 1, 2004 and each of their respective affiliates. If the cash threshold amount is exceeded, those UGC stockholders making the cash election will have the number of their shares of UGC stock as to which they made the cash election reduced by a pro rata amount, and will receive the stock consideration for those shares which are not exchanged for the cash consideration. Depending on the market price of the Liberty Global Series A common stock immediately after the mergers are completed, UGC stockholders who made only the cash election but who receive stock consideration for some of their shares due to proration may obtain aggregate consideration that is worth less than $9.58 per

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share on a blended basis. See The Transaction Agreements Merger Agreement UGC Stockholders Making Stock and Cash Elections; Proration.

Once UGC stockholders deliver their shares of UGC common stock to the exchange agent with their form of election, they will not be able to sell those shares unless they revoke their election prior to the election deadline. UGC stockholders may submit a form of election to the exchange agent at any time after the mailing of the joint proxy statement/prospectus and prior to the election deadline. To be valid, an election must be accompanied by the UGC shares as to which the election has been made. Once the exchange agent is in receipt of the UGC shares, they will not be available for settlement purposes in a trade unless and until the person who submitted the election and the shares revokes the election, prior to the election deadline, by written notice to the exchange agent.

Liberty Global may fail to realize the anticipated benefits of the mergers. The success of the mergers will depend in part on the ability of Liberty Global to realize the anticipated synergies and growth opportunities from combining the two companies. In addition, the market may not quickly, if ever, eliminate or reduce the holding company discount that we believe has suppressed the historical trading price of LMI common stock. Any failure to realize the anticipated benefits of the mergers may adversely affect the stock price of Liberty Global.

Significant transaction costs will be incurred as a result of the mergers. LMI and UGC expect to incur significant one-time transaction costs, currently estimated to be approximately $22 million, related to the mergers. These transaction costs include investment banking, legal and accounting fees and expenses of approximately $13.8 million and SEC filing fees, printing expenses, mailing expenses and other related charges of approximately $6.5 million. LMI and UGC may also incur additional unanticipated transaction costs in connection with the mergers. A portion of the transaction costs related to the mergers, estimated to be approximately $18 million, will be incurred regardless of whether the mergers are completed. LMI and UGC will each pay its own transaction costs incurred, except that they will share equally all costs associated with printing and mailing this joint proxy statement/prospectus.

We are parties to pending class action lawsuits relating to the UGC merger. We are parties to twenty-two lawsuits filed by third parties seeking monetary damages or injunctive relief, or both, in connection with the UGC merger. Predicting the outcome of these lawsuits is difficult; and an adverse judgment for monetary damages could have a material adverse effect on the operations of Liberty Global after the mergers, a preliminary injunction could delay or jeopardize the completion of the mergers and an adverse judgment granting injunctive relief could permanently enjoin the consummation of the mergers.

LMI s potential indemnity liability to Liberty if the spin off is treated as a taxable transaction as a result of the mergers could materially adversely affect Liberty Global s prospects and financial condition. LMI entered into a tax sharing agreement with Liberty in connection with its spin off from Liberty on June 7, 2004. In the tax sharing agreement, LMI agreed to indemnify Liberty and its subsidiaries, officers and directors for any loss, including any adjustment to taxes of Liberty, resulting from (1) any action or failure to act by LMI or any of LMI s subsidiaries following the completion of the spin off that would be inconsistent with or prohibit the spin off from qualifying as a tax-free transaction to Liberty and to Liberty s stockholders under Section 355 of the Code or (2) any breach of any representation or covenant given by LMI or one of LMI s subsidiaries in connection with any tax opinion delivered to Liberty relating to the qualification of the spin off as a tax-free distribution described in Section 355 of the Code. LMI s indemnification obligations to Liberty and its subsidiaries, officers and directors are not limited in amount or subject to any cap. If LMI is required to indemnify Liberty and its subsidiaries, officers and directors under the circumstances set forth in the tax sharing agreement, LMI may be subject to substantial liabilities. For more information about the tax sharing agreement, see Appendix A: Information Concerning Liberty Media International, Inc. Part 2: Certain Relationships and Related Party Transactions Agreements Between LMI and Liberty Tax Sharing Agreement.

It is a non-waivable condition to the mergers that LMI and Liberty Global shall have received the opinion of Skadden, Arps, Slate, Meagher & Flom LLP or another nationally recognized law firm reasonably acceptable to UGC (acting with the approval of the Special Committee), dated the closing date of the mergers, to the

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effect that, for U.S. federal income tax purposes, provided that the spin off would otherwise have qualified as a tax-free distribution under Section 355 of the Code to Liberty and the Liberty stockholders, the mergers should not cause the spin off to fail to qualify as a tax-free distribution to Liberty under Section 355(e) of the Code. In rendering such opinion, Skadden, Arps, Slate, Meagher & Flom LLP or such other alternate firm may rely upon factual representations and covenants, including those contained in certificates of officers of LMI, Liberty Global and UGC, and customary factual assumptions. Any inaccuracy in the representations, covenants and assumptions upon which such tax opinion is based could alter the conclusions reached in such opinion. Neither LMI nor Liberty Global have requested a ruling from the Internal Revenue Service as to the effect, if any, that the mergers would have on the spin off. Therefore, there can be no assurance that the Internal Revenue Service will agree with the conclusions in such opinion.

Factors Relating to Overseas Operations and Regulations

The businesses of LMI and UGC are, and the businesses of Liberty Global will be, conducted almost exclusively outside of the United States, which gives rise to numerous operational risks. The businesses of LMI and UGC are, and the businesses of Liberty Global will be, operated almost exclusively in countries other than the United States and are thereby subject to the following inherent risks:

- longer payment cycles by customers in foreign countries that may increase the uncertainty associated with recoverable accounts;
- difficulties in staffing and managing international operations;
- economic instability;
- potentially adverse tax consequences;
- export and import restrictions, tariffs and other trade barriers;
- increases in taxes and governmental royalties and fees;
- involuntary renegotiation of contracts with foreign governments;
- changes in foreign and domestic laws and policies that govern operations of foreign-based companies; and
- disruptions of services or loss of property or equipment that are critical to overseas businesses due to expropriation, nationalization, war, insurrection, terrorism or general social or political unrest.

LMI and UGC are, and Liberty Global is expected to be, exposed to potentially volatile fluctuations of the U.S. dollar (their functional currency) against the currencies of their operating subsidiaries and affiliates. Any increase (decrease) in the value of the U.S. dollar against any foreign currency that is the functional currency of an operating subsidiary or affiliate of LMI or UGC, and, following the mergers, Liberty Global, will cause the parent company to experience unrealized foreign currency translation losses (gains) with respect to amounts already invested in such foreign currencies. In addition, LMI, UGC and their operating subsidiaries and affiliates are, and Liberty Global and its operating subsidiaries and affiliates are expected to be, exposed to foreign currency risk to the extent that they enter into transactions denominated in currencies other than their respective functional currencies, such as investments in debt and equity securities of foreign subsidiaries, equipment purchases, programming costs, notes payable and notes receivable (including intercompany amounts) that are denominated in a currency other than their own functional currency. Changes in exchange rates with respect to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. In addition, LMI and UGC are, and Liberty Global is expected to be, exposed to foreign exchange rate fluctuations related to operating subsidiaries monetary assets and liabilities and the financial results of foreign

subsidiaries and affiliates when their respective financial statements are translated into U.S. dollars for inclusion in their consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income (loss) as a separate component of equity. As a result of foreign currency risk, LMI, UGC and, following the mergers, Liberty Global may experience economic loss and a

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negative impact on earnings and equity with respect to their holdings solely as a result of foreign currency exchange rate fluctuations. The primary exposure to foreign currency risk for LMI and UGC is, and for Liberty Global is expected to be, to the euro due to the percentage of the U.S. dollar revenue of LMI and UGC that is derived, and following the mergers is expected to be derived by Liberty Global, from countries where the euro is the functional currency. In addition, the operating results and financial condition of LMI and UGC are, and of Liberty Global following the mergers are expected to be, significantly impacted by changes in the exchange rates for the Japanese yen, Chilean peso and, to a lesser degree, other local currencies in Europe. In the past, LMI and UGC generally have not, and Liberty Global following the mergers is not expected to, enter into derivative transactions that are designed to reduce their long-term exposure to foreign currency exchange risk.

The businesses of LMI and UGC are, and the businesses of Liberty Global will be, subject to risks of adverse regulation by foreign governments. The businesses of LMI and UGC are, and the businesses of Liberty Global will be, subject to the unique regulatory regimes of the countries in which they operate. Cable and telecommunications businesses are subject to licensing eligibility rules and regulations, which vary by country. The provision of telephony services requires licensing from, or registration with, the appropriate regulatory authorities and entrance into interconnection arrangements with the incumbent phone companies. It is possible that countries in which LMI, UGC and, following the mergers, Liberty Global operate may adopt laws and regulations regarding electronic commerce which could dampen the growth of the Internet access services being offered and developed by these businesses. Programming businesses are subject to regulation on a country by country basis, including programming content requirements, requirements to carry specified programming, service quality standards, price controls and ownership restrictions. Consequently, such businesses must adapt their ownership and organizational structure as well as their services to satisfy the rules and regulations to which they are subject. A failure to comply with these rules and regulations could result in penalties, restrictions on such business or loss of required licenses.

Businesses that offer multiple services, such as video distribution as well as Internet access and telephony, or both video distribution and programming content, are facing increased regulatory review from competition authorities in several countries in which LMI and UGC operate, and, following the mergers, Liberty Global will operate, with respect to their businesses and proposed business combinations. For example, the European Union and the regulatory authorities in several countries in which LMI and UGC do business, and in which Liberty Global will do business, are considering what access rights, if any, should be afforded to third parties for use of existing cable television networks. If third parties were to be granted access to the distribution infrastructure of LMI and UGC, and, following the mergers, Liberty Global, for the delivery of video, audio, Internet or other services, those providers could compete with services similar to those which the businesses of LMI and UGC offer, and, following the mergers, Liberty Global will offer, which could lead to significant price competition and loss of market share.

LMI, UGC and, following the mergers, Liberty Global may determine to acquire additional communications companies. These acquisitions may require the approval of governmental authorities, which can block, impose conditions on or delay an acquisition.

LMI, UGC and, following the mergers, Liberty Global cannot be certain that they will be successful in acquiring new businesses or integrating acquired businesses with their existing operations. Historically, the businesses of LMI and UGC have grown, in part, through selective acquisitions that enabled them to take advantage of existing networks, local service offerings and region-specific management expertise. LMI, UGC and, following the mergers, Liberty Global may seek to continue growing their businesses through acquisitions in selected markets. Their ability to acquire new businesses may be limited by many factors, including debt covenants, availability of financing, the prevalence of complex ownership structures among potential targets and government regulation. Even if they were successful in acquiring new businesses, the integration of new businesses may present significant challenges, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overheads; and integrating networks, financial systems and operational systems. We cannot assure you that LMI, UGC and, following the mergers, Liberty Global will be successful in acquiring new businesses or realizing the anticipated benefits of any completed acquisition.

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In addition, we anticipate that most, if not all, companies acquired by LMI, UGC or, following the mergers, Liberty Global will be located outside the United States. Foreign companies may not have disclosure controls and procedures or internal controls over financial reporting that are as thorough or effective as those required by U.S. securities laws. While LMI, UGC and, following the mergers, Liberty Global intend to conduct appropriate due diligence and to implement appropriate controls and procedures as they integrate acquired companies, they may not be able to certify as to the effectiveness of these companies disclosure controls and procedures or internal controls over financial reporting until they have fully integrated them.

LMI and UGC are, and Liberty Global will be, subject to the risk of revocation or loss of their telecommunications and media licenses. In certain operating regions, the services provided by the businesses of LMI, UGC and, following the mergers, Liberty Global require receipt of a license from the appropriate national, provincial and/or local regulatory authority. In those regions, regulatory authorities may have significant discretion in granting licenses, including the term of the licenses, and are often under no obligation to renew them when they expire. The breach of a license or applicable law, even if inadvertent, can result in the revocation, suspension, cancellation or reduction in the term of a license or the imposition of fines. In addition, regulatory authorities may grant new licenses to third parties, resulting in greater competition in territories where the businesses of LMI, UGC and, following the mergers, Liberty Global may already be licensed. In order to promote competition, licenses may also require that third parties be granted access to the bandwidth, frequency capacity, facilities or services of LMI, UGC and, following the mergers, Liberty Global. There can be no assurance that LMI or UGC or, following the mergers, Liberty Global will be able to obtain or retain any required license, or that any renewal of a required license will not be on less favorable terms.

LMI, UGC and, following the mergers, Liberty Global may have to pay U.S. taxes on earnings of certain of their foreign subsidiaries regardless of whether such earnings are actually distributed to them, and they may be limited in claiming foreign tax credits; since substantially all of their revenue is generated through their foreign investments, these tax risks could have a material adverse impact on their effective income tax rate, financial condition and liquidity. Certain foreign corporations in which LMI and UGC have, and in which Liberty Global will have, interests particularly those in which they have or will have controlling interests, are considered to be controlled foreign corporations under U.S. tax law. In general, their pro rata share of certain income earned by their subsidiaries that are controlled foreign corporations during a taxable year when such subsidiaries have current or accumulated earnings and profits will be included in their income when the income is earned, regardless of whether the income is distributed to them. This income, typically referred to as Subpart F income, generally includes, but is not limited to, such items as interest, dividends, royalties, gains from the disposition of certain property, certain currency exchange gains in excess of currency exchange losses, and certain related party sales and services income. In addition, a U.S. stockholder of a controlled foreign corporation may be required to include in income its pro rata share of the controlled foreign corporation s increase for the year in current or accumulated earnings and profits (other than Subpart F income) invested in U.S. property, regardless of whether the U.S. stockholder received any actual cash distributions from the controlled foreign corporation. Since LMI and UGC are investors in, and Liberty Global will be an investor in, foreign corporations, they could have significant amounts of Subpart F income. Although they intend to take reasonable tax planning measures to limit their tax exposure, we cannot assure you that they will be able to do so or that any of such measures will not be challenged.

In general, a U.S. corporation may claim a foreign tax credit against its U.S. federal income taxes for foreign income taxes paid or accrued. A U.S. corporation may also claim a credit for foreign income taxes paid or accrued on the earnings of certain foreign corporations paid to the U.S. corporation as a dividend. The ability of LMI, UGC and, following the mergers, Liberty Global to claim a foreign tax credit for dividends received from their foreign subsidiaries is subject to various limitations. Some of their businesses are located in countries with which the United States does not have income tax treaties. Because LMI and UGC lack, and Liberty Global will lack, treaty protection in these countries, they may be subject to high rates of withholding taxes on distributions and other payments from their businesses and may be subject to double taxation on their income. Limitations on the ability of LMI, UGC and, following the mergers, Liberty Global to claim a foreign tax credit, their lack of treaty protection in some countries, and their inability to offset losses in one foreign jurisdiction against income earned in another foreign jurisdiction could result in a high effective U.S. federal

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income tax rate on their earnings. Since substantially all of their revenue is generated abroad, including in jurisdictions that do not have tax treaties with the United States, these risks are proportionately greater for them than for companies that generate most of their revenue in the United States or in jurisdictions that have such treaties.

Factors Relating to Technology and Competition

Changes in technology may limit the competitiveness of and demand for our services, which may adversely impact the business and stock value of LMI, UGC, and following the mergers, Liberty Global. Technology in the video, telecommunications and data services industries is changing rapidly. This significantly influences the demand for the products and services that are offered by the businesses of LMI, UGC and, following the mergers, Liberty Global. The ability to anticipate changes in technology and consumer tastes and to develop and introduce new and enhanced products on a timely basis will affect the ability of LMI, UGC, and, following the mergers, Liberty Global to continue to grow, increase their revenue and number of subscribers and remain competitive. New products, once marketed, may not meet consumer expectations or demand, can be subject to delays in development and may fail to operate as intended. A lack of market acceptance of new products and services which LMI, UGC and, following the mergers, Liberty Global may offer, or the development of significant competitive products or services by others, could have a material adverse impact on the revenue, growth and stock price of LMI, UGC and, following the mergers, Liberty Global. Alternatively, if consumer demand for new services in a specific country or region exceeds our expectations, meeting that demand could overburden our infrastructure, which could result in service interruptions and a loss of customers.

LMI and UGC operate, and, following the mergers, Liberty Global will operate, in increasingly competitive markets, and there is a risk that LMI, UGC and, following the mergers, Liberty Global will not be able to effectively compete with other service providers. The markets for cable television, high-speed Internet access and telecommunications in many of the regions in which LMI and UGC operate, and Liberty Global will operate, are highly competitive and highly fragmented. In the provision of video services, LMI and UGC face, and Liberty Global will face, competition from other cable television service providers, direct-to-home satellite service providers, digital terrestrial television broadcasters and video over asymmetric digital subscriber line providers, among others. Their operating businesses in The Netherlands, France and Japan are facing increasing competition from video services provided by or over the networks of incumbent telecommunications operators. In the provision of telephone services, LMI and UGC face, and Liberty Global will face, competition from the incumbent telecommunications operators in each country in which they operate. These operators have substantially more experience in providing telephone services and have greater resources to devote to the provision of telephone services. In addition, in many countries, LMI and UGC face, and Liberty Global will face, competition from wireless telephone providers, facilities-based and resale telephone operators, voice over Internet protocol providers and other providers. In the provision of Internet access services and online content, LMI and UGC face, and Liberty Global will face, competition from incumbent telecommunications companies and other telecommunications operators, other cable-based Internet service providers, non-cable based Internet service providers, Internet portals and satellite, microwave and other wireless providers. The Internet services offered by these competitors include both traditional dial-up access services and high-speed access services. Digital subscriber line is a technology that provides high-speed Internet access over traditional telephone lines. Both incumbent and alternative providers offer digital subscriber line services. We expect digital subscriber line to be an increasingly strong competitor in the provision of Internet services.

The market for programming services is also highly competitive. Programming businesses compete with other programmers for distribution on a limited number of channels. Once distribution is obtained, program offerings must then compete for viewers and advertisers with other programming services as well as with other entertainment media, such as home video, online activities and movies.

We expect the level and intensity of competition to increase in the future from both existing competitors and new market entrants as a result of changes in the regulatory framework of the industries in which LMI and UGC operate, and in which Liberty Global will operate, the influx of new market entrants and strategic

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alliances and cooperative relationships among industry participants. Increased competition may result in increased customer churn, reduce the rate of customer acquisition and lead to significant price competition, in each case resulting in decreases in cash flows, operating margins and profitability. The inability to compete effectively may result in the loss of subscribers, and revenue and the stock price of LMI and UGC, and, following the mergers, Liberty Global, may suffer.

LMI, UGC and, following the mergers, Liberty Global may not be able to obtain attractive programming for their digital video services, thereby lowering demand for their services. LMI and UGC rely, and, following the mergers, Liberty Global will rely, on programming suppliers for the bulk of their programming content. They may not be able to obtain sufficient high-quality programming for their digital video services on satisfactory terms or at all in order to offer compelling digital video services. This may reduce demand for their services, thereby lowering their future revenue. It may also limit their ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting their ability to execute their business plans. Furthermore, LMI, UGC and, following the mergers, Liberty Global may not be able to obtain attractive country-specific programming for video services. This could further lower revenue and profitability. In addition, must-carry requirements may consume channel capacity otherwise available for other services.

Some of the operating businesses of LMI, UGC and, following the mergers, Liberty Global depend upon third parties for the distribution of their products and services. In certain operating regions, the businesses of LMI, UGC and, following the mergers, Liberty Global require access to utility poles, roadside conduits and leased fiber that interconnect their headends and/or connect their headends to telecommunications facilities of third parties. This infrastructure is, in some cases, owned by regional utility companies or other third party administrators, and access to the infrastructure is licensed to the businesses of LMI, UGC and, following the mergers, Liberty Global. In other operating regions, the transmission of cable programming content to regional headend facilities is accomplished via communications satellites owned by third parties, who, in some cases, are competitors. We cannot assure you that the businesses of LMI, UGC and, following the mergers, Liberty Global will be able to renew any existing access agreements with these third parties or enter into new agreements for additional access rights, which may be necessary for the expansion of their businesses in these regions. Any cancellation, delay or interruption in these access rights would disrupt the delivery of the products and services of LMI, UGC and, following the mergers, Liberty Global to customers in the affected regions. In addition, the failure to obtain additional access rights from such third parties could preclude expansionary efforts in these operating regions. We also cannot assure you that any alternative distribution means will be available in these regions, on reasonable terms or at all.

Following the mergers, Liberty Global and Liberty may compete for business opportunities. LMI s former parent company, Liberty, has interests in various U.S. programming companies that have subsidiaries or controlled affiliates that own or operate foreign programming services that may compete with the programming services to be offered by Liberty Global s businesses. In addition, Liberty may seek to expand its foreign programming services to capitalize on the significant growth potential presented by the international cable market. As a result of these expansionary efforts, Liberty Global s programming services may find themselves in direct competition with those of Liberty. Liberty Global has no rights in respect of international programming opportunities developed by or presented to the subsidiaries or controlled affiliates of Liberty s U.S. programming companies and the pursuit of these opportunities by such subsidiaries or affiliates may adversely affect the interests of Liberty Global and its stockholders. Since Liberty Global will have overlapping directors with Liberty, the pursuit of these opportunities could create, or appear to create, potential conflicts of interest. See Management of Liberty Global.

Factors Relating to Certain Financial Matters

The liquidity and value of the interests of LMI, UGC and, following the mergers, Liberty Global in their subsidiaries and affiliates may be adversely affected by stockholder agreements and similar agreements to which they are a party. LMI and UGC own, and Liberty Global will own, equity interests in a variety of international broadband distribution and video programming businesses. Certain of these equity interests are, or will be, held pursuant to stockholder agreements, partnership agreements and other instruments and agreements that contain provisions that affect the liquidity, and therefore the realizable value, of those

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interests. Most of these agreements subject, or will subject, the transfer of such equity interests to consent rights or rights of first refusal of the other stockholders or partners. In certain cases, a change in control of the company or the subsidiary holding the equity interest will give rise to rights or remedies exercisable by other stockholders or partners. Some of the subsidiaries and affiliates of LMI and UGC and, following the mergers, Liberty Global are parties to loan agreements that restrict changes in ownership of the borrower without the consent of the lenders. All of these provisions will restrict the ability to sell those equity interests and may adversely affect the prices at which those interests may be sold.

LMI and UGC do not, and Liberty Global will not, have the right to manage the businesses or affairs of any of the companies in which they hold less than a majority voting interest. Rather, such rights may take the form of representation on the board of directors or a partners or similar committee that supervises management or possession of veto rights over significant or extraordinary actions. The scope of veto rights varies from agreement to agreement. Although board representation and veto rights may enable LMI, UGC and, following the mergers, Liberty Global to exercise influence over the management or policies of an affiliate, they do not enable LMI, UGC or, following the mergers, Liberty Global to cause those affiliates to take actions, such as paying dividends or making distributions to their stockholders or partners.

Following the mergers, Liberty Global may not report operating income or net earnings. Each of UGC and LMI has a history of reporting operating and net losses. UGC s net earnings (losses) from continuing operations amounted to $(382.4 million), $1,955.4 million and $988.3 million for the years ended December 31, 2004, 2003 and 2002, respectively. Although UGC had net earnings in 2003 and 2002, the net earnings were primarily attributable to gains on debt extinguishment of $2.1 billion and $2.2 billion, respectively. During the same periods, LMI s net earnings (losses) from continuing operations amounted to $(31.8 million), $20.9 million and $(329.9 million) for the years ended December 31, 2004, 2003 and 2002, respectively. In light of the historical financial performance of UGC and LMI, we cannot assure you that Liberty Global will report operating income or net earnings in the near future or at all.

If LMI, UGC or, following the mergers, Liberty Global fails to meet required capital calls to a company in which it holds interests, its interests in that company could be diluted or it could forfeit important rights. LMI and UGC are parties to, and, following the mergers, Liberty Global may be a party to, stockholder and partnership agreements that provide for possible capital calls on stockholders and partners. Failure to meet a capital call, or other commitment to provide capital or loans to a particular company in which LMI, UGC or, following the mergers, Liberty Global holds interests may have adverse consequences to LMI, UGC or, following the mergers, Liberty Global. These consequences may include, among others, the dilution of equity interest in that company, the forfeiture of the right to vote or exercise other rights or, in some instances, a breach of contract action for damages against LMI, UGC or, following the mergers, Liberty Global. The ability to meet capital calls or other capital or loan commitments is subject to the ability to access cash. See LMI, UGC and Liberty Global may not freely access the cash of their operating companies. below.

LMI, UGC and Liberty Global may not freely access the cash of their operating companies. The operations of LMI and UGC are, and, following the mergers, Liberty Global will be, conducted through their respective subsidiaries. The potential sources of cash of LMI and UGC, and, following the mergers, Liberty Global will include their available cash balances, net cash from the operating activities of their subsidiaries, dividends and interest from their investments, availability under credit facilities and proceeds from asset sales. The ability of their operating subsidiaries to pay dividends or to make other payments or advances to them depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject. Some of LMI s and UGC s operating subsidiaries are, and, following the mergers, Liberty Global s operating subsidiaries will be, subject to loan agreements or bank facilities that restrict sales of assets and prohibit or limit the payment of dividends or the making of distributions, loans or advances to stockholders and partners, including LMI, UGC and, following the mergers, Liberty Global. In addition, because these subsidiaries are separate and distinct legal entities they have no obligation to provide LMI, UGC or, following the mergers, Liberty Global with funds for payment obligations, whether by dividends, distributions, loans or other payments. With respect to those companies in which LMI, UGC or, following the mergers, Liberty Global have less than a majority voting interest, LMI and UGC do not have, and, following the mergers, Liberty Global will not have, sufficient voting control to cause those companies to pay

dividends

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or make other payments or advances to any of their partners or stockholders, including LMI, UGC or, following the mergers, Liberty Global.

If, following the mergers, Liberty Global is unable to satisfy completely the regulatory requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or Liberty Global s internal control over financial reporting is not effective, the reliability of Liberty Global s financial statements may be questioned and Liberty Global s stock price may suffer. Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, Liberty Global will be required to document and test its internal control procedures; Liberty Global s management will be required to assess and issue a report concerning Liberty Global s internal control over financial reporting; and Liberty Global s independent auditors will be required to issue an opinion on management s assessment of those matters. Liberty Global s compliance with Section 404 of the Sarbanes-Oxley Act will first be tested in connection with the filing of its Annual Report on Form 10-K for the year ending December 31, 2005. The rules governing the standards that must be met for management to assess Liberty Global s internal control over financial reporting are new and complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, Liberty Global s management may identify material weaknesses or deficiencies which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. If, following the mergers, Liberty Global s management cannot favorably assess the effectiveness of Liberty Global s internal control over financial reporting or Liberty Global s auditors identify material weaknesses in those controls, investor confidence in Liberty Global s financial results may weaken, and Liberty Global s stock price may suffer.

Certain subsidiaries of LMI and UGC are, and certain subsidiaries of Liberty Global will be, subject to various debt instruments that contain restrictions on how they finance their operations and operate their businesses, which could impede their ability to engage in beneficial transactions. Certain subsidiaries of LMI and UGC are, and certain subsidiaries of Liberty Global will be, subject to significant financial and operating restrictions contained in outstanding credit agreements, indentures and similar instruments of indebtedness. These restrictions will affect, and in some cases significantly limit or prohibit, among other things, the ability of those subsidiaries to:

- borrow more funds;
- pay dividends or make other upstream distributions;
- make investments;
- engage in transactions with us or other affiliates; or
- create liens on their assets.

As a result of restrictions contained in these credit facilities, the companies party thereto, and their subsidiaries, could be unable to obtain additional capital in the future to:

- fund capital expenditures or acquisitions that could improve their value;
- meet their loan and capital commitments to their business affiliates;
- invest in companies in which they would otherwise invest;
- fund any operating losses or future development of their business affiliates;
- obtain lower borrowing costs that are available from secured lenders or engage in advantageous transactions that monetize their assets; or
- conduct other necessary or prudent corporate activities.

LMI and UGC are, and Liberty Global will be, typically prohibited from or significantly restricted in accessing the net cash of their subsidiaries that have outstanding credit facilities.

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In addition, some of the credit agreements to which these subsidiaries are parties require them to maintain financial ratios, including ratios of total debt to operating cash flow and operating cash flow to interest expense. Their ability to meet these financial ratios and tests may be affected by events beyond their control, and we cannot assure you that they will be met. In the event of a default under such subsidiaries credit agreements or indentures, the lenders may accelerate the maturity of the indebtedness under those agreements or indentures, which could result in a default under other outstanding credit facilities of these subsidiaries. We cannot assure you that any of these subsidiaries will have sufficient assets to pay indebtedness outstanding under their credit agreements and indentures. Any refinancing of this indebtedness is likely to contain similar restrictive covenants.

Factors Relating to Governance Matters

John C. Malone will have significant influence over corporate matters considered by Liberty Global and its stockholders. Following the mergers, John C. Malone is expected to beneficially own shares of Liberty Global common stock representing approximately [ ]% of the aggregate voting power of Liberty Global (based upon his beneficial ownership interests in LMI and UGC, respectively, as of the record dates for the respective stockholders meetings of LMI and UGC, and assuming no cash elections are made by the UGC stockholders). By virtue of Mr. Malone s voting power in Liberty Global as well as his position as Liberty Global s Chairman of the Board, Mr. Malone will have significant influence over the outcome of any corporate transaction or other matters submitted to Liberty Global stockholders for approval, including the election of directors, mergers, consolidations and the sale of all or substantially all of Liberty Global s assets. Mr. Malone s rights to vote or dispose of his equity interests in Liberty Global will not be subject to any restrictions in favor of Liberty Global other than as may be required by applicable law and except for customary transfer restrictions pursuant to incentive award agreements.

It may be difficult for a third party to acquire Liberty Global, even if doing so may be beneficial to Liberty Global stockholders. Certain provisions of Liberty Global s restated certificate of incorporation and bylaws may discourage, delay or prevent a change in control of Liberty Global that a stockholder may consider favorable. These provisions include the following:

- authorizing a capital structure with multiple series of common stock: a Series B that entitles the holders to ten votes per share; a Series A that entitles the holders to one vote per share; and a Series C that, except as otherwise required by applicable law, entitles the holder to no voting rights;

- authorizing the issuance of blank check preferred stock, which could be issued by its board of directors to increase the number of outstanding shares and thwart a takeover attempt;

- classifying its board of directors with staggered three-year terms, which may lengthen the time required to gain control of its board of directors;

- limiting who may call special meetings of stockholders;

- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of the stockholders;

- establishing advance notice requirements for nominations of candidates for election to its board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;

- requiring stockholder approval by holders of at least 80% of its voting power or the approval by at least 75% of its board of directors with respect to certain extraordinary matters, such as a merger or consolidation of Liberty Global, a sale of all or substantially all of its assets or an amendment to its restated certificate of incorporation or bylaws; and

the existence of authorized and unissued stock which would allow its board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of its management, or which could be used to dilute the stock ownership of persons seeking to obtain control of Liberty Global.

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Liberty Global s incentive plan may also discourage, delay or prevent a change in control of Liberty Global even if such change of control would be in the best interests of Liberty Global stockholders. For information regarding the relative rights of the holders of LMI common stock, UGC common stock and Liberty Global common stock, see Comparison of the Rights of Stockholders of LMI, UGC and Liberty Global.

Holders of any single series of Liberty Global common stock may not have any remedies if any action by Liberty Global s directors or officers has an adverse effect on only that series of Liberty Global common stock. Principles of Delaware law and the provisions of Liberty Global s restated certificate of incorporation may protect decisions of Liberty Global s board of directors that have a disparate impact upon holders of any single series of Liberty Global common stock. Under Delaware law, Liberty Global s board of directors has a duty to act with due care and in the best interests of all Liberty Global stockholders, including the holders of all series of Liberty Global common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all common stockholders regardless of class or series and does not have separate or additional duties to any group of stockholders. As a result, in some circumstances, Liberty Global s directors may be required to make a decision that is adverse to the holders of one series of Liberty Global common stock. Under the principles of Delaware law referred to above, if you are a holder of a disadvantaged series of Liberty Global common stock, you may not be able to challenge such a decision if Liberty Global s board of directors is disinterested and adequately informed with respect to its decision and acts in good faith and in the honest belief that it is acting in the best interests of all of its stockholders.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/ prospectus includes certain forward-looking statements regarding market potential, future financial performance and other matters. These statements may be made directly in this joint proxy statement/ prospectus or they may be made a part of this joint proxy statement/ prospectus by appearing in other documents filed with the Securities and Exchange Commission and incorporated by reference in this joint proxy statement/ prospectus. These statements may include statements regarding the period following completion of the mergers.

In some cases, you can identify these statements by our use of forward-looking words such as may, will, should, anticipate, estimate, expect, plan, believe, predict, potential, intend and other terms of similar substance connection with any discussion of the mergers or the future operations or financial performance of LMI, UGC or Liberty Global. You should be aware that these statements and any other forward-looking statements in these documents only reflect our expectations and are not guarantees of performance. These statements involve risks, uncertainties and assumptions. Many of these risks, uncertainties and assumptions are beyond the control of LMI, UGC and Liberty Global, and may cause actual results and performance to differ materially from our expectations.

In addition to the risks and uncertainties set forth under the heading Risk Factors on page [ ] of this joint proxy statement/ prospectus, important factors that could cause our actual results to be materially different from our expectations include, among others:

- economic and business conditions and industry trends in the countries in which we operate;
- currency exchange risks;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- consumer acceptance of existing service offerings, including our newer digital video, voice and Internet access services;
- consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- our ability to manage rapid technological changes, and grow our digital video, voice and Internet access services;
- the regulatory and competitive environment in the broadband communications and programming industries in the countries in which we, and the entities in which we have interests, operate;
- continued consolidation of the foreign broadband distribution industry;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- the expanded deployment of personal video recorders and the impact on television advertising revenue;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
- future financial performance, including availability, terms and deployment of capital;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;

the outcome of any pending or threatened litigation;

availability of qualified personnel;

changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;

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government intervention which opens our broadband distribution networks to competitors;

our ability to successfully negotiate rate increases with local authorities;

changes in the nature of key strategic relationships with partners and joint venturers;

uncertainties associated with our ability to comply with the internal control requirements of the Sarbanes-Oxley Act of 2002;

competitor responses to our products and services, and the products and services of the entities in which we have interests;

spending on foreign television advertising; and

threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world.

You should be aware that the video, voice and Internet access services industries are changing rapidly, and, therefore, the forward-looking statements and statements of expectations, plans and intent herein are subject to a greater degree of risk than similar statements regarding certain other industries.

We caution you not to place undue reliance on the forward-looking statements contained or incorporated by reference in this joint proxy statement/ prospectus. These forward-looking statements speak only as of the date on which the statements were made. Except as may be required by law, none of LMI, UGC or Liberty Global has any obligation to update or alter these forward-looking statements, whether as a result of new information, future events or otherwise.

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THE COMPANIES

Liberty Media International, Inc.

LMI, through its subsidiaries and affiliates, provides broadband distribution services and video programming services to subscribers in Europe, Japan, Latin America and Australia. LMI s broadband distribution services consist primarily of cable television distribution, Internet access, telephony, and, in selected markets, direct-to-home satellite distribution. LMI s broadband distribution services include those of UGC, which is a controlled subsidiary of LMI. LMI s programming networks create original programming and also distribute programming obtained from international and home-country content providers. LMI s principal assets include interests in UGC, LMI/ Sumisho Super Media, LLC, Jupiter Programming Co., Ltd. (JPC), Liberty Cablevision of Puerto Rico Ltd. and Pramer S.C.A.

LMI is a Delaware corporation, formed on March 16, 2004, in connection with the proposed spin off of Liberty s International Group business segment. LMI s assets and businesses, including its controlling stake in UGC, consist largely of those which Liberty attributed to its International Group business segment prior to the spin off. On June 7, 2004, Liberty distributed to its stockholders, on a pro rata basis, all of the outstanding shares of LMI s common stock, and LMI became an independent, publicly traded company.

LMI s principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. LMI s main telephone number is (720) 875-5800, and its company website is *www.libertymediainternational.com*.

Additional Information

For more information regarding LMI, please see Appendix A: Information Concerning Liberty Media International, Inc. to this joint proxy statement/ prospectus, including, without limitation:

Part 1: Description of Business;

Part 2: Certain Relationships and Related Party Transactions;

Part 3: Management s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk; and

Part 4: Historical Financial Statements of LMI and its Significant Affiliates and Acquirees;

which is incorporated herein in its entirety by this reference.

UnitedGlobalCom, Inc.

UGC is an international broadband communications provider of video, voice and broadband Internet access services with operations in 16 countries outside the United States. UGC s networks pass approximately 15.9 million homes and serve approximately 8.7 million video subscribers, 0.8 million voice subscribers and 1.4 million broadband Internet access subscribers. UGC Europe, Inc., UGC s largest consolidated operation, is a pan-European broadband communications company, providing video, high-speed Internet access and telephone services through its broadband networks in 13 European countries. UGC s primary Latin American operation, VTR GlobalCom S.A., provides video, high-speed Internet access and telephone services primarily to residential customers in Chile. UGC also has consolidated operations in Brazil and Peru; an approximate 19% interest in SBS Broadcasting S.A., a European commercial television and radio broadcasting company; an approximate 34% interest in Austar United Communications Ltd., a pay-TV provider in Australia; and an indirect investment in Telenet Group Holding N.V., a broadband communications provider in Belgium.

UGC is a Delaware corporation, formed on February 5, 2001 in connection with a substantial investment by Liberty. UGC s principal executive offices are located at 4643 South Ulster Street, Suite 1300, Denver, Colorado 80237. UGC s main telephone number is (303) 770-4001, and its company website is *www.unitedglobal.com*.

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Additional Information

For more information regarding UGC, please see Additional Information Where You Can Find More Information.

Liberty Global, Inc.

Liberty Global, a wholly owned subsidiary of LMI, is a Delaware corporation, formed on January 13, 2005, for the purpose of effecting the mergers. Upon consummation of the mergers, Liberty Global will become the parent company of LMI and UGC. The businesses of Liberty Global will reflect the combination of the businesses currently conducted by each of LMI and UGC.

To date, Liberty Global has not conducted any activities other than those incident to its formation and the matters contemplated by the merger agreement, including the formation of each of LMI Merger Sub and UGC Merger Sub as wholly owned subsidiaries and the preparation of applicable filings under the securities laws.

Liberty Global s principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. Liberty Global s main telephone number is (720) 875-5800. Following the mergers, Liberty Global s corporate website will be located at [ ].

Additional Information

For more information regarding the business of Liberty Global following the mergers, please see the description of LMI s business included in Appendix A: Information Concerning Liberty Media International, Inc. Part 1: Description of Business, which includes a description of UGC s business. In addition, please carefully read the information provided in this joint proxy statement/ prospectus, including the information provided under the heading Liberty Global Unaudited Condensed Pro Forma Combined Financial Statements.

Cheetah Acquisition Corp. (LMI Merger Sub)

LMI Merger Sub, a wholly owned subsidiary of Liberty Global, is a Delaware corporation, formed on January 13, 2005, for the purpose of effecting the merger with LMI. LMI Merger Sub has not conducted any activities other than those incident to its formation and the matters contemplated by the merger agreement, including the preparation of applicable filings under the securities laws.

LMI Merger Sub s principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. LMI Merger Sub s main telephone number is (720) 875-5800.

Tiger Global Acquisition Corp. (UGC Merger Sub)

UGC Merger Sub, a wholly owned subsidiary of Liberty Global, is a Delaware corporation, formed on January 13, 2005, for the purpose of effecting the merger with UGC. UGC Merger Sub has not conducted any activities other than those incident to its formation and the matters contemplated by the merger agreement, including the preparation of applicable filings under the securities laws.

UGC Merger Sub s principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. UGC Merger Sub s main telephone number is (720) 875-5800.

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THE STOCKHOLDERS MEETINGS AND PROXY SOLICITATIONS

	LMI Annual Meeting	UGC Special Meeting
Time, Place & Date	[ ], 2005 [ ] a.m., local time [ ] [ ] [ ], Colorado [ ] The LMI annual meeting may be adjourned or postponed to another date, time or place for proper purposes, including for the purpose of soliciting additional proxies.	[ ], 2005 [ ] a.m., local time [ ] [ ] [ ], Colorado [ ] The UGC special meeting may be adjourned or postponed to another date, time or place for proper purposes, including for the purpose of soliciting additional proxies.
Purposes	To consider and vote on the merger proposal; To consider and vote on the election of David E. Rapley and Larry E. Romrell as Class I directors pursuant to the LMI election of directors proposal; To consider and vote on the LMI incentive plan proposal; To consider and vote on the LMI auditors ratification proposal; and To transact other business as may properly be presented at the LMI annual meeting or any postponements or adjournments thereof. At the present time, LMI knows of no other matters that will be presented at the LMI annual meeting.	To consider and vote on the merger proposal; and To transact other business as may properly be presented at the UGC special meeting or any postponements or adjournments thereof. At the present time, UGC knows of no other matters that will be presented at the UGC special meeting.
Quorum	In order to carry on the business of the applicable stockholders meeting, a quorum of stockholders must be present. This means that at least a majority of the aggregate voting power represented by the outstanding shares of LMI common stock or UGC common stock, as the case may be, must be represented at the applicable stockholders meeting, either in person or by proxy. For purposes of determining a quorum, your shares will be included as represented at the meeting even if you indicate on your proxy that you abstain from voting. In addition, if a broker, who is a record holder of shares, indicates on a form of proxy that the broker does not have discretionary authority to	

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	LMI Annual Meeting	UGC Special Meeting
	vote those shares on any proposal, or if those shares are voted in circumstances in which proxy authority is defective or has been withheld with respect to any proposal, these shares (which we refer to as broker non-votes) will be treated as present for purposes of determining the presence of a quorum. See Voting Procedures for Shares Held in Street Name Effect of Broker Non-Votes below.	
Record Date	5:00 p.m., New York City time, on [ ], 2005	5:00 p.m., New York City time, on [ ], 2005
Shares Entitled to Vote	Holders of LMI Series A common stock and LMI Series B common stock, as recorded in LMI s stock register on the record date for the LMI annual meeting, may vote at the LMI annual meeting or at any adjournment or postponement thereof.	Holders of UGC Class A common stock, UGC Class B common stock and UGC Class C common stock, as recorded in UGC s stock register on the record date for the UGC special meeting, may vote at the UGC special meeting or at any adjournment of postponement thereof.
Votes You Have	At the LMI annual meeting, holders of LMI Series A common stock will have one vote for each share of LMI Series A common stock that LMI s records show they owned as of 5:00 p.m., New York City time, on the record date for the LMI annual meeting. At the LMI annual meeting, holders of LMI Series B common stock will have ten votes for each share of LMI Series B common stock that LMI s records show they owned as of 5:00 p.m., New York City time, on the record date for the LMI annual meeting.	At the UGC special meeting, holders of UGC Class A common stock will have one vote for each share of UGC Class A common stock that UGC s records show they owned as of 5:00 p.m., New York City time, on the record date for the UGC special meeting. At the UGC special meeting, holders of UGC Class B common stock and holders of UGC Class C common stock will have ten votes for each share of UGC Class B common stock or UGC Class C common stock that UGC s records show they owned as of 5:00 p.m., New York City time, on the record date for the UGC special meeting.
Recommendation of the Board of Directors	*Merger Proposal.* LMI s board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the LMI merger, are advisable,	*Merger Proposal.* UGC s board of directors, based upon the recommendation of the Special Committee, has unanimously determined that the UGC merger, on the terms and conditions set forth in the merger

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	LMI Annual Meeting	UGC Special Meeting
	fair to, and in the best interests of, LMI and its stockholders. Accordingly, LMI s board of directors recommends that LMI stockholders vote FOR the merger proposal. *Annual Business Matter Proposals.* LMI s board of directors has also approved the annual business matter proposals and recommends that LMI stockholders vote FOR each of the annual business matter proposals.	agreement and voting agreement, is fair to, and in the best interests of, UGC and its stockholders. Accordingly, UGC s board of directors recommends that UGC stockholders vote FOR the merger proposal.
Votes Required	*Merger Proposal.* Approval of the merger proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the LMI Series A common stock and LMI Series B common stock outstanding as of the record date for the LMI annual meeting, voting together as a single class. A common stock and LMI Series B common stock outstanding as of the record date for the LMI annual meeting, voting together as a single class. Pursuant to a voting agreement entered into between John C. Malone, the Chairman of the Board, Chief Executive Officer and President of LMI, and UGC, Mr. Malone has agreed to vote the shares of LMI Series A common stock and LMI Series B common stock owned by him or which he has the right to vote (representing, as of February 28, 2005, approximately 26.5% of the aggregate voting power of LMI) FOR the approval of the merger proposal. See The Transaction Agreements Voting Agreement. The directors and executive	*Merger Proposal.* Approval of the merger proposal requires a vote of the holders of UGC common stock, with all classes voting together as a single class, that satisfies two criteria: *statutory approval:* the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of UGC Class A common stock, UGC Class B common stock and UGC Class C common stock outstanding as of the record date for the UGC special meeting; and *minority approval:* the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of UGC Class A common stock, UGC Class B common stock and UGC Class C common stock outstanding as of the record date for the UGC special meeting, exclusive of any shares beneficially owned by LMI, Liberty or any of their respective subsidiaries or any of the executive officers or directors of LMI, Liberty or

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	LMI Annual Meeting	UGC Special Meeting
	officers of LMI (other than Mr. Malone), who together beneficially own shares of LMI common stock representing approximately 3.3% of LMI s aggregate voting power, as of February 28, 2005, have indicated to LMI that they intend to vote FOR the merger proposal at the LMI annual meeting. *Annual Business Matter Proposals.* A plurality of the affirmative votes of the shares of LMI Series A common stock and LMI Series B common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the annual meeting is required to elect Messrs. Rapley and Romrell as Class I members of LMI s board of directors pursuant to the LMI election of directors proposal. This means that the two nominees will be elected if they receive more affirmative votes than any other person. Approval of each of the LMI incentive plan proposal and the LMI auditors ratification proposal requires the affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI Series A common stock and LMI Series B common stock outstanding on the record date for the LMI annual meeting that are present, in person or by proxy, at the LMI annual meeting, voting together as a single class.	UGC. LMI, which beneficially owns shares of UGC common stock representing approximately 91% of the aggregate voting power of UGC, as of February 28, 2005, has agreed to vote, and to cause its subsidiaries to vote, such shares in favor of the approval of the merger proposal. See The Transaction Agreements Merger Agreement. Accordingly, the statutory approval is assured. The directors and executive officers of UGC, who together beneficially own shares of UGC common stock representing less than 1% of UGC s aggregate voting power, as of February 28, 2005, have indicated to UGC that they intend to vote FOR the merger proposal at the UGC special meeting. The directors and executive officers of LMI (including Mr. Malone), who together beneficially own shares of UGC common stock representing less than 1% of UGC s aggregate voting power, as of February 28, 2005, have indicated to UGC that they intend to vote FOR the merger proposal at the UGC special meeting. The votes of LMI and its wholly owned subsidiaries, the votes of UGC s directors and executive officers and the votes of LMI s directors and executive officers will not be counted toward the minority approval.
Shares Outstanding	As of the record date for the LMI annual meeting, there were [ ] shares of LMI Series A common stock and	As of the record date for the UGC special meeting, there were [ ] shares of UGC Class A common stock,

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	LMI Annual Meeting	UGC Special Meeting
	7,264,300 shares of LMI Series B common stock outstanding and entitled to vote at the LMI annual meeting.	10,493,461 shares of UGC Class B common stock and 379,603,223 shares of UGC Class C common stock outstanding and entitled to vote at the UGC special meeting.
Numbers of Holders	As of the record date for the LMI annual meeting, there were approximately [ ] record holders of LMI Series A common stock and [ ] record holders of LMI Series B common stock (which amounts do not include the number of stockholders whose shares are held of record by banks, brokers or other nominees, but include each such institution as one holder).	As of the record date for the UGC special meeting, there were approximately [ ] record holders of UGC Class A common stock, one record holder of UGC Class B common stock and four record holders of UGC Class C common stock (which amounts do not include the number of stockholders whose shares are held of record by banks, brokers or other nominees, but include each such institution as one holder).
Voting Procedures for Record Holders	Holders of record of LMI common stock or UGC common stock as of the record date for the applicable stockholders meeting may vote in person thereat. Alternatively, they may give a proxy by completing, signing, dating and returning the proxy card that is being included with the mailing of this joint proxy statement/ prospectus, or by voting by telephone or over the Internet. Unless subsequently revoked, shares of LMI common stock or UGC common stock represented by a proxy submitted as described below and received at or before the applicable stockholders meeting will be voted in accordance with the instructions on the proxy. **YOUR VOTE IS IMPORTANT.** It is recommended that you vote by proxy even if you plan to attend the applicable stockholders meeting. You may change your vote at the applicable stockholders meeting. To submit a written proxy by mail, you should complete, sign, date and mail the proxy in accordance with its instructions. If any other matters are properly presented before the applicable stockholders meeting, the persons you choose as proxies will have discretion to vote or to act on these matters according to their best judgment, unless you indicate otherwise on your proxy.	

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	LMI Annual Meeting	UGC Special Meeting
	If a proxy is signed and returned by an LMI record holder without indicating any voting instructions, the shares of LMI common stock represented by the proxy will be voted FOR the approval of the merger proposal and FOR the approval of each of the annual business matter proposals. If a proxy is signed and returned by an LMI record holder and the LMI record holder indicates that it is abstaining from voting, the proxy will have the same effect as a vote AGAINST the merger proposal, the LMI incentive plan proposal and the LMI auditors ratification proposal, but it will have no effect on the vote on the LMI election of directors proposal. Failure of an LMI record holder to submit a proxy representing shares of LMI common stock or vote in person at the LMI annual meeting will have the same effect as a vote AGAINST the merger proposal but it will have no effect on the vote on any of the annual business matter proposals.	If a proxy is signed and returned by a UGC record holder without indicating any voting instructions, the shares of UGC common stock represented by the proxy will be voted FOR the approval of the merger proposal. If a proxy is signed and returned by a UGC record holder and the UGC record holder indicates that it is abstaining from voting, the proxy will have the same effect as a vote AGAINST the merger proposal. Failure of a UGC record holder to submit a proxy representing shares of UGC common stock or vote in person at the UGC special meeting will have the same effect as a vote AGAINST the merger proposal.
Voting Procedures for Shares Held in Street Name	*General.* If you hold your shares in the name of a broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee when voting your shares of LMI common stock or when granting or revoking a proxy. *Effect of Broker Non-Votes.* Shares represented by broker non-votes will be deemed shares not entitled to	*General.* If you hold your shares in the name of a broker, bank or other nominee, you should follow the instructions provided by your broker, bank or other nominee when voting your shares of UGC common stock or when granting or revoking a proxy. *Effect of Broker Non-Votes.* Shares represented by broker non-votes will be deemed shares not

vote and will not be included for purposes of

entitled to vote and will not be included for purposes of

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	LMI Annual Meeting	UGC Special Meeting
	determining the aggregate voting power and number of shares represented and entitled to vote on a particular proposal. Broker non-votes will have the same effect as a vote AGAINST the merger proposal. Broker non-votes will have no effect on any of the annual business matter proposals. **YOUR VOTE IS IMPORTANT**	determining the aggregate voting power and number of shares represented and entitled to vote on a particular proposal. Broker non-votes will have the same effect as a vote AGAINST the merger proposal. **YOUR VOTE IS IMPORTANT.**
Revoking a Proxy	Before your proxy is voted, you may change your vote by telephone or over the Internet (if you originally voted by telephone or over the Internet), by voting in person at the LMI annual meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to Liberty Media International, Inc., c/o EquiServe Trust Company, N.A., P.O. Box [ ], Edison, New Jersey 08818-[ ]. Any signed proxy revocation or new signed proxy must be received before the start of the LMI annual meeting. Your attendance at the LMI annual meeting will not, by itself, revoke your proxy.	Before your proxy is voted, you may change your vote by telephone or over the Internet (if you originally voted by telephone or over the Internet), by voting in person at the UGC special meeting or by delivering a signed proxy revocation or a new signed proxy with a later date to UnitedGlobalCom, Inc., c/o Mellon Investor Services LLC, Proxy Processing, P.O. Box [ ], South Hackensack, New Jersey 07606-[ ]. Any signed proxy revocation or new signed proxy must be received before the start of the UGC special meeting. Your attendance at the UGC special meeting will not, by itself, revoke your proxy.
	If your shares are held in an account by a broker, bank or other nominee, you should contact your broker, bank or other nominee to change your vote.	
Solicitation of Proxies	The accompanying proxy for the LMI annual meeting is being solicited on behalf of LMI s board of directors. In addition to this mailing, LMI s employees may solicit proxies personally or by telephone. LMI	The accompanying proxy for the UGC special meeting is being solicited on behalf of UGC s board of directors. In addition to this mailing, UGC s employees may solicit proxies personally or by

pays the cost of soliciting these proxies. LMI

telephone. UGC pays the cost of soliciting these proxies. UGC

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	LMI Annual Meeting	UGC Special Meeting
	also reimburses brokers and other nominees for their expenses in sending these materials to you and getting your voting instructions.	also reimburses brokers and other nominees for their expenses in sending these materials to you and getting your voting instructions.
	In addition to this mailing, LMI has hired D.F. King & Co. to solicit proxies on LMI s behalf. D.F. King & Co. will receive $7,000 from LMI as compensation for such services, plus expenses.	In addition to this mailing, UGC has hired D.F. King & Co. to solicit proxies on UGC s behalf. D.F. King & Co. will receive approximately $11,500 from UGC as compensation for such services, plus expenses.
Auditors	KPMG LLP serves as LMI s independent auditors. Representatives of KPMG plan to attend the LMI annual meeting and will be available to answer questions. A representative of KPMG is expected to attend the LMI annual meeting with the opportunity to make a statement and/or respond to appropriate questions from LMI stockholders at the LMI annual meeting.	KPMG LLP serves as UGC s independent auditors. Representatives of KPMG plan to attend the UGC special meeting and will be available to answer questions. A representative of KPMG is expected to attend the UGC special meeting with the opportunity to make a statement and/or respond to appropriate questions from UGC stockholders at the UGC special meeting.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGERS

The following is a summary of the U.S. federal income tax consequences of the LMI merger and the UGC merger that are expected to be material to U.S. holders and non-U.S. holders (each as defined below) of LMI common stock and UGC common stock, subject to the limitations below. This summary is limited to the U.S. federal income tax consequences of the mergers and does not purport to be a complete technical analysis or listing of all potential tax consequences that may be relevant to holders of LMI common stock or UGC common stock. It is not intended to be, nor should it be construed as being, legal or tax advice. For this reason, holders of LMI common stock and UGC common stock should consult their own tax advisors concerning the tax consequences of the mergers. Further, this summary does not address any tax consequences arising under the income or other tax laws of any state, local or foreign jurisdiction or any tax treaties.

This summary is based upon the Internal Revenue Code of 1986, as amended (referred to as the Code), the applicable regulations of the U.S. Treasury Department, and publicly available judicial and administrative rulings and decisions, all as in effect on the date of this joint proxy statement/ prospectus, any of which may change, possibly retroactively. Any changes could affect the continuing validity of this summary.

For purposes of this summary, the term U.S. holder means a beneficial owner of shares of LMI common stock or UGC common stock, as applicable, who is:

- an individual who is a citizen of the United States or who is resident in the United States for U.S. federal income tax purposes;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;
- a trust, if either (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

For purposes of this summary, the term non-U.S. holder means a beneficial owner of shares of LMI common stock or UGC common stock, as applicable, that is not treated as a partnership for U.S. federal income tax purposes, and that is not a U.S. holder. For purposes of this summary, an entity that is classified as a partnership for U.S. federal income tax purposes is neither a U.S. holder nor a non-U.S. holder. The U.S. federal income tax treatment of a partnership and its partners depends upon a variety of factors, including the activities of the partnership and the partners. Holders of LMI common stock or UGC common stock that are partnerships for U.S. federal income tax purposes, and partners in any such partnership, should consult their tax advisors concerning the U.S. federal income tax consequences of the mergers.

This summary assumes that LMI stockholders and UGC stockholders hold their shares of LMI common stock and UGC common stock, respectively, as capital assets within the meaning of Section 1221 of the Code at the effective time of the mergers. Further, this summary does not address all aspects of U.S. federal income taxation that may be relevant to LMI stockholders or UGC stockholders in light of their particular circumstances or that may be applicable to them if they are subject to special treatment under the U.S. federal income tax laws, including if an LMI stockholder or UGC stockholder is:

- a financial institution or thrift;
- a tax-exempt organization;
- an S corporation or other pass-through entity or an owner thereof;
- an entity taxable as a partnership for U.S. federal income tax purposes or an owner thereof;

an insurance company;

a mutual fund;

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a dealer in stocks and securities or foreign currencies;

a trader or an investor in LMI common stock or UGC common stock who elects the mark-to-market method of accounting for such stock;

a stockholder who received LMI common stock or UGC common stock from the exercise of employee stock options, from an employee stock purchase plan or otherwise as compensation;

a stockholder who received LMI common stock or UGC common stock from a tax-qualified retirement plan, individual retirement account or other qualified savings account;

a U.S. holder that has a functional currency other than the U.S. dollar;

an expatriate or former long-term resident of the United States; or

a stockholder who holds LMI common stock or UGC common stock as part of a hedge against currency risk, straddle or a constructive sale or conversion transaction or other risk reduction or integrated investment transaction.

Further, this summary does not address the U.S. federal income tax consequences to any holder that actually or constructively owns both LMI common stock and UGC common stock, or to any holder of options or warrants to purchase LMI, UGC or Liberty Global common stock.

This summary does not address tax consequences that may vary with, or are contingent upon, individual circumstances, including without limitation alternative minimum tax consequences, and does not address tax consequences to persons who exercise appraisal rights. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the mergers. Tax matters are very complicated, and the tax consequences of the mergers to LMI stockholders and UGC stockholders will depend upon the facts of the individual stockholder s particular situation. Accordingly, LMI stockholders and UGC stockholders are strongly urged to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences of the mergers.

Tax Opinions

It is a non-waivable condition of the LMI merger that LMI receive an opinion from Baker Botts L.L.P., counsel to LMI, or another nationally recognized law firm, dated the closing date, to the effect that, for U.S. federal income tax purposes:

the LMI merger will qualify as a reorganization within the meaning of Section 368(a) of the Code;

no gain or loss will be recognized by Liberty Global, LMI, any wholly owned subsidiary of LMI that owns shares of UGC common stock, or UGC as a result of the LMI merger or the UGC merger; and

no gain or loss will be recognized by the stockholders of LMI with respect to shares of LMI common stock converted solely into Liberty Global common stock as a result of the LMI merger.

It is a non-waivable condition of the UGC merger that UGC receive an opinion from a nationally recognized law firm, dated the closing date, to the effect that, for U.S. federal income tax purposes:

when viewed as a collective whole with the LMI merger, the conversion of shares of UGC common stock into shares of Liberty Global Series A common stock that is effected pursuant to the UGC merger will qualify as an exchange within the meaning of Section 351 of the Code;

no gain or loss will be recognized by Liberty Global or UGC as a result of the UGC merger; and

no gain or loss will be recognized by the stockholders of UGC with respect to shares of UGC common stock converted solely into Liberty Global Series A common stock pursuant to the UGC merger.

The merger agreement does not require that these opinions, which will be provided by Baker Botts L.L.P. and Holme Roberts & Owen LLP, address all of the material U.S. federal income tax consequences relating to the mergers.

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These opinions will be based upon factual representations and covenants, including those contained in letters provided by Liberty Global, LMI, UGC and/or others, and upon specified assumptions, and will assume that the mergers will be completed according to the terms of the merger agreement and that there will be no material changes in existing facts or in law. Any inaccuracy or change in the representations, covenants or assumptions upon which the opinions are based could alter the conclusions reached in the opinions.

The opinions to be delivered by Baker Botts L.L.P. and by Holme Roberts & Owen LLP will neither bind the Internal Revenue Service nor preclude the Internal Revenue Service from challenging the conclusions set forth therein, nor preclude a court from adopting a contrary position. Neither Liberty Global, LMI nor UGC intends to obtain a ruling from the Internal Revenue Service regarding the tax consequences of the mergers.

U.S. Federal Income Tax Consequences of the LMI Merger

LMI has received the opinion of Baker Botts L.L.P. that the discussion under this heading, U.S. Federal Income Tax Consequences of the LMI Merger, is the opinion of Baker Botts L.L.P. with respect to the U.S. federal income tax consequences of the LMI merger that are expected to be material to U.S. holders and non-U.S. holders of LMI common stock. This opinion is subject to the qualifications, assumptions and limitations referenced and summarized above under the heading Material United States Federal Income Tax Consequences of the Mergers, and those summarized below under this heading, and is conditioned upon the accuracy of the representations, covenants and assumptions upon which the opinion is based. The opinion of Baker Botts L.L.P. concerning this discussion will not be binding upon the Internal Revenue Service or a court, and there can be no assurance that the Internal Revenue Service or a court will not take a contrary position. The opinion is included as an exhibit to the registration statement on Form S-4 of Liberty Global being filed in connection with the mergers. This discussion assumes that the opinion of Baker Botts L.L.P., described above under Tax Opinions, will be delivered to LMI on the closing date of the LMI merger and that the representations, covenants, and assumptions upon which such opinion is based will be accurate. Any inaccuracy in any of the representations, covenants and assumptions upon which either of the opinions of Baker Botts L.L.P. are based could alter the conclusions described below under this heading, U.S. Federal Income Tax Consequences of the LMI Merger.

U.S. Federal Income Tax Consequences to LMI

LMI will not recognize gain or loss as a result of the LMI merger.

U.S. Federal Income Tax Consequences to U.S. Holders and Non-U.S. Holders of LMI Common Stock

U.S. holders and non-U.S. holders of LMI common stock will not recognize gain or loss as a result of the receipt of Liberty Global common stock in the LMI merger in exchange for their LMI common stock. The aggregate tax basis of the Liberty Global common stock received by an LMI stockholder will be equal to the LMI stockholder s aggregate tax basis of the LMI common stock surrendered, and the holding period of the Liberty Global common stock received by an LMI stockholder will include the LMI stockholder s holding period of the LMI common stock surrendered. Holders of LMI common stock will be required to file with their U.S. federal income tax return for the taxable year in which the LMI merger occurs a statement setting forth certain facts relating to the LMI merger, including their tax basis in the shares of LMI common stock exchanged in the LMI merger and the number of shares of Liberty Global common stock received in the LMI merger. Holders of LMI common stock must also keep a permanent record of such facts relating to the exchange of their LMI common stock for Liberty Global common stock pursuant to LMI merger.

U.S. Federal Income Tax Consequences of the UGC Merger

UGC has received the opinion of Holme Roberts & Owen LLP that the discussion under this heading, U.S. Federal Income Tax Consequences of the UGC Merger, is the opinion of Holme Roberts & Owen LLP with respect to the U.S. federal income tax consequences of the UGC merger that are expected to be material to U.S. holders and non-U.S. holders of UGC common stock. This opinion is subject to the

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qualifications, assumptions and limitations referenced and summarized above under the heading Material United States Federal Income Tax Consequences of the Mergers and those summarized below under this heading, and is conditioned upon the accuracy of the representations, covenants and assumptions upon which such opinion is based. The opinion of Holme Roberts & Owen LLP concerning this discussion will not be binding upon the Internal Revenue Service or a court, and there can be no assurance that the Internal Revenue Service or a court will not take a contrary position. The opinion is included as an exhibit to the registration statement on Form S-4 of Liberty Global being filed in connection with the mergers. This discussion assumes that the opinion of Holme Roberts & Owen LLP, described above under Tax Opinions, will be delivered to UGC on the closing date of the UGC merger and that the representations, covenants, and assumptions upon which such opinion is based will be accurate. Any inaccuracy in any of the representations, covenants and assumptions upon which either of the opinions of Holme Roberts & Owen LLP are based could alter the conclusions described below under this heading, U.S. Federal Income Tax Consequences of the UGC Merger.

U.S. Federal Income Tax Consequences to UGC

UGC will not recognize gain or loss as a result of the UGC merger.

U.S. Federal Income Tax Consequences to U.S. Holders of UGC Common Stock

U.S. Holders of UGC Common Stock Who Receive Only Liberty Global Common Stock (and Cash for Fractional Shares) in the UGC Merger. A U.S. holder of UGC common stock who receives solely Liberty Global common stock in exchange for UGC common stock surrendered in the UGC merger (and, as applicable, cash for fractional shares) will not recognize gain or loss as a result of the receipt of Liberty Global common stock, except to the extent that cash is received instead of fractional shares. The aggregate tax basis of the Liberty Global common stock received by a UGC stockholder will be equal to the UGC stockholder s aggregate tax basis of the UGC common stock surrendered, excluding the tax basis allocated to fractional shares, and the holding period of the Liberty Global common stock received by a UGC stockholder will include the UGC stockholder s holding period of the UGC common stock surrendered. If a UGC stockholder receives cash instead of fractional shares, the UGC stockholder will be treated as recognizing capital gain or loss equal to the difference between the amount of cash received with respect to the fractional shares and the ratable portion of the UGC stockholder s tax basis in the UGC common stock which is surrendered in the UGC merger and which is allocated to such fractional shares. Any capital gain or loss will be long-term capital gain or loss if the UGC stockholder s holding period in such UGC common stock is more than one year as of the closing date of the UGC merger. For non-corporate U.S. holders, long-term capital gain generally will be taxed at a maximum U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limits.

U.S. Holders of UGC Common Stock Who Receive Cash and Liberty Global Common Stock in the UGC Merger. A U.S. holder of UGC common stock who receives a combination of Liberty Global common stock and cash in exchange for UGC common stock surrendered in the UGC merger will recognize capital gain, but not capital loss, realized in the UGC merger (subject to the discussion below under Possible Dividend Treatment). The amount of capital gain recognized by the U.S. holder of UGC common stock generally will be calculated separately for each block of UGC common stock surrendered (i.e., shares of UGC common stock that have the same tax basis and holding period) and will be equal to the lesser of:

- the amount of gain realized in respect of such block, i.e., the excess (if any) of (x) the sum of the amount of cash and the fair market value of the Liberty Global common stock received that is allocable to such block of UGC common stock surrendered in the UGC merger over (y) the tax basis of such block; and

- the amount of cash that is allocable to such block.

For this purpose, the cash and the Liberty Global common stock received by a UGC stockholder generally will be allocated among the blocks of UGC common stock surrendered in the UGC merger proportionately based upon the fair market values of such blocks of UGC common stock. Because no loss will be recognized, a UGC

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stockholder will not be able to offset gain recognized on one block of UGC common stock by loss attributable to another block. The capital gain, if any, attributable to a block of UGC common stock will be long-term capital gain if the UGC stockholder s holding period in the block of UGC common stock is more than one year as of the closing date of the UGC merger. For non-corporate U.S. holders, long-term capital gain generally will be taxed at a maximum U.S. federal income tax rate of 15%.

The aggregate tax basis of the Liberty Global common stock received by a U.S. holder of UGC common stock in the UGC merger will be equal to the UGC stockholder s aggregate tax basis in the UGC common stock surrendered, decreased by the amount of cash received by the UGC stockholder and increased by the amount of gain recognized by the UGC stockholder in connection with the UGC merger. A UGC stockholder s holding period for the Liberty Global common stock received in exchange for UGC common stock will include the holding period for the UGC common stock surrendered. U.S. holders of multiple blocks of UGC common stock are urged to consult their tax advisors concerning the determination of the tax basis and holding period for the Liberty Global common stock received in the UGC merger.

U.S. Holders of UGC Common Stock Who Receive Only Cash in the UGC Merger. A U.S. holder of UGC common stock who receives solely cash in exchange for the holder s UGC common stock surrendered in the UGC merger will recognize capital gain or loss equal to the difference between the amount of cash received by the UGC stockholder and the holder s tax basis of the UGC common stock surrendered (subject to the discussion below under Possible Dividend Treatment). Gain or loss must be calculated separately for each block of UGC common stock (i.e., shares of UGC common stock that have the same tax basis and holding period). Such gain or loss will be long-term capital gain or loss if the UGC stockholder s holding period in such UGC common stock is more than one year as of the closing date of the UGC merger. For non-corporate U.S. holders, long-term capital gain generally will be taxed at a maximum U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limits.

Possible Dividend Treatment. It is possible that cash received in the UGC merger as a result of a cash election could be subject to taxation under the rules of Section 304 of the Code. If Section 304 were to apply, holders of UGC common stock who receive both Liberty Global common stock and cash pursuant to a cash election in the UGC merger would be treated as having exchanged a portion of their UGC common stock for Liberty Global common stock in a tax-free exchange under Section 351(a) of the Code (to the extent that they receive Liberty Global common stock in the UGC merger), and as having exchanged the remaining portion of their shares of UGC common stock for cash. The cash received would be treated as a distribution that, depending upon the circumstances of the holder of the UGC common stock and the earnings and profits of Liberty Global and UGC, would be taxable either as a dividend or as a payment received in exchange for the UGC common stock. There is some uncertainty about whether Section 304 applies in the circumstances of the UGC merger because its application depends upon the determination of certain factual matters relating to the actual and constructive ownership by the UGC stockholders (other than LMI and its wholly owned subsidiaries) of the stock of UGC immediately prior to the completion of the UGC merger and to the actual and constructive ownership by the UGC stockholders (other than LMI and its wholly owned subsidiaries) of the stock of Liberty Global immediately following the completion of the mergers. Based upon information currently available, we cannot provide any assurance that the rules of Section 304 will not apply to a UGC stockholder who makes a cash election. If Section 304 were to apply, and if the cash were taxable as a dividend (generally taxable at a maximum rate of 15% for U.S. federal income tax purposes), the U.S. holder of the UGC common stock would not be able to reduce the amount taxable by the amount of the U.S. holder s tax basis allocable to the portion of the shares of UGC common stock exchanged for cash. Dividend treatment would generally not apply to holders of UGC common stock (i) that receive solely cash in exchange for their UGC common stock and that do not actually or constructively own any stock of Liberty Global or UGC (under specified attribution rules) after giving effect to the UGC merger, or (ii) that receive solely Liberty Global common stock in exchange for their UGC common stock.

Reporting Requirements. Holders of UGC common stock will be required to file with their U.S. federal income tax return for the taxable year in which the UGC merger occurs a statement setting forth certain facts relating to the UGC merger, including their tax basis in the shares of UGC common stock exchanged in the UGC merger and the number of shares of Liberty Global common stock and the amount of cash received in

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the UGC merger. Holders of UGC common stock must also keep a permanent record of such facts relating to the exchange of their UGC common stock for Liberty Global common stock and/or cash pursuant to UGC merger.

U.S. Federal Income Tax Consequences to Non-U.S. Holders of UGC Common Stock

Scope of Discussion With Respect to Non-U.S. Holders. As previously stated, this summary does not address the U.S. federal income tax consequences to stockholders that are subject to special rules. With respect to a UGC stockholder who is a non-U.S. holder, this summary also does not apply to (1) a UGC stockholder that holds its UGC common stock in connection with a trade or business conducted in the United States or in connection with an office or fixed place of business located in the United States; or (2) a UGC stockholder that is affected by the provisions of an income tax treaty to which the United States is a party. This summary also does not address currency exchange issues. **Any non-U.S. holder that may be subject to any of these tax rules is urged to consult his or her own tax advisor to determine the tax consequences to him or her of the UGC merger.**

The tax consequences to non-U.S. holders of UGC common stock could be materially different if UGC or Liberty Global are or have previously been a U.S. real property holding corporation as of the closing date of the UGC merger, and certain exemptions do not apply. We do not believe that UGC or Liberty Global will be or will have previously been a U.S. real property holding corporation as of the closing date of the UGC merger, and therefore, such tax consequences are not discussed below.

Non-U.S. Holders of UGC Common Stock Who Receive Only Liberty Global Common Stock (and Cash for Fractional Shares) in the UGC Merger. A non-U.S. holder of UGC common stock that receives only Liberty Global common stock (and, as applicable, cash for fractional shares) in exchange for UGC common stock surrendered in the UGC merger will not be subject to U.S. federal income or withholding tax, except with respect to any cash received instead of fractional shares. A non-U.S. holder of UGC common stock generally will not be subject to U.S. federal income or withholding tax with respect to cash received instead of fractional shares unless such UGC stockholder is an individual that is present in the United States for 183 days or more in the taxable year of the UGC merger and certain other conditions are met.

Non-U.S. Holders of UGC Common Stock Who Elect to Receive Cash. A non-U.S. holder of UGC common stock that receives either a combination of Liberty Global common stock and cash in the UGC merger, or solely cash in the UGC merger will not be subject to U.S. federal income tax with respect to any shares of Liberty Global common stock or cash received in the UGC merger unless either (i) such non-U.S. holder is an individual that is present in the United States for 183 days or more in the taxable year of UGC merger and certain other conditions are met or (ii) the cash received in the UGC merger is taxable as a dividend as described above under U.S. Federal Income Tax Consequences to U.S. Holders of UGC Common Stock Possible Dividend Treatment.

If a non-U.S. holder of UGC common stock is an individual that is present in the United States for 183 days or more in the taxable year of UGC merger, and if certain other conditions are met, such non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% (unless otherwise reduced by treaty) on all or part of the gain attributable to the UGC common stock. For a non-U.S. holder of UGC common stock who receives both Liberty Global common stock and cash in the UGC merger, the gain subject to tax will be calculated as described under U.S. Federal Income Tax Consequences to U.S. Holders of UGC Common Stock U.S. Holders of UGC Common Stock Who Receive Cash and Liberty Global Common Stock in the UGC Merger. For a non-U.S. holder of UGC common stock who receives only cash in the UGC merger, the gain subject to tax will be calculated as described under U.S. Federal Income Tax Consequences to U.S. Holders of UGC Common Stock U.S. Holders of UGC Common Stock Who Receive Only Cash in the UGC Merger.

If the receipt of cash is taxable as a dividend, a non-U.S. holder of UGC common stock will be subject to U.S. federal income tax at a rate of 30%, unless the tax rate is reduced by treaty. In addition, to ensure payment of the income tax, Liberty Global or any exchange agent is required to withhold tax at a rate of 30% (or a lower rate as may be specified by treaty) on dividend payments to non-U.S. holders. Amounts withheld

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are creditable against the U.S. federal income taxes owing by non-U.S. holders. Taxes that have been withheld are not refundable by Liberty Global or the exchange agent, although the taxpayer may be able to claim a refund from the Internal Revenue Service if the amounts withheld exceed the tax due. **Due to the uncertainties about whether all or any portion of the cash payments will be taxable as a dividend, Liberty Global or the exchange agent expects to withhold tax at the required rate on all payments of cash to non-U.S. holders of UGC common stock (other than payments for fractional shares).**

Backup Withholding and Information Reporting

In general, information reporting requirements will apply with respect to cash received pursuant to a cash election or in lieu of fractional shares by a U.S. holder in connection with the UGC merger. **Due to the uncertainty about the application of Section 304 of the Code, Liberty Global expects to report cash payments made to UGC stockholders pursuant to a cash election as a dividend to the extent that Liberty Global or UGC has current or accumulated earnings and profits.** This information reporting obligation, however, does not apply with respect to certain U.S. holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a U.S. holder subject to the reporting requirements fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service that it has failed to properly report payments of interest and dividends, a backup withholding tax (at a rate that is currently 28%) generally will be imposed on the amount of the cash received pursuant to a cash election or in lieu of fractional shares. A U.S. holder may generally credit any amounts withheld under the backup withholding provisions against its U.S. federal income tax liability, and, as a result, may entitle the U.S. holder to a refund, provided the required information is furnished to the Internal Revenue Service. Such amounts, once withheld, are not refundable by Liberty Global or the exchange agent.

In general, information and backup withholding will apply with respect to cash received by a non-U.S. holder in connection with the UGC merger unless the non-U.S. holder certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

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THE TRANSACTION AGREEMENTS

Merger Agreement

The following is a summary of the material terms of the merger agreement. This summary may not contain all of the information that is important to you. It is qualified in its entirety by reference to the merger agreement, a copy of which is included as Appendix B and is incorporated herein by reference. You should read the merger agreement because it, and not this document, is the legal document that governs the terms of the mergers and will give you a more complete understanding of the mergers.

Structure of the Mergers

To effect the combination of LMI and UGC, a new company, Liberty Global, Inc. was formed with two wholly owned subsidiaries, Cheetah Acquisition Corp., which we refer to as LMI Merger Sub, and Tiger Global Acquisition Corp., which we refer to as UGC Merger Sub. At the effective time of the mergers:

LMI Merger Sub will merge with and into LMI, and LMI will be the surviving corporation in that merger; and

UGC Merger Sub will merge with and into UGC, and UGC will be the surviving corporation in that merger.

As a result of the mergers described above and the conversion and exchange of securities described below, LMI will become a direct wholly owned subsidiary of Liberty Global and UGC will become an indirect wholly owned subsidiary of Liberty Global. Following the mergers, Liberty Global will own directly 46.5% of the common stock of UGC and indirectly through Liberty Global s wholly owned subsidiary LMI 53.5% of the common stock of UGC (based upon outstanding UGC share information as of February 28, 2005). See Conversion of Outstanding Shares of Common Stock of LMI and UGC below.

Effective Time of the Mergers and Timing of Closing

LMI and UGC will file certificates of merger with the Delaware Secretary of State on the second business day after the day on which the last condition to completing the merger is satisfied or, where permissible, waived or at such other time as LMI and UGC may agree. The LMI merger and the UGC merger will become effective at the time and on the date on which those documents are filed, or later if the parties so agree and specify in those documents, provided that the LMI merger and the UGC merger will become effective at the same time. The time that the LMI merger and the UGC merger become effective is referred to as the effective time of the mergers.

We cannot assure you when, or if, all the conditions to completion of the mergers will be satisfied or, where permissible, waived. See Conditions to Completion of the Mergers. The parties intend to complete the mergers as promptly as practicable, subject to receipt of the requisite approvals of the LMI stockholders and the UGC stockholders to the merger proposal.

Conversion of Outstanding Shares of Common Stock of LMI and UGC

LMI. At the effective time of the LMI merger:

each share of LMI Series A common stock issued and outstanding immediately prior to the effective time of the mergers will be converted into the right to receive one share of Liberty Global Series A common stock;

each share of LMI Series B common stock issued and outstanding immediately prior to the effective time of the mergers will be converted into the right to receive one share of Liberty Global Series B common stock; and

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each share of common stock of LMI Merger Sub issued and outstanding immediately prior to the effective time of the mergers will be converted into one share of common stock of LMI as the surviving corporation in the LMI merger.

UGC. At the effective time of the UGC merger:

each share of UGC common stock (other than shares of UGC common stock held by LMI or any of its wholly owned subsidiaries) will be converted into the right to receive 0.2155 of a share of Liberty Global Series A common stock plus cash in lieu of any fractional shares, *unless* the holder thereof has validly made and not validly revoked an election to have such share of UGC common stock converted into $9.58 in cash, subject to certain limitations described in UGC Stockholders Making Stock and Cash Elections; Proration below;

each share of UGC common stock held by LMI or any of its wholly owned subsidiaries will be converted into the right to receive one share of the same class of common stock of UGC; and

the issued and outstanding shares of common stock of UGC Merger Sub will be converted into a number of shares of each class of common stock of UGC, as the surviving corporation in the UGC merger, that is identical to the number of shares of the same class of UGC common stock that are converted into the right to receive Liberty Global Series A common stock and/or cash in the UGC merger.

For information on how holders of UGC common stock can elect to receive Liberty Global Series A common stock and/or cash in the UGC merger, see UGC Stockholders Making Stock and Cash Elections; Proration below.

The rights pertaining to Liberty Global common stock will be the same in all material respects as the rights pertaining to LMI common stock, because the restated certificate of incorporation and bylaws of Liberty Global in effect immediately after the completion of the mergers will be substantially similar to the current restated certificate of incorporation and bylaws of LMI. For a description of Liberty Global s common stock, see Description of Liberty Global Capital Stock, and for a description of the comparative rights of holders of LMI common stock, UGC common stock and Liberty Global common stock, see Comparison of the Rights of Stockholders of LMI, UGC and Liberty Global.

If, before the effective time of the mergers, the outstanding shares of LMI common stock and/or UGC common stock are changed into a different number of shares as a result of a stock split, stock dividend or other reclassification or exchange, an appropriate adjustment will be made to the consideration to be received in the mergers to provide the holders of LMI and UGC common stock the same economic effect as contemplated by the merger agreement.

UGC Stockholders Making Stock and Cash Elections; Proration

UGC stockholders are receiving a form of election with this joint proxy statement/ prospectus for making cash and stock elections. Any UGC stockholder who became a UGC stockholder after the record date for the UGC special meeting, or who did not otherwise receive a form of election, should contact the exchange agent to obtain a form of election. UGC stockholders who vote against the merger proposal are still entitled to make elections with respect to their shares. The form of election allows holders of UGC common stock to make cash or stock elections for some or all of their shares of UGC common stock. If a holder or the holder s affiliates are the registered holders of shares of UGC common stock represented by more than one certificate or held in more than one account, the holder may also specify on the form of election how to allocate cash consideration, if any, among those shares of UGC common stock. **Shares of UGC common stock as to which the holder has not made a valid election prior to the election deadline, including as a result of revocation, will be treated as though the holder made an election to receive the stock consideration for all shares with respect to which no valid election was made prior to the election deadline.**

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LMI stockholders do not need to make an election since each outstanding share of LMI common stock will be converted into one share of the corresponding series of Liberty Global common stock, with no cash option available.

The U.S. federal income tax consequences of the UGC merger to each UGC stockholder will depend upon whether the UGC stockholder receives cash or stock of Liberty Global, or a combination of cash and stock, in exchange for his or her shares of UGC common stock. However, at the time that a UGC stockholder is required to make a cash or stock election, the UGC stockholder will not know if, and to what extent, the proration procedures described below will change the mix of consideration that he or she will receive in the UGC merger. As a result of the proration, among other reasons, at the time that a UGC stockholder is required to make a cash or stock election, the UGC stockholder will not know the tax consequences to him or her with certainty. For more information regarding the tax consequences of the UGC merger to the UGC stockholders, please see Material United States Federal Income Tax Consequences of the Mergers U.S. Federal Income Tax Consequences of the UGC Merger.

Exchange Agent. EquiServe Trust Company N.A. will serve as the exchange agent for purposes of effecting the election and proration procedures.

Election Deadline. The election deadline will be 5:00 p.m., New York City time, on [ ] 2005. If the completion of the mergers is anticipated to occur more than four business days after [ ], 2005, LMI and UGC will publicly announce, by issuing a press release to the Dow Jones News Service by 9:00 a.m. on the business day immediately following the initial election deadline, the anticipated effective date of the mergers, which will not be earlier than the fourth business day after the date of the press release. The new election deadline will be 5:00 p.m., New York City time, on the second business day preceding the anticipated effective date of the mergers.

Form of Election. The form of election must be properly completed and signed and accompanied by certificates representing all of the shares of UGC common stock covered by the form of election, duly endorsed in blank or otherwise in a form acceptable for transfer on UGC s books (or appropriate evidence as to the loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification, as described in the form of election).

In order to make a cash or stock election, the properly completed and signed form of election, together with the UGC stock certificates, must be actually received by the exchange agent at or prior to the election deadline in accordance with the instructions in the form of election.

If shares of UGC common stock are held in street name, to make an election the beneficial owner should contact his or her broker, bank or other nominee and follow their instructions as to how to make their election.

Inability to Sell Shares as to which an Election is Made. Stockholders who have made elections will be unable to sell their shares of UGC common stock after making the election, unless the election is properly revoked before the election deadline or the merger agreement is terminated.

Election Revocation and Changes. Generally, an election may be revoked or changed with respect to all or a portion of the shares of UGC common stock covered by the election by the holder who submitted the applicable form of election, but only by written notice received by the exchange agent prior to the election deadline. If an election is validly revoked, or the merger agreement is terminated, the exchange agent will promptly return the related stock certificates (or book-entry shares) to the stockholder who submitted them. UGC stockholders will not be entitled to revoke or change their elections following the election deadline. As a result, UGC stockholders who have made elections will be unable to revoke their elections or sell their shares of UGC common stock during the interval between the election deadline and the date of completion of the mergers.

Shares of UGC common stock as to which the holder has not made a valid election prior to the election deadline, including as a result of revocation, will be deemed non-electing shares. If it is determined that any purported cash election or stock election was not properly made, the purported election will be deemed to be

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of no force or effect and the holder making the purported election will be deemed not to have made an election for these purposes, unless a proper election is subsequently made on a timely basis.

Non-Electing Holders. UGC stockholders who make no election to receive cash consideration or stock consideration in the UGC merger, whose elections are not received by the exchange agent by the election deadline, or whose forms of election are improperly completed or are not signed or not accompanied by the shares of UGC common stock to which they relate will be deemed not to have made an election. UGC stockholders not making an election in respect of their shares of UGC common stock will be deemed to have made an election to receive only Liberty Global common stock, and not to receive any cash (other than cash in lieu of fractional shares), for the shares of UGC common stock held by such stockholder.

Proration Procedures. UGC stockholders should be aware that cash elections they make may be subject to the proration procedures provided in the merger agreement. Regardless of the cash or stock elections made by UGC stockholders, these procedures are designed to ensure that the total cash consideration paid (exclusive of cash paid for fractional shares) represents no more than 20% of the aggregate value of the merger consideration payable to UGC stockholders (other than those stockholders who are Permitted Holders under UGC s indenture with respect to the UGC convertible notes). Accordingly, the proration procedures described below will be triggered if the number of shares of UGC common stock as to which a valid cash election is made and not revoked exceeds a number we refer to as the UGC share threshold number. Under the merger agreement, the UGC share threshold number is equal to (rounded down to the nearest whole number):

Last sales price of a share of LMI Series A common stock on the trading day immediately prior to the effective time of the mergers	×	0.2155	×	Outstanding shares of UGC Class A stock (other than shares held by Permitted Holders) immediately prior to the effective time of the mergers

38.32	+	(	Last sales price of a share of LMI Series A common stock on the trading day immediately prior to the effective time of the mergers	×	0.2155	)

If the total number of shares of UGC common stock as to which cash elections are validly made and not validly revoked is greater then the UGC share threshold number, then each UGC stockholder who validly made and did not validly revoke a cash election will be entitled to receive $9.58 in cash per share with respect to that number of shares of UGC common stock equal to (rounded down to the nearest whole number):

Number of shares of UGC common stock held by such stockholder as to which a cash election is validly made and not validly revoked	×	UGC share threshold number Total number of shares of UGC common stock as to which cash elections are validly made and not validly revoked.

The remaining number of such UGC stockholder s shares as to which such stockholder validly makes and does not validly revoke a cash election will be converted, on a per share basis, into the right to receive 0.2155 of a share of Liberty Global Series A common stock.

By way of illustration, assume that the last sales price of a share of LMI Series A common stock on the day immediately prior to the closing date is $44.11, the number of outstanding shares of UGC Class A common stock (other than shares held by Permitted Holders) is 363,056,129 (based upon currently available share information for UGC) and the number of shares of UGC common stock as to which a valid cash election is made and not revoked is 100,000,000, which exceeds the UGC share threshold number of 72,160,033.

In this example, if you own 500 shares of UGC common stock and make a valid cash election with respect to all of those shares, then you would receive $3,448.80 in cash for 360 of your shares of UGC common stock and 30 shares of

Liberty Global Series A common stock for your remaining shares of UGC common stock (plus cash in lieu of any fractional share interest).

Each UGC stockholder who properly elected, or was deemed to have elected, to receive the stock consideration will receive 0.2155 of a share of Liberty Global Series A common stock for each share of UGC common stock with respect to which such election was made or deemed to have been made, plus cash in lieu of any fractional share interest.

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None of Liberty Global, LMI or UGC is making any recommendation as to whether UGC stockholders should elect to receive cash consideration or stock consideration in the UGC merger. UGC stockholders must make their own decision with respect to such election.

No guarantee can be made that a UGC stockholder will receive the amount of cash consideration it elects. As a result of the proration procedures, UGC stockholders may receive cash consideration in amounts that are different from the amounts they elect to receive. Because the value of the stock consideration and cash consideration may differ, UGC stockholders may receive consideration having an aggregate value less than what they elected to receive.

Conversion of Shares; Exchange of Certificates; Dividends; Withholding

Conversion and Exchange of Shares. The conversion of LMI shares and shares of UGC common stock into the right to receive the applicable merger consideration will occur automatically at the effective time of the mergers. The exchange agent will, as soon as reasonably practicable after the effective time of the mergers, exchange certificates (or book-entry shares) representing shares of LMI and UGC common stock for the applicable merger consideration to be received in the mergers pursuant to the terms of the merger agreement.

Letter of Transmittal. Promptly after the completion of the mergers, the exchange agent will send a letter of transmittal to those persons who were record holders of shares of LMI common stock at the effective time of the LMI merger and record holders of shares of UGC common stock at the effective time of the UGC merger who have not previously submitted a form of election (or validly revoked their form of election and did not resubmit a form of election by the election deadline) or have not properly surrendered shares of UGC common stock to the exchange agent. This mailing will contain instructions on how to surrender shares of LMI common stock and shares of UGC common stock in exchange for the applicable merger consideration the holder is entitled to receive under the merger agreement. When you deliver your LMI stock certificates or UGC stock certificates to the exchange agent along with a properly executed letter of transmittal and any other required documents, your stock certificates will be canceled.

Except for UGC stockholders who submit their UGC stock certificates with the form of election to the exchange agent, do not submit your LMI or UGC shares for exchange until you receive the transmittal instructions and letter of transmittal from the exchange agent.

If a certificate for LMI common stock or UGC common stock has been lost, stolen or destroyed, the exchange agent will issue the applicable merger consideration properly payable under the merger agreement upon compliance by the applicable stockholder with the replacement requirements established by the exchange agent.

Fractional Shares. You will not receive fractional shares of Liberty Global common stock in connection with the UGC merger. Instead, each holder of shares of UGC common stock exchanged in the UGC merger who would otherwise have received a fraction of a share of Liberty Global common stock will receive cash in an amount determined by multiplying the fractional interest to which such holder would otherwise be entitled by the closing price for a share of LMI Series A common stock as reported on the Nasdaq National Market on the last trading day immediately preceding the effective time of the mergers. Because each share of LMI common stock is being exchanged for a share of the corresponding series of Liberty Global common stock on a one-for-one basis, no fractional shares will arise as a result of that exchange.

Dividends and Distributions. Until LMI shares or UGC shares are surrendered for exchange, any dividends or other distributions declared after the effective time of the mergers with respect to shares of Liberty Global common stock into which shares of LMI common stock or shares of UGC common stock may have been converted will accrue but will not be paid. Liberty Global will pay to former LMI stockholders and UGC stockholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their LMI shares or UGC shares. After the effective time of the mergers, there will be no transfers on the stock transfer books of LMI or UGC of any shares of LMI common stock or shares of UGC common stock, respectively. If LMI shares or UGC shares are presented for transfer after the completion of

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the mergers, they will be cancelled and exchanged for the applicable merger consideration into which such shares have been converted pursuant to the merger agreement.

Withholding. Liberty Global and the exchange agent will be entitled to deduct and withhold from the merger consideration payable to any LMI stockholder or UGC stockholder the amounts it is required to deduct and withhold under the Code or any provision of any state, local or foreign tax law. If Liberty Global or the exchange agent withholds any amounts, these amounts will be treated for all purposes as having been paid to the stockholders from whom they were withheld. See Material United States Federal Income Tax Consequences of the Mergers.

Treatment of Stock Options and Other Awards

LMI Stock Options and Other Awards. Each outstanding option to purchase shares of LMI common stock will be converted into an option to purchase the same number of shares of the corresponding series of Liberty Global common stock at an exercise price per share equal to the exercise price per share of the LMI common stock subject to the option immediately prior to the effective time of the mergers and will continue to be governed by its applicable terms. Each outstanding stock appreciation right, if any, with respect to shares of any series of LMI common stock outstanding immediately prior to the effective time of the mergers will be converted into a stock appreciation right with respect to the same number of shares of the corresponding series of Liberty Global common stock as such converted LMI stock appreciation right, at an exercise price or base price per stock appreciation right equal to the exercise or base price of such converted LMI stock appreciation right immediately prior to the effective time of the mergers. In addition, each outstanding restricted share of LMI common stock outstanding immediately prior to the effective time of the mergers will be converted into one restricted share of the corresponding series of Liberty Global common stock, and will remain subject to the same restrictions applicable to such restricted share of LMI common stock as in effect immediately prior to the effective time of the mergers.

UGC Stock Options and Other Awards. Each outstanding option to purchase shares of UGC common stock will be converted into an option to purchase the number of shares of Liberty Global Series A common stock determined by multiplying the number of UGC common shares subject to the option immediately prior to the effective time of the mergers by 0.2155 and rounding the resulting number down to the nearest whole number. The exercise price per share of UGC common stock for each of the converted UGC options will be the exercise price per share of UGC common stock applicable to that option immediately prior to the effective time of the mergers divided by 0.2155, rounded up to the nearest whole cent. The UGC converted options will generally have the same terms and conditions as were applicable under the UGC option plan pursuant to which such option was granted. Each outstanding stock appreciation right with respect to shares of UGC common stock immediately prior to the effective time of the mergers will be converted into a stock appreciation right with respect to that number of shares of Liberty Global Series A common stock equal to the number of shares of UGC common stock that were subject to such converted UGC stock appreciation right immediately prior to the effective time of the mergers multiplied by 0.2155, rounded down to the nearest whole number. The exercise or base price per stock appreciation right of the related converted UGC stock appreciation right will be equal to:

- in the case of a UGC stock appreciation right issued in tandem with, and at the same base or exercise price as, a UGC option, the base or exercise price per share of the related converted UGC option; and

- in the case of a free standing UGC stock appreciation right or a UGC stock appreciation right issued in tandem with, and at a different base or exercise price as, a UGC option, the amount determined by dividing the base or exercise price per share of such UGC stock appreciation right immediately prior to the effective time of the mergers by 0.2155, rounded up to the nearest whole cent.

In addition, each outstanding restricted share of UGC common stock will be converted into 0.2155 of a restricted share of Liberty Global Series A common stock, with the total number of shares for each holder rounded down to the nearest whole number, and will remain subject to the same restrictions applicable to such restricted share of UGC common stock as in effect immediately prior to the effective time of the mergers.

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Conditions to Completion of the Mergers

Conditions to Each Company s Obligation to Effect the Mergers. The obligations of LMI and UGC to complete the mergers are subject to the satisfaction or, if applicable, waiver of the following conditions:

- the approval by LMI stockholders and UGC stockholders, respectively, of the merger agreement and the LMI merger and UGC merger, respectively;

- the approval of the merger agreement and the UGC merger by the holders of a majority of the aggregate voting power of the outstanding shares of UGC common stock entitled to vote at the UGC special meeting, exclusive of any shares of UGC common stock beneficially owned by LMI, Liberty or any of their respective subsidiaries or any of the executive officers or directors of LMI, Liberty or UGC, which condition we refer to as the minority approval and which condition is non-waivable;

- the declaration of effectiveness of the registration statement of Liberty Global of which this document is a part by the Securities and Exchange Commission and the absence of any stop order or proceedings seeking a stop order or suspension of effectiveness with respect to the registration statement;

- the absence of any order, injunction, statute, rule or regulation prohibiting the consummation of the mergers or making such consummation illegal, or permitting such consummation subject to any condition that would have a material adverse effect on UGC or LMI or the ability of either UGC or LMI to consummate the mergers;

- the receipt by LMI and Liberty Global of a written opinion of Skadden, Arps, Slate, Meagher & Flom LLP or another nationally recognized law firm that, for U.S. federal income tax purposes, provided that the spin off of LMI by Liberty would otherwise have qualified as a tax-free distribution under Section 355 of the Code, the mergers should not cause such spin off to fail to qualify as a tax-free distribution to Liberty under Section 355(e) of the Code, which condition is non-waivable;

- the approval for listing on the Nasdaq National Market of the shares of Liberty Global common stock to be issued in the mergers, subject only to official notice of issuance; and

- all authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any governmental entity necessary for the completion of the mergers having been filed, expired or been obtained, other than those where the failure to so file, expire or obtain would not be reasonably likely to have a material adverse effect on LMI or UGC or the ability of either LMI or UGC to consummate the mergers.

Additional Conditions to Each Company s Obligations. The obligations of each of LMI and UGC to complete the mergers are subject to the following additional conditions, unless waived by the other party:

- the performance by the other party in all material respects of its agreements and covenants contained in the merger agreement required to be performed at or before the effective time of the mergers;

- as a condition to LMI s obligations, UGC s representations and warranties contained in the merger agreement must:
  - if specifically qualified by reference to a material adverse effect on UGC or UGC s ability to complete the mergers, be true and correct, and

  - if not so qualified, be true and correct except where the failure to be so true and correct would not have a material adverse effect on UGC or UGC s ability to complete the mergers, except for UGC s representations and warranties relating to its capitalization, which must be true and correct in all material respects,

  in each case, on the closing date (except to the extent any such representations or warranties speak only as of a specified earlier date, in which case, as of that earlier date);

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as a condition to UGC s obligations, LMI s representations and warranties contained in the merger agreement must:

if specifically qualified by reference to a material adverse effect on LMI or LMI s ability to complete the mergers, be true and correct, and

if not so qualified, be true and correct except where the failure to be so true and correct would not have a material adverse effect on LMI or LMI s ability to complete the mergers, except for:

LMI s representations and warranties relating to its capitalization, which must be true and correct in all material respects, and

LMI s representation and warranty that, except as disclosed in its Exchange Act filings prior to January 17, 2005, since September 30, 2004 there has not been a material adverse change in the business, properties, operations or financial condition of LMI s Japanese businesses, taken as a whole, other than any such change arising out of or resulting from (1) general business or economic conditions in Japan or from general changes in or affecting the industries in which LMI s Japanese businesses operate (except to the extent any such change has a disproportionate impact on LMI s Japanese businesses), (2) any changes in applicable generally accepted accounting principles that affect generally entities such as the Japanese businesses or (3) the conduct of, or failure to conduct or successfully complete, any public offering of shares by any of the Japanese businesses, which must be true and correct in all respects,

in each case, on the closing date (except to the extent any such representations or warranties speak only as of a specified earlier date, in which case, as of that earlier date);

as a condition to LMI s obligations, there being no action taken, statute, rule, regulation, order, judgment or decree proposed, enacted, promulgated, entered, issued, enforced or deemed applicable by any governmental entity that imposes or is reasonably likely to result in the imposition of material limitations on the ability of Liberty Global to effectively exercise full rights of ownership of the shares of LMI and UGC after the effective time of the mergers or makes the holding by Liberty Global of such shares illegal; and

the receipt of a written opinion of Baker Botts L.L.P. or another nationally recognized law firm, in the case of LMI, to the effect that the LMI merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and of a nationally recognized law firm, in the case of UGC, to the effect that, when integrated with the LMI merger, the conversion of shares of UGC common stock into shares of Liberty Global Series A common stock that is effected pursuant to the UGC merger will qualify as an exchange within the meaning of Section 351 of the Code, which condition is non-waivable by either party. Holme Roberts & Owen LLP is delivering this opinion to UGC.

In the merger agreement, the phrase material adverse effect on LMI or UGC means a material adverse effect on the business, properties, operations or financial condition of such entity and its subsidiaries, taken as a whole, other than any effect arising out of or resulting from:

any change in the trading prices of, in the case of LMI, the LMI Series A common stock and, in the case of UGC, UGC Class A common stock;

any changes in generally accepted accounting principles that affect entities such as LMI and UGC, as applicable;

general business or economic conditions or from general changes in or affecting the industries in areas in which LMI and its subsidiaries or UGC and its subsidiaries, respectively, operate, except to the extent that any such change has a disproportionate impact on LMI or UGC, respectively; or

the announcement of the merger agreement or the consummation of the mergers.

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In the case of UGC, no material adverse effect can arise or result from any matter approved after the execution of the merger agreement that is an approved matter. When we refer to an approved matter, we mean any matter expressly approved by (1) the UGC board, provided that all of the directors of UGC who are also executive officers of LMI did not cast their votes against the approval of such matter, or (2) the executive committee of the UGC board, provided that at least one member of the executive committee of the UGC board is also an executive officer of LMI and all members of the executive committee who are also executive officers of LMI did not vote against such matter.

Termination

The merger agreement may be terminated and the mergers may be abandoned at any time prior to the effective time of the mergers by:

- the mutual consent of UGC (with the approval of the Special Committee) and LMI;
- either UGC (with the approval of the Special Committee) or LMI, if the mergers have not been consummated before September 30, 2005, unless the party seeking to terminate the agreement failed to fulfill its obligations in the merger agreement and such failure resulted in the mergers having not occurred by such date;
- either UGC (with the approval of the Special Committee) or LMI, if the other party has breached any representation, warranty, covenant or agreement contained in the merger agreement, such that the conditions to the non-breaching party s obligation to consummate the mergers cannot be satisfied;
- either UGC (with the approval of the Special Committee) or LMI, if any order, decree or ruling that permanently restrains, enjoins or prohibits the mergers has been issued and becomes final and non-appealable;
- LMI, if the board of directors of UGC (with the approval of the Special Committee) has withdrawn or modified in any manner adverse to LMI its recommendation to the UGC stockholders; or
- either UGC (with the approval of the Special Committee) or LMI, if any of the stockholder approvals, which consist of the LMI stockholder approval, the UGC statutory approval and the UGC minority approval, has not been obtained at the applicable stockholders meeting.

In addition, had UGC not filed its Annual Report on Form 10-K with the Securities and Exchange Commission by May 15, 2005, LMI would have had the right to terminate the merger agreement (subject to certain exceptions). UGC filed this report on March 14, 2005.

Neither LMI nor UGC will be entitled to a termination fee upon any termination of the merger agreement.

Covenants

Conduct of UGC Business Pending the Merger. Under the merger agreement, UGC agreed that, prior to the completion of the mergers, UGC would, and would cause its subsidiaries (1) to, conduct its business in the ordinary and usual course of its business and consistent with past practices, (2) to submit to a vote of its board of directors (or executive committee thereof) or other governing body any matter of a nature or in an amount that, consistent with past practices or existing board or other governing body policies, would have been required, or would have been expected, to be submitted to such a vote prior to the date of the merger agreement, and (3) not to take specified actions, except that UGC is permitted to take any action:

- that is permitted, required or specifically contemplated by the merger agreement;
- as to approved matters;
- as to matters contemplated in the most recent budget approved by the board of directors of UGC, provided that such budget is itself an approved matter; and
- that is required by applicable law.

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Subject to these exceptions, UGC agreed, and agreed to cause its subsidiaries, not to take the following specified actions:

amend its certificate of incorporation or bylaws or other governing instrument or document;

authorize for issuance, issue, grant, sell, deliver, dispose of, pledge or otherwise encumber any shares of its capital stock or any securities or rights convertible into, exchangeable for, or evidencing the right to subscribe for any shares of its capital stock or other equity or voting interests, or any rights, options, warrants, calls, commitments or other agreements of any character to purchase or acquire any shares of its capital stock or other equity or voting interests, or any securities or rights convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of its capital stock or other equity or voting interests, subject to certain specified exceptions;

split, combine, subdivide or reclassify the outstanding shares of its capital stock or other equity or voting interests, or declare, set aside for payment or pay any dividend, or make any other actual constructive or deemed distribution in respect of any shares of its capital stock or other equity or voting interests, or otherwise make any payments to stockholders or owners of equity or voting interests in their capacity as such (other than dividends or distributions paid by any wholly owned subsidiary of UGC to UGC or another wholly owned subsidiary);

redeem, purchase or otherwise acquire, directly or indirectly, any outstanding shares of capital stock or other securities or equity or voting interests of UGC or any subsidiary of UGC;

make any other changes in its capital or ownership structure;

sell or grant a lien or restriction with respect to any stock, equity or partnership interest owned by it in any subsidiary of UGC;

enter into new employment agreements with, or increase compensation of, (a) any officer or director of UGC or (b) any member of senior executive management of any subsidiary of UGC whose annual income exceeds $100,000 per annum, other than in the case of (b), as required by written agreements in effect on the date of the merger agreement;

establish, amend or modify any of its employee benefit plans, except in the ordinary course of business, consistent with past practice and to the extent not material, and except to the extent required by applicable law or the existing terms of the plans or the provisions of the merger agreement;

make any capital expenditures that individually or in the aggregate are in excess of the amount provided for capital expenditures in the most recent capital budget for UGC and its subsidiaries approved by the board of directors of UGC, provided that such budget is itself an approved matter;

incur any material amount of indebtedness or guarantee any material amount of indebtedness other than in the ordinary course of business, provided that UGC may renew, extend or refinance existing indebtedness if there is no increase in interest rate or principal amount of indebtedness pursuant to such renewal, extension or refinancing;

acquire or agree to acquire in any manner any business or any corporation or otherwise acquire any assets that are material to UGC other than in the ordinary course of business;

make any material change in any accounting, financial reporting or tax practice or policy;

take any action that would reasonably be expected to result in any of the conditions to the mergers not to be satisfied; and

authorize or enter into any contract, agreement, commitment or arrangement to effect any of the foregoing.

No Solicitation. In addition, UGC has agreed that it will not, and it will not knowingly permit its officers, directors, representatives and agents to, directly or indirectly, (1) take any action to solicit, initiate or knowingly encourage the submission of any offer or proposal concerning a tender offer, exchange offer, merger,

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share exchange, recapitalization, consolidation or other similar business combination, or a direct or indirect acquisition in any manner of a significant equity interest in, or a substantial portion of the assets of, UGC (each, an acquisition proposal) or (2) engage in discussions or negotiations with any person to facilitate an acquisition proposal. However, UGC may engage in discussions or negotiations with, and furnish nonpublic information or access to, any person in response to an unsolicited acquisition proposal, if (A) it has complied, prior to such response, with the foregoing non-solicitation covenant and (B) the UGC board determines in good faith after consultation with counsel that it is necessary to do so in order to discharge its fiduciary duties under applicable law. UGC must notify LMI of, and keep it informed of any material developments with respect to, any acquisition proposal.

Conduct of LMI Pending the Mergers. In the merger agreement, LMI agreed that, during the period before completion of the mergers, it would not declare, make or pay any dividend or distribution in respect of its capital stock (other than in shares of LMI common stock) or take any other action that would reasonably be expected to result in any of the conditions to the mergers not being fulfilled.

Additional Covenants. Each of LMI and UGC agreed to duly call, give notice of, convene and hold, as soon as reasonably practicable after the date of the merger agreement, a meeting of such entity s stockholders for the purpose of considering and voting upon the merger agreement, and, at such meeting, each of the board of directors of LMI and UGC will, except as required by the fiduciary duties of such board, recommend to its stockholders the approval of the merger agreement and the applicable merger.

In the merger agreement, LMI and UGC agreed to use their commercially reasonable efforts to take all action and to do all things necessary, proper or advisable under applicable laws to consummate the mergers, including the use of commercially reasonable efforts to, among other things:

- prepare and file with the Securities and Exchange Commission this joint proxy statement/ prospectus, the registration statement of which it is a part and the required Schedule 13E-3 transaction statement and seek to have such filings cleared and/or declared effective, as applicable, by the Securities and Exchange Commission as soon as reasonably practicable after filing;

- cause the shares of Liberty Global common stock issuable in the mergers (and the shares of Liberty Global common stock reserved for issuance with respect to LMI and UGC options, stock appreciation rights and restricted stock) to be eligible for quotation on the Nasdaq National Market prior to the effective time of the mergers;

- cause any injunctions or restraining orders to be lifted; and

- obtain all necessary or appropriate consents, waivers or approvals of third parties or any governmental entity in connection with the mergers.

UGC and LMI agreed that, after the effective time of the mergers, each of them will indemnify its present and former directors and officers, and any person serving at the request of UGC or LMI, as applicable, as a director or officer of another entity, against all liabilities incurred by any such person in his or her capacity as a director or officer in connection with any action arising out of the fact that such person was a director or officer of UGC or LMI, as applicable, and pertaining to any matter existing at or prior to the effective time of the mergers, to the same extent as such persons are currently indemnified by UGC or LMI, as applicable. In addition, the merger agreement provides that all rights to indemnification or advancement of expenses currently existing in the organizational documents of UGC or LMI in favor of such officers and directors and persons serving at the request of UGC or LMI, as applicable, as a director or officer of another entity, will continue in force for no less than six years following January 17, 2005, the date on which the merger agreement was signed.

LMI, which beneficially owns shares of UGC common stock representing approximately 91% of the aggregate voting power of UGC, as of February 28, 2005, agreed to vote, and to cause its subsidiaries to vote, such shares in favor of the approval of the merger agreement and the UGC merger.

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Representations and Warranties

The merger agreement contains customary and substantially reciprocal representations and warranties by each of LMI and UGC relating to, among other things:

- corporate organization and qualification;
- authorization and validity of the merger agreement, absence of conflicts and board approval of the merger agreement;
- capital structure;
- documents filed with the Securities and Exchange Commission and financial statements included in those documents;
- information supplied in connection with this joint proxy statement/ prospectus, the registration statement of which it is a part and the Schedule 13E-3 transaction statement;
- absence of material breaches of organizational documents, laws or agreements as a result of the mergers;
- absence of certain changes or events since September 30, 2004;
- legal proceedings;
- compliance with applicable laws;
- tax and employee matters;
- brokers and finders;
- opinions of financial advisors; and
- the stockholder vote required.

At the date of this joint proxy statement/ prospectus, each of LMI and UGC believes that the commencement of the class action lawsuits described under Special Factors Class Action Lawsuits Relating to the UGC Merger will not result in the inability of LMI or UGC to bring down, as of the closing date, its representations and warranties relating to legal proceedings contained in the merger agreement, because the lawsuits are not reasonably anticipated to have a material adverse effect, as such term is defined in the merger agreement, on LMI or UGC or on the ability of either of them to consummate the mergers.

Amendment, Extension and Waiver

LMI and UGC may amend the merger agreement by action taken or authorized by their respective boards of directors (in the case of UGC, with the approval of the Special Committee), at any time before or after the approval of the merger agreement and the applicable merger by the stockholders of LMI or UGC. After the stockholder approvals, no amendment may be made which by law requires further approval by those stockholders, unless LMI and/or UGC obtain that further approval. All amendments to the merger agreement must be in writing signed by all of the parties thereto.

Fees and Expenses

Whether or not the mergers are completed, all costs and expenses incurred in connection with the merger agreement and the mergers will be paid by the party incurring the expense, except that all expenses and fees incurred in connection with the printing and mailing of this joint proxy statement/ prospectus, the registration statement of which it is a part and the Schedule 13E-3 transaction statement will be shared equally by LMI and UGC.

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Voting Agreement

The following is a summary of the material terms of the voting agreement. This summary may not contain all of the information that is important to you. It is qualified in its entirety by reference to the voting agreement, a copy of which is included as Appendix C and is incorporated herein by reference.

The Special Committee made it a condition to UGC s execution of the merger agreement, and the board of directors of LMI requested, that John C. Malone enter into a voting agreement pursuant to which he would agree to vote certain of his shares of LMI common stock in favor of the merger agreement and the LMI merger. Accordingly, concurrently with the execution of the merger agreement, Mr. Malone entered into the voting agreement, dated as of January 17, 2005, with UGC, pursuant to which Mr. Malone agreed to vote the shares of LMI Series A common stock and LMI Series B common stock over which he possesses sole voting power, and, subject to his fiduciary duties as trustee, the shares of LMI Series A common stock and LMI Series B common stock held in two separate trusts of which Mr. Malone serves as the sole trustee, in favor of the adoption by LMI of the merger agreement and the approval of the LMI merger at any meeting of LMI stockholders at which the merger agreement and the LMI merger are submitted for a vote of LMI stockholders (or pursuant to written consent). The voting agreement also covers shares of LMI common stock acquired by Mr. Malone (including upon exercise of stock options) after January 17, 2005.

The voting agreement restricts Mr. Malone s ability to transfer any of the shares owned by him or any options to purchase shares, unless, among other things, he retains the right to vote such shares or the applicable transferee enters into an agreement with UGC having the same obligations and restrictions as the voting agreement. The voting agreement also provides that Mr. Malone will not grant any proxies or power of attorney or enter into a voting agreement or other arrangement relating to the matters covered by the voting agreement with respect to any of these shares or options to acquire such shares or deposit any of these shares or options to acquire such shares into a voting trust.

The Voting Agreement will terminate upon the first to occur of the closing of the transactions contemplated by the merger agreement and the termination of the merger agreement in accordance with its terms.

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MANAGEMENT OF LIBERTY GLOBAL

Executive Officers and Directors

The following table sets forth certain information concerning the persons who have agreed to serve as Liberty Global s executive officers and directors immediately following the mergers, including a five year employment history and any directorships held in public companies:

Name	Positions
John C. Malone Born March 7, 1941	Chairman of the Board and a director of Liberty Global. Mr. Malone has served as President, Chief Executive Officer, Chairman of the Board and a director of LMI since March 2004. Mr. Malone has served as a director of UGC and its predecessors since November 1999. Mr. Malone has served as Chairman of the Board of Liberty since 1990. Mr. Malone served as Chairman of the Board and a director of Liberty Satellite & Technology, Inc. from December 1996 to August 2000. Mr. Malone also served as Chairman of the Board of Tele-Communications, Inc., the former parent company of Liberty (TCI), from November 1996 to March 1999 and as Chief Executive Officer of TCI from January 1994 to March 1999. Mr. Malone is also a director of The Bank of New York, Cablevision Systems Corporation and Liberty.
Michael T. Fries Born February 6, 1963	Chief Executive Officer, President and a director of Liberty Global. Mr. Fries has served as Chief Executive Officer of UGC since January 2004. Mr. Fries has served as a director of UGC and its predecessors since November 1999 and as President of UGC and its predecessors since September 1998. He also served as Chief Operating Officer of UGC and its predecessors from September 1998 to January 2004. In addition, he serves or has served as an officer and/or director of various direct and indirect subsidiaries and affiliates of UGC, including as a member of the UPC Supervisory Board from September 1998 until September 2003 and as Chairman thereof from February 1999 until September 2003, a member of the Priority Telecom Supervisory Board since November 2000 and as Chairman thereof since March 2003 and as a director of Austar United Communications Limited since June 1999. He served as Chairman of Austar United from June 1999 to April 2003. Mr. Fries has been with UGC and its predecessors since 1990.
John P. Cole, Jr Born January 12, 1930	A director of Liberty Global. Mr. Cole has served as a director of UGC and its predecessors since March 1998. Mr. Cole served as a member of the UPC Supervisory Board from February 1999 to September 2003. Mr. Cole is a founder of the Washington, D.C. law firm of Cole, Raywid and Braverman, which specializes in all aspects of telecommunications and media law.
John W. Dick Born January 9, 1938	A director of Liberty Global. Mr. Dick has served as a director of UGC since March 2003. Mr. Dick served as a member of the UPC Supervisory Board from May 2001 to September 2003 and as a director of UGC Europe from September 2003 to January 2004. He is the non-executive Chairman and a director of Hooper Industries Group, a privately held U.K. group consisting of: Hooper and Co (Coachbuilders) Ltd. (building special/bodied Rolls Royce and Bentley motorcars) and Hooper Industries (China) (providing industrial products and components to Europe and the

U.S.). Until 2002, Hooper Industries Group also held Metrocab UK (manufacturing London taxicabs) and Moscab (a joint venture with the Moscow city government, producing left-hand drive Metrocabs for Russia). Mr. Dick has held his positions with Hooper Industries Group since 1984. Mr. Dick is also a director of Austar United.

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Name	Positions
Paul A. Gould Born September 27, 1945	A director of Liberty Global. Mr. Gould has served as a director of UGC since January 2004. Mr. Gould has served as Managing Director of Allen & Company L.L.C., an investment banking services company, and has been associated with Allen & Company and its affiliates for more than the last five years. Mr. Gould is also a director of Ampco-Pittsburgh Corporation and Liberty.
David E. Rapley Born June 22, 1941	A director of Liberty Global. Mr. Rapley has served as a director of LMI since May 2004. Mr. Rapley served as Executive Vice President Engineering of VECO Corp. Alaska from January 1998 to December 2001. Mr. Rapley is also a director of Liberty.
Larry E. Romrell Born December 30, 1939	A director of Liberty Global. Mr. Romrell has served as a director of LMI since May 2004. Mr. Romrell served as an Executive Vice President of TCI from January 1994 to March 1999. Mr. Romrell also served, from December 1997 to March 1999, as Executive Vice President and Chief Executive Officer of TCI Business Alliance and Technology Co.; and from December 1997 to March 1999, as Senior Vice President of TCI Ventures Group. Mr. Romrell is also a director of Liberty.
Gene W. Schneider Born September 8, 1926	A director of Liberty Global. Mr. Schneider has served as Chairman of the Board of UGC and its predecessors since 1989. Mr. Schneider also served as Chief Executive Officer of UGC and its predecessors from 1995 to January 2004. Mr. Schneider has served as an officer and/or director of various direct and indirect subsidiaries of UGC. In addition, from 1995 until 1999, Mr. Schneider served as a member of the UPC Supervisory Board, and an advisor to the Supervisory Board of UPC from 1999 until September 2003. Mr. Schneider has been with UGC and its predecessors since 1989. Mr. Schneider is also a director of Austar United.
J.C. Sparkman Born September 12, 1932	A director of Liberty Global. Mr. Sparkman has served as a director of LMI since November 2004. Mr. Sparkman served as the Chairman of the Board of Broadband Services, Inc. from September 1999 through December 2003. Mr. Sparkman is also a director of Shaw Communications Inc. and Universal Electronics, Inc.
J. David Wargo Born October 1, 1953	A director of Liberty Global. Mr. Wargo has served as a director of LMI since May 2004. Mr. Wargo has served as the President of Wargo & Company, Inc., a private investment company specializing in the communications industry, since January 1993. Mr. Wargo is also a director of OpenTV Corp. and Strayer Education, Inc.

The executive officers named above will serve in such capacities until the first annual meeting of our board of directors, or until their respective successors have been duly elected and have been qualified, or until their earlier death, resignation, disqualification or removal from office. There is no family relationship between any of the directors, by blood, marriage or adoption.

During the past five years, none of the above persons was convicted in a criminal proceeding (excluding traffic violation or similar misdemeanors) or was a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Involvement in Certain Proceedings

Except as stated below, during the past five years, none of the above persons has had any involvement in such legal proceedings as would be material to an evaluation of his or her ability or integrity.

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On March 29, 2002, United Australia/Pacific, Inc. (UAP), then a subsidiary of UGC, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States District Court for the Southern District of New York. UAP s reorganization closed on June 27, 2003, and UAP has since dissolved. Until February 11, 2002, Mr. Fries was a director and the President of UAP and, until November 14, 2001, Mr. Schneider was a director and Chief Executive Officer of UAP.

On December 3, 2002, United Pan-Europe Communications N.V. (UPC), now a subsidiary of UGC Europe, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, together with a pre-negotiated plan of reorganization, in the United States District Court of the Southern District of New York. In conjunction with such filing, also on December 3, 2002, UPC commenced a moratorium of payments in The Netherlands under Dutch bankruptcy law with the filing of a proposed plan of compulsory composition or the Akkoord with the Amsterdam Court (Rechtbank) under the Dutch Faillissementswet. These actions were completed on September 3, 2003, when UGC Europe acquired more than 99% of the stock of, and became a successor issuer to UPC. Messrs. Fries, Cole and Dick were Supervisory Directors of UPC and Mr. Schneider was an advisor to UPC s Supervisory Board.

On January 12, 2004, UGC s predecessor (Old UGC), filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. On November 10, 2004, the U.S. Bankruptcy Court confirmed Old UGC s plan of reorganization and Old UGC emerged from the Chapter 11 proceedings on November 18, 2004. Until August 2003, Mr. Fries was the President of Old UGC, and Mr. Schneider was a director and Chief Executive Officer of Old UGC.

Board Composition

The board of directors of Liberty Global will initially consist of ten directors, divided among three classes. Liberty Global s Class I directors, whose term will expire at the annual meeting of its stockholders in 2006, are Gene W. Schneider, John P. Cole, Jr. and David E. Rapley. Liberty Global s Class II directors, whose term will expire at the annual meeting of its stockholders in 2007, are J. David Wargo, J.C. Sparkman and John W. Dick. Liberty Global s Class III directors, whose term will expire at the annual meeting of its stockholders in 2008, are John C. Malone, Paul A. Gould, Michael T. Fries and Larry Romrell. At each annual meeting of Liberty Global stockholders, the successors of that class of directors whose term(s) expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of Liberty Global stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective death, resignation or removal and until their respective successors are elected and qualified.

Executive Compensation

Liberty Global has not yet paid any compensation to any of its executive officers or any person expected to become an executive officer of Liberty Global. The form and amount of the compensation to be paid to each of Liberty Global s executive officers in any future period will be determined by the compensation committee of Liberty Global s board of directors.

For information concerning the compensation paid to the Chief Executive Officer of LMI and the four most highly compensated executive officers of LMI during the year ended December 31, 2004, see Management of LMI Executive Compensation.

For information concerning the compensation paid to, and any employment agreements with, the Chief Executive Officer of UGC and the four most highly compensated executive officers of UGC for the year ended December 31, 2004, see Item 11. Executive Compensation in UGC s Annual Report on Form 10-K for the year ended December 31, 2004, which has been incorporated by reference in this joint proxy statement/ prospectus.

Compensation of Directors

In accordance with existing practice of LMI and UGC, it is expected that directors of Liberty Global who are also employees of Liberty Global will receive no additional compensation for their services as directors. Each

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non-employee director of Liberty Global will receive compensation for services as a director of Liberty Global and, if applicable, for services as a member of any board committee, as will be determined by Liberty Global s board of directors.

For information concerning the compensation policy for directors of LMI, see Management of LMI Director Compensation.

For information concerning the compensation policy for directors of UGC, see UGC s Annual Report on Form 10-K for the year ended December 31, 2004, which has been incorporated by reference in this joint proxy statement/ prospectus.

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MANAGEMENT OF LMI

Executive Officers and Directors

The name and present principal occupation of each executive officer and director of LMI is set forth below. Unless otherwise noted, the business address for each person listed below is c/o Liberty Media International, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112. To the knowledge of LMI, all executive officers listed below are United States citizens, except for Miranda Curtis, who is a citizen of the United Kingdom.

Name	Positions
John C. Malone Born March 7, 1941	President, Chief Executive Officer, Chairman of the Board and a director of LMI since March 2004. Mr. Malone has served as Chairman of the Board of Liberty since 1990. Mr. Malone served as Chairman of the Board and a director of Liberty Satellite & Technology, Inc. from December 1996 to August 2000. Mr. Malone also served as Chairman of the Board of TCI from November 1996 to March 1999 and as Chief Executive Officer of TCI from January 1994 to March 1999. Mr. Malone is also a director of The Bank of New York, Cablevision Systems Corporation, Liberty and UGC
Miranda Curtis Born November 26, 1955	Senior Vice President of LMI and President of its Asia division since March 2004. Ms. Curtis has served as a Senior Vice President of LMI s subsidiary, Liberty Media International Holdings, LLC (Old LMINT), since June 2004, and she served as President of Old LMINT and its predecessors from February 1999 to June 2004
Bernard G. Dvorak Born April 19, 1960	Senior Vice President and Controller of LMI since March 2004. Mr. Dvorak served as Senior Vice President, Chief Financial Officer and Treasurer of On Command Corporation, a subsidiary of Liberty, from July 2002 until May 17, 2004. Mr. Dvorak was the Chief Executive Officer and a member of the board of directors of Formus Communications, Inc., a provider of fixed wireless services in Europe, from September 2000 until June 2002, and, from April 1999 until September 2000, he served as Chief Financial Officer of Formus. Mr. Dvorak is a director of UGC
Graham Hollis Born January 9, 1952	Senior Vice President and Treasurer of LMI and Executive Vice President of its Asia division since March 2004. Mr. Hollis has served as a Senior Vice President of Old LMINT since June 2004, and he served as Executive Vice President and Chief Financial Officer of Old LMINT and its predecessors from May 1995 to June 2004
David B. Koff Born December 26, 1958	Senior Vice President of LMI and President of its Europe division since March 2004. Mr. Koff served as a Senior Vice President of Liberty from February 1998 through May 2004. Mr. Koff is a director of UGC
David J. Leonard Born March 28, 1953	Senior Vice President of LMI and President of its Latin America division since March 2004. Mr. Leonard served as the President of Liberty s Latin America Group, a subgroup of Liberty s International Group, from January 2004 through June 2004. From May 2002 through December 2003, Mr. Leonard was the founder and managing director of VLG Acquisition Corp., which owned interests in selected telecommunications companies in Latin America. From 1998 to 2002, Mr. Leonard was the founder, president and Chief Executive Officer of VeloCom Inc., a competitive local exchange carrier which provided wireless communications services throughout Brazil and Argentina

Elizabeth M. Markowski Born October 26, 1948	Senior Vice President, General Counsel and Secretary of LMI since March 2004. Ms. Markowski served as a Senior Vice President of Liberty from November 2000 through December 2004. Prior to joining Liberty, Ms. Markowski was a partner in the law firm of Baker Botts L.L.P. for more than five years

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Name	Positions
Robert R. Bennett Born April 19, 1958 *c/o Liberty Media Corporation* *12300 Liberty Boulevard* *Englewood, Colorado 80112*	A director of LMI and Vice-Chairman of the Board since March 2004. Mr. Bennett has served as President and Chief Executive Officer of Liberty since April 1997, and he held various other executive positions with Liberty since its inception in 1990. Mr. Bennett served as Executive Vice President of TCI from April 1997 to March 1999. Mr. Bennett is also a director of Liberty, OpenTV Corp. and UGC
Donne F. Fisher Born May 24, 1938 *Fisher Capital Partners, Ltd.* *5619 DTC Parkway,* *Suite 1150* *Greenwood Village,* *Colorado 80111*	A director of LMI since May 2004. Mr. Fisher has served as President of Fisher Capital Partners, Ltd., a venture capital partnership, since December 1991. Mr. Fisher is also a director of General Communication, Inc., Liberty and Sorrento Networks Corporation
David E. Rapley Born June 22, 1941	A director of LMI since May 2004. Mr. Rapley served as Executive Vice President Engineering of VECO Corp. Alaska from January 1998 to December 2001. Mr. Rapley is also a director of Liberty
M. LaVoy Robison Born September 6, 1935 *The Anschutz Foundation* *1727 Tremont Place* *Denver, Colorado 80202*	A director of LMI since June 2004. Mr. Robison has served as an executive director and board member of The Anschutz Foundation (a private foundation) since January 1998. Mr. Robison is also a director of Liberty
Larry E. Romrell Born December 30, 1939	A director of LMI since May 2004. Mr. Romrell served as an Executive Vice President of TCI from January 1994 to March 1999. Mr. Romrell also served, from December 1997 to March 1999, as Executive Vice President and Chief Executive Officer of TCI Business Alliance and Technology Co.; and from December 1997 to March 1999, as Senior Vice President of TCI Ventures Group. Mr. Romrell is also a director of Liberty
J. C. Sparkman Born September 12, 1931	A director of LMI since November 2004. Mr. Sparkman served as the Chairman of the Board of Broadband Services, Inc. from September 1999 through December 2003. Mr. Sparkman is also a director of Shaw Communications Inc. and Universal Electronics, Inc.
J. David Wargo Born October 1, 1953 *Wargo & Company, Inc.* *712 Fifth Avenue* *New York, New York 10019*	A director of LMI since May 2004. Mr. Wargo has served as the President of Wargo & Company, Inc., a private investment company specializing in the communications industry, since January 1993. Mr. Wargo is also a director of OpenTV Corp. and Strayer Education, Inc.

There are no family relations among the above named individuals, by blood, marriage or adoption.

During the past five years, none of the above persons was convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or was party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Involvement in Certain Proceedings

Except as stated below, during the past five years, none of the above persons has had any involvement in such legal proceedings as would be material to an evaluation of his or her ability or integrity.

On March 28, 2001, an involuntary petition under Chapter 7 of the U.S. Bankruptcy Code was filed against Formus in the United States Bankruptcy Court for the District of Colorado. Mr. Dvorak was a director and the Chief Executive Officer of Formus from September 2000 until June 2002.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires LMI s executive officers and directors, and persons who own more than ten percent of a registered class of LMI s equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish LMI with copies of all Section 16 forms they file.

Based solely on a review of the copies of the Forms 3, 4 and 5 and amendments to those forms furnished to LMI with respect to LMI s most recent fiscal year, or written representations that no Forms 5 were required, LMI believes that, during the year ended December 31, 2004, all Section 16(a) filing requirements applicable to LMI s executive officers, directors and greater than ten-percent beneficial owners were complied with, except that one Form 4 on behalf of Larry Romrell was not timely filed.

Code of Business Conduct and Ethics

LMI has adopted a code of business conduct and ethics that applies to all of its employees, directors and officers. LMI s code of business conduct and ethics constitutes its code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act and is available on its website at *www.libertymediainternational.com.* In addition, LMI will provide a copy of its code of business conduct and ethics, free of charge, to any stockholder who calls or submits a request in writing to Investor Relations, Liberty Media International, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (800) 783-7676.

Committees of the Board of Directors

Executive Committee

LMI s board of directors has established an executive committee, whose members are Robert R. Bennett and John C. Malone. Except as specifically prohibited by the General Corporation Law of the State of Delaware or limited by LMI s board of directors, the executive committee may exercise all the powers and authority of LMI s board in the management of LMI s business and affairs, including the power and authority to authorize the issuance of shares of LMI capital stock.

Compensation Committee

LMI s board of directors has established a compensation committee, whose members are Donne F. Fisher, Larry E. Romrell and J. David Wargo. LMI s board of directors has determined that Messrs. Fisher, Romrell and Wargo are independent, as independence is defined in the rules of the Nasdaq Stock Market as well as the rules and regulations adopted by the SEC. The compensation committee reviews and makes recommendations to LMI s board regarding all forms of compensation provided to LMI s executive officers and directors. In addition, the compensation committee reviews and makes recommendations on bonus and stock compensation arrangements for all of LMI s employees and has sole responsibility for the administration of the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005).

Audit Committee

LMI s board of directors has established an audit committee, whose members are Donne F. Fisher, David E. Rapley, M. LaVoy Robison and J. David Wargo. LMI s board of directors has determined that Messrs. Fisher, Rapley, Robison and Wargo are independent, as independence for audit committee members is defined in the rules of the Nasdaq Stock Market as well as the rules and regulations adopted by the SEC. In addition, LMI s board of directors has determined that M. LaVoy Robison qualifies as an audit committee financial expert under applicable SEC rules and regulations.

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The audit committee reviews and monitors the corporate financial reporting and the internal and external audits of LMI. The committee s functions include:

- appointing and, if necessary, replacing LMI s independent auditors;
- reviewing and approving in advance the scope and the fees of all auditing services, and all permissible non-auditing services, to be performed for LMI by LMI s independent auditors;
- reviewing audited financial statements with LMI s management and LMI s independent auditors and making recommendations regarding inclusion of such audited financial statements in certain public filings of LMI;
- overseeing the performance of services by LMI s independent auditors, including holding quarterly meetings to review the quarterly reports of LMI s independent auditors, discussing with LMI s independent auditors issues regarding the ability of LMI s independent auditors to perform such services, obtaining, annually, a letter from LMI s independent auditors addressing certain internal quality-control issues, reviewing with LMI s independent auditors any audit-related problems or difficulties and the response of LMI s management, and addressing other general oversight issues;
- reviewing compliance with and the adequacy of LMI s existing major accounting and financial reporting policies;
- overseeing the implementation and maintenance of an internal audit function, discussing with LMI s independent auditors and LMI s management the internal audit function s responsibilities, budget and staff, periodically reviewing with LMI s independent auditors the results and findings of the internal audit function and coordinating with LMI s management to ensure that the issues associated with such results and findings are addressed;
- reviewing and overseeing compliance with, and establishing procedures for the treatment of alleged violations of, applicable securities laws, SEC and Nasdaq Stock Market rules regarding audit committees and the code of business conduct and ethics adopted by the LMI board; and
- preparing a report for LMI s annual proxy statement.

LMI s board of directors has adopted a written charter for the audit committee which is included as Appendix A: Information Concerning Liberty Media International, Inc. Part 6: Audit Committee Charter of Audit Committee of LMI Board of Directors to this joint proxy statement/ prospectus. The charter is also available on LMI s website at *www.libertymediainternational.com.* In addition, LMI will provide a copy of the charter, free of charge, to any stockholder who calls or submits a request in writing to Investor Relations, Liberty Media International, Inc. 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (800) 783-7676.

Audit Committee Report

The audit committee has reviewed and discussed LMI s most recent audited consolidated financial statements with management. The audit committee has also discussed with KPMG LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, including the auditors judgment about the quality of our accounting principles, as applied in our financial reporting.

The audit committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) that relates to the auditors independence from LMI and its subsidiaries, and has discussed with LMI s independent auditors their independence.

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Based on the reviews and discussions referred to above, the audit committee recommended to LMI s board of directors that the audited financial statements be included in LMI s Annual Report on Form 10-K for the year ended December 31, 2004, filed on March 14, 2005 with the SEC.

Submitted by the Members of the Audit Committee:

Donne F. Fisher
David E. Rapley
M. LaVoy Robison
J. David Wargo

Nominating and Corporate Governance Committee

LMI s board of directors has established a nominating and corporate governance committee, whose members are Donne F. Fisher, David E. Rapley, Larry E. Romrell and J. David Wargo. LMI s board of directors has determined that Messrs. Fisher, Rapley, Romrell and Wargo are independent, as independence is defined in the rules of the Nasdaq Stock Market as well as the rules and regulations adopted by the SEC. The nominating and corporate governance committee identifies and recommends as nominees to LMI s board of directors individuals qualified to become members of LMI s board, and reviews from time to time the corporate governance guidelines applicable to LMI and recommends to LMI s board such changes as it may deem appropriate. The nominating and corporate governance committee also oversees the evaluation of management of LMI and LMI s board of directors and makes recommendations, as appropriate.

The nominating and corporate governance committee will consider candidates for director recommended by any stockholder provided that such nominations are properly submitted. Eligible stockholders wishing to recommend a candidate for nomination as a director should send the recommendation in writing to the Nominating and Corporate Governance Committee, Liberty Media International, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112. Stockholder recommendations must be made in accordance with LMI s bylaws, as discussed under Additional Information Stockholder Proposals LMI below, and contain the following information:

- the proposing stockholder s name and address and documentation indicating the number of shares of LMI common stock beneficially owned by such person and the holder or holders of record of those shares, together with a statement that the proposing stockholder is recommending a candidate for nomination as a director;
- the candidate s name, age, business and residence addresses, principal occupation or employment, business experience, educational background and any other information relevant in light of the factors considered by the nominating and corporate governance committee in making a determination of a candidate s qualifications, as described below;
- a statement detailing any relationship, arrangement or understanding that might affect the independence of the candidate as a member of LMI s board;
- any other information that would be required under SEC rules in a proxy statement soliciting proxies for the election of such candidate as a director;
- a representation as to whether the proposing stockholder intends to deliver any proxy materials or otherwise solicit proxies in support of the director nominee;
- a representation that the proposing stockholder intends to appear in person or by proxy at the annual stockholders meeting at which the person named in such notice is to stand for election; and
- a signed consent of the candidate to serve as a director, if nominated and elected.

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In connection with its evaluation, the nominating and corporate governance committee may request additional information from the proposing stockholder and the candidate. The nominating and corporate governance committee has sole discretion to decide which individuals to recommend for nomination as directors.

To be nominated to serve as a director, a nominee need not meet any specific, minimum criteria; however, the nominating and corporate governance committee believes that nominees for director should possess the highest personal and professional ethics, integrity, values and judgment and should be committed to the long-term interests of LMI stockholders. When evaluating a potential director nominee, including one recommended by a stockholder, the nominating and corporate governance committee will take into account a number of factors, including, but not limited to, the following:

independence from management;

education and professional background;

judgment, skill, integrity and reputation;

existing commitments to other businesses as a director, executive or owner;

personal conflicts of interest, if any; and

the size and composition of the existing board of directors.

When seeking candidates for director, the nominating and corporate governance committee may solicit suggestions from incumbent directors, management, stockholders and others. After conducting an initial evaluation of a prospective nominee, the nominating and corporate governance committee will interview that candidate if it believes the candidate might be suitable to be a director. The nominating and corporate governance committee may also ask the candidate to meet with management. If the nominating and corporate governance committee believes a candidate would be a valuable addition to the board of directors, it may recommend to LMI s full board that candidate s appointment or election.

Prior to nominating an incumbent director for re-election at an annual meeting of stockholders, the nominating and corporate governance committee will consider the director s past attendance at, and participation in, meetings of the board of directors and its committees and the director s formal and informal contributions to the various activities conducted by the board and the board committees of which such individual is a member. Messrs. Rapley and Romrell, who are nominated for re-election at the LMI annual meeting, were approved for nomination by the nominating and corporate governance committee.

LMI s board of directors has adopted a written charter for the nominating and corporate governance committee. LMI s board has also adopted corporate governance guidelines and, as an annex thereto, criteria for director independence. The criteria for director independence consists of categorical standards to be used in determining which of LMI s directors qualify as independent for purposes of the Nasdaq Stock Market rules as well as applicable rules and regulations adopted by the SEC. This charter and the corporate governance guidelines, including the criteria for director independence, is available on LMI s website at *www.libertymediainternational.com*. In addition, LMI will provide copies of this charter or the corporate governance guidelines, including the criteria for director independence, free of charge, to any stockholder who calls or submits a request in writing to Investor Relations, Liberty Media International, 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (800) 783-7676.

Other

The board, by resolution, may from time to time establish certain other committees of the board, consisting of one or more of LMI s directors. Any committee so established will have the powers delegated to it by resolution of the board, subject to applicable law.

Board Meetings

During 2004, there were nine meetings of LMI s full board of directors, three meetings of LMI s compensation committee, six meetings of LMI s audit committee and one meeting of LMI s nominating and

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corporate governance committee. Each director of LMI attended, either in person or telephonically, at least 75% of the total number of LMI board meetings held during the period during which he served on the LMI board. Each director serving on a committee of the LMI board attended, in person or telephonically, at least 75% of the total number of meetings held by each committee on which he served during the period during which he served on such committee, other than Donne F. Fisher who did not attend one meeting of LMI s compensation committee.

Director Attendance at Annual Meetings

LMI s board of directors encourages all members to attend each annual meeting of LMI stockholders. Since LMI was spun off from Liberty on June 7, 2004, LMI did not hold a 2004 annual stockholders meeting.

Stockholder Communication with Directors

LMI s stockholders may send communications to LMI s board of directors or to individual directors by mail addressed to the Board of Directors or to an individual director c/o Liberty Media International, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112. Communications from LMI s stockholders will be forwarded to LMI s directors on a timely basis.

Executive Sessions

Following LMI s spin off from Liberty, the independent directors of LMI held one executive session without the participation of management or of non-independent directors during 2004. During 2005, the independent directors of LMI intend to hold regularly scheduled executive sessions without the participation of management or of non-independent directors.

Executive Compensation

Summary Compensation

The table below sets forth information for the year ended December 31, 2004 relating to compensation paid to LMI s Chief Executive Officer and LMI s four other most highly compensated executive officers, who we refer to as the LMI named executive officers, for services rendered to LMI and its subsidiaries. Prior to June 7, 2004, LMI was a subsidiary of Liberty. Accordingly, all compensation earned by the LMI named executive officers from January 1, 2004 through the date of the spin off was paid by Liberty. All compensation earned by the LMI named executive officers (other than by Elizabeth M. Markowski, see note (2) below) after the date of the spin off was paid by LMI. Although certain of the individuals who are LMI named executive officers were performing services in connection with LMI s businesses prior to January 1, 2004, those individuals were employed by Liberty during that period, were not dedicated exclusively to LMI s businesses (with the exception of Miranda Curtis), and devoted substantial time and effort to other Liberty businesses or to the Liberty organization in general.

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Accordingly, no information on the compensation of the LMI named executive officers for periods prior to January 1, 2004 is reported.

Summary Compensation Table
Annual Compensation

				Long-Term Compensation		
Name and Principal Position with Our Company	**Year**	**Salary ($)**	**Other Annual Compensation**	**Restricted Stock Awards**	**Securities Underlying Options/SARs**	**All Other Compensation ($)**
John C. Malone President and Chief Executive Officer	2004	$	$	$	1,568,562(4)	$
Miranda Curtis Senior Vice President	2004	$ 716,330(1)	$	$	63,830(4)	$ 22,019(5)
David B. Koff Senior Vice President	2004	$ 595,808	$ 742,003(3)	$	53,192(4)	$ 21,256(6)
David J. Leonard Senior Vice President	2004	$ 403,077	$	$	42,554(4)	$ 16,756(6)
Elizabeth M. Markowski Senior Vice President, General Counsel and Secretary	2004	$ 676,866(2)	$	$	63,830(4)	$ 20,500(6)

(1) Ms. Curtis compensation is paid in U.K. pounds, which, for purposes of the foregoing presentation, has been converted to U.S. Dollars based upon the average exchange rate in effect during 2004.

(2) Ms. Markowski continued to be an officer and employee of Liberty through December 31, 2004, and during the period from the date of the spin off through December 31, 2004, LMI reimbursed Liberty for 75% of Ms. Markowski s compensation expenses. This allocation was based upon the amount of time she spent on the respective businesses of LMI and Liberty. The numbers in the table represent 100% of Ms. Markowski s compensation for 2004, rather than LMI s allocable share.

(3) Represents reimbursement for housing and other costs incurred by Mr. Koff as an expatriate working in London, England.

(4) The numbers of shares reflect adjustments for LMI s July 2004 rights offering which concluded in August 2004.

(5) Amounts represent contributions made during 2004 to a pension fund maintained for the benefit of Ms. Curtis under applicable United Kingdom law. With respect to these contributions, Ms. Curtis is fully vested.

(6) Amounts represent contributions to the Liberty 401(k) Savings Plan during 2004 prior to the date of the spin off and, in the case of Messrs. Koff and Leonard, premiums paid for term life insurance under UGC s group policy.

The Liberty 401(k) Savings Plan provides employees with an opportunity to save for retirement. The Liberty 401(k) Savings Plan participants may contribute up to 10% of their compensation, and Liberty makes a matching contribution of 100% of the participants contributions. Participant contributions to the Liberty 401(k) Savings Plan are fully vested upon contribution.

Generally, participants acquire a vested right in Liberty contributions as follows:

Years of Service	Vesting Percentage
Less than 1	0%
1-2	33%
2-3	66%
3 or more	100%

With respect to Liberty contributions made to the Liberty 401(k) Savings Plan in 2004, Mr. Koff and Ms. Markowski were fully vested and Mr. Leonard was not vested as of December 31, 2004.

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Under UGC s group term life insurance benefits plan, each employee is provided with employer-paid coverage equal to twice the employee s annual salary up to maximum coverage of $400,000 for employees with an annual salary of less than $266,000, and, upon an employee s election, 1.5 times the employee s annual salary up to maximum coverage of $1 million for employees with an annual salary of $266,000 or more. LMI reimburses UGC for the premiums paid with respect to LMI s employees.

Option and SAR Grants in Last Fiscal Year

The table below sets forth certain information concerning stock options granted to the LMI named executive officers during the year ended December 31, 2004.

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price ($/sh)(2)	Expiration Date	Grant Date Present Value(3)
John C. Malone					
Series A					
Series B	1,568,562(4)	100%	$ 36.75	June 7, 2014	$ 20,881,827
Miranda Curtis					
Series A	63,830	14.6%	$ 33.41	June 22, 2014	$ 772,600
Series B					
David B. Koff					
Series A	53,192	12.1%	$ 33.41	June 22, 2014	$ 640,837
Series B					
David J. Leonard					
Series A	42,554	9.7%	$ 33.41	June 22, 2014	$ 515,074
Series B					
Elizabeth M. Markowski					
Series A	63,830	14.6%	$ 33.41	June 22, 2014	$ 772,600
Series B					

(1) The numbers of shares reflect adjustments for LMI s July 2004 rights offering which concluded in August 2004.

(2) The exercise prices reflect adjustments for LMI s July 2004 rights offering which concluded in August 2004. The exercise prices for the LMI Series A Options were equal to the closing sale price of the LMI Series A common stock on their respective grant dates. The exercise price for the LMI Series B options was equal to 110% of the closing sale price of the LMI Series A common stock on June 22, 2004 ($39.10 before considering the impact of the July 2004 rights offering), the date that definitive terms were established for such options. The closing market price of the LMI Series B common stock on that date was $40.05 (before considering the impact of the July 2004 rights offering).

(3) The value shown is based upon (i) the number of options granted, as adjusted for the July 2004 rights offering and (ii) the per share present value, as determined using the Black-Scholes model. The key assumptions used in

the model for purposes of this calculation include the following: (a) a 4.09% discount rate; (b) a 25.25% volatility factor; (c) the 6-year expected option life; (d) the fair value of the applicable series of LMI common stock on the grant date; and (e) a per share exercise price of $33.41, in the case of LMI Series A options, and a per share exercise price of $36.75, in the case of LMI Series B options (in each case, as adjusted for the July 2004 rights offering). The actual value realized will depend upon the extent to which the stock price exceeds the exercise price on the date the option is exercised. Accordingly, the realized value, if any, will not necessarily be the value determined by the model.

(4) The options granted to Mr. Malone were awarded as the primary form of compensation to be paid to Mr. Malone by LMI. See Employment Contracts and Termination of Employment and Change in Control Arrangements.

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Aggregate Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth certain information concerning exercises of LMI options by the named executive officers during the year ended December 31, 2004:

Aggregated Option/ SAR Exercises in the Last Fiscal Year and Fiscal Year-End Option/ SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at December 31, 2004 (#) Exercisable/ Unexercisable(1)	Value of Unexercised In-the-Money Options/SARs at December 31, 2004 Exercisable/ Unexercisable ($)
John C. Malone				
Series A				
Exercisable		$	221	$ 2,721
Unexercisable		$		
Series B				
Exercisable		$	1,965,665	$ 23,630,664(2)
Unexercisable		$	213,824	$ 2,377,728
Miranda Curtis				
Series A				
Exercisable		$	81,361	$ 1,001,558
Unexercisable		$	76,713	$ 976,949
Series B				
Exercisable		$		
Unexercisable		$		
David B. Koff				
Series A				
Exercisable	100,551	$ 657,101	21,594	$ 265,822
Unexercisable		$	127,872	$ 1,601,232
Series B				
Exercisable		$		
Unexercisable		$		
David J. Leonard				
Series A				
Exercisable		$	1,596	$ 19,644
Unexercisable		$	48,937	$ 624,119
Series B				
Exercisable		$		
Unexercisable		$		
Elizabeth M. Markowski				
Series A				
Exercisable		$	53,804	$ 662,331

Unexercisable	$	92,199	$	1,167,520
Series B				
Exercisable	$			
Unexercisable	$			

(1) Includes options to acquire LMI common stock that were issued to the LMI named executive officers as a result of adjustments made, in connection with the spin off, to their outstanding Liberty stock incentive awards, all of which were granted to them by Liberty prior to January 1, 2004. Each option and stock appreciation right with respect to Liberty common stock outstanding as of the record date for the spin off was adjusted by the incentive plan committee of Liberty s board of directors in connection with the spin off. Liberty options held, as of the spin off record date, by the LMI named executive officers, among

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others, were divided into two options: (1) an option to purchase the number and series of shares of LMI common stock that would have been issued in the spin off in respect of the shares of Liberty common stock subject to the applicable Liberty option, as if such Liberty option had been exercised in full immediately prior to the record date for the spin off, and (2) an adjusted Liberty option. The aggregate exercise price of each such outstanding Liberty option was allocated between the LMI option and the adjusted Liberty option. Stock appreciation rights related to Liberty Series A common stock held, as of the spin off record date, by the LMI named executive officers, among others, were divided into two awards (in a manner similar to the adjustment made to outstanding Liberty options): (1) an LMI option and (2) an adjusted Liberty stock appreciation right. The aggregate base price of each outstanding Liberty stock appreciation right was allocated between the LMI option and the adjusted Liberty stock appreciation right. Each LMI option issued as a result of these adjustments had an exercise price per share equal to the fair market value per share of the applicable series of LMI common stock, which, in the case of Series A options, was $33.92 (as adjusted for LMI s July 2004 rights offering) and, in the case of Series B options, was $37.88 (as adjusted for LMI s July 2004 rights offering).

(2) These options were fully exercisable as of December 31, 2004, but are subject to forfeiture. See Employment Contracts and Termination of Employment and Change in Control Arrangements for more information.

Employment Contracts and Termination of Employment and Change in Control Arrangements

Except as described below, LMI has no employment contracts, termination of employment agreements or change of control agreements with any of its named executive officers.

LMI entered into an option agreement with John C. Malone, LMI s Chairman of the Board, Chief Executive Officer and President, pursuant to which LMI granted to Mr. Malone, under the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005), options to acquire 1,568,562 shares of LMI Series B common stock (as adjusted for LMI s July 2004 rights offering) at an exercise price per share of $36.75 (as adjusted for LMI s July 2004 rights offering). The options represent the primary form of compensation to be paid to Mr. Malone by LMI. The options are fully exercisable; however, Mr. Malone s rights with respect to the options and any shares issued upon exercise will vest at the rate of 20% per year on each anniversary of the date on which the spin off was completed (which was June 7, 2004), provided that Mr. Malone continues to have a qualifying relationship (whether as a director, officer, employee or consultant) with LMI or any successor to LMI. (If the mergers are completed, Liberty Global will be the successor to LMI under the option agreement.) If Mr. Malone ceases to have such a qualifying relationship (subject to certain exceptions for his death or disability or termination without cause), his unvested options will be terminated and/or LMI will have the right to require Mr. Malone to sell to LMI, at the exercise price of the options, any shares of LMI Series B common stock previously acquired by Mr. Malone upon exercise of options which have not vested as of the date on which Mr. Malone ceases to have a qualifying relationship with LMI.

Compensation Committee Interlocks and Insider Participation

Donne F. Fisher, Larry E. Romrell and J. David Wargo each served on LMI s compensation committee during the year ended December 31, 2004. None of them was, during 2004, an officer or employee of LMI or any of its subsidiaries, was formerly an officer of LMI or any of its subsidiaries or had any relationship requiring disclosure under the securities laws.

Report of the Compensation Committee on Executive Compensation

Most decisions regarding the compensation of LMI s executive officers during the year ended December 31, 2004, were made by the compensation committee of LMI s board of directors, whose members were Donne F. Fisher, Larry E. Romrell and J. David Wargo. All decisions of the compensation committee regarding the compensation of LMI s executive officers during the year ended December 31, 2004, were reviewed by LMI s board of directors.

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For the year ended December 31, 2004, the compensation committee furnished the following report on its policies with respect to the compensation of LMI s executive officers.

General Executive Compensation Policy

LMI s executive compensation policy is designed to attract qualified individuals who have the potential as executive officers to contribute to LMI s long-term growth and success, to motivate LMI s executive officers to maximize their contribution to LMI and to retain LMI s executive officers in LMI s employ. Accordingly, LMI s executive compensation policy is designed to offer LMI s executive officers competitive compensation opportunities that are tied to their contribution to LMI s growth and success and their personal performance. Each executive officer s compensation package is comprised primarily of base salary, stock-based incentives and matching contributions to the UnitedGlobalCom, Inc. 401(k) Savings Plan.

LMI s compensation committee evaluates certain qualitative factors relating to the performance of each of LMI s executive officers, including LMI s Chief Executive Officer, such as:

experience;

responsibilities assumed;

demonstrated leadership ability;

overall effectiveness;

the level of an executive s compensation in relation to other executives in LMI with the same, more or less responsibilities; and

the performance of the group for which the executive is primarily responsible.

Implementation of Executive Compensation Policy

The following describes the manner in which LMI s executive compensation policy was implemented generally with respect to the year ended December 31, 2004. Also summarized below are several of the more important factors which were considered in establishing the components of LMI s executive officers compensation packages for the year ended December 31, 2004. Additional factors were also taken into account, and the compensation committee may, in its discretion, apply entirely different factors, particularly different measures of performance, in setting executive compensation for future fiscal years, but it is expected that all compensation decisions will be designed to further LMI s executive compensation policy set forth above.

Base Salary. The compensation committee determined that, for 2004, the base salary of the executive officers (other than LMI s Chief Executive Officer) would continue on the same basis and at the same rate as such persons were being compensated by Liberty prior to the June 7, 2004 spin off transaction.

Stock-Based Incentives. To provide additional long-term incentives to the executive officers that are tied to LMI s success, the compensation committee awarded stock options to each of LMI s executive officers (other than LMI s Chief Executive Officer) to purchase between 42,554 and 63,830 shares of LMI s Series A common stock (as adjusted for LMI s July 2004 rights offering). In approving these grants, the compensation committee considered the expected future contributions of the individual executive officers.

401(k). LMI matches contributions made to the UnitedGlobalCom, Inc. 401(k) Savings Plan by LMI s executive officers on the same basis as UGC matches contributions by its employees.

CEO Compensation

Prior to the June 2004 spin off transaction, the compensation committee approved the grant to Mr. Malone, as his primary form of compensation as Chief Executive Officer of LMI, of options to purchase a number of shares of LMI s Series B common stock that would represent upon exercise 1% of the shares of LMI s common stock outstanding following the spin off at an exercise price equal to 110% of the trading price of

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LMI s Series A common stock. At a meeting of the compensation committee held on June 22, 2004 to approve the definitive terms of the option grant, the number of shares subject to the options was set at 1,568,562 (as adjusted for LMI s July 2004 rights offering) and the exercise price was set at 110% of the closing price of LMI s Series A common stock on that date ($36.75 after adjustment for LMI s July 2004 rights offering). In setting Mr. Malone s 2004 compensation package, the compensation committee considered the various qualitative factors described above, as well as Mr. Malone s strategic vision for LMI.

Submitted by the Members of the Compensation Committee:

Donne F. Fisher
Larry E. Romrell
J. David Wargo

Director Compensation

Cash Compensation

Each LMI director who is not an employee of LMI is entitled to a fee of $1,000 for each board meeting he attends. In addition, the chairman and each other member of the audit committee of LMI s board of directors is entitled to a fee of $5,000 and $2,000, respectively, for each audit committee meeting he attends. Each member of the compensation committee and each member of the nominating and corporate governance committee is entitled to a fee of $1,000 for each committee meeting he attends. Fees to LMI directors are payable in cash. LMI also reimburses members of its board for travel expenses incurred to attend any meetings of its board or any committee thereof.

Option Awards

Each LMI director who is not an employee of LMI (other than J.C. Sparkman) was granted options to acquire 3,000 shares of LMI Series A common stock on June 22, 2004. All of these options were granted pursuant to the Liberty Media International, Inc. 2004 Nonemployee Director Incentive Plan, vest on the first anniversary of the grant date (provided that the LMI director who is not an employee of LMI continues to serve as a director of LMI on the first anniversary of the grant date) and were granted at a per share exercise price of $35.55, which was the closing price of LMI Series A common stock on the grant date. These options, together with all of LMI s then-outstanding stock incentive awards, were adjusted in connection with LMI s July 2004 rights offering. As a result, these options now represent the right to acquire 3,192 shares of LMI Series A common stock at a per share exercise price of $33.41. All other terms of these options remained the same. Mr. Sparkman, who is also not an employee of LMI, joined the board of directors of LMI on November 9, 2004 and, consistent with LMI s director compensation policy, Mr. Sparkman was granted options to acquire 3,000 shares of LMI Series A common stock on that date. The options were granted pursuant to the Liberty Media International, Inc. 2004 Nonemployee Director Incentive Plan, vest on the first anniversary of the grant date (provided that Mr. Sparkman continues to serve as a director of LMI on the first anniversary of the grant date) and were granted at a per share exercise price of $37.42, which was the closing price of LMI Series A common stock on the grant date.

On March 9, 2005, the LMI board determined to amend the Non Qualified Stock Option Agreements, dated as of June 22, 2004, that LMI had entered into with each of Robert R. Bennett, Donne F. Fisher and M. LaVoy Robison to provide that if the mergers are completed before June 22, 2005 (the first anniversary of the grant date of their 2004 option grants), and solely as a result of the completion of the mergers, Messrs. Bennett, Fisher and Robison cease to serve as directors of LMI, their 2004 option grants will vest on the date on which the mergers are completed rather than on June 22, 2005.

Following each annual meeting of LMI stockholders, each LMI director who is not an employee of LMI will be granted options to acquire an additional 3,000 shares of LMI Series A common stock. All of these options

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will be granted pursuant to the Liberty Media International, Inc. 2004 Nonemployee Director Incentive Plan, will vest on the first anniversary of the applicable grant date and will be granted at an exercise price equal to the fair market value of LMI Series A common stock. If the mergers are completed, the options granted to LMI s nonemployee directors following the LMI annual meeting will terminate in accordance with their terms on the day on which the mergers are completed.

Equity Compensation Plan Information

Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005)

General. The incentive plan is administered by the compensation committee of LMI s board of directors. The compensation committee is currently comprised of three members: Donne F. Fisher, Larry E. Romrell and J. David Wargo. Each member is a non-employee director within the meaning of Rule 16b-3 of the Exchange Act and an outside director within the meaning of Section 162(m) of the Code. The compensation committee has the full power and authority to grant eligible persons the awards described below and determine the terms and conditions under which any awards are made.

On March 9, 2005, the LMI compensation committee determined to amend and restate the incentive plan in anticipation of Liberty Global assuming the incentive plan following the completion of the mergers. The following summary of the incentive plan reflects the terms and conditions of the incentive plan as in effect following this amendment and restatement. These terms and conditions apply to all grants made under the incentive plan from and following March 9, 2005. The following summary is not intended to be complete, and we refer you to the copy of the incentive plan included as Appendix A: Information Concerning Liberty Media International, Inc. Part 5: Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005) to this joint proxy statement/prospectus for a complete statement of its terms and conditions.

The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in LMI. The incentive plan is also intended to (1) attract persons of exceptional ability to become officers and employees of LMI, and (2) induce independent contractors to provide services to LMI. LMI s employees (including employees who are officers or directors of LMI or any of LMI s subsidiaries) and independent contractors are eligible to participate and may be granted awards under the incentive plan. Awards may be made to any such person, officer, director or contractor whether or not he or she holds or has held awards under this plan or under any other plan of LMI or any of LMI s affiliates.

The number of individuals who will receive awards under the incentive plan will vary from year to year and will depend on various factors, such as the number of promotions and LMI s hiring needs during the year, and thus we cannot determine future award recipients. Currently, under the incentive plan, options to acquire an aggregate of 438,054 shares of LMI Series A common stock have been granted to LMI s officers and employees and options to acquire 1,568,562 shares of LMI Series B common stock have been granted to John C. Malone, LMI s President, Chief Executive Officer and Chairman of the Board. These option share numbers reflect adjustments made in connection with LMI s July 2004 rights offering.

The compensation committee may grant non-qualified stock options, stock appreciation rights (SARs), restricted shares, stock units, cash awards, performance awards or any combination of the foregoing under the incentive plan (collectively, awards). The maximum number of shares of LMI common stock with respect to which awards may be granted under the incentive plan is currently 20 million, subject to anti-dilution and other adjustment provisions of the incentive plan. Subject to the completion of the mergers, the maximum number of shares with respect to which awards may be granted under the incentive plan will be increased to 25 million. If the incentive plan is not approved at the LMI annual meeting, as described in LMI Annual Business Matter Proposals LMI Incentive Plan Proposal, the maximum number of shares with respect to which awards may be issued under the incentive plan will remain at 20 million. With limited exceptions, no person may be granted in any calendar year awards covering more than 2 million shares of LMI common

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stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million. Shares of LMI common stock issuable pursuant to awards made under the incentive plan will be made available from either authorized but unissued shares or shares that have been issued but reacquired by LMI. Shares of LMI common stock that are subject to (1) any award that expires, terminates or is annulled for any reason without having been exercised, (2) any award of any SARs that is exercised for cash, and (3) any award of restricted shares or stock units that shall be forfeited prior to becoming vested, will once again be available for issuance under the incentive plan. The compensation committee also has the power to:

- interpret the incentive plan and adopt any rules, regulations and guidelines for carrying out the incentive plan that it believes are proper;
- correct any defect or supply any omission or reconcile any inconsistency in the incentive plan or related documents;
- determine the form and terms of the awards made under the incentive plan, including persons eligible to receive the award and the number of shares or other consideration subject to awards; and
- delegate to any subcommittee its authority and duties under the incentive plan unless a delegation would adversely impact the availability of transaction exemptions under Rule 16b-3 of the Exchange Act, and the deductibility of compensation for federal income tax purposes.

If the mergers are completed, (1) all outstanding awards under the incentive plan will be converted into awards with respect to an identical series of shares of Liberty Global common stock; (2) Liberty Global will assume the incentive plan and succeed LMI as the issuer under the incentive plan; (3) all future awards issued under the incentive plan will be with respect to Liberty Global common stock rather than LMI common stock; (4) the name of the plan will automatically change to the Liberty Global, Inc. 2005 Incentive Plan; and (5) the maximum number of shares of any series of Liberty Global common stock with respect to which awards will be issuable by Liberty Global under the incentive plan will be 25 million, subject to anti-dilution and other adjustment provisions of the incentive plan.

Outstanding Awards. The following chart reflects awards outstanding under the incentive plan, as of February 28, 2005, granted to LMI s named executive officers, LMI s current executive officers as a group and LMI s current non-executive officer employees as a group (in each case, as adjusted for LMI s July 2004 rights offering). No awards have been granted under the incentive plan to any of LMI s directors who are not also executive officers of LMI.

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PLAN BENEFITS
Liberty Media International 2004 Incentive Plan
(As Amended and Restated Effective March 9, 2005)

Name and Position	Dollar Value ($)(1)	Number of Units
John C. Malone President and Chief Executive Officer	$ 36.75	1,568,562 (Series B)
Miranda Curtis Senior Vice President	$ 33.41	63,830 (Series A)
David B. Koff Senior Vice President	$ 33.41	53,192 (Series A)
David J. Leonard Senior Vice President	$ 33.41	42,554 (Series A)
Elizabeth M. Markowski Senior Vice President, General Counsel and Secretary	$ 33.41	63,380 (Series A)
Executive Group	$ 33.41	308,514 (Series A)
	$ 36.75	1,568,562 (Series B)
Non Executive Officer Employee Group	$ 33.45	438,054 (Series A)

(1) The dollar value is assumed for this purpose to equal the exercise price, which (i) in the case of the LMI Series A options listed, is equal to the closing sale price of the LMI Series A common stock on the grant date (as adjusted for LMI s July 2004 rights offering), and (ii) in the case of the LMI Series B options listed, is equal to 110% of the closing sale price of the LMI Series A common stock on June 22, 2004 (as adjusted for LMI s July 2004 rights offering), the date that definitive terms were established for the LMI Series B options. Any value realized by a grantee will depend upon the extent to which the market price of the stock exceeds the exercise price on the date the award is exercised.

Options. Non-qualified stock options entitle the holder to purchase a specified number of shares of a series of LMI common stock at a specified exercise price subject to the terms and conditions of the option grant. The exercise price of an option specified in a grant made after March 9, 2005 may be no less than the fair market value of the applicable series of LMI common stock as of the day the option is granted. LMI s compensation committee determines, in connection with each option awarded to a holder, (1) the series and number of shares of LMI common stock subject to the option, (2) the per share exercise price, (3) whether that price is payable in cash, by check, by promissory note, in whole shares of any series of LMI common stock, by the withholding of shares of LMI common stock issuable upon exercise of the option, by cashless exercise, or any combination of the foregoing, (4) other terms and conditions of exercise, (5) restrictions on transfer of the option and (6) other provisions not inconsistent with the incentive plan. Options granted under the incentive plan are generally non-transferable during the lifetime of an option holder, except as permitted by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Stock Appreciation Rights. An SAR entitles the recipient to receive a payment in stock equal to the excess of the fair market value (on the day the SAR is exercised) of a share of the applicable series of LMI common stock with respect to which the SAR was granted over the base price specified in the grant. LMI s compensation committee may permit a recipient who is not subject to U.S. federal income tax to receive payments in the form of cash or stock, or a combination of cash and stock, upon the exercise of an SAR. An SAR may be granted to an option holder with respect to all or a portion of the shares of LMI common stock subject to the related stock option (a tandem SAR) or granted separately to an eligible employee or independent contractor (a free-standing SAR). Tandem SARs are exercisable

only to the extent that the related stock option is exercisable. Upon the exercise or termination of the related stock option, the related tandem SAR will be automatically cancelled to the extent of the number of shares of LMI common stock with respect to which the related stock option was so exercised or terminated. Free-standing SARs are exercisable

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at the time and upon the terms and conditions provided in the relevant agreement. The base price of an SAR specified in a grant made after March 9, 2005 may be no less than the fair market value of a share of the applicable series of LMI common stock as of the day the SAR is granted. SARs granted under the incentive plan are also generally non-transferable during the lifetime of an SAR holder, except as permitted by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Restricted Shares. Restricted shares are shares of LMI common stock, or the right to receive shares of LMI common stock, that become vested and may be transferred upon completion of the restriction period. LMI s compensation committee determines, and each individual award agreement will provide, (1) whether the restricted shares are issued to the award recipient at the beginning or end of the restriction period, (2) the price, if any, to be paid by the recipient of the restricted shares, (3) whether dividend equivalents will be paid during the restriction period in the event that shares are to be issued at the end of the restriction period, (4) whether dividends or distributions paid with respect to shares issued at the beginning of the restriction period will be retained by LMI during the restriction period, (5) whether the holder of the restricted shares may be paid a cash amount any time after the shares become vested, (6) the vesting date or vesting dates (or basis of determining the same) for the award and (7) other terms and conditions of the award. Upon the applicable vesting date, all or the applicable portion of restricted shares will vest, any retained distributions or unpaid dividend equivalents with respect to the restricted shares will vest to the extent that the restricted shares related thereto have vested, and any cash amount to be received by the holder with respect to the restricted shares will become payable, all in accordance with the terms of the individual award agreement.

Stock Units. Units based upon the fair market value of shares of either series of LMI common stock may also be awarded under the incentive plan. LMI s compensation committee has the power to determine the terms, conditions, restrictions, vesting requirements and payment rules for awards of stock units.

Cash Awards. LMI s compensation committee may also provide for the grant of cash awards. A cash award is a bonus paid in cash that is based solely upon the attainment of one or more performance goals that have been established by LMI s compensation committee. The terms, condition and limitations applicable to any cash awards will be determined by LMI s compensation committee.

Performance Awards. At the discretion of LMI s compensation committee, any of the above-described awards, including cash awards, may be designated as a performance award. Performance awards are contingent upon performance measures applicable to a particular period, as established by LMI s compensation committee and set forth in individual agreements, based upon any one or more of the following business criteria:

- increased revenue;
- net income measures (including, but not limited to, income after capital costs and income before or after taxes);
- stock price measures (including, but not limited to, growth measures and total stockholder return);
- price per share of LMI common stock;
- market share;
- earnings per share (actual or targeted growth);
- earnings before interest, taxes, depreciation and amortization (EBITDA);
- economic value added (or an equivalent metric);
- market value added;
- debt to equity ratio;

cash flow measures (including, but not limited to, cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities);

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return measures (including, but not limited to, return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors capital and return on average equity);

operating measures (including operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency);

expense measures (including, but not limited to, overhead costs and general and administrative expense);

margins;

stockholder value;

total stockholder return;

proceeds from dispositions;

total market value; and

corporate values measures (including ethics compliance, environmental and safety).

Performance measures may apply to the award recipient, to one or more business units, divisions or subsidiaries of LMI or the applicable sector of LMI, or to LMI as a whole. Goals may also be based on performance relative to a peer group of companies. If LMI s compensation committee intends for the performance award to be granted and administered in a manner that preserves the deductibility of LMI s compensation resulting from such award in accordance with Section 162(m) of the Code, the performance goals must be established (1) no later than 90 days after the commencement of the period of service to which the performance goals relate and (2) prior to the completion of 25% of such period of service. LMI s compensation committee may modify or waive the performance goals or conditions to the granting or vesting of a performance award unless the performance award is intended to qualify as performance-based compensation under Section 162(m) of the Code. Section 162(m) of the Code generally disallows deductions for compensation in excess of $1 million for some executive officers unless the awards meet the requirements for being performance-based.

Awards Generally. Awards under the incentive plan may be granted either individually, in tandem or in combination with each other. Under certain conditions, including the occurrence of certain approved transactions, a board change or a control purchase (all as defined in the incentive plan), options and SARs will become immediately exercisable, the restrictions on restricted shares will lapse and stock units will become fully vested, unless individual agreements state otherwise. At the time an award is granted, LMI s compensation committee will determine, and the relevant agreement will provide for, the vesting or early termination, upon a holder s termination of employment with LMI, of any unvested options, SARs, stock units or restricted shares and the period during which any vested options, SARs and stock units must be exercised. Unless otherwise provided in the relevant agreement, (1) no option or SAR may be exercised after its scheduled expiration date, (2) if the holder s service terminates by reason of death or disability (as defined in the incentive plan), his or her options or SARs shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration date) and (3) any termination of the holder s service for cause (as defined in the incentive plan) will result in the immediate termination of all options, SARs and stock units and the forfeiture of all rights to any restricted shares held by such terminated holder. If a holder s service terminates due to death or disability, options and SARs will become immediately exercisable, the restrictions on restricted shares will lapse and stock units will become fully vested, unless individual agreements state otherwise.

Adjustments. The number and kind of shares of LMI common stock which may be awarded or otherwise made subject to awards under the incentive plan, the number and kind of shares of LMI common stock covered by outstanding awards and the purchase or exercise price and any relevant appreciation base with respect to any of the foregoing are subject to appropriate adjustment in the discretion of LMI s compensation committee, as LMI s compensation

committee deems equitable, in the event (1) LMI subdivides its outstanding shares of any series of LMI common stock into a greater number of shares of such series of LMI

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common stock, (2) LMI combines its outstanding shares of any series of LMI common stock into a smaller number of shares of such series of LMI common stock or (3) there is a stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin off, combination, exchange of shares, warrants or rights offering to purchase any series of LMI common stock, or any other similar corporate event (including mergers or consolidations other than approved transactions (as defined in the incentive plan)).

Amendment and Termination. The incentive plan was approved by LMI s board of directors, and became effective, on May 11, 2004. The incentive plan was amended and restated on March 9, 2005. The incentive plan will terminate on May 11, 2014, unless earlier terminated by LMI s compensation committee. LMI s compensation committee may suspend, discontinue, modify or amend the incentive plan at any time prior to its termination. However, before an amendment may be made that would adversely affect a participant who has already been granted an award, the participant s consent must be obtained, unless the change is necessary to comply with Section 409A of the Code.

Liberty Media International, Inc. 2004 Non-Employee Director Incentive Plan

General. The director plan is designed to provide a method whereby non-employee directors may be awarded additional remuneration for the services they render on LMI s board and subcommittees of LMI s board, and to encourage their investment in capital stock of LMI, thereby increasing their proprietary interest in LMI s businesses and their personal interest in the continued success and progress of LMI. The director plan is also intended to aid in attracting persons of exceptional ability to become non-employee directors of LMI. The director plan is administered by the full board of directors. The board has the full power and authority to grant eligible non-employee directors the awards described below and determine the terms and conditions under which any awards are made, and may delegate certain administrative duties to LMI s employees.

LMI s board may grant non-qualified stock options, stock appreciation rights, restricted shares, stock units or any combination of the foregoing under the director plan (collectively, awards). Only non-employee members of LMI s board of directors are eligible to receive awards under the director plan. The maximum number of shares of LMI common stock with respect to which awards may be issued under the director plan is 5 million, subject to anti-dilution and other adjustment provisions of the director plan. Shares of LMI common stock issuable pursuant to awards made under the director plan will be made available from either authorized but unissued shares or shares that have been issued but reacquired by LMI. Shares of LMI common stock that are subject to (1) any award that expires, terminates or is annulled for any reason without having been exercised, (2) any award of any SARs that is exercised for cash, and (3) any award of restricted shares or stock units that shall be forfeited prior to becoming vested, will once again be available for distribution under the director plan.

LMI s board also reserves the power to:

- interpret the director plan and adopt any rules, regulations and guidelines for carrying out the director plan that it believes are proper;
- correct any defect or supply any omission or reconcile any inconsistency in the director plan or related documents;
- determine the form and terms of awards made under the director plan, including directors eligible to receive awards and the number of shares or other consideration subject to awards; and
- delegate to company employees certain administrative or ministerial duties in carrying out the purposes of the director plan.

If the mergers are completed, (1) all outstanding awards under the director plan will be converted into awards with respect to an identical series of Liberty Global common stock; (2) Liberty Global will assume the director plan and succeed LMI as the issuer under the director plan; and (3) all future awards issued under the director plan will be with respect to Liberty Global common stock rather than LMI common stock.

Options. Non-qualified stock options entitle the holder to purchase a specified number of shares of a series of LMI common stock at a specified exercise price subject to the terms and conditions of the option grant. The

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price at which options may be exercised under the director plan may be more than, less than or equal to the fair market value of a share of the applicable series of LMI common stock as of the day the option is granted. LMI s board determines, in connection with each option awarded to a holder, (1) the series and number of shares of LMI common stock subject to the option, (2) the per share exercise price, (3) whether that price is payable in cash, by check, in whole shares of any series of LMI common stock, by the withholding of shares of LMI common stock issuable upon exercise of the option, by cashless exercise or any combination of the foregoing, (4) other terms and conditions of exercise, (5) restrictions on transfer of the option, and (6) other provisions not inconsistent with the director plan. Options granted under the director plan are generally non-transferable during the lifetime of an option holder, except as permitted by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Stock Appreciation Rights. An SAR entitles the recipient to receive a payment in cash, in stock or in a combination of both equal to the excess of the fair market value (on the day the SAR is exercised) of a share of the applicable series of LMI common stock with respect to which the SAR was granted over the base price specified in the grant. An SAR may be granted to an option holder with respect to all or a portion of the shares of LMI common stock subject to the related stock option (a tandem SAR) or granted separately to an eligible director (a free-standing SAR). Tandem SARs are exercisable only to the extent that the related stock option is exercisable. Upon the exercise or termination of the related stock option, the related tandem SAR will be automatically cancelled to the extent of the number of shares of LMI common stock with respect to which the related stock option was so exercised or terminated. Free-standing SARs are exercisable at the time and upon the terms and conditions provided in the relevant agreement. The base price of an SAR may be more than, less than or equal to the fair market value of a share of the applicable series of LMI common stock as of the day the SAR is granted. The base price of a tandem SAR will equal the exercise price of the related stock option. SARs granted under the director plan are also generally non-transferable during the lifetime of an SAR holder, except as permitted by will or the laws of descent and distribution or pursuant to a qualified domestic relations order.

Restricted Shares. Restricted shares are shares of LMI common stock, or the right to receive shares of LMI common stock, that become vested and may be transferred upon completion of the restriction period. The board determines, and each individual award agreement will provide, (1) whether the restricted shares are issued to the award recipient at the beginning or end of the restriction period, (2) the price, if any, to be paid by the recipient of restricted shares, (3) whether dividend equivalents will be paid during the restriction period in the event that shares are to be issued at the end of the restriction period, (4) whether dividends or distributions paid with respect to shares issued at the beginning of the restriction period will be retained by LMI during the restriction period, (5) whether the holder of the restricted shares may be paid a cash amount any time after the shares become vested, (6) the vesting date or vesting dates (or basis of determining the same) for the award and (7) other terms and conditions of the award. Upon the applicable vesting date, all or the applicable portion of restricted shares will vest, any retained distributions or unpaid dividend equivalents with respect to the restricted shares will vest to the extent that the restricted shares related thereto have vested, and any cash amount to be received by the holder with respect to the restricted shares will become payable, all in accordance with the terms of the individual agreement.

Stock Units. Units based upon the fair market value of shares of either series of LMI common stock may also be awarded under the director plan. The board has the power to determine the terms, conditions, restrictions, vesting requirements and payment rules for awards of stock units.

Awards Generally. The awards described above may be granted either individually, in tandem or in combination with each other. Under certain conditions, including the occurrence of certain approved transactions, a board change or a control purchase (all as defined in the director plan), options and SARs will become immediately exercisable, the restrictions on restricted shares will lapse and stock units will become fully vested, unless individual agreements state otherwise. At the time an award is granted, LMI s board will determine, and the relevant agreement will provide for, the vesting or early termination, upon a holder s cessation of membership on LMI s board, of any unvested options, SARs, stock units or restricted shares and the period during which any vested options, SARs and stock units must be exercised. Unless otherwise provided in the relevant agreement, (1) no option or SAR may be exercised after its scheduled expiration

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date, (2) if the holder s service terminates by reason of death or disability (as defined in the director plan), his or her options or SARs shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration date) and (3) any termination of the holder s service for cause (as defined in the director plan) will result in the immediate termination of all options, SARs and stock units and the forfeiture of all rights to any restricted shares held by such terminated holder. If a holder s service terminates due to death or disability, options and SARs will become immediately exercisable, the restrictions on restricted shares will lapse and stock units will become fully vested, unless individual agreements state otherwise.

Adjustments. The number and kind of shares of LMI common stock which may be awarded or otherwise made subject to awards under the director plan, the number and kind of shares of LMI common stock covered by outstanding awards and the purchase or exercise price and any relevant appreciation base with respect to any of the foregoing are subject to appropriate adjustment in the discretion of LMI s board, as the board deems equitable, in the event (1) LMI subdivides its outstanding shares of any series of LMI common stock into a greater number of shares of such series of LMI common stock, (2) LMI combines its outstanding shares of any series of LMI common stock into a smaller number of shares of such series of LMI common stock or (3) there is a stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin off, combination, exchange of shares, warrants or rights offering to purchase such series of LMI common stock, or any other similar corporate event (including mergers or consolidations other than approved transactions (as defined in the director plan)).

Amendment and Termination. The director plan was approved by LMI s board of directors, and became effective, on May 11, 2004. The director plan will terminate on May 11, 2014, unless earlier terminated by LMI s board. LMI s board may suspend, discontinue, modify or amend the director plan at any time prior to its termination. However, before an amendment can be made that would adversely affect a participant who has already been granted an award, the participant s consent must be obtained.

U.S. Federal Income Tax Consequences

The following is a summary of the general rules of present U.S. federal income tax law relating to the tax treatment of non-qualified stock options, SARs, restricted shares, stock units and cash awards issued under the incentive plan and the director plan. The discussion is general in nature and does not take into account a number of considerations that may apply based upon the circumstances of a particular holder under the incentive plan and the director plan, including the possibility that a holder may not be subject to U.S. federal income taxation.

Non-Qualified Stock Options; SARs. Holders will not realize taxable income upon the grant of a non-qualified stock option or an SAR. Upon the exercise of a non-qualified stock option or an SAR, the holder will recognize ordinary income (subject to withholding, if applicable) in an amount equal to the excess of (1) the fair market value on the date of exercise of the shares received over (2) the exercise price (if any) he or she paid for the shares. The holder will generally have a tax basis in any shares of LMI common stock received pursuant to the exercise of an SAR, or pursuant to the cash exercise of a non-qualified stock option, that equals the fair market value of such shares on the date of exercise. Subject to the discussion under Certain Tax Code Limitations on Deductibility below, LMI will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with LMI s compensation income recognized by the holder under the foregoing rules. The disposition of the shares of LMI common stock acquired upon exercise of a non-qualified stock option will ordinarily result in capital gain or loss. Under current rulings, if a holder transfers previously held ordinary shares in satisfaction of part or all of the exercise price of a non-qualified stock option, the holder will recognize income with respect to the shares received, but no additional gain will be recognized as a result of the transfer of such previously held shares in satisfaction of the non-qualified stock option exercise price. Moreover, that number of shares received upon exercise that equals the number of previously held shares surrendered in satisfaction of the non-qualified stock option will have a tax basis that equals, and a holding period that includes, the tax basis and holding period of the previously held shares surrendered in satisfaction of the non-qualified stock option exercise price. Any

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additional shares received upon exercise will have a tax basis that equals the amount of cash (if any) paid by the holder, plus, the amount of ordinary income recognized by the holder with respect to the shares received.

Cash Awards; Stock Units; Restricted Shares. A holder will recognize ordinary compensation income upon receipt of cash pursuant to a cash award or, if earlier, at the time such cash is otherwise made available for the holder to draw upon it. A holder will not have taxable income upon the grant of a stock unit but rather will generally recognize ordinary compensation income at the time the holder receives cash in satisfaction of such stock unit or shares of LMI common stock in satisfaction of such stock unit in an amount equal to the fair market value of the shares received. Generally, a holder will not recognize taxable income upon the grant of restricted shares, and LMI will not be entitled to any federal income deduction upon the grant of such award. The value of the restricted shares will generally be taxable to the holder as compensation income in the year or years in which the restrictions on the shares of LMI common stock lapse. Such value will equal the fair market value of the shares on the date or dates the restrictions terminate. A holder, however, may elect pursuant to Section 83(b) of the Code to treat the fair market value of the shares subject to the restricted share award on the date of such grant as compensation income in the year of the grant of the restricted share award. The holder must make such an election pursuant to Section 83(b) of the Code within 30 days after the date of grant. If such an election is made and the holder later forfeits the restricted shares to us, the holder will not be allowed to deduct, at a later date, the amount such holder had earlier included as compensation income.

A holder who is an employee will be subject to withholding for federal, and generally for state and local, income taxes at the time the holder recognizes income under the rules described above with respect to the cash or the shares of LMI common stock received pursuant to awards. Dividends that are received by a holder prior to the time that the restricted shares are taxed to the holder under the rules described in the preceding paragraph are taxed as additional compensation, not as dividend income. The tax basis of a holder in the shares of LMI common stock received will equal the amount recognized by the holder as compensation income under the rules described in the preceding paragraph, and the holder s holding period in such shares will commence on the date income is so recognized.

Subject to the discussion under Certain Tax Code Limitations on Deductibility below, LMI will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with LMI s compensation income recognized by the holder under the foregoing rules.

Section 409A. Awards under LMI s incentive plans have features that could cause them to be treated as deferred compensation arrangements. The American Jobs Creation Act of 2004 (which we refer to as the AJCA) significantly alters the tax law relating to nonqualified deferred compensation arrangements, through the adoption of the new section 409A of the Code, and imposes significant penalties for noncompliance. Specifically, if a deferred compensation arrangement does not comply with section 409A, deferred amounts will be taxed currently at the employee s marginal rate, interest will be assessed at the underpayment rate established by the IRS plus one percent measured from the later of the deferral date or the vesting date, and a penalty will be assessed equal to 20% of the taxable amount of compensation. The IRS is expected to promulgate additional regulations and guidelines for employers seeking to comply with new Code section 409A, but such regulations and guidelines are still evolving. The incentive plan and the director plan will be administered in a manner that is in good faith compliance with section 409A and applicable regulations.

We intend that any awards under the incentive plan and the director plan satisfy the applicable requirements of section 409A. If any plan provision or award would result in the imposition of an additional tax under section 409A, such plan provision or award will be amended to avoid imposition of the additional tax. No action taken to comply with section 409A will be deemed to adversely affect the employee s rights under any award.

Certain Tax Code Limitations on Deductibility. In order for LMI to deduct the amounts described above, such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses. LMI s ability to obtain a deduction for future payments under the incentive plan could also be limited by Section 280G of the Code, which provides that certain excess

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parachute payments made in connection with a change of control of an employer are not deductible. LMI s ability to obtain a deduction for amounts paid under the incentive plan could also be affected by Section 162(m) of the Code, which limits the deductibility, for U.S. federal income tax purposes, of compensation paid to certain employees to $1 million during any taxable year. In order for certain awards under the incentive plan to be eligible for favorable tax treatment under Section 162(m) of the Code, LMI is submitting the incentive plan for the approval of its stockholders at the LMI annual meeting. If the LMI incentive plan proposal is not approved at the LMI annual meeting, awards under the incentive plan will not be eligible for favorable tax treatment under Section 162(m) of the Code. See LMI Annual Business Matter Proposals LMI Incentive Plan Proposal.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2004, with respect to shares of LMI common stock authorized for issuance under LMI s equity compensation plans. Information concerning outstanding awards reflects adjustments made to these awards in connection with LMI s July 2004 rights offering.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders:			
Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005)(1)			
Series A common stock	438,054	$ 33.45	18,113,552(2)
Series B common stock	1,568,562	$ 36.75	
Liberty Media International, Inc. 2004 Nonemployee Director Incentive Plan(1)			
Series A common stock	22,152	$ 33.95	4,979,000(2)
Series B common stock			
Liberty Media International, Inc. Transitional Stock Adjustment Plan(1)(3)			
Series A common stock	1,241,332	$ 33.92	
Series B common stock	1,498,154	$ 37.88	
Equity compensation plans not approved by security holders: None			

Totals:		
Series A common stock	1,701,538	23,092,552(2)
Series B common stock	3,066,716	

(1) Prior to LMI s spin off from Liberty, Liberty approved each plan in its capacity as the then-sole stockholder of LMI.

(2) Each plan permits grants of, or with respect to, shares of LMI Series A common stock or LMI Series B common stock subject to a single aggregate limit. The total number of shares available for future issuances under each plan is calculated based upon the number of shares subject to the original awards granted under each plan, prior to giving effect to any anti-dilution adjustments to such awards (such as the adjustments made in connection with the July 2004 rights offering).

(3) The transitional plan was adopted in connection with LMI s spin off from Liberty to provide for the supplemental award of options to purchase shares of LMI common stock and restricted shares of LMI

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Series A common stock, in each case, pursuant to adjustments made to Liberty stock incentive awards in accordance with the anti-dilution provisions of Liberty s stock incentive plans.

Security Ownership of Certain Beneficial Owners

The following table sets forth information, to the extent known by LMI or ascertainable from public filings, concerning shares of LMI common stock beneficially owned by each person or entity (excluding any of LMI s directors and executive officers) known by LMI to own more than five percent of the outstanding shares of LMI common stock.

The security ownership information is given as of February 28, 2005, and in the case of percentage ownership information, is based upon (1) 165,514,962 shares of LMI Series A common stock, and (2) 7,264,300 shares of LMI Series B common stock.

Name and Address of Beneficial Owner	Series of Stock	Number of Shares (In thousands)	Percent of Class	Voting Power
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	LMI Series A LMI Series B	8,418*	5.0%	*

* The number of shares of common stock in the table is based upon the Schedule 13G dated December 31, 2004, filed by Capital Research and Management Company with respect to LMI Series A common stock. Capital Research, an investment advisor, is the beneficial owner of 8,417,960 shares of LMI Series A common stock, as a result of acting as investment advisor to various investments companies, but disclaims beneficial ownership pursuant to Rule 13d-4. The Schedule 13G reflects that Capital Research has no voting power over and sole dispositive power over these shares.

Security Ownership of Management

The following table sets forth information with respect to the beneficial ownership by each LMI director and each of the LMI named executive officers and by all of LMI s directors and executive officers as a group of (1) shares of LMI Series A common stock, (2) shares of LMI Series B common stock and (3) shares of UGC Class A common stock.

The security ownership information for LMI common stock is given as of February 28, 2005, and, in the case of percentage ownership information, is based upon (1) 165,514,962 shares of LMI Series A common stock, and (2) 7,264,300 shares of LMI Series B common stock, in each case, outstanding on that date. The security ownership information for UGC Class A common stock is given as of February 28, 2005, and, in the case of percentage ownership information, is based upon 401,673,781 shares of UGC Class A common stock outstanding on that date. Shares of LMI common stock issuable upon exercise or conversion of options that were exercisable or convertible on or within 60 days after February 28, 2005, are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Shares of UGC common stock issuable upon exercise or conversion of options that were exercisable or convertible on or within 60 days after February 28, 2005, are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

For purposes of the following presentation, beneficial ownership of shares of LMI Series B common stock, though convertible on a one-for-one basis into shares of LMI Series A common stock, is reported as beneficial ownership of LMI Series B common stock only, and not as beneficial ownership of LMI Series A common stock. In addition, although outstanding shares of UGC Class B common stock and UGC Class C common stock are convertible into

UGC Class A common stock, share data set forth in the following presentation with respect to UGC Class A common stock excludes any dilution associated with the potential conversion of UGC Class B common stock or UGC Class C common stock into UGC Class A common stock. So far as is known

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to LMI, the persons indicated below have sole voting power with respect to the shares indicated as owned by them, except as otherwise stated in the notes to the table.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (In thousands)	Percent of Class	Voting Power
John C. Malone	LMI Series A	953(1)(2)(4)(5)	*	33.2%
	LMI Series B	8,506(1)(3)(5)	91.0%	
	UGC Class A	93(6)	*	*
Miranda Curtis	LMI Series A	85(7)	*	*
	LMI Series B	0		
	UGC Class A	0		
David B. Koff	LMI Series A	65(8)(9)(10)	*	*
	LMI Series B	0		
	UGC Class A	0		
David J. Leonard	LMI Series A	2(11)(12)	*	*
	LMI Series B	0		
	UGC Class A	7(13)		
Elizabeth M. Markowski	LMI Series A	62(14)(15)(16)(17)	*	*
	LMI Series B	0		
	UGC Class A	0		
Robert R. Bennett	LMI Series A	240(18)(19)(20)	*	3.1%
	LMI Series B	732(18)(20)	9.2%	
	UGC Class A	209(21)	*	*
Donne F. Fisher	LMI Series A	15(22)	*	*
	LMI Series B	32	*	
	UGC Class A	0		
David E. Rapley	LMI Series A	1(22)	*	*
	LMI Series B	0		
	UGC Class A	0		
M. LaVoy Robison	LMI Series A	1(22)	*	*
	LMI Series B	0		
	UGC Class A	0		
Larry E. Romrell	LMI Series A	13(22)	*	*
	LMI Series B	0		
	UGC Class A	0		
J.C. Sparkman	LMI Series A	14	*	*
	LMI Series B	0	*	*
	UGC Class A	0	*	*
J. David Wargo	LMI Series A	8(23)	*	*
	LMI Series B	0		
	UGC Class A	921(24)	*	*
All directors and executive officers as a group (14 persons)	LMI Series A	1,500(2)(18)(23)(25)(26)(27)(28)	*	35.4%
	LMI Series B	9,270(3)(18)(25)(28)	92.1%	

UGC Class A	1,234(24)(29)(30)	*	*

* Less than one percent

(1) Includes 90,303 shares of LMI Series A common stock and 204,566 shares of LMI Series B common stock held by Mr. Malone s wife, Leslie Malone, as to which shares Mr. Malone has disclaimed beneficial ownership.

(2) Includes 198 shares of LMI Series A common stock held by a trust with respect to which Mr. Malone is the sole trustee and, with his wife, Leslie Malone, retains a unitrust interest in the trust.

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(3) Includes 1,042,628 shares of LMI Series B common stock held by a trust with respect to which Mr. Malone is the sole trustee and holder of a unitrust interest in the trust.

(4) Includes 46,943 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(5) Includes 221 shares of LMI Series A common stock and 2,072,577 shares of LMI Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Malone has the right to convert options to purchase 504,015 shares of LMI Series B common stock into options to purchase shares of LMI Series A common stock.

(6) Includes 93,333 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(7) Includes 85,143 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(8) Includes 675 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(9) Includes 1,250 restricted shares of LMI Series A common stock, none of which were vested at February 28, 2005.

(10) Includes 53,615 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(11) Includes 7 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(12) Includes 1,596 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(13) Includes 2,067 shares of UGC Class A common stock held by the UGC 401(k) Plan.

(14) Includes 136 shares of LMI Series A common stock held by Mrs. Markowski s husband, Thomas Markowski, as to which shares Mrs. Markowski disclaims beneficial ownership.

(15) Includes 301 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(16) Includes 44 restricted shares of LMI Series A common stock, none of which were vested at February 28, 2005.

(17) Includes 57,214 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(18) Includes 75,084 shares of LMI Series A common stock and 24 shares of LMI Series B common stock held by Hilltop Investments, Inc. which is jointly owned by Mr. Bennett and his wife, Deborah Bennett.

(19) Includes 1,657 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(20) Includes 12,002 shares of LMI Series A common stock and 731,962 shares of LMI Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Bennett has the right to convert the options to purchase shares of LMI Series B common stock into options to purchase shares of LMI Series A common stock.

(21) Includes 81,250 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(22) Includes 586 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(23) Includes 7,142 shares of LMI Series A common stock held in various accounts managed by Mr. Wargo, as to which shares Mr. Wargo disclaims beneficial ownership.

(24) Includes 498,757 shares of UGC Class A common stock held in various accounts managed by Mr. Wargo, as to which shares Mr. Wargo disclaims beneficial ownership.

(25) Includes 96,003 shares of LMI Series A common stock and 204,566 shares of LMI Series B common stock held by relatives of certain directors and executive officers, as to which shares beneficial ownership by such directors and executive officers is disclaimed.

(26) Includes 50,358 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

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(27) Includes 1,294 restricted shares of LMI Series A common stock, none of which were vested at February 28, 2005.

(28) Includes 247,102 shares of LMI Series A common stock and 2,804,539 shares of LMI Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. The options to purchase 1,235,977 shares of LMI Series B common stock may be converted into options to purchase shares of LMI Series A common stock.

(29) Includes 3,744 shares of UGC Class A common stock held by UGC s 401(k) defined contribution plan.

(30) Includes 174,583 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

One of LMI s directors and two of its executive officers also hold interests in Liberty Jupiter, Inc., one of LMI s privately held subsidiaries. Mr. Bennett, Ms. Curtis, another executive officer and another individual hold 180, 320, 200 and 100 shares, respectively, of Class A common stock of Liberty Jupiter, representing a 20% aggregate common equity interest and less than 1% aggregate voting interest in Liberty Jupiter, based upon 800 shares of Liberty Jupiter Class A common stock, 3,198 shares of Liberty Jupiter Class B common stock, 2 shares of Liberty Jupiter Class C common stock and approximately 93,379 shares of Liberty Jupiter preferred stock outstanding, as of February 28, 2005. Pursuant to a stockholders agreement among LMI, Liberty Jupiter and certain of Liberty Jupiter s stockholders, LMI has the right to cause all or any part of the Liberty Jupiter Class A common stock to be converted into shares of LMI Series A common stock. On or after April 24, 2005, each holder of Liberty Jupiter Class A common stock will have the right to cause all of the shares of Liberty Jupiter Class A common stock held by such holder to be converted into shares of LMI Series A common stock. Each share of Liberty Jupiter Class A common stock that is converted will be converted into that number of shares of LMI Series A common stock having an aggregate market price that is equal to the fair market value of the Liberty Jupiter Class A common stock so converted, as of the time of conversion. Liberty Jupiter owns an approximate 7.96% interest in LMI s consolidated subsidiary, LMI/ Sumisho SuperMedia, LLC.

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Stock Performance Graphs

The following graph compares the percentage change from June 8, 2004, the date on which regular way trading in LMI common stock began, to December 31, 2004, in the cumulative total stockholder return (assuming reinvestment of dividends) on LMI Series A common stock, LMI Series B common stock, the Nasdaq Composite Index and a peer group of companies based on the Nasdaq Telecommunications Index. The graph assumes that $100 was invested on June 8, 2004. The stock prices of LMI Series A and Series B common stock on June 8, 2004 have been reduced to give effect to the rights distributed to LMI stockholders on July 26, 2004.

	June 8, 2004	December 31, 2004
LMI Series A	100	127
LMI Series B	100	127
Nasdaq Telecommunications Index	100	102
Nasdaq Composite Index	100	108

Pro Forma Security Ownership Information of LMI Management

The following table sets forth information with respect to the estimated beneficial ownership by each LMI director, each of the LMI named executive officers and all of LMI s directors and executive officers as a group of shares of Liberty Global Series A common stock and Liberty Global Series B common stock, assuming that the mergers had been effected on February 28, 2005.

If the mergers are effected, (1) each share of LMI Series A common stock and LMI Series B common stock will be converted into one share of the corresponding series of Liberty Global common stock, and (2) each share of UGC common stock will be converted into the right to receive 0.2155 of a share of Liberty Global Series A common stock or $9.58 in cash, subject to proration. For purposes of the following presentation, we have assumed that none of LMI s directors and executive officers elect to receive cash for their shares of UGC common stock in the mergers. In addition, although shares of LMI Series B common stock are convertible on a one-for-one basis into shares of LMI Series A common stock, we have assumed, for purposes of this

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presentation, that no shares of LMI Series B common stock were converted into shares of LMI Series A common stock prior to the assumed merger date of February 28, 2005.

The security ownership information for Liberty Global common stock has been estimated based upon outstanding stock information for LMI common stock and UGC common stock as of February 28, 2005, and, in the case of percentage ownership information, has been estimated based upon 244,815,890 shares of Liberty Global Series A common stock and 7,264,300 shares of Liberty Global Series B common stock estimated to have been issued in the mergers (assuming no cash elections were made by any UGC stockholders).

Shares of Liberty Global common stock deemed to be issuable within 60 days of February 28, 2005 upon exercise of options, conversion of convertible securities, exchange of exchangeable securities or upon vesting of restricted stock awards are deemed to be outstanding for the purpose of computing the percentage ownership and aggregate voting power of persons expected to beneficially own such securities, but have not been deemed to be outstanding for the purpose of computing the percentage ownership or aggregate voting power of any other person.

So far as is known to LMI, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table. The number of shares indicated as owned by the executive officers and directors of LMI includes interests in shares held by UGC s defined contribution 401(k) plan and shares held by Liberty s defined contribution 401(k) plan, in each case as of February 28, 2005. The shares held by the trustees of these 401(k) plans for the benefit of these persons are voted as directed by such persons.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (In thousands)	Percent of Class	Voting Power
John C. Malone	Liberty Global Series A	973(1)(2)(4)(5)	*	25.5%
	Liberty Global Series B	8,506(1)(3)(5)	91.1%	*
Miranda Curtis	Liberty Global Series A	85(6)	*	*
	Liberty Global Series B	0		
David B. Koff	Liberty Global Series A	65(7)(8)(9)	*	*
	Liberty Global Series B	0		
David J. Leonard	Liberty Global Series A	3(10)(11)(12)	*	*
	Liberty Global Series B	0		
Elizabeth M. Markowski	Liberty Global Series A	62(13)(14)(15)(16)	*	*
	Liberty Global Series B	0		
Robert R. Bennett	Liberty Global Series A	285(17)(18)(19)	*	2.3%
	Liberty Global Series B	732(17)(19)	9.2%	*
Donne F. Fisher	Liberty Global Series A	15(20)	*	*
	Liberty Global Series B	32	*	
David E. Rapley	Liberty Global Series A	1(20)	*	*
	Liberty Global Series B	0		
M. LaVoy Robison	Liberty Global Series A	1(20)	*	*
	Liberty Global Series B	0		
Larry E. Romrell	Liberty Global Series A	13(20)	*	*
	Liberty Global Series B	0		
J.C. Sparkman	Liberty Global Series A	14	*	*
	Liberty Global Series B	0	*	*
J. David Wargo	Liberty Global Series A	206(21)	*	*

	Liberty Global Series	B	0		
All directors and executive officers as a group (14 persons)	Liberty Global Series	A	1,766(2)(17)(21)(22)(23)(24)(25)(26)	*	27.4%
	Liberty Global Series	B	9,270(3)(17)(22)(25)	92.1%	*

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* Less than one percent

(1) Includes 90,303 shares of Liberty Global Series A common stock and 204,566 shares of Liberty Global Series B common stock held by Mr. Malone s wife, Leslie Malone, as to which shares Mr. Malone has disclaimed beneficial ownership.

(2) Includes 198 shares of Liberty Global Series A common stock held by a trust with respect to which Mr. Malone is the sole trustee and, with his wife, Leslie Malone, retains a unitrust interest in the trust.

(3) Includes 1,042,628 shares of Liberty Global Series B common stock held by a trust with respect to which Mr. Malone is the sole trustee and holder of a unitrust interest in the trust.

(4) Includes 46,943 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(5) Includes 20,334 shares of Liberty Global Series A common stock and 2,072,577 shares of Liberty Global Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Malone has the right to convert options to purchase 504,015 shares of Liberty Global Series B common stock into options to purchase shares of Liberty Global Series A common stock.

(6) Includes 85,143 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(7) Includes 675 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(8) Includes 1,250 restricted shares of Liberty Global Series A common stock, none of which were vested at February 28, 2005.

(9) Includes 53,615 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(10) Includes 7 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(11) Includes 1,596 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(12) Includes 445 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(13) Includes 136 shares of Liberty Global Series A common stock held by Mrs. Markowski s husband, Thomas Markowski, as to which shares Mrs. Markowski disclaims beneficial ownership.

(14) Includes 301 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(15) Includes 44 restricted shares of Liberty Global Series A common stock, none of which were vested at February 28, 2005.

(16) Includes 57,214 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(17) Includes 102,708 shares of Liberty Global Series A common stock and 24 shares of Liberty Global Series B common stock held by Hilltop Investments, Inc. which is jointly owned by Mr. Bennett and his wife, Deborah Bennett.

(18) Includes 1,657 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(19) Includes 29,511 shares of Liberty Global Series A common stock and 731,962 shares of Liberty Global Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Bennett has the right to convert the options to purchase shares of Liberty Global Series B common stock into options to purchase shares of Liberty Global Series A common stock.

(20) Includes 586 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(21) Includes 114,624 shares of Liberty Global Series A common stock held in various accounts managed by Mr. Wargo, as to which shares Mr. Wargo disclaims beneficial ownership.

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(22) Includes 96,003 shares of Liberty Global Series A common stock and 204,566 shares of Liberty Global Series B common stock held by relatives of certain directors and executive officers, as to which shares beneficial ownership by such directors and executive officers is disclaimed.

(23) Includes 51,164 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(24) Includes 1,294 restricted shares of Liberty Global Series A common stock, none of which were vested at February 28, 2005.

(25) Includes 284,724 shares of Liberty Global Series A common stock and 2,804,539 shares of Liberty Global Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. The options to purchase 1,235,977 shares of Liberty Global Series B common stock may be converted into options to purchase shares of Liberty Global Series A common stock.

(26) Includes 806 shares of Liberty Global Series A common stock held by UGC s 401(k) defined contribution plan.

Current Management of Liberty Global, LMI Merger Sub and UGC Merger Sub

Each of Liberty Global, LMI Merger Sub and UGC Merger Sub currently has two directors, Messrs. Malone and Bennett, and two officers, Mr. Malone who serves as President and Ms. Markowski who serves as Secretary. Biographical and other information about Messrs. Malone and Bennett and Ms. Markowski can be found above under Executive Officers and Directors.

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EXECUTIVE OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS OF UGC

Executive Officers and Directors

The name and present principal occupation of each executive officer and director of UGC is set forth below. Unless otherwise noted, the business address for each person listed below is c/ o UnitedGlobalCom, Inc., 4643 South Ulster Street, Suite 1300, Denver, Colorado 80237. To the knowledge of UGC, all executive officers and directors listed below are United States citizens.

Name	Positions
Gene W. Schneider	Chairman of the Board of UGC and its predecessors since 1989. Mr. Schneider also served as Chief Executive Officer of UGC and its predecessors from 1995 to January 2004. Mr. Schneider has served as an officer and/or director of various direct and indirect subsidiaries of UGC. In addition, from 1995 until 1999, Mr. Schneider served as a member of the UPC Supervisory Board, and an advisor to the Supervisory Board of UPC from 1999 until September 2003. Mr. Schneider has been with UGC and its predecessors since 1989. Mr. Schneider is also a director of Austar United.
Michael T. Fries	Chief Executive Officer of UGC since January 2004. Mr. Fries has served a director of UGC and its predecessors since November 1999 and as President of UGC and its predecessors since September 1998. He also served as Chief Operating Officer of UGC and its predecessors from September 1998 to January 2004. In addition, he serves or has served as an officer and/or director of various direct and indirect subsidiaries and affiliates of UGC, including as a member of the UPC Supervisory Board from September 1998 until September 2003 and as Chairman thereof from February 1999 until September 2003, member of the Priority Telecom Supervisory Board since November 2000 and as Chairman thereof since March 2003 and as a director of Austar United since June 1999. He served as Chairman of Austar United from June 1999 to April 2003. Mr. Fries has been with UGC and its predecessors since 1990.
Frederick G. Westerman, III	Chief Financial Officer of UGC and its predecessors since June 1999 and UGC s Co-Chief Financial Officer since February 2004. Mr. Westerman s responsibilities include oversight and planning of UGC s financial and treasury operations. He also serves as an officer and/or director of various direct and indirect subsidiaries of UGC.
Charles H.R. Bracken	Co-Chief Financial Officer of UGC since February 2004. Mr. Bracken has served as the Chief Financial Officer of UGC Europe and its predecessors since November 1999. Mr. Bracken served as a member of the UPC Board of Management from July 1999 to September 2003. Prior to November 1999, Mr. Bracken served as the Managing Director of Strategy, Acquisitions and Corporate Development at UPC from March 1999. Mr. Bracken also serves as an officer and/or director of various European subsidiaries, including as a member of the Priority Telecom Supervisory Board since July 2000.
Gene M. Musselman	President and Chief Operating Officer of UPC Broadband Division of UGC Europe, Inc., a subsidiary of UGC, since September 2003. Mr. Musselman has served as UPC s Chief Operating Officer since

April 2000, and he served as a member of its Board of Management from June 2000 to September 2003. He also served as managing director of UPC from July 2003 until June 2004. Mr. Musselman serves as an officer and/or director of various European subsidiaries of UGC. Except when he was at Tevecap S.A. from 1995 to 1997, Mr. Musselman has been with UGC and its affiliates since 1991.

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Name	Positions
Shane O Neill	Chief Strategy Officer of UGC Europe since September 2003. He has served as UPC s Chief Strategy Officer since June 2000. Mr. O Neill served as a member of the UPC Board of Management from June 2000 to September 2003. From November 1999 to June 2000, Mr. O Neill served as the Managing Director, Strategy, Acquisitions and Corporate Development at UPC. Mr. O Neill is a director of SBS Broadcasting S.A., a public company in which UGC has a 19.3% interest.
Robert R. Bennett *c/o Liberty Media Corporation* *12300 Liberty Boulevard* *Englewood, Colorado 80112*	A director of UGC since January 2002. Mr. Bennett has served as President and Chief Executive Officer of Liberty since April 1997, and he held various other executive positions with Liberty since its inception in 1990. Mr. Bennett served as Executive Vice President of TCI from April 1997 to March 1999. Mr. Bennett is a Vice-Chairman of the Board and a director of LMI and is also a director of Liberty and OpenTV Corp.
John P. Cole, Jr.	A director of UGC and its predecessors since March 1998. Mr. Cole served as a member of the UPC Supervisory Board from February 1999 to September 2003. Mr. Cole is a founder of the Washington, D.C. law firm of Cole, Raywid and Braverman, which specializes in all aspects of telecommunications and media law.
John W. Dick	A director of UGC since March 2003. Mr. Dick served as a member of the UPC Supervisory Board from May 2001 to September 2003 and as a director of UGC Europe from September 2003 to January 2004. He is the non-executive Chairman and a director of Hooper Industries Group, a privately held U.K. group consisting of: Hooper and Co (Coachbuilders) Ltd. (building special/ bodied Rolls Royce and Bentley motorcars) and Hooper Industries (China) (providing industrial products and components to Europe and the U.S.). Until 2002, Hooper Industries Group also held Metrocab UK (manufacturing London taxicabs) and Moscab (a joint venture with the Moscow city government, producing left-hand drive Metrocabs for Russia). Mr. Dick has held his positions with Hooper Industries Group since 1984. Mr. Dick is also a director of Austar United.
Bernard G. Dvorak *c/o Liberty Media International, Inc.* *12300 Liberty Boulevard* *Englewood, Colorado 80112*	A director of UGC since November 2004. Mr. Dvorak has served as a director of various subsidiaries of UGC since January 2005. Mr. Dvorak has served as Senior Vice President and Controller of LMI since March 2004. From July 2002 until May 2004, Mr. Dvorak served as Senior Vice President, Chief Financial Officer and Treasurer of On Command Corporation, a subsidiary of Liberty. Mr. Dvorak was the Chief Executive Officer and member of the board of directors of Formus, a provider of fixed wireless services in Europe, from September 2000 until June 2002, and, from April 1999 until September 2000, he served as Chief Financial Officer of Formus.

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Name	Positions
Paul A. Gould *Allen & Company L.L.C.* *711 5th Avenue, 8th Floor* *New York, New York 10022*	A director of UGC since January 2004. Mr. Gould has served as Managing Director of Allen & Company L.L.C., an investment banking services company, and has been associated with Allen & Company and its affiliates for more than the last five years. Mr. Gould is also a director of Ampco-Pittsburgh Corporation and Liberty.
Gary S. Howard	A director of UGC since January 2002. Mr. Howard served as Executive Vice President and Chief Operating Officer of Liberty from July 1998 to February 2004. Mr. Howard served as Chief Executive Officer of Liberty Satellite & Technology, Inc. from December 1996 to April 2000.
David B. Koff *c/o Liberty Media International, Inc.* *12300 Liberty Boulevard* *Englewood, Colorado 80112*	A director of UGC since August 2003. Mr. Koff has served as Senior Vice President of LMI since March 2004. Mr. Koff served as a Senior Vice President of Liberty from February 1998 through March 2004.
John C. Malone *c/o Liberty Media International, Inc.* *12300 Liberty Boulevard* *Englewood, Colorado 80112*	A director of UGC and its predecessors since November 1999. Mr. Malone has served as President, Chief Executive Officer, Chairman of the Board and a director of LMI since March 2004. Mr. Malone has served as Chairman of the Board of Liberty since 1990. Mr. Malone served as Chairman of the Board and a director of Liberty Satellite & Technology, Inc. from December 1996 to August 2000. Mr. Malone also served as Chairman of the Board of TCI from November 1996 to March 1999 and as Chief Executive Officer of TCI from January 1994 to March 1999. Mr. Malone is also a director of The Bank of New York, Cablevision Systems Corporation and Liberty.

Gene W. Schneider is the father of Mark L. Schneider, who was a named executive officer of UGC until December 31, 2004. There are no other family relations among the above named individuals, by blood, marriage or adoption.

During the past five years, none of the above persons was convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or was party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Involvement in Certain Proceedings

Except as stated below, during the past five years, none of the above persons has had any involvement in such legal proceedings as would be material to an evaluation of his or her ability or integrity.

On March 28, 2001, an involuntary petition under Chapter 7 of the U.S. Bankruptcy Code was filed against Formus in the United States Bankruptcy Court for the District of Colorado. Mr. Dvorak was a director and the Chief Executive Officer of Formus from September 2000 until June 2002.

On March 29, 2002, UAP, then a subsidiary of UGC, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States District Court for the Southern District of New York. UAP s reorganization closed on June 27, 2003, and UAP has since dissolved. Until February 11, 2002, Mr. Fries was a director and the President of UAP and, until November 14, 2001, Mr. Schneider was a director and Chief Executive Officer of UAP. Mr. Westerman was a director of UAP from November 2001 and President thereof from March 2002 until UAP s dissolution in January 2004.

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On December 3, 2002, UPC, now a subsidiary of UGC Europe, filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code, together with a pre-negotiated plan of reorganization, in the United States District Court of the Southern District of New York. In conjunction with such filing, also on December 3, 2002, UPC commenced a moratorium of payments in The Netherlands under Dutch bankruptcy law with the filing of a proposed plan of compulsory composition or the Akkoord with the Amsterdam Court (Rechtbank) under the Dutch Faillissementswet. These actions were completed on September 3, 2003, when UGC Europe acquired more than 99% of the stock of, and became a successor issuer to UPC. Messrs. Fries, Cole and Dick were Supervisory Directors of UPC and Mr. Schneider was an advisor to UPC s Supervisory Board. Also, Messrs. Bracken, Musselman and O Neill were members of the UPC Board of Management.

In June 2003, UPC Polska, Inc. executed an agreement with some of its creditors to restructure its balance sheet. On January 22, 2004, the U.S. Bankruptcy Court confirmed UPC Polska s Chapter 11 plan of reorganization. On February 18, 2004, UPC Polska emerged from the Chapter 11 proceedings. Mr. Musselman is a director of UPC Polska.

On January 12, 2004, UGC s predecessor (Old UGC), filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. On November 10, 2004, the U.S. Bankruptcy Court confirmed Old UGC s plan of reorganization and Old UGC emerged from the Chapter 11 proceedings on November 18, 2004. Until August 2003, Mr. Fries was the President of Old UGC, and Mr. Schneider was a director and Chief Executive Officer of Old UGC. Mr. Westerman has served as a director of Old UGC since August 2003 and as President thereof since November 2003.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the beneficial ownership (1) by each UGC director, each of the UGC named executive officers (as defined in UGC s Annual Report on Form 10-K for the year ended December 31, 2004) and all of UGC s directors and executive officers as a group of shares of all classes of UGC common stock and both series of LMI common stock, and (2) by each stockholder who is known by UGC to own beneficially more than five percent of any class of UGC common stock. None of UGC s directors or the UGC named executive officers beneficially owns any equity securities of any subsidiary of UGC.

At the election of the holder, shares of UGC Class B common stock are convertible immediately into shares of UGC Class A common stock on a one-for-one basis, and shares of UGC Class C common stock are convertible on a one-for-one basis into either shares of UGC Class A common stock or shares of UGC Class B common stock. For purposes of the following presentation, beneficial ownership of shares of UGC Class B common stock and UGC Class C common stock is reported as beneficial ownership of UGC Class B common stock and UGC Class C common stock, respectively, only, and not as beneficial ownership of any other class of UGC common stock. In addition, beneficial ownership of shares of LMI Series B common stock, though convertible on a one-for-one basis into shares of LMI Series A common stock, is reported as beneficial ownership of LMI Series B common stock only, and not as beneficial ownership of LMI Series A common stock.

The security ownership information for UGC common stock is given as of February 28, 2005, and, in the case of percentage ownership information, is based upon (1) 401,673,781 shares of UGC Class A common stock, (2) 10,493,461 shares of UGC Class B common stock, and (3) 379,603,223 shares of UGC Class C common stock, in each case, outstanding on that date. The security ownership information for LMI common stock is given as of February 28, 2005, and, in the case of percentage ownership information, is based upon (1) 165,514,962 shares of LMI Series A common stock, and (2) 7,264,300 shares of LMI Series B common stock, in each case, outstanding on that date.

Shares of UGC common stock issuable within 60 days of February 28, 2005 upon exercise of options, conversion of convertible securities, exchange of exchangeable securities or upon vesting of restricted stock awards are deemed to be outstanding for the purpose of computing the percentage ownership and aggregate voting power of persons beneficially owning such securities, but have not been deemed to be outstanding for

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the purpose of computing the percentage ownership or aggregate voting power of any other person. Shares of LMI common stock issuable upon exercise or conversion of options that were exercisable or convertible on or within 60 days after February 28, 2005, are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of the person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

So far as is known to UGC, the persons indicated below have sole voting power with respect to the shares indicated as owned by them, except as otherwise stated in the notes to the table. The number of shares indicated as owned by the executive officers and directors of UGC, includes interests in shares held by UGC s defined contribution 401(k) plan and shares held by Liberty s defined contribution 401(k) plan, in each case as of February 28, 2005. The shares held by the trustees of the 401(k) plans for the benefit of these persons are voted as directed by such persons.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class	Voting Power
		(In thousands)		
Robert R. Bennett	UGC Class A	209(1)(2)	*	*
	LMI Series A	240(3)(4)(5)	*	3.1%
	LMI Series B	732(3)(5)	9.2%	*
Charles H.R. Bracken	UGC Class A	0		
	LMI Series A	0		
	LMI Series B	0		
John P. Cole, Jr.	UGC Class A	382(6)	*	*
	LMI Series A	1	*	*
	LMI Series B	0		
John W. Dick	UGC Class A	52(7)	*	*
	LMI Series A	0		
	LMI Series B	0		
Bernard G. Dvorak	UGC Class A	3(8)	*	*
	LMI Series A	0	*	*
	LMI Series B	0		
Michael T. Fries	UGC Class A	2,427(9)(10)	*	*
	LMI Series A	0		
	LMI Series B	0		
Paul A. Gould	UGC Class A	181(11)	*	*
	LMI Series A	101(12)	*	*
	LMI Series B	37	*	*
Gary S. Howard	UGC Class A	79(13)	*	*
	LMI Series A	389(14)(15)	*	*
	LMI Series B	0		
David B. Koff	UGC Class A	0		
	LMI Series A	65(16)(17)(18)	*	*
	LMI Series B	0		
John C. Malone	UGC Class A	93(19)	*	*
	LMI Series A	953(20)(21)(23)(24)	*	33.2%
	LMI Series B	8,506(20)(22)(24)	91.0%	
Gene M. Musselman	UGC Class A	9(25)	*	*
	LMI Series A	0	*	*

	LMI Series B	0
Shane O Neill	UGC Class A	0
	LMI Series A	0
	LMI Series B	0

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Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class	Voting Power
		(In thousands)		
Gene W. Schneider	UGC Class A	2,045(26)(27)	*	*
	UGC Class B	2,901(28)	21.7%	*
	LMI Series A	555(29)(30)	*	*
	LMI Series B	0		
Frederick G. Westerman III	UGC Class A	846(31)	*	*
	LMI Series A	0		
	LMI Series B	0		
All directors and executive officers as a group	UGC Class A	6,325(2)(10)(27)(32)	1.6%	*
	UGC Class B	2,901(28)	21.7%	*
	LMI Series A	2,304(3)(5)(15)(17)(20)(21)(24)(29)(33)	1.4%	35.6%
	LMI Series B	9,275(3)(5)(20)(22)(24)	92.0%	
LMI(34)	UGC Class A	35,829	9.0%	91.0%
	UGC Class B	10,493	100.0%	
	UGC Class C	377,462	99.4%	
Capital Research and Management Company(35)	UGC Class A	55,909	10.6%	*
Credit Suisse First Boston(36)	UGC Class A	39,286	9.8%	*
Oppenheimer Funds, Inc.(37)	UGC Class A	31,380	7.8%	*

* Less than one percent.

(1) Includes 81,250 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(2) Includes 128,186 shares of UGC Class A common stock owned by Hilltop Investments, Inc., which is jointly owned by Mr. Bennett and his spouse.

(3) Includes 75,084 shares of LMI Series A common stock and 24 shares of LMI Series B common stock held by Hilltop Investments, Inc. which is jointly owned by Mr. Bennett and his spouse.

(4) Includes 1,657 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(5) Includes 12,002 shares of LMI Series A common stock and 731,962 shares of LMI Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Bennett has the right to convert the options to purchase shares of LMI Series B common stock into options to purchase shares of LMI Series A common stock.

(6)

Includes 203,333 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(7) Includes 52,083 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(8) Includes 1,677 shares of UGC Class A common stock held by the UGC 401(k) Plan.

(9) Includes 2,400,000 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and 8,289 shares of UGC Class A common stock held by the UGC 401(k) Plan.

(10) Includes 210 shares of UGC Class A common stock held by his spouse.

(11) Includes 31,250 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(12) Includes 586 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

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(13) Includes 79,166 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(14) Includes 2,300 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan and 302,640 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(15) Includes 20,940 shares of LMI Series A common stock held by a Grantor Retained Annuity Trust. Also includes 614 shares of LMI Series A common stock owned by his spouse of which Mr. Howard disclaims beneficial ownership and 11,108 shares of LMI Series A common stock held by a Grantor Retained Annuity Trust of which Mr. Howard disclaims beneficial ownership.

(16) Includes 675 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(17) Includes 1,250 restricted shares of LMI Series A common stock, none of which were vested at February 28, 2005.

(18) Includes 53,615 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(19) Includes 93,333 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(20) Includes 90,303 shares of LMI Series A common stock and 204,566 shares of LMI Series B common stock held by Mr. Malone s spouse, as to which shares Mr. Malone has disclaimed beneficial ownership.

(21) Includes 198 shares of LMI Series A common stock held by a trust with respect to which Mr. Malone is the sole trustee and, with his wife, Leslie Malone, retains a unitrust interest in the trust.

(22) Includes 1,042,628 shares of LMI Series B common stock held by a trust with respect to which Mr. Malone is the sole trustee and holder of a unitrust interest in the trust.

(23) Includes 46,943 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(24) Includes 221 shares of LMI Series A common stock and 2,072,577 shares of LMI Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Malone has the right to convert options to purchase 504,015 shares of LMI Series B common stock into options to purchase shares of LMI Series A common stock.

(25) Includes 7,977 shares of UGC Class A common stock held by the UGC 401(k) Plan.

(26) Includes 1,766,341 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and 9,931 shares of UGC Class A common stock held by the UGC 401(k) Plan.

(27) Includes 712 shares of UGC Class A common stock held by a trust of which Mr. Schneider is a beneficiary and a trustee and 66 shares of UGC Class A common stock held by his spouse.

(28)

Includes 2,900,702 shares of UGC Class B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(29) Includes 199,261 shares of LMI Series A common stock held by G. Schneider Holdings, LLP of which Mr. Schneider is the general partner, 1,155 shares of LMI Series A common stock held by a trust of which Mr. Schneider is a beneficiary and a trustee, 1,577 shares of LMI Series A common stock held by his spouse, and an aggregate of 1,555 shares of LMI Series A common stock held by separate trusts for the benefit of his children and two of his grandchildren, respectively, of which Mr. Schneider is the sole trustee.

(30) Includes 43 shares of LMI Series A common stock held by the UGC 401(k) Plan.

(31) Includes 840,000 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and includes 6,332 shares of UGC Class A common stock held by the UGC 401(k) Plan.

(32) Includes 5,544,672 shares of UGC Class A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and 34,206 shares of UGC

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Class A common stock held by the UGC 401(k) Plan for the benefit of the directors and executive officers.

(33) Includes 356,823 shares of LMI Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and 51,618 shares of LMI Series A common stock held by the Liberty 401(k) Savings Plan.

(34) The number of shares of UGC Class A common stock, UGC Class B common stock and UGC Class C common stock in the table is based upon Amendment No. 1 to the Schedule 13D dated January 17, 2005, filed by LMI. The address of LMI is 12300 Liberty Boulevard, Englewood, Colorado 80112. Robert R. Bennett, Bernard G. Dvorak, David B. Koff, and John C. Malone, all directors of UGC, are also officers and/or directors of LMI.

(35) The number of shares of UGC Class A common stock in the table is based upon Amendment No. 8 to the Schedule 13G dated December 31, 2004, filed by Capital Research and Management Company and The Growth Fund of America, Inc. with respect to the UGC Class A common stock. Capital Research, an investment advisor, is the beneficial owner of 55,909,250 shares of UGC Class A common stock, as a result of acting as investment advisor to various investments companies, but disclaims beneficial ownership pursuant to Rule 13d-4. Growth Fund, an investment company advised by Capital Research, is the beneficial owner of 25,200,000 shares of UGC Class A common stock. The Schedule 13G reflects that Capital Research has no voting power over said shares and sole dispositive power over the shares of UGC Class A common stock and that Growth Fund has sole voting power over its shares but no dispositive power. The address of Capital Research and Growth Fund is 333 South Hope Street, Los Angeles, CA 90071.

(36) The number of shares of UGC Class A common stock in the table is based upon a Schedule 13G dated December 31, 2004, filed by Credit Suisse First Boston on behalf of Credit Suisse First Boston business unit (CSFB). CSFB is a bank and provides financial advisory services and through Credit Suisse Asset Management provides asset management and investment advisory services. CSFB also filed as a parent holding company or control person. Its ultimate parent is Credit Suisse Group, which disclaims beneficial ownership of the shares reported by CSFB. The Schedule 13G reflects that CSFB has shared voting and shared dispositive powers over the UGC Class A common stock. The address of CSFB is: Uetlibergstrasse 231, P.O. Box 900, CH 8070 Zurich, Switzerland. The address of Credit Suisse Group is: Paradeplatz 8, P.O. Box 1, CH 8070 Zurich, Switzerland.

(37) The number of shares of UGC Class A common stock in the table is based upon a Schedule 13G dated December 31, 2004, filed by OppenheimerFunds, Inc. OppenheimerFunds is an investment advisor and disclaims beneficial ownership pursuant to Rule 13d-4 of the Exchange Act of 1934. The Schedule 13G reflects that OppenheimerFunds has no voting power and shared dispositive power over the UGC Class A common stock. The address of OppenheimerFunds is 225 Liberty Street, 11th Floor, New York, NY 10018.

Pro Forma Security Ownership Information of UGC Management

The following table sets forth information with respect to the estimated beneficial ownership by each UGC director, each of the UGC named executive officers (as defined in UGC s Annual Report on Form 10-K for the year ended December 31, 2004) and all of UGC s directors and executive officers as a group of shares of Liberty Global Series A common stock and Liberty Global Series B common stock, assuming that the mergers had been effected on February 28, 2005.

If the mergers are effected, (1) each share of UGC common stock will be converted into the right to receive 0.2155 of a share of Liberty Global Series A common stock or $9.58 in cash, subject to proration, and (2) each share of LMI Series A common stock and LMI Series B common stock will be converted into one share of the corresponding series of Liberty Global common stock. For purposes of the following presentation, we have assumed that none of UGC s directors and executive officers elect to receive cash for their shares of UGC common stock in the mergers. In addition, although shares of LMI Series B common stock are convertible on a one-for-one basis into shares of LMI Series A common stock, we have assumed, for purposes

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of this presentation, that no shares of LMI Series B common stock were converted into shares of LMI Series A common stock prior to the assumed merger date of February 28, 2005.

The security ownership information for Liberty Global common stock has been estimated based upon outstanding stock information for LMI common stock and UGC common stock as of February 28, 2005, and, in the case of percentage ownership information, has been estimated based upon 244,815,890 shares of Liberty Global Series A common stock and 7,264,300 shares of Liberty Global Series B common stock estimated to have been issued in the mergers (assuming no cash elections had been made by any UGC stockholders).

Shares of Liberty Global common stock deemed to be issuable within 60 days of February 28, 2005 upon exercise of options, conversion of convertible securities, exchange of exchangeable securities or upon vesting of restricted stock awards are deemed to be outstanding for the purpose of computing the percentage ownership and aggregate voting power of persons expected to beneficially own such securities, but have not been deemed to be outstanding for the purpose of computing the percentage ownership or aggregate voting power of any other person.

So far as is known to UGC, the persons indicated below would have sole voting power with respect to the shares estimated to be owned by them, except as otherwise stated in the notes to the table. The number of shares indicated as owned by the executive officers and directors of UGC includes interests in shares held by UGC s defined contribution 401(k) plan and shares held by Liberty s defined contribution 401(k) plan, in each case as of February 28, 2005. The shares held by the trustees of these 401(k) plans for the benefit of these persons are voted as directed by such persons.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (In thousands)	Percent of Class	Voting Power
Robert R. Bennett	Liberty Global Series A	285(1)(2)(3)(4)	*	2.3%
	Liberty Global Series B	732(2)(4)	9.2%	
Charles H.R. Bracken	Liberty Global Series A	0		
	Liberty Global Series B	0		
John P. Cole, Jr.	Liberty Global Series A	82(5)	*	*
	Liberty Global Series B	0		
John W. Dick	Liberty Global Series A	11(6)	*	*
	Liberty Global Series B	0		
Bernard G. Dvorak	Liberty Global Series A	0(7)	*	*
	Liberty Global Series B	0		
Michael T. Fries	Liberty Global Series A	523(8)(9)	*	*
	Liberty Global Series B	0		
Paul A. Gould	Liberty Global Series A	140(10)	*	*
	Liberty Global Series B	37	*	*
Gary S. Howard	Liberty Global Series A	406(11)(12)	*	*
	Liberty Global Series B	0		
David B. Koff	Liberty Global Series A	65(13)(14)(15)	*	*
	Liberty Global Series B	0		
John C. Malone	Liberty Global Series A	973(16)(17)(19)(20)	*	25.5%
	Liberty Global Series B	8,506(16)(18)(20)	91.1%	
Gene M. Musselman	Liberty Global Series A	2(21)	*	*
	Liberty Global Series B	0		
Shane O Neill	Liberty Global Series A	0		

	Liberty Global Series	B	0		
Gene W. Schneider	Liberty Global Series	A	1,621(22)(23)(24)(25)	*	*
	Liberty Global Series	B	0		

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Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (In thousands)	Percent of Class	Voting Power
Frederick G. Westerman III	Liberty Global Series A	182(26)	*	*
	Liberty Global Series B	0		
All directors and executive officers as a group	Liberty Global Series A	4,291(2)(4)(9)(12)(14) (16)(17)(20)(23) (24)(27)	1.7%	26.7%
	Liberty Global Series B	9,274(2)(4)(16)(18)(20)	92.1%	

* Less than one percent.

(1) Includes 29,511 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(2) Includes 102,708 shares of Liberty Global Series A common stock and 24 shares of Liberty Global Series B common stock owned by Hilltop Investments, Inc., which is jointly owned by Mr. Bennett and his spouse.

(3) Includes 1,657 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(4) Includes 29,511 shares of Liberty Global Series A common stock and 731,962 shares of Liberty Global Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Bennett has the right to convert the options to purchase shares of Liberty Global Series B common stock into options to purchase shares of Liberty Global Series A common stock.

(5) Includes 43,818 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(6) Includes 11,223 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(7) Includes 361 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(8) Includes 517,200 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and 1,786 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(9) Includes 45 shares of Liberty Global Series A common stock held by his spouse.

(10) Includes 7,320 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(11)

Includes 2,300 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan and 319,700 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

(12) Includes 20,940 shares of Liberty Global Series A common stock held by a Grantor Retained Annuity Trust. Also includes 614 shares of Liberty Global Series A common stock owned by his spouse of which Mr. Howard disclaims beneficial ownership and 11,108 shares of Liberty Global Series A common stock held by a Grantor Retained Annuity Trust of which Mr. Howard disclaims beneficial ownership.

(13) Includes 675 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(14) Includes 1,250 restricted shares of Liberty Global Series A common stock, none of which were vested at February 28, 2005.

(15) Includes 53,615 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005.

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(16) Includes 90,303 shares of Liberty Global Series A common stock and 204,566 shares of Liberty Global Series B common stock held by Mr. Malone s spouse, as to which shares Mr. Malone has disclaimed beneficial ownership.

(17) Includes 198 shares of Liberty Global Series A common stock held by a trust with respect to which Mr. Malone is the sole trustee and, with his wife, Leslie Malone, retains a unitrust interest in the trust.

(18) Includes 1,042,628 shares of Liberty Global Series B common stock held by a trust with respect to which Mr. Malone is the sole trustee and holder of a unitrust interest in the trust.

(19) Includes 46,943 shares of Liberty Global Series A common stock held by the Liberty 401(k) Savings Plan.

(20) Includes 20,334 shares of Liberty Global Series A common stock and 2,072,577 shares of Liberty Global Series B common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005. Mr. Malone has the right to convert options to purchase 504,015 shares of Liberty Global Series B common stock into options to purchase shares of Liberty Global Series A common stock.

(21) Includes 1,719 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(22) Includes 1,005,747 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and 2,140 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(23) Includes 153 shares of Liberty Global Series A common stock held by a trust of which Mr. Schneider is a beneficiary and a trustee and 14 shares of Liberty Global Series A common stock held by his spouse.

(24) Includes 199,261 shares of Liberty Global Series A common stock held by G. Schneider Holdings, LLP of which Mr. Schneider is the general partner, 1,155 shares of Liberty Global Series A common stock held by a trust of which Mr. Schneider is a beneficiary and a trustee, 1,577 shares of Liberty Global Series A common stock held by his spouse, and an aggregate of 1,555 shares of Liberty Global Series A common stock held by separate trusts for the benefit of his children and two of his grandchildren, respectively, of which Mr. Schneider is the sole trustee.

(25) Includes 43 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(26) Includes 181,020 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, and includes 1,364 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan.

(27) Includes 2,156,703 shares of Liberty Global Series A common stock that are subject to options which were exercisable as of, or will be exercisable within 60 days of, February 28, 2005, 7,413 shares of Liberty Global Series A common stock held by the UGC 401(k) Plan and 51,575 shares of Liberty Global Series A common stock held by the Liberty 401(k) plan.

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Pro Forma Cash Consideration Deliverable to UGC Management

The following table sets forth an estimate of the amount of cash consideration that could have been received by each UGC director and each of the UGC named executive officers (as defined in UGC s Annual Report on Form 10-K for the year ended December 31, 2004) and by all of UGC s directors and executive officers as a group if the mergers had been effected on February 28, 2005, and assuming that (1) they exercised their cash election with respect to all of their UGC beneficial ownership interests (other than interests held pursuant to stock options), and (2) their cash elections were not reduced pursuant to applicable proration procedures.

Name of Beneficial Owner	Approximate Amount of Cash Consideration
Charles H.R. Bracken	
Robert R. Bennett	$ 1,228,022
John P. Cole, Jr.*	$ 1,711,400
John W. Dick*	
Bernard G. Dvorak	$ 28,960
Michael T. Fries	$ 255,326
Paul A. Gould*	$ 1,434,413
Gary S. Howard	
David B. Koff	
John C. Malone	
Gene M. Musselman	$ 88,615
Shane O Neill	
Gene W. Schneider	$ 2,670,377
Frederick G. Westerman III	$ 60,661
All directors and executive officers as a group	$ 7,477,774

* Member of the Special Committee

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DESCRIPTION OF LIBERTY GLOBAL CAPITAL STOCK

The following information reflects Liberty Global s restated certificate of incorporation and bylaws as these documents will be in effect at the time of the mergers.

Authorized Capital Stock

Liberty Global s authorized capital stock consists of one billion one hundred million (1,100,000,000) shares, of which one billion fifty million (1,050,000,000) shares are designated common stock, par value $0.01 per share, and fifty million (50,000,000) shares are designated preferred stock, par value $0.01 per share. Liberty Global s common stock is divided into three series. Liberty Global has authorized five hundred million (500,000,000) shares of Series A common stock, fifty million (50,000,000) shares of Series B common stock, and five hundred million (500,000,000) shares of Series C common stock.

Immediately following the effective time of the mergers, Liberty Global expects to have up to [_____] shares of its Series A common stock and [_____] shares of its Series B common stock outstanding, based upon the number of shares of LMI Series A common stock, LMI Series B common stock, UGC Class A common stock and UGC Class C common stock outstanding on [_____], 2005. The actual number of outstanding shares of Liberty Global Series A common stock will also depend on the number of UGC stockholders who make the cash election. No shares of Liberty Global Series C common stock or preferred stock will be outstanding immediately following the effective time of the merger.

Common Stock

The holders of Liberty Global Series A common stock, Series B common stock and Series C common stock have equal rights, powers and privileges, except as otherwise described below.

Voting Rights

The holders of Liberty Global Series A common stock will be entitled to one vote for each share held, and the holders of Liberty Global Series B common stock will be entitled to ten votes for each share held, on all matters voted on by Liberty Global stockholders, including elections of directors. The holders of Liberty Global Series C common stock will not be entitled to any voting powers, except as required by Delaware law. When the vote or consent of holders of Liberty Global Series C common stock is required by Delaware law, the holders of Liberty Global Series C common stock will be entitled to 1/100th of a vote for each share held. Liberty Global s charter does not provide for cumulative voting in the election of directors.

Dividends; Liquidation

Subject to any preferential rights of any outstanding series of Liberty Global s preferred stock created by Liberty Global s board from time to time, the holders of Liberty Global s common stock will be entitled to such dividends as may be declared from time to time by Liberty Global s board from funds available therefor. Except as otherwise described under Distributions, whenever a dividend is paid to the holders of one of Liberty Global Series of common stock, Liberty Global shall also pay to the holders of the other series of Liberty Global s common stock an equal per share dividend. For a more complete discussion of Liberty Global s dividend policy, please see Dividend Policy.

Conversion

Each share of Liberty Global Series B common stock is convertible, at the option of the holder, into one share of Liberty Global Series A common stock. Liberty Global Series A common stock and Liberty Global Series C common stock are not convertible.

Distributions

Distributions made in shares of Liberty Global Series A common stock, Liberty Global Series B common stock, Liberty Global Series C common stock or any other security with respect to Liberty Global Series A

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common stock, Liberty Global Series B common stock or Liberty Global Series C common stock may be declared and paid only as follows:

a share distribution (1) consisting of shares of Liberty Global Series A common stock (or securities convertible therefor) to holders of Liberty Global Series A common stock, Liberty Global Series B common stock and Liberty Global Series C common stock, on an equal per share basis; or (2) consisting of shares of Liberty Global Series B common stock (or securities convertible therefor) to holders of Liberty Global Series A common stock, Liberty Global Series B common stock and Liberty Global Series C common stock, on an equal per share basis; or (3) consisting of shares of Liberty Global Series C common stock (or securities convertible therefor) to holders of Liberty Global Series A common stock, Liberty Global Series B common stock and Liberty Global Series C common stock, on an equal per share basis; or (4) consisting of shares of Liberty Global Series A common stock (or securities convertible therefor) to holders of Liberty Global Series A common stock and, on an equal per share basis, shares of Liberty Global Series B common stock (or securities convertible therefor) to holders of Liberty Global Series B common stock and, on an equal per share basis, shares of Liberty Global Series C common stock (or securities convertible therefor) to holders of Liberty Global Series C common stock; and

a share distribution consisting of shares of any class or series of securities of Liberty Global or any other person, other than Liberty Global Series A common stock, Liberty Global Series B common stock or Liberty Global Series C common stock (or securities convertible therefor) on the basis of a distribution of (1) identical securities, on an equal per share basis, to holders of Liberty Global Series A common stock, Liberty Global Series B common stock and Liberty Global Series C common stock; or (2) separate classes or series of securities, on an equal per share basis, to holders of Liberty Global Series A common stock, Liberty Global Series B common stock and Liberty Global Series C common stock; or (3) a separate class or series of securities to the holders of one or more series of Liberty Global s common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of Liberty Global s common stock, *provided* that, in the case of (2) or (3) above, the securities so distributed do not differ in any respect other than their relative voting rights and related differences in designation, conversion and share distribution provisions, with the holders of shares of Liberty Global Series B common stock receiving securities of the class or series having the highest relative voting rights and the holders of shares of each other series of Liberty Global s common stock receiving securities of the class or series having lesser relative voting rights, and *provided further* that, if different classes or series of securities are being distributed to holders of Liberty Global Series A common stock and Liberty Global Series C common stock, then such securities shall be distributed either as determined by Liberty Global s board of directors or such that the relative voting rights of the securities of the class or series of securities to be received by the holders of Liberty Global Series A common stock and Liberty Global Series C common stock corresponds, to the extent practicable, to the relative voting rights of each such series of Liberty Global s common stock, and *provided further* that, in each case, the distribution is otherwise made on a equal per share basis.

Liberty Global may not reclassify, subdivide or combine any series of Liberty Global s common stock without reclassifying, subdividing or combining the other series of Liberty Global s common stock, on an equal per share basis.

Liquidation and Dissolution

In the event of Liberty Global s liquidation, dissolution and winding up, after payment or provision for payment of Liberty Global s debts and liabilities and subject to the prior payment in full of any preferential amounts to which Liberty Global s preferred stock holders may be entitled, the holders of Liberty Global Series A common stock, Liberty Global Series B common stock and Liberty Global Series C common stock will share equally, on a share for share basis, in Liberty Global s assets remaining for distribution to the holders of Liberty Global s common stock.

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Preferred Stock

Liberty Global s restated certificate of incorporation authorizes Liberty Global s board of directors to establish one or more series of Liberty Global s preferred stock and to determine, with respect to any series of Liberty Global s preferred stock, the terms and rights of the series, including:

- the designation of the series;
- the number of authorized shares of the series, which number Liberty Global s board may thereafter increase or decrease but not below the number of such shares then outstanding;
- the dividend rate or amounts, if any, payable on the shares and, in the case of cumulative dividends, the date or dates from which dividends on all shares of the series shall be cumulative and the relative preferences or rights of priority or participation with respect to such dividends;
- the rights of the series in the event of Liberty Global s voluntary or involuntary liquidation, dissolution or winding up and the relative preferences or rights of priority of payment;
- the rights, if any, of holders of the series to convert into or exchange for other classes or series of stock or indebtedness and the terms and conditions of any such conversion or exchange, including provision for adjustments within the discretion of Liberty Global s board;
- the voting rights, if any, of the holders of the series;
- the terms and conditions, if any, for us to purchase or redeem the shares; and
- any other relative rights, preferences and limitations of the series.

Liberty Global believes that the ability of Liberty Global s board of directors to issue one or more series of Liberty Global s preferred stock will provide them with flexibility in structuring possible future financing and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of Liberty Global s preferred stock, as well as shares of Liberty Global s common stock, will be available for issuance without further action by Liberty Global stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which Liberty Global s securities may be listed or traded. If the approval of Liberty Global stockholders is not required for the issuance of shares of Liberty Global s preferred stock or Liberty Global s common stock, Liberty Global s board may determine not to seek stockholder approval.

Although Liberty Global has no intention at the present time of doing so, it could issue a series of Liberty Global s preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. Liberty Global s board of directors will make any determination to issue such shares based upon its judgment as to the best interests of Liberty Global s stockholders. Liberty Global s board of directors, in so acting, could issue Liberty Global s preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of Liberty Global s board of directors, including a tender offer or other transaction that some, or a majority, of Liberty Global stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of the stock.

Dividend Policy

Liberty Global presently intends to retain future earnings, if any, to finance the expansion of Liberty Global s business. Therefore, Liberty Global does not expect to pay any cash dividends in the foreseeable future. All decisions regarding the payment of dividends by Liberty Global will be made by Liberty Global s board of directors, from time to time, in accordance with applicable law after taking into account various factors, including Liberty Global s financial condition, operating results, current and anticipated cash needs, plans for expansion and possible loan covenants

which may restrict or prohibit Liberty Global s payment of dividends.

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Anti-Takeover Effects of Provisions of Restated Certificate of Incorporation and Bylaws

Board of Directors

Liberty Global s restated certificate of incorporation and bylaws provide that, subject to any rights of the holders of any series of Liberty Global s preferred stock to elect additional directors, the number of Liberty Global s directors shall not be less than three and the exact number shall be fixed from time to time by a resolution adopted by the affirmative vote of 75% of the members of Liberty Global s board then in office. The members of Liberty Global s board, other than those who may be elected by holders of Liberty Global s preferred stock, are divided into three classes. Each class consists, as nearly as possible, of a number of directors equal to one-third of the then authorized number of board members. The term of office of Liberty Global s Class I directors expires at the annual meeting of Liberty Global stockholders in 2006. The term of office of Liberty Global s Class II directors expires at the annual meeting of Liberty Global stockholders in 2007. The term of office of Liberty Global s Class III directors expires at the annual meeting of Liberty Global stockholders in 2008. At each annual meeting of Liberty Global stockholders, the successors of that class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of Liberty Global stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective successors are elected and qualified.

Liberty Global s restated certificate of incorporation provides that, subject to the rights of the holders of any series of Liberty Global s preferred stock, Liberty Global s directors may be removed from office only for cause upon the affirmative vote of the holders of at least a majority of the aggregate voting power of Liberty Global s outstanding capital stock entitled to vote at an election of directors, voting together as a single class.

Liberty Global s restated certificate of incorporation provides that, subject to the rights of the holders of any series of Liberty Global s preferred stock, vacancies on Liberty Global s board resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on Liberty Global s board, shall be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director. Any director so elected shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is assigned, and until that director s successor shall have been elected and qualified or until such director s earlier death, resignation or removal. No decrease in the number of directors constituting Liberty Global s board shall shorten the term of any incumbent director, except as may be provided in any certificate of designation with respect to a series of Liberty Global s preferred stock with respect to any additional director elected by the holders of that series of Liberty Global s preferred stock.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of Liberty Global s board by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of Liberty Global s board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of Liberty Global.

No Shareowner Action by Written Consent; Special Meetings

Liberty Global s restated certificate of incorporation provides that, except as otherwise provided in the terms of any series of preferred stock, any action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may not be taken without a meeting and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any series of Liberty Global s preferred stock, special meetings of Liberty Global stockholders for any purpose or purposes may be called only by Liberty Global s Secretary at the request of at least 75% of the members of Liberty Global s board then in office. No business other than that stated in the notice of special meeting shall be transacted at any special meeting.

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Advance Notice Procedures

Liberty Global s bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of Liberty Global stockholders.

All nominations by stockholders or other business to be properly brought before a meeting of stockholders shall be made pursuant to timely notice in proper written form to Liberty Global s Secretary. To be timely, a stockholder s notice shall be given to Liberty Global s Secretary at Liberty Global s offices as follows:

(1) with respect to an annual meeting of Liberty Global stockholders that is called for a date not more than 30 days before or 70 days after the anniversary date of the immediately preceding annual meeting of Liberty Global stockholders, such notice shall be given no earlier than the close of business on the 120th day prior to such anniversary and no later than the close of business on the 90th day prior to such anniversary;

(2) with respect to an annual meeting of Liberty Global stockholders that is called for a date which is more than 30 days before or 70 days after the anniversary date of the immediately preceding annual meeting of Liberty Global stockholders, such notice shall be given no earlier than the close of business on the 120th day prior to the current annual meeting and not later than the close of business on the later of (A) the 90th day prior to the current annual meeting or (b) the 10th day following the day on which Liberty Global first publicly announces the date of the current annual meeting; and

(3) with respect to an election to be held at a special meeting of Liberty Global stockholders, not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting.

The public announcement of an adjournment or postponement of a meeting of Liberty Global stockholders does not commence a new time period (or extend any time period) for the giving of any such stockholder notice. However, if the number of directors to be elected to Liberty Global s board at any meeting is increased, and Liberty Global does not make a public announcement naming all of the nominees for director or specifying the size of the increased board at least 100 days prior to the anniversary date of the immediately preceding annual meeting, a stockholder s notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to Liberty Global s Secretary at Liberty Global s offices not later than the close of business on the 10th day following the day on which Liberty Global first made the relevant public announcement. For purposes of the first annual meeting of stockholders to be held in 2006, the first anniversary date shall be deemed to be [ ], 2006.

Amendments

Liberty Global s restated certificate of incorporation provides that, subject to the rights of the holders of any series of Liberty Global s preferred stock, the affirmative vote of the holders of at least 80% of the aggregate voting power of Liberty Global s outstanding capital stock generally entitled to vote upon all matters submitted to Liberty Global stockholders, voting together as a single class, is required to adopt, amend or repeal any provision of Liberty Global s restated certificate of incorporation or the addition or insertion of other provisions in the certificate, provided that the foregoing voting requirement shall not apply to any adoption, amendment, repeal, addition or insertion (1) as to which Delaware law does not require the consent of Liberty Global stockholders or (2) which has been approved by at least 75% of the members of Liberty Global s board then in office. Liberty Global s restated certificate of incorporation further provides that the affirmative vote of the holders of at least 80% of the aggregate voting power of Liberty Global s outstanding capital stock generally entitled to vote upon all matters submitted to Liberty Global stockholders, voting together as a single class, is required to adopt, amend or repeal any provision of Liberty Global s bylaws, provided that the foregoing voting requirement shall not apply to any adoption, amendment or repeal approved by the affirmative vote of not less than 75% of the members of Liberty Global s board then in office.

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Supermajority Voting Provisions

In addition to the supermajority voting provisions discussed under Amendments above, Liberty Global s restated certificate of incorporation provides that, subject to the rights of the holders of any series of Liberty Global s preferred stock, the affirmative vote of the holders of at least 80% of the aggregate voting power of Liberty Global s outstanding capital stock generally entitled to vote upon all matters submitted to Liberty Global stockholders, voting together as a single class, is required for:

Liberty Global s merger or consolidation with or into any other corporation, provided, that the foregoing voting provision shall not apply to any such merger or consolidation (1) as to which the laws of the State of Delaware, as then in effect, do not require the consent of Liberty Global stockholders, or (2) that at least 75% of the members of Liberty Global s board of directors then in office have approved;

the sale, lease or exchange of all, or substantially all, of Liberty Global s assets, provided, that the foregoing voting provisions shall not apply to any such sale, lease or exchange that at least 75% of the members of Liberty Global s board of directors then in office have approved; or

Liberty Global s dissolution, provided, that the foregoing voting provision shall not apply to such dissolution if at least 75% of the members of Liberty Global s board of directors then in office have approved such dissolution.

Section 203 of the Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law prohibits certain transactions between a Delaware corporation and an interested stockholder. An interested stockholder for this purpose is a stockholder who is directly or indirectly a beneficial owner of 15% or more of the aggregate voting power of a Delaware corporation. This provision prohibits certain business combinations between an interested stockholder and a corporation for a period of three years after the date on which the stockholder became an interested stockholder, unless: (1) the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation s board of directors before the stockholder became an interested stockholder, (2) the interested stockholder acquired at least 85% of the aggregate voting power of the corporation in the transaction in which the stockholder became an interested stockholder, or (3) the business combination is approved by a majority of the board of directors and the affirmative vote of the holders of two-thirds of the aggregate voting power not owned by the interested stockholder at or subsequent to the time that the stockholder became an interested stockholder. These restrictions do not apply if, among other things, the corporation s certificate of incorporation contains a provision expressly electing not to be governed by Section 203. In Liberty Global s restated certificate of incorporation, Liberty Global has elected not to be governed by Section 203.

Transfer Agent and Registrar

EquiServe Trust Company N.A. will be the transfer agent and registrar for Liberty Global s common stock.

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COMPARISON OF THE RIGHTS OF STOCKHOLDERS OF LMI, UGC AND LIBERTY GLOBAL

Liberty Global, LMI and UGC are each organized under the laws of the State of Delaware. Any differences, therefore, in the rights of holders of capital stock in Liberty Global, LMI and UGC arise primarily from differences in their respective charters and bylaws, in the case of LMI and UGC, as in effect on the date of this joint proxy statement/ prospectus, and, in the case of Liberty Global, as will be in effect at the effective time of the mergers. Upon completion of the mergers, holders of LMI common stock and holders of UGC common stock will become holders of Liberty Global common stock and their rights will be governed by Delaware law and Liberty Global s restated certificate of incorporation and bylaws.

The following discussion summarizes the material differences between the rights of LMI stockholders, UGC stockholders and Liberty Global stockholders, as described in the applicable provisions of their respective charters and bylaws. This section does not include a complete description of all the differences among the rights of these stockholders, nor does it include a complete description of the specific rights of these stockholders. All LMI stockholders and UGC stockholders are urged to carefully read the relevant provisions of Delaware law as well as the form of restated certificate of incorporation and form of bylaws of Liberty Global included with this joint proxy statement/ prospectus as Appendix F and Appendix G, respectively.

Authorized Capital Stock

LMI	UGC	Liberty Global
The authorized capital stock of LMI consists of (i) 1,050,000,000 shares of common stock, par value $.01 per share, of which 500,000,000 shares are designated LMI Series A common stock 50,000,000 shares are designated LMI Series B common stock and 500,000,000 shares are designated LMI Series C common stock and (ii) 50,000,000 shares of LMI preferred stock, par value $.01 per share. LMI s restated certificate of incorporation authorizes the board of directors to authorize the issuance of one or more series of preferred stock.	The authorized capital stock of UGC consists of (i) 2,400,000,000 shares of UGC common stock, par value $.01 per share, of which 1,000,000,000 shares are designated UGC Class A common stock, 1,000,000,000 shares are designated UGC Class B common stock and 400,000,000 shares are designated UGC Class C common stock and (ii) 10,000,000 shares of UGC preferred stock, par value $.01 per share. UGC s amended and restated certificate of incorporation authorizes the board of directors to authorize the issuance of one or more series of preferred stock.	Same as LMI.

Voting Rights

LMI	UGC	Liberty Global
Under LMI s restated certificate of incorporation, holders of LMI Series A common stock are entitled to one vote for each share of such stock held, and holders of LMI Series B common	Under UGC s amended and restated certificate of incorporation, holders of UGC Class A common stock are entitled to one vote for each share of such stock held, holders	Same as LMI.

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LMI	UGC	Liberty Global
stock are entitled to ten votes for each share of such stock held, on all matters submitted to a vote of LMI stockholders at any annual or special meeting. Holders of LMI Series C common stock are not entitled to any voting powers, except as required by Delaware law (in which case holders of LMI Series C common stock are entitled to 1/100th of a vote per share).	of UGC Class B common stock are entitled to ten votes for each share of such stock held and holders of Class C common stock are entitled to ten votes for each share of such stock held.	

Cumulative Voting

LMI	UGC	Liberty Global
Under Delaware law, stockholders of a Delaware corporation do not have the right to cumulate their votes in the election of directors, unless that right is granted in the certificate of incorporation of the corporation. LMI s restated certificate of incorporation does not permit cumulative voting by LMI stockholders.	Same as LMI.	Same as LMI.

Size of Board of Directors

LMI	UGC	Liberty Global
LMI s board of directors has eight members. LMI s restated certificate of incorporation provides that the minimum number of directors is three, and that the actual number of directors may be fixed by the board of directors.	UGC s board of directors has ten members. UGC s amended and restated certificate of incorporation provides that the number of directors shall not be fewer than nine nor more than twelve, and that the actual number of directors may be fixed by the board of directors.	Liberty Global s board of directors initially will have ten members. Liberty Global s restated certificate of incorporation and bylaws will provide that the minimum number of directors is three, and that the actual number of directors may be fixed by the board of directors.

Classes of Directors

LMI	UGC	Liberty Global
LMI s restated certificate of incorporation provides that its board	Same as LMI.	Same as LMI.

of directors is divided into three classes of directors with each class being elected to a staggered three-year term.

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Removal of Directors

LMI	UGC	Liberty Global
Under LMI s restated certificate of incorporation, a director may be removed from office only for cause upon the affirmative vote of the holders of a majority of the aggregate voting power of the outstanding shares of LMI Series A common stock, LMI Series B common stock and any series of preferred stock entitled to vote upon matters that may be submitted to an LMI stockholder vote.	Under UGC s amended and restated certificate of incorporation, any and all directors may be removed from the board of directors with or without cause upon the affirmative vote of holders of at least 66^2/3% of the aggregate combined voting power of the UGC Class A common stock, UGC Class B common stock and UGC Class C common stock, voting together as a single class.	Same as LMI.

Vacancies on the Board of Directors

LMI	UGC	Liberty Global
LMI s restated certificate of incorporation provides that vacancies resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on the board of directors, shall be filled only by the affirmative vote of a majority of the remaining directors then in office.	UGC s amended and restated certificate of incorporation provides that any newly created directorship resulting from an increase in the number of directors or any other vacancy, however caused, shall be filled by a majority of the directors then in office.	Same as LMI.

Limitation of Personal Liability of Directors

LMI	UGC	Liberty Global
Under Delaware law, a corporation may include in its certificate of incorporation a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; however, the provision may not eliminate or limit the liability of a director for a breach of the duty of loyalty, acts or omissions not in good faith or that involve intentional	Same as LMI.	Same as LMI.

misconduct or a knowing violation of law, unlawful payments of dividends, certain stock

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LMI	UGC	Liberty Global
repurchases or redemptions or any transaction from which the director derived an improper personal benefit. LMI s restated certificate of incorporation limits the personal liability of LMI directors for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by Delaware law.		

Indemnification of Directors and Officers

LMI	UGC	Liberty Global
Delaware law provides that, subject to certain limitations in the case of derivative suits brought by a corporation s stockholders in its name, a corporation may indemnify any person who is made a party to any third-party action, suit or proceeding (other than an action by or in the right of the corporation) on account of being a current or former director, officer, employee or agent of the corporation (or is or was serving at the request of the corporation in such capacity for another corporation, partnership, joint venture, trust or other enterprise) against expenses, including attorney s fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding through, among other things, a majority of directors who were not parties to the suit or proceeding, if the person (i) acted in good faith and in a manner reasonably believed to be in the best interests of the corporation (or in some circumstances, at least not opposed to its best interests), and (ii) in a criminal action or proceeding, had no reasonable cause	Same as LMI.	Same as LMI.

to believe his or her

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LMI	UGC	Liberty Global
conduct was unlawful. Delaware corporate law also permits indemnification by a corporation under similar circumstances for expenses (including attorneys fees) actually and reasonably incurred by such persons in connection with the defense or settlement of a derivative action or suit, except that no indemnification may be made in respect of any claim, issue or matter as to which the person is adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which the action or suit was brought determines upon application that the person is fairly and reasonably entitled to indemnity for the expenses which the court deems to be proper. To the extent that a current or former director, officer, employee or agent is successful in the defense of such an action, suit or proceeding, the corporation is required by Delaware corporate law to indemnify such person for reasonable expenses incurred thereby. Expenses (including attorneys fees) incurred by such persons in defending any action, suit or proceeding may be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of that person to repay the amount if it is ultimately determined that person is not entitled to be so indemnified. LMI s restated certificate of incorporation provides for (i) the indemnification of its current or former directors and officers to the fullest extent permitted by law, and (ii) the prepayment of expenses (including attorneys fees) upon receipt of an undertaking to repay such		

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LMI	UGC	Liberty Global
amounts if it is ultimately determined that the director or officer is not entitled to indemnification.		

Action by Written Consent

LMI	UGC	Liberty Global
LMI s restated certificate of incorporation specifically denies LMI stockholders the power to consent in writing, without a meeting, to the taking of any action.	UGC s amended and restated Certificate of incorporation allows UGC stockholders to take action by written consent.	Same as LMI.

Amendments to Certificate of Incorporation

LMI	UGC	Liberty Global
LMI s restated certificate of incorporation requires, for the amendment, alteration or repeal of any provision of or the addition or insertion of any provision in LMI s restated certificate of incorporation, the affirmative vote of the holders of at least 80% of the aggregate voting power of the outstanding shares of LMI Series A common stock, LMI Series B common stock and any series of preferred stock entitled to vote upon matters submitted to a stockholder vote, unless the amendment (i) is not required to be approved by LMI stockholders under Delaware Law or (ii) has been approved by 75% of the LMI directors then in office.	UGC s amended and restated certificate of incorporation requires the affirmative vote of the holders of 66^{2}/3% of the aggregate voting power of the outstanding UGC common stock, voting together as a single class, to amend, alter, repeal or adopt provisions of the amended and restated certificate of incorporation relating to the following matters: (1) the classification of directors, (2) the election of directors, (3) the term of office of directors, (4) the filling of vacant directorships, (5) the removal of directors, (6) the nominations of directors, (7) the calling of special meetings of stockholders, (8) requirements concerning amendments to the bylaws and (9) requirements concerning amendments to the amended and restated certificate of incorporation. The items listed under (1) through (6) also require the affirmative vote of the holders of a majority of the voting power of the outstanding UGC Class C common stock, voting	Same as LMI.

separately.

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Amendments to Bylaws

LMI	UGC	Liberty Global
Delaware law provides that stockholders have the power to amend the bylaws of a corporation unless the certificate of incorporation grants such power to the board of directors, in which case either the stockholders or the board of directors may amend the bylaws. LMI s restated certificate of incorporation authorizes the board of directors, by the affirmative vote of not less than 75% of the directors then in office, to adopt, amend or repeal any provision of the bylaws.	Delaware law provides that stockholders shall have the power to amend the bylaws of a corporation unless the certificate of incorporation grants such power to the board of directors, in which case either the stockholders or the board of directors may amend the bylaws. UGC s amended and restated certificate of incorporation provides that the board of directors has the power to adopt, alter, amend or repeal the bylaws of UGC by a vote of the majority of the directors then in office. The holders of shares of outstanding equity securities of UGC entitled to vote in the election of directors, to the extent such power is conferred on them by application of law, also have the power to adopt, alter, amend or repeal the bylaws of UGC if approved by at least 66^{2}/3% of the aggregate voting power of the outstanding UGC common stock, voting together as a single class.	Same as LMI.

Special Meetings of Stockholders

LMI	UGC	Liberty Global
LMI s restated certificate of incorporation and bylaws provide that the secretary may call special meetings of the stockholders, only at the request of 75% of the members of the board of directors then in office.	UGC s bylaws provide that special meetings may be called only (i) by the board of directors pursuant to a resolution approved by a majority of the directors then in office, (ii) by the chairman of the board of directors or (iii) at the request of holders of common stock representing a majority of the aggregate voting power of the outstanding equity securities entitled to vote in the election of director.	Same as LMI.

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Vote on Extraordinary Corporate Transactions

LMI	UGC	Liberty Global
Under Delaware law, a sale or other disposition of all or substantially all of a corporation s assets, a merger or consolidation of a corporation with another corporation or a dissolution of a corporation requires the affirmative vote of the corporation s board of directors (except in limited circumstances) plus, with limited exceptions, the affirmative vote of a majority of the outstanding stock entitled to vote on the transaction. LMI s restated certificate of incorporation requires the affirmative vote of holders of at least 80% of the aggregate voting power of the outstanding shares of LMI Series A common stock, LMI Series B common stock and any series of preferred stock entitled to vote upon matters submitted to an LMI stockholder vote to authorize: (i) a merger or consolidation with and into any other corporation, unless (a) the laws of the state of Delaware do not require stockholder consent or (b) 75% of the members of the board of directors have approved the merger or consolidation, (ii) the sale, lease or exchange of all, or substantially all, assets of LMI, unless 75% of the members of the board of directors then in office have approved the transaction or (iii) the dissolution of LMI, unless 75% of the members of the board of directors then in office have approved the dissolution.	Under Delaware law, a sale or other disposition of all or substantially all of a corporation s assets, a merger or consolidation of a corporation with another corporation or a dissolution of a corporation requires the affirmative vote of the corporation s board of directors (except in limited circumstances) plus, with limited exceptions, the affirmative vote of a majority of the outstanding stock entitled to vote on the transaction. UGC s amended and restated certificate of incorporation and bylaws include no additional provisions in this regard, and the Delaware law applies without modification.	Same as LMI.

State Anti-Takeover Statutes

LMI	UGC	Liberty Global
Subject to certain exceptions, Section 203 of the Delaware	Same as LMI.	Same as LMI.

corporate statute generally prohibits
public corporations from

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LMI	UGC	Liberty Global
engaging in significant business transactions, including mergers, with a holder of 15% or more of the corporation s stock, referred to as an interested stockholder, for a period of three years after the interested stockholder becomes an interested stockholder, unless the certificate of incorporation contains a provision expressly electing not to be governed by such a section. LMI s restated certificate of incorporation expressly elects not to be governed by Section 203.		

Notice of Stockholder Proposals and Director Nominations

LMI	UGC	Liberty Global
Under LMI s bylaws, for director nominations or other business to be properly brought before an LMI annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of LMI and any such proposed business other than the nominations of persons for election to the board of directors, must constitute a proper matter for stockholder action. To be timely, a stockholder s notice must be delivered to the Secretary at the principal executive offices of LMI not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year s annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not	Under UGC s bylaws, for director nominations or other business to be properly brought before a UGC annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of UGC and any such proposed business other than the nominations of persons for election to the board of directors, must constitute a proper matter for stockholder action. To be timely, a stockholder s notice must be delivered to the Secretary at the principal executive offices of UGC not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year s annual meeting (provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of	Same as LMI.

earlier than the close of business on the one the preceding year s annual meeting, notice by the stockholder must be so

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LMI	UGC	Liberty Global
hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by LMI).	delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by UGC).	

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LIBERTY GLOBAL UNAUDITED CONDENSED PRO FORMA COMBINED FINANCIAL STATEMENTS

General

The accompanying unaudited condensed pro forma combined financial statements reflect the pro forma effects of (1) the proposed mergers (the Proposed Mergers) contemplated by the merger agreement, whereby Liberty Global will acquire all of the capital stock of UGC that LMI does not already own and LMI and UGC will become wholly owned subsidiaries of Liberty Global; and (2) the July 1, 2004 acquisition of Suez-Lyonnaise Télécom SA (Noos) and the January 1, 2005 consolidation of LMI/Sumisho Super Media LLC (Super Media) and Jupiter Telecommunications Co., Ltd. (J-COM) (together with the Noos acquisition, the Consummated Transactions).

The following unaudited condensed pro forma combined balance sheet of Liberty Global, dated as of December 31, 2004, assumes that the Proposed Mergers and the consolidation of Super Media and J-COM were effective as of such date. The following unaudited condensed pro forma combined statement of operations of Liberty Global for the year ended December 31, 2004 includes the pro forma effects of the Proposed Mergers and the Consummated Transactions, as if each of such transactions were effective as of January 1, 2004.

The unaudited pro forma results do not purport to be indicative of the financial position and results of operations that Liberty Global will obtain in the future, or that Liberty Global would have obtained if the Proposed Mergers and Consummated Transactions were effective as of the dates indicated above. These unaudited condensed pro forma combined financial statements of Liberty Global have been derived from and should be read in conjunction with the historical financial statements and related notes thereto of LMI and UGC. The LMI historical financial statements are included in Appendix A: Information Concerning Liberty Media International, Inc. Part 4: Historical Financial Statements of LMI and its Significant Affiliates and Acquirees and the UGC historical financial statements are incorporated by reference into this document. See Additional Information Where You Can Find More Information.

Proposed Mergers

At December 31, 2004, LMI owned 53.6% of the outstanding equity securities of UGC representing approximately 91.0% of UGC s outstanding voting power. Pursuant to the Proposed Mergers, each share of LMI Series A common stock or Series B common stock owned by an LMI stockholder will be exchanged for one share of the corresponding series of Liberty Global common stock. Stockholders of UGC (other than LMI and its wholly owned subsidiaries) may elect to receive, for each share of UGC common stock owned by them, either:

- 0.2155 of a share of Liberty Global Series A common stock (plus cash in lieu of any fractional share interest) (the stock election); or

- $9.58 in cash, without interest (the cash election).

UGC stockholders who make the cash election will be subject to proration so that, in the aggregate, the cash consideration paid to UGC stockholders does not exceed 20% of the aggregate value of the merger consideration payable to UGC public stockholders. If proration is made, any share for which a holder is not entitled to receive cash will be converted into 0.2155 of a share of Liberty Global Series A common stock (plus cash in lieu of any fractional share interest).

The Proposed Mergers will be accounted for as a step acquisition by LMI of the remaining minority interest in UGC. The purchase price in this step acquisition will include the consideration issued to UGC public stockholders to acquire the UGC interest not already owned by LMI and the direct acquisition costs incurred by LMI. As UGC was a consolidated subsidiary of LMI prior to the Proposed Mergers, the purchase price will first be applied to eliminate the minority interest in UGC from the consolidated balance sheet of LMI, and the remaining purchase price will be allocated on a pro rata basis to the identifiable assets and liabilities of UGC based upon their respective fair values at the effective date of the Proposed Mergers and the minority interest in UGC (46.4% at December 31, 2004) to be acquired by Liberty Global pursuant to the Proposed Mergers. Any excess purchase price that remains after amounts have been allocated to the net identifiable assets of UGC will be recorded as

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goodwill. As the acquiring company for accounting purposes, LMI will be the predecessor to Liberty Global and the historical financial statements of LMI will become the historical financial statements of Liberty Global. As discussed further in the accompanying notes, the preliminary calculation of the purchase price reflected in the accompanying unaudited condensed pro forma combined financial statements is based upon the assumption that all UGC stockholders (other than LMI and its wholly owned subsidiaries) will elect to receive shares of Liberty Global in the Proposed Mergers. In addition, the preliminary purchase price allocation reflected in the accompanying unaudited condensed pro forma combined financial statements is subject to adjustment based upon the final assessment of the fair values of UGC s identifiable assets and liabilities.

Consummated Transactions

Noos Acquisition. On July 1, 2004, UPC Broadband France SAS (UPC Broadband France), an indirect wholly owned subsidiary of UGC and the owner of UGC s French cable television operations, acquired Noos from Suez SA (Suez). Noos is a provider of digital and analog cable television services and high-speed internet access services in France. The final purchase price for a 100% interest in Noos was approximately 567,102,000 ($689,989,000 at July 1, 2004), consisting of 487,085,000 ($592,633,000 at July 1, 2004) in cash, a 19.9% equity interest in UPC Broadband France valued at approximately 71,339,000 ($86,798,000 at July 1, 2004) and 8,678,000 ($10,558,000 at July 1, 2004) in direct acquisition costs.

UGC has accounted for this transaction as the acquisition of an 80.1% interest in Noos and the sale of a 19.9% interest in UPC Broadband France. Under the purchase method of accounting, the final purchase price was allocated to the acquired identifiable tangible and intangible assets and liabilities based upon their respective fair values.

Consolidation of Super Media/J-COM. J-COM owns and operates broadband businesses in Japan. On December 28, 2004, LMI s 45.45% ownership interest in J-COM, and a 19.78% interest in J-COM owned by Sumitomo Corporation (Sumitomo) were combined in Super Media. Super Media s investment in J-COM was originally recorded at the respective historical cost bases of LMI and Sumitomo on the date that their J-COM interests were combined in Super Media. As a result of these transactions, LMI held a 69.68% noncontrolling interest in Super Media, and Super Media held a 65.23% controlling interest in J-COM at December 31, 2004. At December 31, 2004, Sumitomo also held a 12.25% direct interest in J-COM and Microsoft Corporation (Microsoft) held a 19.46% beneficial interest in J-COM. Subject to certain conditions, Sumitomo has the obligation to contribute to Super Media substantially all of its remaining equity interest in J-COM during 2005. Also, Sumitomo and LMI are generally required to contribute to Super Media any additional shares of J-COM that either party acquires and to permit the other party to participate in any additional acquisition of J-COM shares during the term of Super Media.

Due to certain veto rights held by Sumitomo, LMI accounted for its 69.68% ownership interest in Super Media using the equity method of accounting at December 31, 2004. On February 18, 2005, J-COM announced an initial public offering of its common shares in Japan. Under the terms of the operating agreement of Super Media, LMI s casting or tie-breaking vote with respect to decisions of the management committee became effective upon this announcement. Super Media is managed by a management committee consisting of two members, one appointed by LMI and one appointed by Sumitomo. From and after February 18, 2005, the management committee member appointed by LMI has a casting or deciding vote with respect to any management committee decision that LMI and Sumitomo are unable to agree on, with the exception of the terms of the initial public offering of J-COM. Certain decisions with respect to Super Media will continue to require the consent of both members rather than the management committee. These include any decision to engage in any business other than holding J-COM shares, sell J-COM shares, issue additional units in Super Media, make in-kind distributions or dissolve Super Media, in each case other than as contemplated by the Super Media operating agreement.

As a result of the above-described change in the governance of Super Media, LMI will begin accounting for Super Media and J-COM as consolidated subsidiaries effective January 1, 2005.

On March 23, 2005, Sumitomo contributed additional J-COM shares to Super Media, increasing Sumitomo s interest in Super Media to 32.4%, and decreasing LMI s interest in Super Media to 67.6%. Also on March 23,

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2005, J-COM completed an initial public offering of its common shares. After giving effect to Sumitomo s additional contribution of J-COM shares to Super Media and the consummation of J-COM s initial public offering, Super Media s ownership interest in J-COM is approximately 55.46%. If J-COM s overallotment option is exercised in full, Super Media s ownership interest in J-COM will decrease to approximately 54.46%. The accompanying unaudited condensed pro forma combined financial statements do not give effect to the proceeds received by J-COM in connection with the initial public offering or to the aforementioned changes in (i) LMI s ownership interest in Super Media, or (ii) Super Media s ownership interest in J-COM.

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Liberty Global, Inc.
Unaudited Condensed Pro Forma Combined Balance Sheet
December 31, 2004

	Historical		Pro forma (Super Media/J-COM Consolidation)		Pro forma (Proposed Mergers)	
	LMI	J-COM	Adjustments increase (decrease)	As adjusted	Adjustments increase (decrease)	Liberty Global as adjusted
	amounts in thousands					
Assets:						
Cash and cash equivalents	$ 2,531,486	101,749		2,633,235	(11,000)(5)	2,622,235
Receivables and other current assets	661,097	165,535		826,632		826,632
Investments and related receivables	2,704,250	65,178	(2,517)(1)	1,716,960		1,716,960
			(1,049,951)(2)			
Property and equipment, net	4,303,099	2,441,196		6,744,295		6,744,295
Intangible assets not subject to amortization	2,897,953	1,373,486	491,097(3)	4,762,536	2,369,860(5)	7,132,396
Other assets	604,478	142,392		746,870		746,870
Total assets	$ 13,702,363	4,289,536	(561,371)	17,430,528	2,358,860	19,789,388
Liabilities and Stockholders Equity:						
Current liabilities	$ 1,421,092	375,794	(2,517)(1)	1,794,369		1,794,369
Debt, excluding current portion	4,981,960	2,112,722		7,094,682		7,094,682
Deferred income tax liabilities, excluding current portion	458,138			458,138		458,138
Other liabilities	409,998	440,371		850,369		850,369
Total liabilities	7,271,188	2,928,887	(2,517)	10,197,558		10,197,558
Minority interests in subsidiaries	1,204,369	9,513	792,282(4)	2,006,164	(1,099,969)(5)	906,195
Stockholders Equity:						
Common stock	1,758			1,758	(1,758)(5)	2,517

					2,517(5)	
Additional paid-in capital	7,001,635			7,001,635	3,330,180(5)	10,331,815
Accumulated deficit	(1,662,707)			(1,662,707)		(1,662,707)
Accumulated other comprehensive loss, net of taxes	14,010			14,010		14,010
Treasury stock	(127,890)			(127,890)	127,890(5)	
J-COM equity		1,351,136	(1,351,136)(2)			
Total stockholders equity	5,226,806	1,351,136	(1,351,136)	5,226,806	3,458,829	8,685,635
Total liabilities and stockholders equity	$ 13,702,363	4,289,536	(561,371)	17,430,528	2,358,860	19,789,388

See notes to unaudited condensed pro forma combined financial statements.

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Liberty Global, Inc.
Unaudited Condensed Pro Forma Combined Statement of Operations
Year ended December 31, 2004

	Historical			Pro forma (Consummated Transactions)			Pro forma (Proposed Mergers)	
				Adjustments increase (decrease)				
	LMI	Noos*	J-COM	Noos*	J-COM	As adjusted	Adjustments increase (decrease)	Liberty Global as adjusted
	amounts in thousands							
Revenue	$ 2,644,284	199,880	1,504,709			4,348,873		4,348,873
Operating, selling, general and administrative expenses	(1,756,136)	(147,126)	(915,112)			(2,818,374)		(2,818,374)
Stock compensation	(142,762)		(783)			(143,545)		(143,545)
Depreciation and amortization	(960,888)	(73,052)	(378,868)	(2,978)(6)		(1,415,786)		(1,415,786)
Other operating expenses	(98,371)					(98,371)		(98,371)
Operating income (loss)	(313,873)	(20,298)	209,946	(2,978)		(127,203)		(127,203)
Other income (expense):								
Interest expense	(288,532)	(40,394)	(94,958)	37,702(7)	9,428(9)	(376,754)		(376,754)
Share of earnings of affiliates, net	38,710		5,677		(45,092)(10)	(705)		(705)
Gain on exchange of investment security	178,818					178,818		178,818
	35,787					35,787		35,787

Gain on extinguishment of debt								
Other, net	120,206	727	337		(9,428)(9)	111,842		111,842
	84,989	(39,667)	(88,944)	37,702	(45,092)	(51,012)		(51,012)
Income (loss) before income tax and minority interest	(228,884)	(59,965)	121,002	34,724	(45,092)	(178,215)		(178,215)
Income tax benefit (expense)	17,449	(101)	(17,315)	(12)	15,640(12)	15,673	(12)	15,673
Minority interests in losses (earnings) of subsidiaries	179,677		(4,231)	16,193(8)	(54,251)(11)	137,388	(184,607)(13)	(47,219)
Net income (loss)	$ (31,758)	(60,066)	99,456	50,917	(83,703)	(25,154)	(184,607)	(209,761)
Loss per share	$ (0.20)					(0.15)		(0.83)
Weighted average shares outstanding (14)	162,481					162,481		251,726

* For the 6 months ended June 30, 2004

See notes to unaudited condensed pro forma combined financial statements.

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LIBERTY GLOBAL, INC.
Notes to Unaudited Condensed Pro Forma Combined Financial Statements
December 31, 2004

(1) Represents the elimination of intercompany balances between LMI and J-COM.

(2) Represents the elimination of LMI s equity method investment in J-COM and the elimination of J-COM s stockholders equity.

(3) Represents the increase in goodwill for the aggregate amount of the excess of Super Media s investment in J-COM over its proportionate share of J-COM s equity. Super Media s investment in J-COM was originally recorded at the respective historical cost bases of LMI and Sumitomo on the date that their J-COM interests were combined in Super Media.

(4) Represents the minority interests in Super Media and J-COM, as set forth below (amounts in thousands):

Minority interest in J-COM	$	469,790
Minority interest in Super Media		322,492
	$	792,282

(5) Represents the adjustments required to reflect the Proposed Mergers, including adjustments to (i) record the issuance of 244,462,021 Liberty Global Series A shares and 7,264,300 Liberty Global Series B shares in connection with the Proposed Mergers, (ii) eliminate the minority interests in UGC s equity, (iii) record the preliminary allocation of the step acquisition purchase price, (iv) eliminate LMI s common stock and treasury stock, and (v) reflect the payment of $11,000,000 of direct acquisition costs. The number of shares assumed to be issued in connection with the proposed mergers is based upon (A) the number of issued and outstanding shares of LMI and UGC common stock as of December 31, 2004, and (B) the assumption that all UGC stockholders (other than LMI and its wholly owned subsidiaries) will make an election to receive shares of Liberty Global Series A common stock.

As discussed in the headnote to these unaudited condensed pro forma combined financial statements, UGC stockholders (other than LMI and its wholly owned subsidiaries) may make a stock or cash election. Stockholders who make the cash election will be subject to proration so that, in the aggregate, the cash consideration paid to UGC stockholders does not exceed 20% of the aggregate value of the merger consideration payable to UGC public stockholders. The accompanying unaudited condensed pro forma combined balance sheet and statements of operations for Liberty Global assume that all UGC stockholders (other than LMI and its wholly owned subsidiaries) make the stock election. A comparison of the preliminary purchase price calculation and allocation assuming UGC stockholders (other than LMI and its wholly owned subsidiaries) receive (i) all stock consideration or (ii) 80% stock and 20% cash consideration is set forth below (dollar amounts in thousands):

		All Stock	**80% stock and 20% cash (d)**
Liberty Global Series A shares issued to UGC public stockholders(a):		78,947,059	63,157,647
Fair value of shares issued(b)	$	3,458,829	2,767,063
Cash consideration			701,914

Estimated direct acquisition costs		11,000	11,000
Total purchase price		3,469,829	3,479,977
Eliminate minority interest in UGC		(1,099,969)	(1,099,969)
Allocate residual to goodwill(c)	$	2,369,860	2,380,008

(a) Represents the number of shares that would have been issued to UGC stockholders (other than LMI and its wholly owned subsidiaries) based upon the number of shares of UGC common stock that were

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issued and outstanding on December 31, 2004. The actual number of shares issued in the Proposed Mergers will depend on the number of shares of UGC common stock outstanding on the closing date and the portion of the consideration that is paid in Liberty Global shares.

(b) The fair value of the shares issued is based upon a fair value of $43.812 per share, which is the average of the quoted market price of LMI Series A common stock for the period beginning two trading days before and ending two trading days after the date that the Proposed Mergers were announced (January 18, 2004).

(c) For purposes of these unaudited condensed pro forma combined financial statements, it has been assumed that the historical cost of UGC s existing assets and liabilities approximate their fair value. Accordingly, the excess purchase price after the elimination of the UGC minority interest has been allocated to goodwill. Consistent with the requirements of Statement of Financial Accounting No. 142, *Goodwill and Other Intangible Assets,* the unaudited condensed pro forma combined statements of operations do not reflect any amortization of this goodwill. The final allocation of the purchase price will be based upon appraisals and may result in the allocation of consideration to identifiable assets and liabilities, including assets with definitive lives. To the extent that consideration is allocated to assets with definitive lives, the final allocation of the purchase price could result in additional depreciation and or amortization expense that in turn would result in higher operating losses, net losses and net loss per share in subsequent periods. For example, if $500 million of the excess consideration had been allocated to property and equipment that had a weighted average life of 10 years, the accompanying unaudited condensed pro forma combined statements of operations of Liberty Global for the year ended December 31, 2004 would have reflected increases in, (i) the pro forma operating loss of $50,000,000; (ii) the pro forma net loss of $32,135,000 (based upon LMI s weighted average statutory income tax rate); and (iii) the pro forma loss per share of $0.13.

(d) As noted above, the amount of cash consideration payable to UGC stockholders is limited to 20% of the total consideration payable to UGC public stockholders, namely UGC stockholders other than Permitted Holders within the meaning of UGC s indenture with respect to its 3¼% convertible senior notes due 2024 (Permitted Holders). Permitted Holders include LMI, Liberty Media Corporation (Liberty), and the Chief Executive Officer and each member of the board of directors of UGC, LMI and Liberty as of April 1, 2004 and each of the Affiliated Persons, as defined, of the foregoing). The pro forma calculations of the number of shares of Liberty Global Series A common stock to be issued, the fair value of such shares to be issued, and the cash consideration to be paid under the 80% stock and 20% cash column have not been adjusted to give effect to the number of shares of UGC Class A common stock held by Permitted Holders other than LMI and its wholly owned subsidiaries. If the shares held by Permitted Holders other than LMI and its wholly owned subsidiaries had been considered in the aforementioned pro forma calculations, the pro forma amounts would not have been materially different. If the number of shares of UGC Class A common stock held by Permitted Holders were to be increased by 1 million shares above the amount currently reflected in these pro forma financial statements, the maximum cash consideration to be paid would be decreased by $1,916,000 and the number of shares of Liberty Global Series A common stock to be issued would be increased by 215,500.

(6) The pro forma adjustment to depreciation and amortization expense consists of the depreciation and amortization of Noos purchase price allocations to property and equipment (estimated weighted average life of 9.5 years) and amortizable intangible assets (estimated lives ranging from 3 to 6 years).

(7) Represents the elimination of $40,394,000 of Noos historical interest expense as UPC Broadband France did not assume the related debt, less $2,692,000 of interest expense on the debt incurred by UGC to finance a portion of the Noos acquisition.

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(8) Represents pro forma adjustments to minority interests in losses (earnings) of subsidiaries as a result of the Noos acquisition, as follows (amounts in thousands):

Minority interest in UPC Broadband France (19.9%)	$	8,273
Minority interest in UGC (46.4%)		7,920
	$	16,193

(9) Represents the elimination of (i) intercompany interest on shareholder loans between J-COM and LMI and (ii) guarantee fees earned by LMI from J-COM.

(10) Represents the elimination of LMI s share of earnings of J-COM as a result of the consolidation of Super Media and J-COM.

(11) Represents pro forma adjustments to minority interests in losses (earnings) of subsidiaries as a result of the consolidation of Super Media and J-COM as follows (amounts in thousands):

Minority interest in J-COM (34.77%)	$	(34,581)
Minority interest in Super Media (30.32%)		(19,670)
	$	(54,251)

(12) Represents the tax effects of the pro forma adjustments related to the consolidation of Super Media and J-COM. The pro forma adjustments associated with the Noos acquisition and the Proposed Mergers had no impact on pro forma income tax expense due primarily to the fact that the pro forma adjustments relate to jurisdictions where valuation allowances have been provided against deferred tax assets.

(13) Represents the elimination of the minority interests share of UGC s results as a result of the Proposed Mergers.

(14) The historical weighted average shares outstanding assume that the June 7, 2004 distribution of LMI common stock to the stockholders of Liberty occurred on January 1, 2004 and the pro forma weighted average shares outstanding assume that the number of Liberty Global common shares that would have been issued and outstanding had the Proposed Mergers occurred on December 31, 2004 were outstanding since January 1, 2004.

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LMI ANNUAL BUSINESS MATTER PROPOSALS

LMI Election of Directors Proposal

LMI Board of Directors

LMI s board of directors currently consists of eight directors, divided among three classes. LMI s Class I directors, whose term will expire at the LMI annual meeting, are David E. Rapley and Larry E. Romrell. These directors are nominated for re-election to LMI s board to continue to serve as Class I directors, and LMI has been informed that each of Messrs. Rapley and Romrell are willing to continue to serve as directors of LMI. The term of LMI s Class I directors who are elected at the annual meeting will expire in 2008. LMI s Class II directors, whose term will expire at the annual meeting of LMI stockholders in 2006, are Robert R. Bennett, Donne F. Fisher and M. LaVoy Robison. LMI s Class III directors, whose term will expire at the annual meeting of LMI stockholders in 2007, are John C. Malone, J.C. Sparkman and J. David Wargo. Set forth under Management of LMI Executive Officers and Directors is certain background information for each director of LMI including:

birth date;

positions held with LMI;

principal occupation, if any;

business address;

certain other directorships held; and

the year in which such person became a director of LMI.

In addition, the number of shares of LMI common stock beneficially owned by each LMI director as of February 28, 2005, is set forth under Management of LMI Security Ownership of Management.

If any nominee should decline re-election or should become unable to serve as a director of LMI for any reason before re-election, votes will be cast for a substitute nominee, if any, designated by the LMI board of directors, or, if none is so designated prior to the election, votes will be cast according to the judgment of the person or persons voting the proxy.

Vote and Recommendation

A plurality of the affirmative votes of the shares of LMI common stock outstanding on the record date, voting together as a single class, that are voted in person or by proxy at the annual meeting is required to elect Messrs. Rapley and Romrell as Class I members of LMI s board of directors.

*The LMI board of directors recommends a vote **FOR** the election of each nominee to LMI s board of directors.*

LMI Incentive Plan Proposal

Background and Reason

In connection with LMI s spin off from Liberty, the board of directors of LMI, on May 11, 2004, approved and adopted the Liberty Media International, Inc. 2004 Incentive Plan and determined to submit the incentive plan for the approval of Liberty, as LMI s then-sole stockholder. On May 11, 2004, Liberty, as the sole stockholder of LMI, approved the incentive plan. The compensation committee of LMI s board of directors began granting awards under the incentive plan following LMI s spin off from Liberty on June 7, 2004. For information regarding these awards, see Management of LMI Equity Compensation Plan Information Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005) Outstanding Awards.

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If the mergers are completed, (1) all outstanding awards under the incentive plan will be converted into awards with respect to an identical series of shares of Liberty Global common stock; (2) Liberty Global will assume the incentive plan and succeed LMI as the issuer under the incentive plan; (3) all future awards issued under the incentive plan will be with respect to Liberty Global common stock rather than LMI common stock; (4) the name of the plan will automatically change to the Liberty Global, Inc. 2005 Incentive Plan; and (5) the maximum number of shares of any series of Liberty Global common stock with respect to which awards will be issuable by Liberty Global under the incentive plan will be 25 million, subject to anti-dilution and other adjustment provisions of the incentive plan.

Prior to the amendment and restatement of the incentive plan on March 9, 2005, the maximum number of shares of any series of Liberty Global common stock with respect to which awards could have been granted under the incentive plan following the mergers was 20 million. LMI s compensation committee determined to amend and restate the incentive plan to provide, among other things, that, if the mergers are completed, the maximum number of shares of any series of Liberty Global common stock with respect to which awards may be issued by Liberty Global under the incentive plan will be 25 million. The increase was deemed advisable because following the mergers equity incentive awards granted to the employees of UGC and its subsidiaries will be granted under the Liberty Global plan, instead of the various UGC stock incentive plans which will no longer be available for future awards, and because Liberty Global will have a significantly larger number of shares of common stock outstanding following the mergers than LMI has currently.

If the mergers are not completed for any reason, the maximum number of shares of any series of LMI common stock with respect to which awards may be issued under the incentive plan will remain at 20 million, subject to anti-dilution and other adjustment provisions of the incentive plan.

In order for certain awards under the incentive plan to be eligible for favorable tax treatment under Section 162(m) of the Code, the incentive plan must be approved by the public stockholders of LMI. If the LMI incentive plan proposal is approved at the LMI annual meeting and the mergers are completed, no separate approval of the incentive plan by the stockholders of Liberty Global will be sought.

Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005)

LMI is requesting that its stockholders approve the incentive plan. A description of the material provisions of the incentive plan is set forth under Management of LMI Equity Compensation Plan Information Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005). The summary set forth thereunder is not intended to be complete, and we refer you to the copy of the incentive plan included as Appendix A: Information Concerning Liberty Media International, Inc. Part 5: Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005) to this joint proxy statement/ prospectus for a complete statement of its terms and conditions.

Vote and Recommendation

The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI Series A common stock and LMI Series B common stock outstanding on the record date for the LMI annual meeting that are present, in person or by proxy, at the LMI annual meeting, voting together as a single class, is required to approve the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005).

LMI s board of directors recommends a vote FOR the approval of the Liberty Media International, Inc. 2004 Incentive Plan (As Amended and Restated Effective March 9, 2005).

LMI Auditors Ratification Proposal

LMI is asking its stockholders to ratify the selection of KPMG LLP as LMI s independent auditors for the year ending December 31, 2005.

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Even if the selection of KPMG LLP is ratified, the audit committee of LMI s board in its discretion may direct the appointment of a different independent accounting firm at any time during the year if LMI s audit committee determines that such a change would be in the best interests of LMI and its stockholders. In the event LMI stockholders fail to ratify the selection of KPMG LLP, LMI s audit committee will consider it as a direction to select other auditors for the year ending December 31, 2006.

A representative of KPMG LLP is expected to be present at the LMI annual meeting, will have the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

It is currently expected that, if the mergers are completed, KPMG LLP will serve as the independent auditors of Liberty Global for the year ending December 31, 2005.

Audit Fees and All Other Fees

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of LMI s consolidated financial statements for 2004 and 2003, and fees billed for other services rendered by KPMG LLP:

	2004	2003
Audit fees	$	
Audit related fees(1)		
Audit and audit related fees		
Tax fees(2)		
Total fees	$	

(1) Audit related fees consisted of professional consultations with respect to accounting issues affecting LMI s consolidated financial statements, reviews of registration statements and issuance of consents and due diligence related to potential business combinations.

(2) Tax fees consisted of tax compliance and consultations regarding the tax implications of certain transactions.

LMI s audit committee has considered whether the provision of services by KPMG LLP to LMI other than auditing is compatible with KPMG LLP maintaining its independence and does not believe that the provision of such other services is incompatible with KPMG LLP maintaining its independence.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

Effective August 2, 2004, LMI s audit committee adopted a policy regarding the pre-approval of all audit and certain permissible audit-related and non-audit services provided by LMI s independent auditor. Pursuant to this policy, LMI s audit committee has approved the engagement of LMI s independent auditor to provide (a) audit services as specified in the policy, including (i) statutory and financial audits of LMI and its subsidiaries, (ii) services associated with LMI s registration statements, periodic reports and other documents filed with the SEC such as consents, comfort letters and responses to comment letters, (iii) attestations of management reports on internal controls, and (iv) consultations with management with respect to the accounting or disclosure treatment of transactions or events and the potential impact of final or proposed rules of applicable regulatory and standard setting bodies (when such consultations are considered audit services under the SEC rules promulgated pursuant to the Exchange Act), (b) audit-related services as specified in the policy, including (i) due diligence services relating to potential business acquisitions and dispositions, (ii) financial audits of employee benefit plans, (iii) consultations with management with respect to the accounting or disclosure treatment of transactions or events and the potential impact of final or proposed rules of applicable regulatory and standard setting bodies (when such consultations are considered audit-related services and not audit services under the SEC rules promulgated pursuant to the Exchange Act),

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(iii) attestation services not required by statute or regulation, (iv) closing balance sheet audits pertaining to dispositions, and (v) assistance with implementation of the requirements of SEC rules or listing standards promulgated pursuant to the Sarbanes-Oxley Act of 2002; and (c) tax services as specified in the policy, including (i) planning, advice and compliance services in connection with the preparation and filing of U.S. federal, state, local or international taxes, (ii) reviews of federal state, local and international income, franchise and other tax returns, (iii) assistance with tax audits and appeals before the IRS or similar agencies, (iv) tax advice regarding the potential impact of statutory, regulatory or administrative developments, (v) expatriate tax due diligence assistance, (vi) mergers and acquisition tax due diligence assistance and (vii) tax advice and assistance regarding structuring of mergers and acquisitions (all of the foregoing, which we refer to as Pre-Approved Services). Notwithstanding the foregoing general pre-approval, any individual project involving the provision of Pre-Approved Services that is expected to result in fees in excess of $50,000 requires the specific pre-approval of LMI s audit committee. In addition, any engagement of LMI s independent auditors for services other than the Pre-Approved Services requires the specific approval of LMI s audit committee. LMI s audit committee has delegated the authority for the foregoing approvals to its chairman. M. LaVoy Robison currently serves as the Chairman of LMI s audit committee. At each audit committee meeting, the Chairman s approval of services provided by LMI s independent auditors is subject to ratification by the entire audit committee.

LMI s pre-approval policy prohibits the engagement of LMI s independent auditor to provide any services that are subject to the prohibition imposed by Section 201 of the Sarbanes-Oxley Act.

All services provided by LMI s independent auditor subsequent to the adoption of LMI s pre-approval policy were approved in accordance with the terms of the policy.

Vote and Recommendation

The affirmative vote of the holders of at least a majority of the aggregate voting power of the shares of LMI Series A common stock and LMI Series B common stock outstanding on the record date for the LMI annual meeting that are present, in person or by proxy, at the LMI annual meeting, voting together as a single class, is required to ratify the selection of KPMG LLP as LMI s independent auditors for the year ending December 31, 2005.

LMI s board of directors recommends a vote FOR the ratification of the selection of KPMG LLP as LMI s independent auditors for the year ending December 31, 2005.

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ADDITIONAL INFORMATION

Legal Matters

Legal matters relating to the validity of the securities to be issued in the mergers will be passed upon by Baker Botts L.L.P.

Stockholder Proposals

Liberty Global

We currently expect that Liberty Global s first annual meeting of stockholders will be held during the second quarter of 2006. In order to be eligible for inclusion in Liberty Global s proxy materials for its first annual meeting, any stockholder proposal must be submitted in writing to Liberty Global s Corporate Secretary and received at Liberty Global s executive offices, by the close of business on [ ] or such later date as Liberty Global may determine and announce in connection with the actual scheduling of the first annual meeting. To be considered for presentation at Liberty Global s first annual meeting, although not included in its proxy statement, any stockholder proposal must be received at the executive offices of Liberty Global on or before the close of business on [ ] or such later date as Liberty Global may determine and announce in connection with the actual scheduling of the first annual meeting.

All stockholder proposals for inclusion in Liberty Global s proxy materials will be subject to the requirements of the proxy rules adopted under the Exchange Act and, as with any stockholder proposal (regardless of whether it is included in Liberty Global s proxy materials), Liberty Global s restated certificate of incorporation, Liberty Global s bylaws and Delaware law.

LMI

If the mergers are not completed for any reason, LMI expects that its annual meeting of stockholders for the calendar year 2006 will be held during the second quarter of 2006. In order to be eligible for inclusion in LMI s proxy material for the 2006 annual meeting, any stockholder proposal must be submitted in writing to LMI s Corporate Secretary and received at LMI s executive offices at 12300 Liberty Boulevard, Englewood, Colorado 80112, by the close of business on [ ] or such later date as LMI may determine and announce in connection with the actual scheduling of the 2006 annual meeting. To be considered for presentation at the 2006 annual meeting, although not included in LMI s proxy statement, any stockholder proposal must be received at LMI s executive offices at the foregoing address on or before the close of business on [ ], or such later date as LMI may determine and announce in connection with the actual scheduling of the 2006 annual meeting.

All stockholder proposals for inclusion in LMI s proxy materials will be subject to the requirements of the proxy rules adopted under the Exchange Act and, as with any stockholder proposal (regardless of whether it is included in LMI s proxy materials), LMI s restated certificate of incorporation, LMI s bylaws and Delaware law.

Where You Can Find More Information

Liberty Global has filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act with respect to the securities being offered by this joint proxy statement/ prospectus. This joint proxy statement/ prospectus, which forms a part of the registration statement, does not contain all the information included in the registration statement and the exhibits thereto. You should refer to the registration statement, including its exhibits and schedules, for further information about Liberty Global and the securities being offered hereby.

LMI and UGC are each subject to the information and reporting requirements of the Exchange Act and, in accordance with the Exchange Act, LMI and UGC each file periodic reports and other information with the Securities and Exchange Commission. You may read and copy any document that they or Liberty Global file at the Public Reference Room of the Securities and Exchange Commission at 450 Fifth Street, NW,

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Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at (800) SEC-0330. You may also inspect such filings on the Internet website maintained by the SEC at *www.sec.gov*. Information contained on any website referenced in this joint proxy statement/ prospectus is not incorporated by reference in this prospectus. In addition, copies of documents filed by LMI and UGC with the Securities and Exchange Commission are also available by contacting LMI or UGC, as applicable, by writing or telephoning the office of Investor Relations:

Liberty Media International, Inc.	UnitedGlobalCom, Inc.
12300 Liberty Boulevard	4643 South Ulster Street, Suite 1300
Englewood, Colorado 80112	Denver, Colorado 80237
Telephone: (800) 783-7676	Telephone: (303) 770-4001

The Securities and Exchange Commission allows UGC to incorporate by reference information into this document, which means that we can disclose important information about UGC to you by referring you to other documents. The information incorporated by reference is an important part of this joint proxy statement/ prospectus, and is deemed to be part of this document except for any information superseded by this document or any other document incorporated by reference into this document. Any statement, including financial statements, contained in UGC s Annual Report on Form 10-K for the year ended December 31, 2004 shall be deemed to be modified or superseded to the extent that a statement, including financial statements, contained in this joint proxy statement/ prospectus or in any other later incorporated document modifies or supersedes that statement. We incorporate by reference the documents listed below and any future filings made by UGC with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the date of the respective stockholders meetings of LMI and UGC:

UGC s Annual Report on Form 10-K for the year ended December 31, 2004; and

UGC s Current Reports on Form 8-K as follows (other than the portions of those documents not deemed filed):

Date of Report	Date of Filing
March 14, 2005	March 14, 2005
January 17, 2005	January 24, 2005
January 17, 2005	January 18, 2005
January 10, 2005	January 12, 2005

Neither LMI nor UGC has authorized anyone to give any information or make any representation about the mergers, Liberty Global, LMI or UGC, that is different from, or in addition to, the information contained in this joint proxy statement/ prospectus or in any of the materials that we have incorporated into this document by reference. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this joint proxy statement/ prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this joint proxy statement/ prospectus does not extend to you. The information contained in this joint proxy statement/ prospectus speaks only as of the date of this joint proxy statement/ prospectus unless the information specifically indicates that another date applies.

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APPENDIX A: INFORMATION CONCERNING LIBERTY MEDIA INTERNATIONAL, INC.
PART 1: DESCRIPTION OF BUSINESS

Following the mergers, Liberty Global, Inc. will succeed to the business of Liberty Media International, Inc., which includes the business of UnitedGlobalCom, Inc. Accordingly, the following description of business is reflective of the description of Liberty Global s business following the mergers.

General Development of Business

Through our subsidiaries and affiliates, we provide broadband distribution services and video programming services to subscribers in Europe, Japan, Latin America and Australia. Our principal assets are UnitedGlobalCom, Inc., LMI/ Sumisho Super Media, LLC, Liberty Cablevision of Puerto Rico Ltd. and Pramer S.C.A., each a consolidated subsidiary as of January 1, 2005, and our affiliate, Jupiter Programming Co., Ltd.

Liberty Media International, Inc. (together with its subsidiaries, LMI , we , us , our or similar terms) was formed in March 2004 as a wholly owned subsidiary of Liberty Media Corporation, which we refer to as Liberty. Liberty transferred, and caused its other subsidiaries to transfer to us, substantially all of the assets comprising Liberty s International Group, together with cash and certain financial assets. On June 7, 2004, Liberty distributed to its shareholders, on a pro rata basis, all of our shares of common stock, which we refer to as the spin off, and we became an independent, publicly traded company.

Recent Developments

On January 5, 2004, Liberty completed a transaction pursuant to which the founding shareholders of UnitedGlobalCom, Inc., which we refer to as UGC, transferred to Liberty 8.2 million shares of Class B common stock in exchange for 12.6 million shares of Liberty s common stock and a cash payment. Upon closing of this exchange, the restrictions contained in the existing standstill agreement between Liberty and UGC on the amount of UGC s stock that Liberty could acquire and on the way Liberty could vote its shares of UGC stock terminated and Liberty gained control of UGC. Substantially all of Liberty s direct and indirect interest in UGC and related contract rights were transferred to us prior to the spin off.

On January 12, 2004, Old UGC, Inc., a wholly owned subsidiary of UGC that principally owns UGC s interests in businesses in Latin America and Australia, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Old UGC s plan of reorganization, as amended, was confirmed by the Bankruptcy Court on November 10, 2004, and the restructuring of its indebtedness and other obligations pursuant to the plan was completed on November 24, 2004.

In February 2004, UGC issued 83.0 million shares of its Class A common stock, 2.3 million shares of its Class B common stock and 84.9 million shares of its Class C common stock pursuant to a fully subscribed rights offering, resulting in gross proceeds to UGC of $1.02 billion.

Also in February 2004, UPC Polska, Inc., an indirect subsidiary of UGC, emerged from its U.S. bankruptcy proceedings. Pursuant to UPC Polska s plan of reorganization, claim holders received aggregate consideration consisting of cash, new 9% UPC Polska Notes due 2007 and 2.0 million shares of UGC s Class A common stock in exchange for cancellation of their claims. On July 16, 2004, UPC Polska redeemed the new 9% UPC Polska Notes at par plus accrued but unpaid interest.

On April 6, 2004, UGC sold 500 million aggregate principal amount of its 3¼% convertible senior notes due April 15, 2024. The convertible notes are convertible into shares of UGC s Class A common stock at an initial conversion price of 9.7561 per share.

On May 20, 2004, we made secured loans to and acquired all of the issued and outstanding shares of Princes Holdings Limited, pursuant to a restructuring under Irish insolvency laws of the debt and other obligations of Princes Holdings and its wholly owned subsidiary, Chorus Communication Limited. In December 2004, we

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sold 100% of the equity of Princes Holdings to a subsidiary of UGC for 6.4 million shares of UGC s Class A common stock.

In June 2004, UPC Broadband Holding B.V. (formerly UPC Distribution Holding B.V.), an indirect subsidiary of UGC, amended its senior secured credit facility, which we refer to as the UPC Broadband Bank Facility, to add a new Facility E term loan to replace the undrawn Facility D term loan. Proceeds from Facility E totaled 1.0 billion, which, in conjunction with 450 million of cash contributed indirectly by UGC, was used to repay some of the indebtedness borrowed under the other tranches of the credit facility, to redeem the 9% UPC Polska Notes referred to above and to provide funding for the Noos acquisition described below. In December 2004, the UPC Broadband Bank Facility was amended to add a new Facility F term loan that increased UPC Broadband s average debt maturity and available liquidity, and reduced its average interest margin. The amendment consisted of a $525.0 million tranche and a 140.0 million tranche, totaling 535.0 million in gross proceeds. These proceeds were applied to (1) repay 245.0 million under the Facility A revolver (representing all then outstanding amounts), (2) prepay 101.2 million of the term loan Facility B that matured in June 2006, (3) prepay 177.0 million of Facility C debt and (4) pay transaction fees of 11.8 million.

On March 8, 2005, the UPC Broadband Bank Facility was further amended to permit indebtedness under: (i) Facility G, a new 1.0 billion term loan facility further maturing in full on April 1, 2010; (ii) Facility H, a new 1.5 billion term loan facility maturing in full on September 1, 2012, of which $1.25 billion was denominated in U.S. dollars and then swapped into euros through a 7.5 year cross-currency swap; and (iii) Facility I, a new 500 million revolving credit facility maturing in full on April 1, 2010. In connection with this amendment, 167 million of Facility A, the existing revolving credit facility, was cancelled, reducing Facility A to a maximum amount of 500 million. The proceeds from Facilities G and H were used primarily to prepay all amounts outstanding under existing term loan Facilities B, C and E, to fund certain acquisitions and pay transaction fees. The aggregate availability of 1.0 billion under Facilities A and I can be used to fund acquisitions and for general corporate purposes. As a result of this amendment, the weighted average maturity of the UPC Broadband Bank Facility was extended from approximately 4 years to approximately 6 years, with no amortization payments required until 2010, and the weighted average interest margin on the UPC Broadband Bank Facility was reduced by approximately 0.25% per annum. The amendment also provided for additional flexibility on certain covenants and the funding of acquisitions.

On July 1, 2004, UPC Broadband France SAS, an indirect wholly owned subsidiary of UGC and the owner of UGC s French cable television operations, completed its acquisition of Suez-Lyonnaise Telecom SA, which we refer to as Noos, France s largest cable operator, from Suez SA, a French utility group, for cash and a 19.9% equity interest in UPC Broadband France.

On July 19, 2004, our investment in Senior Notes and Senior Discount Notes of Telewest Communications plc was converted into approximately 7.5% of the outstanding common stock of Telewest Global, Inc.

In August 2004, we issued 28.2 million shares of our Series A common stock and 1.2 million shares of our Series B common stock pursuant to a fully subscribed rights offering, resulting in gross proceeds to us of $739.4 million.

Also in August 2004, we, Sumitomo Corporation and Microsoft Corporation effectively converted a portion of our respective subordinated loans to Jupiter Telecommunications Co., Ltd., which we refer to as J-COM, into equity. Such conversions did not have a material impact on our, Sumitomo s or Microsoft s respective ownership interests in J-COM. In December 2004, J-COM repaid the balance of these subordinated shareholder loans in cash.

Subsequent to the spin off, our management and Board of Directors undertook a review of our assets and determined that it would be advisable to monetize or dispose of our financial assets and to consider disposing of other non-consolidated non-cash-flow producing assets if opportunities arose. Consistent with the foregoing, prior to December 31, 2004, we sold all of our shares of Telewest Global and 4.5 million shares of Class A common stock of News Corporation, Inc.

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In October 2004, we also sold our 10% interest in Sky Multi-Country and entered into agreements to sell our 10% interest in each of Sky Brasil and Sky Mexico. Sky Multi-Country, Sky Brasil and Sky Mexico, which we refer to collectively as Sky Latin America, offer entertainment services via satellite through owned and affiliated distribution platforms in Latin America. The closing of the transfer of our interests in Sky Brasil and Sky Mexico are subject to receipt of regulatory approvals and other customary conditions.

Then, in November 2004, we entered into a put-call agreement with respect to our right and obligation to subscribe for newly issued shares of Cablevisión S.A., a cable television operator in Argentina, in the event that Cablevisión s pending restructuring under local law of its debt and other obligations is approved. Consummation of this transaction, which occurred on March 2, 2005, resulted in the transfer of our subscription right and obligation in consideration of a cash payment, 50% of which was paid as a down payment in November 2004. Separately, the counterparty to our total return debt swap with respect to certain bonds of Cablevisión, with our consent, entered into a participation agreement with a third party, which in January 2005 resulted in the termination of our liability under the total return debt swap and the return of our posted collateral.

On October 15, 2004, our indirect wholly owned subsidiary, Belgian Cable Holdings, entered into an agreement to restructure its investment in the debt of Cable Partners Europe, which we refer to as CPE, and one of its two indirect majority-owned subsidiaries, which we refer to as the InvestCos. In December 2004, two European subsidiaries of UGC acquired Belgian Cable Holdings from us for cash. Thereafter, Belgian Cable Holdings effected the debt restructuring by contributing cash and its investment in the debt of one of the InvestCos to Belgian Cable Investors, L.L.C., a wholly owned subsidiary of CPE, in exchange for 78.4% of the common equity and 100% of the preferred equity of Belgian Cable Investors. CPE owns the remaining 21.6% of the common equity of Belgian Cable Investors. Most of the proceeds of Belgian Cable Holdings investment was then distributed by Belgian Cable Investors to CPE and used by CPE to repurchase its debt held by Belgian Cable Holdings for a purchase price approximately equal to Belgian Cable Holdings cost of acquiring the CPE debt plus accrued interest. Belgian Cable Investors holds an indirect 14.1% interest in Telenet Group Holding N.V., Belgium s largest cable system operator in terms of number of subscribers.

In December 2004, a subsidiary of chellomedia BV, an indirect wholly owned subsidiary of UGC, entered into an agreement to sell its 28.7% interest in EWT Holding GmbH to the other investors in EWT Holding for cash. Chellomedia received 90% of the purchase price on January 31, 2005 and the remaining 10% is due and payable no later than June 30, 2005.

On December 7, 2004, we purchased 3.0 million shares of our Series A common stock from Comcast Corporation for cash.

During 2004, our subsidiary Liberty Japan MC, LLC acquired shares of the stock of Mediatti Communications, Inc., a Japanese broadband provider of cable and Internet access services, in a series of transactions resulting in its holding an aggregate 37.3% interest in Mediatti as of December 31, 2004. In December 2004, Sumitomo Corporation acquired a net 6.9% interest in Liberty Japan MC for a purchase price equal to the same percentage of our investment in Mediatti. Sumitomo has the option until February 2006 to increase its interest in Liberty Japan MC to up to 50%, at a purchase price equal to the greater of the then fair market value of the additional interests so acquired and our investment in such interests.

Pursuant to a contribution agreement between Sumitomo and us, on December 28, 2004, our approximate 45.45% equity interest in J-COM and an approximate 19.78% equity interest in J-COM owned by Sumitomo were combined in a holding company named LMI/ Sumisho Super Media, LLC, which we refer to as Super Media. On February 18, 2005, J-COM announced an initial public offering of its common shares in Japan. Under the terms of the operating agreement of Super Media, our casting or tie-breaking vote with respect to decisions of the management committee of Super Media became effective upon this announcement. As a result, we began accounting for Super Media and J-COM as consolidated subsidiaries effective as of January 1, 2005. On March 23, 2005, J-COM completed its initial public offering. Also on March 23, 2005, Sumitomo contributed to Super Media a portion of the 12.25% equity interest in J-COM that Sumitomo retained following the December 2004 contributions. Sumitomo has the obligation to contribute all of its remaining interests in J-COM to Super Media during 2005. After giving effect to the J-COM initial public

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offering and the March 2005 contribution by Sumitomo, Super Media owns an approximate 55.46% ownership interest in J-COM, and we own a 67.6% ownership interest in Super Media.

On January 17, 2005, chellomedia acquired an 87.5% interest in Zone Vision Networks Ltd. from its current shareholders. Zone Vision is a programming company that owns three pay television channels and represents over 30 international channels. The consideration for the transaction consisted of cash and 1.6 million shares of UGC s Class A common stock, which are subject to a five-year vesting period. As part of the transaction, chellomedia will contribute to Zone Vision the 49% shareholding it already holds in Reality TV Ltd. and chellomedia s Club channel business.

On January 17, 2005, we entered into an agreement and plan of merger with UGC pursuant to which we each would merge with a separate wholly owned subsidiary of a new parent company named Liberty Global, Inc., which we have formed for purposes of the mergers. In the mergers, each outstanding share of our Series A common stock and Series B common stock would be exchanged for one share of the corresponding series of Liberty Global common stock. Stockholders of UGC (other than us and our wholly owned subsidiaries) may elect to receive for each share of UGC common stock owned either 0.2155 of a share of Liberty Global Series A common stock (plus cash instead of any fractional share interest) or $9.58 in cash. Cash elections will be subject to proration so that the aggregate cash consideration paid to UGC s stockholders does not exceed 20% of the aggregate value of the merger consideration payable to UGC s public stockholders. Completion of the transactions is subject, among other conditions, to approval of both companies stockholders, including in the case of UGC, the affirmative vote of a majority of the voting power of the UGC shares not beneficially owned by us, Liberty, any of our respective subsidiaries or any of the executive officers or directors of us, Liberty or UGC.

On February 10, 2005, UPC Broadband Holding, an indirect wholly owned subsidiary of UGC, acquired 100% of the shares in Telemach d.o.o., a broadband communications provider in Slovenia for cash.

On February 25, 2005, J-COM acquired the respective interests of Sumitomo Corporation, Microsoft Corporation and us in Chofu Cable, Inc., a small Japanese broadband communications provider, for cash. As a result, J-COM acquired an approximate 92% equity interest in Chofu Cable.

Narrative Description of Business

Overview

Broadband Distribution

We offer a variety of broadband distribution services over our cable television systems, including analog video, digital video, Internet access and telephony. Available service offerings depend on the bandwidth capacity of our cable systems and whether they have been upgraded for two-way communications. In select markets, we also offer video services through direct-to-home satellite television distribution or DTH. We operate our broadband distribution businesses in Europe principally through UGC Europe, Inc., a subsidiary of UGC; in Japan principally through J-COM, a subsidiary of Super Media; and in Latin America principally through VTR GlobalCom S.A. a subsidiary of UGC, and Liberty Cablevision of Puerto Rico Ltd., which we refer to as Liberty Cablevision Puerto Rico. Each of UGC, Super Media and Liberty Cablevision Puerto Rico is currently our subsidiary.

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The following table presents certain operating data, as of December 31, 2004, with respect to the broadband distribution systems of our subsidiaries in Europe, Japan and Latin America. For purposes of this presentation, we refer to Puerto Rico, the islands of the Caribbean and the countries of Central and South America collectively as Latin America. This table reflects 100% of the operational data applicable to each subsidiary regardless of our ownership percentage.

			Video(1)				Internet(1)		Telephony(1)	
	Homes Passed(2)	Two-way Homes Passed(3)	Basic Cable Subscribers(4)	Digital Cable Subscribers(5)	DTH Subscribers(6)	MMDS Subscribers(7)	Homes Serviceable(8)	Subscribers(9)	Homes Serviceable(10)	Subscriber
rope:										
C*										
estern rope	9,528,600	7,463,300	5,191,200	725,100		89,000	7,453,600	1,042,000	4,044,100	424,6
ntral and stern rope	4,552,200	1,739,800	2,618,100		245,100	32,200	1,733,100	178,500	415,600	68,9
al Europe	14,080,800	9,203,100	7,809,300	725,100	245,100	121,200	9,186,700	1,220,500	4,459,700	493,5
pan:										
OM**	6,287,800	6,276,200	1,482,600	232,000			6,276,200	708,600	5,799,200	726,5
al Japan	6,287,800	6,276,200	1,482,600	232,000			6,276,200	708,600	5,799,200	726,5
in erica:										
C*										
TR obalCom	1,793,900	1,070,700	504,600		4,500	13,900	1,070,700	176,300	1,052,700	310,0
her	82,200	45,700	12,400			15,300	45,700	4,300		
erty blevision rto Rico	324,600	302,800	120,800	43,700			302,800	20,500	302,800	9,0
al Latin erica	2,200,700	1,419,200	637,800	43,700	4,500	29,200	1,419,200	201,100	1,355,500	319,0
al	22,569,300	16,898,500	9,929,700	1,000,800	249,600	150,400	16,882,100	2,130,200	11,614,400	1,539,0

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* Excludes systems owned by affiliates that were not consolidated with UGC for financial reporting purposes as of December 31, 2004 or that were acquired by UGC after December 31, 2004.

** Excludes systems owned by affiliates that were not consolidated with J-COM for financial reporting purposes as of December 31, 2004 or that were acquired by J-COM after December 31, 2004. Also excludes households to which J-COM provides only retransmission services of terrestrial television signals.

(1) In some cases, non-paying subscribers are counted by UGC as subscribers during their free promotional service period. Some of these subscribers choose to disconnect after their free service period. The number of non-paying subscribers at December 31, 2004 was immaterial.

(2) Homes Passed are homes that can be connected to our networks without further extending the distribution plant, except for DTH and MMDS homes. With respect to DTH, we do not count homes passed. With respect to MMDS, one home passed is equal to one MMDS subscriber.

(3) Two-way Homes Passed are homes passed by our networks where customers can request and receive the installation of a two-way addressable set-top converter, cable modem, transceiver and/or voice port which, in most cases, allows for the provision of video and Internet services and, in some cases, telephony services.

(4) Basic Cable Subscriber is comprised of basic cable video customers (both analog and digital) that generally are counted on a per connection basis. Except in the case of UGC, residential multiple dwelling units with a discounted pricing structure are counted on an equivalent bulk unit (EBU) basis. Commercial contracts such as hotels and hospitals are counted by all our subsidiaries on an EBU basis. EBU is calculated by dividing the bulk price charged to accounts in an area by the prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. UGC also has lifeline customers (approximately 1.34 million at December 31, 2004) that are counted on a per connection basis, representing the least expensive regulated tier of basic cable service, with only a few channels.

(5) Digital Cable Subscriber is a customer with one or more digital converter boxes that receives our digital video service. Each Digital Cable Subscriber is included in the Basic Cable Subscriber column of the above table whether such customer receives only our digital video service or both analog and digital video services.

(6) DTH Subscriber is a home or commercial unit that receives our video programming broadcast directly to the home via a geosynchronous satellite.

(7) MMDS Subscriber is a home or commercial unit that receives our video programming via a multipoint microwave (wireless) distribution system.

(8) Internet Homes Serviceable are homes that can be connected to our networks, where customers can request and receive Internet access services.

(9) Internet Subscriber is a home or commercial unit with one or more cable modems connected to our networks, where a customer has requested and is receiving high-speed Internet access services.

(10) Telephony Homes Serviceable are homes that can be connected to our networks, where customers can request and receive voice services.

(11) Telephony Subscriber is a home or commercial unit connected to our networks, where a customer has requested and is receiving voice services.

Programming Services

We own programming networks that provide video programming channels to multi-channel distribution systems owned by us and by third parties. We also represent programming networks owned by others. Our programming networks distribute their services through a number of distribution technologies, principally cable television and DTH. Programming services may be delivered to subscribers as part of a video distributor s basic package of programming services for a fixed monthly fee, or may be delivered as a premium programming service for an additional monthly charge or on a pay-per-view basis. Whether a

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programming service is on a basic or premium tier, the programmer generally enters into separate affiliation agreements, providing for terms of one or more years, with those distributors that agree to carry the service. Basic programming services derive their revenue from per-subscriber license fees received from distributors and the sale of advertising time on their networks or, in the case of shopping channels, retail sales. Premium services generally do not sell advertising and primarily generate their revenue from subscriber fees. Programming providers generally have two sources of content: (1) rights to productions that are purchased from various independent producers and distributors, and (2) original productions filmed for the programming provider by internal personnel or contractors. We operate our programming businesses in Europe principally through the chellomedia division of UGC; in Japan principally through our affiliate Jupiter Programming Co., Ltd., which we refer to as JPC; and in Latin America principally through our subsidiary, Pramer S.C.A.

Operations

Europe UnitedGlobalCom, Inc.

Our European operations are conducted primarily through UnitedGlobalCom, Inc. At December 31, 2004, we owned an approximate 53.6% common equity interest, representing an approximate 91.0% voting interest, in UGC. UGC is one of the largest broadband communications providers, in terms of aggregate number of subscribers and homes passed, outside the United States. UGC provides video distribution services and/or Internet access and telephony services in 16 countries worldwide.

UGC s European operations are conducted through its wholly owned subsidiary, UGC Europe, Inc., which provides services in 13 countries in Europe. UGC Europe s operations are currently organized into two principal divisions: UPC Broadband and chellomedia. Through its UPC Broadband division, UGC Europe provides video, high-speed Internet access and telephony services over its networks and operates the largest cable network in each of The Netherlands, France, Austria, Poland, Hungary, Czech Republic, Slovak Republic and Slovenia and the second largest cable network in Norway, in each case in terms of number of subscribers. UGC Europe s high-speed Internet access service is provided over the UPC Broadband network infrastructure generally under the brand name chello. Depending on the capacity of the particular network, UGC Europe may provide up to seven tiers of high-speed Internet access. For information concerning the chellomedia division, see chellomedia and Other.

Provided below is country-specific information with respect to the broadband distribution services of the UPC Broadband division:

The Netherlands

UGC Europe s networks in The Netherlands, which we refer to as UGC-Netherlands, passed approximately 2.6 million homes and had approximately 2.3 million basic cable subscribers, 397,400 Internet subscribers and 182,100 telephony subscribers as of December 31, 2004. Over 30% of Dutch households receive at least analog cable service from UGC-Netherlands. UGC-Netherlands subscribers are located in six regional clusters, including the major cities of Amsterdam and Rotterdam. Its networks are approximately 95% upgraded to two-way capability, with approximately 94% of its basic cable subscribers served by a network with a bandwidth of at least 860 MHz.

UGC-Netherlands provides analog cable services to approximately 87% of its homes passed. Approximately 82% of UGC-Netherlands homes passed are capable of receiving digital cable service. UGC-Netherlands offers its digital cable subscribers a basic package of 58 channels with an option to subscribe for up to 15 additional general entertainment, movie, sports, music and ethnic channels and an electronic program guide. UGC-Netherlands digital cable service also offers 56 channels of near-video-on-demand, or NVOD , services and interactive services, including television-based email, to approximately 57% of its homes passed.

UGC-Netherlands offers seven tiers of chello brand high-speed Internet access service with download speeds ranging from 256 Kbps to 8 Mbps. Approximately 17% of its basic cable subscribers also receive its Internet access service, representing approximately 100% of its Internet subscribers.

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Multi-feature telephony services are available from UGC-Netherlands to approximately 86% of its homes passed. Approximately 8% of its basic cable subscribers also receive its telephony services, representing approximately 100% of its telephony subscribers. In 2004, UGC-Netherlands began offering telephony services to its two-way homes passed by applying Voice-over-Internet Protocol or VoIP.

In early 2004, UGC-Netherlands launched self-install for all of its Internet access services, allowing subscribers to install the technology themselves and save money on the installation fee. UGC-Netherlands also launched self-install for its digital cable services in June 2004. Approximately 50% of its new Internet subscribers have chosen to self-install their new service, and approximately 30% of its new digital subscribers have chosen to self-install their new service.

France

UGC Europe s networks in France (including Noos), which we refer to as UGC-France, passed approximately 4.6 million homes and had 1.5 million basic cable subscribers, 247,100 Internet subscribers and 66,600 telephony subscribers as of December 31, 2004. Its major operations are located in Paris and its suburbs including the Marne la Vallee area east of Paris, Strasbourg, Orleans, Le Mans, the suburbs of Lyon, the southeast region, and other operations spread throughout France. Its network is approximately 72% upgraded to two-way capability, with approximately 90% of its basic cable subscribers served by a network with a bandwidth of at least 750 MHz.

In 2004, UGC-France extended the reach of its digital cable platform, which is now available to approximately 90% of its homes passed. The digital platform offers a number of options in terms of packages from 52 channels for the entry-level tier to more than 100 channels for the premium tier. Programming includes series, general entertainment, youth, sports, news, documentary, music, lifestyle and foreign channels. With all tiers, UGC-France offers a number of movie premium packages, a pay-per-view service, numerous a la carte channels and several Canal+ channels. UGC-France intends to migrate most of its analog cable subscribers to this new digital platform.

UGC-France offers three tiers of chello and Noos brand high-speed Internet access service with download speeds ranging from 512 Kbps to 10 Mbps. Approximately 12% of its basic cable subscribers also receive Internet service, representing approximately 75% of its Internet subscribers.

Multi-feature telephony services are available from UGC-France to approximately 15% of its homes passed.

Suez SA owns a 19.9% equity interest in UGC-France. Subject to the terms of a call option, the indirect wholly owned subsidiary of UGC that holds the remaining 80.1% equity interest in UGC-France, which we refer to as UGC France Holdco, has the right through June 30, 2005 to purchase from Suez all of its equity interest in UGC-France for 85,000,000, subject to adjustment, plus interest. The purchase price may be paid in cash, shares of UGC s Class A common stock or shares of our Series A common stock. Subject to the terms of a put option, Suez may require UGC France Holdco to purchase Suez s equity interest in UGC-France at specified times prior to or after July 1, 2007, July 1, 2008 or July 1, 2009 for the then fair market value of such equity interest or assist Suez in obtaining an offer to purchase its equity interest in UGC-France. UGC France Holdco also has the option to purchase Suez s equity interest in UGC-France during specified periods shortly after July 1, 2007, July 1, 2008 and July 1, 2009 at the then fair market value of such equity interest, payable in cash or shares of our or UGC s common stock.

Austria

UGC Europe s networks in Austria, which we refer to as UGC-Austria, passed 946,900 homes and had 501,400 basic cable subscribers, 242,500 Internet subscribers and 152,500 telephony subscribers as of December 31. 2004.

UGC-Austria s subscribers are located in regional clusters encompassing the capital city of Vienna, two other regional capitals and two smaller cities. Each of the cities in which it operates owns, directly or indirectly, 5% of the local operating company of UGC-Austria. UGC-Austria s network is almost entirely upgraded to two-way capability, with approximately 97% of its basic cable subscribers served by a network with a bandwidth of at least 750 MHz.

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UGC-Austria provides a single offering to its analog cable subscribers that consists of 34 channels, mostly in the German language. UGC-Austria s digital platform offers more than 100 basic and premium TV channels, plus NVOD, interactive services, television-based e-mail and an electronic program guide. UGC-Austria s premium content includes first run movies and specific ethnic offerings, including Serb and Turkish channels.

UGC-Austria offers five tiers of chello brand high-speed Internet access service with download speeds ranging from 256 Kbps to 2.6 Mbps. UGC-Austria s high-speed Internet access is available in all of the cities in its operating area. Approximately 37% of its basic cable subscribers also receive its Internet access service, representing approximately 76% of its Internet subscribers.

Multi-feature telephony services are available from UGC-Austria to approximately 96% of its homes passed. UGC-Austria offers basic dial tone service as well as value-added services. UGC-Austria also offers a bundled product of fixed line and mobile telephony services in cooperation with the third largest mobile phone operator in Austria under the brand Take Two. More than 100,000 of its telephony subscribers subscribe to this product. Approximately 22% of UGC-Austria s basic cable subscribers also receive its telephony service, representing approximately 72% of its telephony subscribers.

Norway

UGC Europe s networks in Norway, which we refer to as UGC-Norway, passed 486,600 homes and had 341,000 basic cable subscribers, 48,500 Internet subscribers and 22,900 telephony subscribers as of December 31, 2004. Its main network is located in Oslo and its other systems are located primarily in the southeast and along Norway s southwestern coast. UGC-Norway s networks are approximately 50% upgraded to two-way capability, with approximately 30% of its basic cable subscribers served by a network with a bandwidth of at least 860 MHz. Digital cable services are offered to approximately 39% of UGC-Norway s homes passed.

UGC-Norway has a basic analog cable package with 15 channels and a plus-package with 23 channels. UGC-Norway s highest analog tier, the total package, includes the plus-package and 12 additional channels. Customers can also subscribe to premium channels, such as movie, sports and ethnic channels. Approximately 60% of UGC-Norway s basic cable subscribers consist of multi-dwelling units, or MDUs , with a discounted pricing structure. UGC-Norway s basic digital cable package consists of 29 channels. Its upper-level digital package includes an additional 21 channels. Subscribers to the basic digital cable package can subscribe to channels from the upper-level digital package for an additional fee. Different movie, sports, entertainment and ethnic channels may be selected from an a la carte menu for a per-channel fee. To complement its digital offering, UGC-Norway launched 48 channels of NVOD service in 2004.

UGC-Norway offers five tiers of chello brand high-speed Internet access service with download speeds ranging from 256 Kbps to 4 Mbps. Approximately 14% of its basic cable subscribers also receive its Internet service, representing approximately 100% of its Internet subscribers.

Multi-feature telephony services are available from UGC-Norway to approximately 31% of its homes passed. Approximately 7% of its basic cable subscribers also receive telephony service, representing approximately 100% of its telephony subscribers.

Sweden

UGC Europe s network in Sweden, which we refer to as UGC-Sweden, passed 421,600 homes and had 292,300 basic cable subscribers and 76,000 Internet subscribers as of December 31, 2004. It operates in the greater Stockholm area on leased fiber from Stokab AB, a city controlled entity with exclusive rights to lay cable ducts for communications or broadcast services in the city of Stockholm. These lease terms vary from 10 to 25 years, and expire beginning in 2012 through 2018. Its network is approximately 67% upgraded to two-way capability, with all of its basic cable subscribers served by a network with a bandwidth of at least 550 MHz.

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UGC-Sweden provides all of its basic cable subscribers with a lifeline service consisting of four must-carry channels. In addition to this lifeline service, UGC-Sweden offers an analog cable package with 12 channels and a digital cable package with up to 80 channels. Its program offerings include domestic, foreign, sport and premium movie channels, as well as digital event channels such as seasonal sport and real life entertainment events. Approximately 39% of the homes served by UGC-Sweden s network subscribe to the lifeline analog cable service only. Approximately 13% of its basic cable subscribers are digital cable subscribers. To complement its digital offering, UGC-Sweden launched 24 channels of NVOD service in 2004.

UGC-Sweden offers five tiers of chello brand high-speed Internet access service with download speeds ranging from 128 Kbps to 8 Mbps. Approximately 26% of its basic cable subscribers subscribe to its Internet service, representing approximately 100% of its Internet subscribers.

Ireland

UGC Europe s network in Ireland, which we refer to as UGC-Ireland, or Chorus, passed 317,300 homes and had 112,900 basic cable subscribers, 89,000 MMDS subscribers, 600 Internet subscribers and 500 telephony subscribers as of December 31, 2004. UGC-Ireland is Ireland s largest cable and MMDS video service provider outside of Dublin, based on customers served. UGC-Ireland also distributes four Irish channels and produces a local sports channel.

Belgium

UGC Europe s network in Belgium, which we refer to as UGC-Belgium, passed 155,500 homes and had 134,900 basic cable subscribers and 29,900 Internet subscribers as of December 31, 2004. Its operations are located in certain areas of Leuven and Brussels, the capital city of Belgium. UGC-Belgium s network is fully upgraded to two-way capability, with all of its basic cable subscribers served by a network with a bandwidth of 860 MHz.

UGC-Belgium s analog cable service, consisting of all Belgium terrestrial channels, regional channels and selected European channels, offers 41 channels in Brussels and 39 channels in Leuven. In both regions, UGC-Belgium offers an expanded analog cable package, including a starters pack of three channels that can be upgraded to 15 channels in Leuven and 17 channels in Brussels. This programming generally includes a selection of European and United States thematic satellite channels, including sports, kids, nature, movies and general entertainment channels. UGC-Belgium also distributes three premium channels that are provided by Canal+, two in Brussels and one in Leuven.

UGC-Belgium offers five tiers of chello brand high-speed Internet access service with download speeds ranging from 256 Kbps to 16 Mbps. Approximately 12% of its basic cable subscribers also receive Internet access service, representing approximately 56% of its Internet subscribers.

Through its indirect wholly owned subsidiary, Belgian Cable Holding, UGC Europe holds 78.4% of the common equity and 100% of the preferred equity of Belgian Cable Investors, L.L.C. Cable Partners Europe LLC, which we refer to as CPE, owns the remaining 21.6% of the common equity of Belgian Cable Investors. Belgian Cable Investors in turn holds an indirect 14.1% economic interest in Telenet Group Holding NV, and certain call options, expiring in 2007 and 2009, to acquire 11.6% and 17.6% respectively, of the outstanding equity of Telenet from existing shareholders. Belgian Cable Investors indirect 14.1% interest in Telenet results from its majority ownership of two entities, which we refer to as the InvestCos, that hold in the aggregate 18.99% of the common stock of Telenet, and a shareholders agreement among Belgian Cable Investors and three unaffiliated investors in the InvestCos that governs the voting and disposition of 21.36% of the common stock of Telenet, including the stock held by the InvestCos. Telenet is Belgium s largest cable system operator in terms of number of subscribers.

Pursuant to the agreement with CPE governing Belgian Cable Investors, CPE has the right to require Belgian Cable Holdings to purchase all of CPE s interest in Belgian Cable Investors for the appraised fair value of such interest during the first 30 days of every six-month period beginning in December 2007. Belgian Cable Holdings has the corresponding right to require CPE to sell all of its interest in Belgian Cable Investors to

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Belgian Cable Holdings for appraised fair value during the first 30 days of every six-month period following December 2009.

Poland

UGC Europe s networks in Poland, which we refer to as UGC-Poland, passed approximately 1.9 million homes and had approximately 1 million basic cable subscribers and 53,400 Internet subscribers as of December 31, 2004. UGC-Poland s subscribers are located in regional clusters encompassing eight of the ten largest cities in Poland, including Warsaw and Katowice. Approximately 30% of its networks are upgraded to two-way capability, with approximately 96% of its basic cable subscribers served by a network with a bandwidth of at least 550 MHz. UGC-Poland continues to upgrade portions of its network that have bandwidths below 550 MHz to bandwidths of at least 860 MHz.

UGC-Poland offers analog cable subscribers three packages of cable television service. Its lowest tier, the broadcast package, includes 4 to 12 channels and the intermediate package includes 13 to 22 channels. The higher tier, the full package, includes the broadcast package plus up to 30 additional channels with such themes as sports, kids, science/educational, news, film and music. For an additional monthly charge, UGC-Poland offers two premium television services, the HBO Poland service and Canal+ Multiplex, a Polish-language premium package of three movie, sport and general entertainment channels.

UGC-Poland offers three different tiers of chello brand high-speed Internet access service in portions of its network with download speeds ranging from 512 Kbps to 6 Mbps. UGC-Poland is currently expanding its Internet ready network in Warsaw, Krakow, Gdansk and Katowice and began providing Internet access services in Szczecin and Lublin in the second quarter of 2004. Approximately 5% of its basic cable subscribers also receive its Internet service, representing approximately 88% of its Internet subscribers.

Hungary

UGC Europe s networks in Hungary, which we refer to as UGC-Hungary, passed approximately 1 million homes and had 720,900 basic cable subscribers, 140,400 DTH subscribers, 73,200 Internet subscribers and 68,900 telephony subscribers, as of December 31, 2004. Approximately 67% of its networks are upgraded to two-way capability, with 50% of its basic cable subscribers served by a network with a bandwidth of at least 750 MHz.

UGC-Hungary offers up to four tiers of analog cable programming services (between 4 and 60 channels) and two premium channels, depending on the technical capability of the network. Programming consists of the national Hungarian terrestrial broadcast channels and selected European satellite and local programming that consists of proprietary and third party channels.

UGC-Hungary offers three tiers of chello brand high-speed Internet access service with download speeds ranging from 512 Kbps to 3 Mbps. UGC-Hungary offers these broadband Internet services to 69,200 subscribers in fourteen cities, including Budapest. It also had 4,000 asymmetric digital subscriber line, or ADSL , subscribers at December 31, 2004. Approximately 6% of its basic cable subscribers also receive its Internet service, representing approximately 55% of its Internet subscribers.

Monor Telefon Tarsasag Rt., one of UGC-Hungary s operating companies, offers traditional switched telephony services over a twisted copper pair network in the southeast part of Pest County. In 2004, UGC-Hungary began offering VoIP telephony services over its cable network in Budapest. As of December 31, 2004, UGC-Hungary had 68,900 telephony subscribers.

Czech Republic

UGC Europe s network in the Czech Republic, which we refer to as UGC-Czech, passed 729,000 homes and had 295,700 basic cable subscribers, 90,100 DTH subscribers and 42,400 Internet subscribers as of December 31, 2004. Its operations are located in more than 80 cities and towns in the Czech Republic, including Prague and Brno, the two largest cities in the country. Approximately 44% of its networks are upgraded to two-way capability, with 40% of its basic cable subscribers served by a network with a bandwidth

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of at least 750 MHz. UGC-Czech offers two tiers of analog cable programming services, with up to 31 channels, and two premium channels.

UGC-Czech offers four tiers of chello brand high-speed Internet access service with download speeds ranging from 256 Kbps to 6 Mbps. Approximately 9% of its basic cable subscribers also receive its Internet service, representing approximately 64% of its Internet subscribers.

Romania

UGC Europe s networks in Romania, which we refer to as UGC-Romania, passed 518,700 homes and had 357,000 basic cable subscribers, as of December 31, 2004. UGC-Romania s systems served 34 cities in Romania with 75% of its subscriber base in six cities: Timisoara, Cluj, Ploiesti, Focsani, Bacau and Botosani. UGC-Romania is currently test marketing, on a limited basis, an Internet access product in two of its main systems. Approximately 1% of its networks are upgraded to two-way capability, with 75% of its basic cable subscribers served by a network with a bandwidth of at least 550 MHz. UGC-Romania continues to upgrade its medium size systems to 550 MHz.

UGC-Romania offers analog cable service with 24 to 36 channels in all of its cities, which include Romanian terrestrial broadcast channels, European satellite programming and regional local programming. Three extra basic packages of 6 to 18 channels each are offered in Timisoara, Ploiesti, Cluj and Bacau. Premium Pay TV (HBO Romania) is offered in 13 cities.

Slovak Republic

UGC Europe s network in the Slovak Republic, which we refer to as UGC-Slovak, passed 413,200 homes and had 250,300 basic cable subscribers, 14,600 DTH subscribers, 32,200 MMDS subscribers and 9,200 Internet subscribers as of December 31, 2004. Approximately 41% of its networks are upgraded to two-way capability, with 25% of its basic cable subscribers served by a network with a bandwidth of at least 750 MHz. In some areas like Bratislava, the capital city, its network is 98% upgraded to two-way capability.

UGC-Slovak offers two tiers of analog cable service and three premium services. Its lower-tier, the lifeline package, includes 4 to 9 channels. UGC-Slovak s most popular tier, the basic package, includes 16 to 42 channels that generally offer all Slovak terrestrial, cable and local channels, selected European satellite programming and other third-party programming. For an additional monthly charge, UGC-Slovak offers three premium services HBO, Private Gold and the UPC Komfort package consisting of six thematic third-party channels.

In Bratislava, UGC-Slovak offers five tiers of chello brand high-speed Internet access service with download speeds ranging from 256 Kbps to 4 Mbps. Approximately 3% of its basic cable subscribers also receive Internet access service, representing approximately 85% of its Internet subscribers.

Slovenia

UGC Europe s network in Slovenia, acquired in February 2005, which we refer to as UGC-Slovenia, is the largest broadband communications provider in Slovenia in terms of number of subscribers, with over 100,000 basic cable subscribers and 10,000 Internet subscribers at December 31, 2004.

UGC-Slovenia offers analog cable service and one premium movie service. UGC-Slovenia s most popular tier, the basic package, includes on average 50 video and 20 radio channels and generally offers all Slovenian terrestrial, cable and local channels, selected European satellite programming and other third-party programming. For an additional monthly charge, UGC-Slovenia offers one premium movie service.

UGC-Slovenia offers five tiers of high-speed Internet access service with download speeds ranging from 128 Kbps to 2 Mbps.

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chellomedia and Other

UGC Europe s chellomedia division provides interactive digital products and services, produces and markets thematic channels, operates UGC Europe s digital media center, operates a competitive local exchange carrier business under the brand name Priority Telecom and owns or manages UGC s investments in various businesses in Europe. Below is a description of the operations of the chellomedia division:

Interactive Services. We expect the development of interactive television services to play an important role in increasing subscriptions to UGC Europe s digital television offerings. The chellomedia division s Interactive Services Group is responsible for developing its core digital products, such as an electronic program guide, walled garden, television-based email, and PC/ TV portals as well as other television and PC-based applications supporting various areas, including communications services and enhanced television services. A base set of interactive services has been launched by UGC-Netherlands and UGC-Austria, as discussed above.

Transactional Television. Transactional television, branded as Arrivo, is another component of UGC Europe s digital service offerings. UGC-Netherlands currently offers 42 channels of NVOD programming and UGC-Austria currently offers 56 channels of NVOD programming. Arrivo provides digital customers with a wide range of Hollywood blockbusters and other movies. Arrivo is also in the process of developing video-on-demand, or VOD , services for UGC Europe s UPC Broadband division and third-party cable operators. The VOD service will provide VOD subscribers with enhanced playback functionality and will give subscribers access to a broad array of on-demand programming, including movies, live events, local drama, music videos, kids programming and adult programming.

Pay Television. UPCtv, a wholly owned subsidiary of UGC Europe, produces and markets its own pay television products, currently consisting of three thematic channels. The channels target the following genres: extreme sports and lifestyles; women s information and entertainment; and real life documentaries. All three channels originate from UGC Europe s digital media center, or DMC, located in Amsterdam. The DMC is a technologically advanced production facility that services UPCtv and third-party clients with channel origination, post-production and satellite and fiber transmission. The DMC delivers high-quality, customized programming by integrating different video elements, languages (either in dubbed or sub-titled form) and special effects, then transmits the final product to various customers in numerous countries through affiliated and unaffiliated cable systems and DTH platforms.

Priority Telecom. Priority Telecom is a facilities-based business telecommunications provider that provides voice services, high-speed Internet access, private data networks and customized network services to over 7,000 business customers primarily in its core metropolitan markets in The Netherlands, Austria and Norway. UGC Europe owns an approximate 72% economic interest in Priority Telecom.

Investments. Chellomedia is an investor in branded equity ventures for the development of country-specific programming, including Iberian Programming Services, Xtra Music, MTV Networks Polska, Fox Kids Poland and Sports 1. In January 2005, chellomedia acquired an 87.5% interest in Zone Vision Networks Ltd. Zone Vision owns and operates three thematic programming channels, *Reality TV, Europa Europa* and *Romantica,* which are broadcast in over 125 countries in 18 languages, and represents over 30 international programming channels. Zone Vision s minority shareholders have the right to put 60% of their 12.5% shareholding to chellomedia on the third anniversary, and 100% of their shareholding on the fifth anniversary, of completion of the transaction. Chellomedia has corresponding call rights. The price payable upon exercise of the put or call will be the fair market value of the shareholdings purchased.

Chellomedia also owns or manages UGC s minority interests in other European businesses. These include a 25% interest in PrimaCom AG, which owns and operates a cable television and broadband network in Germany and The Netherlands; a 50% interest in Melita Cable PLC, the only cable television and broadband network in Malta; a 25% interest in Telewizyjna Korporacja Partycypacyjna

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S.A., a DTH programming platform in Poland; and the recently acquired indirect investment in Telenet Group Holding NV through Belgian Cable Investors.

Standstill Agreement with UGC.

We have entered into a standstill agreement with UGC pursuant to which we may not acquire more than 90% of UGC s outstanding common stock unless we make an offer or otherwise effect a transaction to acquire all of the outstanding common stock of UGC not already owned by us. Under certain circumstances, such an offer or transaction would require an independent appraisal to determine the price to be paid to shareholders unaffiliated with our company. In addition, we are entitled to preemptive rights with respect to certain issuances of UGC common stock.

Europe Other

We also own approximately 27% of the outstanding shares of The Wireless Group plc, which represents an approximate 22% economic interest. The Wireless Group is a commercial radio group in the United Kingdom that operates talkSPORT, a nationwide commercial radio station dedicated to sports, in addition to local and regional stations in North West England, South Wales and Scotland.

UGC owns an approximate 19% equity interest in SBS Broadcasting S.A., a European commercial television and radio broadcasting company.

Japan

Our Japanese operations are conducted primarily through LMI/ Sumisho Super Media, LLC and its subsidiary Jupiter Telecommunications Co., Ltd., and through Jupiter Programming Co., Ltd. As of December 31, 2004, we owned a 69.68% ownership interest in Super Media and Super Media owned a 65.23% ownership interest in J-COM. As a result of a change in governance of Super Media that occurred on February 18, 2005, we began accounting for Super Media and J-COM as consolidated subsidiaries, effective as of January 1, 2005. As a result of the completion of J-COM s initial public offering and certain contributions of J-COM shares made by Sumitomo to Super Media, in each case, on March 23, 2005, our ownership interest in Super Media decreased to 67.6%, and Super Media s ownership interest in J-COM decreased to 55.46%, as of that date. As of December 31, 2004, we owned a 50% ownership interest in our affiliate JPC.

Jupiter Telecommunications Co., Ltd.

J-COM is a leading broadband provider of bundled entertainment, data and communication services in Japan. J-COM is currently the largest multiple-system operator, or MSO , in Japan, as measured by the total number of homes passed and customers. J-COM operates its broadband networks through 19 managed local cable companies, which J-COM refers to as its managed franchises, 16 of which were consolidated subsidiaries as of December 31, 2004. J-COM owned a 45% equity interest and a 50% equity interest in two of its three unconsolidated managed franchises and had no equity interest in the remaining managed franchise, Chofu Cable, Inc., as of December 31, 2004. On February 25, 2005, J-COM acquired an aggregate 92% ownership interest in Chofu Cable, including an approximate 31% ownership interest acquired from us. As of December 31, 2004, J-COM s three unconsolidated managed franchises (including Chofu Cable) served approximately 139,800 basic cable subscribers, 52,800 Internet subscribers and 46,500 telephony subscribers.

Eighteen of J-COM s managed franchises are clustered around three metropolitan areas of Japan, consisting of the Kanto region (which includes Tokyo), the Kansai region (which includes Osaka and Kobe) and the Kyushu region (which includes Fukuoka and Kita-Kyushu). In addition, J-COM owns and manages a local franchise in the Sapporo area of Japan that is not part of a cluster.

Each managed franchise consists of headend facilities receiving television programming from satellites, traditional terrestrial television broadcasters and other sources, and a distribution network composed of a combination of fiber-optic and coaxial cable, which transmits signals between the headend facility and the

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customer locations. Almost all of J-COM s networks are upgraded to two-way capability, with all of its cable subscribers served by a system with a bandwidth of 750 or 770 MHz. J-COM provides its managed franchises with experienced personnel, operating and administrative services, sales and marketing, training, programming and equipment procurement assistance and other management services. Each of J-COM s managed franchises uses J-COM s centralized customer management system to support sales, customer and technical services, customer call centers and billing and collection services.

J-COM offers analog and digital cable services in all of its managed franchises. J-COM s basic analog service consists of approximately 47 channels of cable programming, not including premium services. A typical channel line-up includes popular channels in the Japanese market such as *Movie Plus,* a top Japanese movie channel, the *Shop Channel,* a home-shopping network, *J Sports 1, 2 and 3,* three popular sports channels, the *Discovery Channel, the Golf Network,* the *Disney Channel* and *Animal Planet,* in addition to retransmission of analog terrestrial and satellite television broadcasts. J-COM s basic digital service currently includes approximately 59 channels of cable programming, not including audio and data channels and premium services. The channel line-up for the basic digital service is generally similar to the channel line-up for the basic analog service, but digital broadcasts can be offered in high-definition television format. For an additional fee, digital cable subscribers may also receive up to 9 pay-per-view channels not available to J-COM s analog cable subscribers. J-COM also offers both its basic analog and digital subscribers optional subscriptions for an additional fee to premium channels, including movies, sports, horseracing and other special entertainment programming, either individually or in packages. J-COM offers package discounts to customers who subscribe to bundles of J-COM services. In addition to the services offered to its cable television subscribers, J-COM also provides terrestrial broadcast retransmission services to approximately 3.0 million additional households in its managed franchises as of December 31, 2004.

J-COM offers high-speed Internet access in all of its managed franchises through its wholly owned subsidiary, @NetHome Co., Ltd, and through its affiliate, Kansai Multimedia Services. J-COM holds a 25.8% interest in Kansai Multimedia, which provides high-speed Internet access in the Kansai region of Japan. These Internet access services offer downstream speeds of either 8 Mbps or 30 Mbps. At December 31, 2004, approximately 37% of the basic cable subscribers in J-COM s consolidated managed franchises also received Internet service, representing approximately 77% of the Internet subscribers in such franchises.

J-COM currently offers telephony services over its own network in 14 of its consolidated franchise areas. In these franchise areas, J-COM s headend facilities contain equipment that routes calls from the local network to J-COM s telephony switches, which in turn transmit voice signals and other information over the network. J-COM currently provides a single line to the majority of its telephony customers, most of whom are residential customers. J-COM charges its telephony subscribers a flat fee for basic telephony service (together with charges for calls made) and offers additional premium services, including call-waiting, call-forwarding, caller identification and three way calling, for a fee. At December 31, 2004, approximately 38% of the basic cable subscribers in J-COM s consolidated managed franchises also received telephony service, representing approximately 78% of the telephony subscribers in such franchises. In February 2005, J-COM started a trial telephony service using VoIP technology in its Sapporo franchise.

In addition to its 19 managed franchises, J-COM owns non-controlling equity interests, between 5.5% and 20.4%, in three cable franchises and an MSO that are operated and managed by third-party franchise operators.

J-COM sources its programming through multiple suppliers including its affiliate, JPC. J-COM s relationship with JPC enables the two companies to work together to identify and bring key programming genres to the Japanese market and to expedite the development of quality programming services. J-COM and JPC each currently owns a 50% interest in Jupiter VOD Co., Ltd., a joint venture formed in 2004 to obtain video-on-demand, or VOD , programming content to offer VOD services to J-COM franchises. J-COM began offering VOD services to its digital customers on a trial basis in 2004 and anticipates rolling-out VOD service in all of its franchises in 2005. Because J-COM is usually a programmer s largest cable customer in Japan, J-COM is generally able to negotiate favorable terms with its programmers.

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Our interest in J-COM is currently held through Super Media, an entity that is owned 67.6% by us and 32.4% by Sumitomo Corporation. Pursuant to a contribution agreement between Sumitomo and us, on December 28, 2004, our 45.45% ownership interest in J-COM and a majority of Sumitomo s 32% ownership interest in J-COM were combined in Super Media. Prior to the contribution agreement closing, Super Media was our wholly owned subsidiary and owned a portion of our ownership interest in J-COM. At closing of the contribution agreement, our remaining ownership interest in J-COM owned by four of our other subsidiaries and a 19.78% ownership interest in J-COM owned by Sumitomo were contributed to Super Media, bringing Super Media s total ownership interest in J-COM to 65.23% as of the contribution closing date. Following the contribution agreement closing, Sumitomo retained a 12.25% equity interest in J-COM, which Sumitomo had the obligation, subject to certain conditions, to contribute to Super Media during 2005. On March 23, 2005, Sumitomo contributed to Super Media a portion of its remaining equity interest in J-COM, and Sumitomo has the obligation to contribute all of its remaining equity interests in J-COM to Super Media during 2005. Sumitomo and we are generally required to contribute to Super Media any additional shares of J-COM that either of us acquires and to permit the other party to participate in any additional acquisition of J-COM shares during the term of Super Media.

Our interest in Super Media is held through five separate corporations, four of which are wholly owned. Several individuals, including two of our executive officers and one of our directors, own common stock representing an aggregate of 20% of the common equity in the fifth corporation, which owns an approximate 7.96% interest in Super Media.

Super Media is managed by a management committee consisting of two members, one appointed by us and one appointed by Sumitomo. Effective upon J-COM s announcement on February 18, 2005 of an initial public offering of its common shares in Japan, the management committee member appointed by us has a casting or tie-breaking vote with respect to any management committee decision that we and Sumitomo are unable to agree on which casting vote will remain in effect for the term of Super Media. Certain decisions with respect to Super Media require the consent of both members rather than the management committee. These include a decision to engage in any business other than holding J-COM shares, sell J-COM shares, issue additional units in Super Media, make in-kind distributions or dissolve Super Media, in each case other than as contemplated by the Super Media operating agreement. While Super Media effectively has the ability to elect J-COM s entire board, pursuant to the Super Media operating agreement, Super Media is required to vote its J-COM shares in favor of the election to J-COM s board of three non-executive directors designated by Sumitomo and three non-executive directors designated by us.

Because of our casting vote, we indirectly control J-COM through our control of Super Media, which owns a controlling interest in J-COM, and therefore consolidate J-COM s results of operations for accounting purposes. Super Media will be dissolved five years after our casting vote became effective unless Sumitomo and we mutually agree to extend the term. Super Media may also be dissolved earlier under certain circumstances.

Our other primary partner in J-COM was Microsoft Corporation, which held a 19.5% beneficial ownership interest in J-COM as of December 31, 2004. Microsoft s ownership interest in J-COM has since decreased to 14.41% as a result of the completion of J-COM s initial public offering on March 23, 2005, which included the sale by Microsoft of a portion of its J-COM shares. Also as a result of the completion of J-COM s initial public offering, the J-COM stockholders agreement among Super Media, Sumitomo and Microsoft has terminated.

Jupiter Programming Co., Ltd.

JPC is a joint venture between Sumitomo and us that primarily develops, manages and distributes pay television services in Japan on a platform-neutral basis through various distribution infrastructures, principally cable and DTH service providers. As of December 31, 2004, JPC owned five channels through wholly or majority-owned subsidiaries and had investments ranging from approximately 10% to 50% in eleven additional channels. JPC s majority owned channels are a movie channel (*Movie Plus*), a golf channel (*Golf Network*), a shopping channel (*Shop Channel,* in which JPC has a 70% interest and Home Shopping Network has a 30%

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interest), a women s entertainment channel (*LaLa TV*), and a video game information channel (*Channel BB*). Channels in which JPC holds investments include three sports channels owned by J Sports Broadcasting Corporation, a 43% owned joint venture with News Television B.V., Sony Broadcast Media Co. Ltd, Fuji Television Network, Inc. and SOFTBANK Broadmedia Corporation; *Animal Planet Japan,* a one-third owned joint venture with Discovery and BBC Worldwide; *Discovery Channel Japan,* a 50% owned joint venture with Discovery; and *AXN Japan,* a 35% owned joint venture with Sony. JPC provides affiliate sales services and in some cases advertising sales and other services to channels in which it has an investment for a fee.

The market for multi-channel television services in Japan is highly complex with multiple cable systems and direct-to-home satellite platforms. Cable systems in Japan served approximately 17.0 million homes at December 31, 2004. A large percentage of these homes, however, are served by systems (referred to as compensation systems) whose service principally consists of retransmitting free TV services to homes whose reception of such broadcast signals has been blocked. Higher capacity systems and larger cable systems that offer a full complement of cable and broadcast channels, of which J-COM is the largest in terms of subscribers, currently serve approximately 5.4 million households. The majority of channels in which JPC holds an interest are marketed as basic television services to cable system operators, with distribution at December 31**,** 2004 ranging from approximately 14.4 million homes for *Shop Channel* (which is carried in many compensation systems and on VHF as well as in multi-channel cable systems) to approximately 1.9 million homes for more recently launched channels, such as *Animal Planet Japan. Channel BB,* which was acquired by JPC in December 2004, has negligible cable distribution.

Each of the channels in which JPC has an interest is also currently offered on SkyPerfecTV1, a digital satellite platform that delivers approximately 180 channels a la carte and in an array of basic and premium packages, from two satellites operated by JSAT Corporation. Each of the channels, except for Channel BB, is also offered on SkyPerfecTV2, another satellite platform in Japan, which delivers a significantly smaller number of channels. Under Japan s complex regulatory scheme for satellite broadcasting, a person engaged in the business of broadcasting programming must obtain a broadcast license that is perpetual, although subject to revocation by the relevant governmental agency, and then lease from a satellite operator the bandwidth capacity on satellites necessary to transmit the programming to cable and other distributors and direct-to-home satellite subscribers. In the case of distribution of JPC s 33% or greater owned channels on SkyPerfecTV1, these licenses and satellite capacity leases are held through its subsidiary, Jupiter Satellite Broadcasting Corporation, or JSBC, except for *AXN Japan, Channel BB* and the J Sports Broadcasting channels which hold their own licenses. The broadcast licenses and satellite capacity leases for those of JPC s 33% or greater owned channels that are delivered by SkyPerfecTV2 are held by four other companies that are majority owned by unaffiliated entities. JSBC s leases with JSAT for bandwidth capacity on JSAT s two satellites expire between 2006 and 2011. The leases for bandwidth capacity with respect to the SkyPerfecTV2 platform expire between 2012 and 2014. JSBC and other licensed broadcasters then contract with the platform operator, such as SkyPerfecTV, for customer management and marketing services (sales and marketing, billing and collection) and for encoding services (compression, encoding and multiplexing of signals for transmission) on behalf of the licensed channels. The majority of channels in which JPC holds an interest are marketed as basic television services to DTH subscribers with distribution at December 31, 2004 ranging from 3.2 million homes for *Shop Channel* (which is carried as a free service to all DTH subscribers) to 281,000 homes for more recently launched channels, such as *Animal Planet Japan*.

Approximately 83% of JPC s consolidated revenue for 2004 was attributable to retail revenue generated by the *Shop Channel*. Cable operators are paid distribution fees to carry the *Shop Channel,* which are either fixed rate per subscriber fees or the greater of fixed rate per subscriber fees and a percentage of revenue generated through sales to the cable operator s viewers. SkyPerfecTV is paid fixed rate per subscriber distribution fees to provide the *Shop Channel* to its DTH subscribers. After *Shop Channel,* the J Sports Broadcasting channels generate the most revenue of the channels in which JPC has an interest. The majority of this revenue is derived from cable and satellite subscriptions. Currently, advertising sales are not a significant component of JPC s revenue.

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Sumitomo and we each own a 50% interest in JPC. Pursuant to a stockholders agreement we entered into with JPC and Sumitomo, Sumitomo and we each have preemptive rights to maintain our respective equity interests in JPC, and Sumitomo and we each appoint an equal number of directors provided we maintain our equal ownership interests. No board action may be taken with respect to certain material matters without the unanimous approval of the directors appointed by us and Sumitomo, provided that Sumitomo and we each own 30% of JPC s equity at the time of any such action. Sumitomo and we each hold a right of first refusal with respect to the other s interests in JPC, and Sumitomo and we have each agreed to provide JPC with a right of first opportunity with respect to the acquisition of more than a 10% equity position in, or the management of or any similar participation in, any programming business or service in Japan and any other country to which JPC distributes its signals, in each case subject to specified limitations.

Japan Other

At December 31, 2004, we also owned an approximate 35% indirect ownership interest in Mediatti Communications, Inc. Mediatti is a provider of cable television and high speed Internet access services in Japan that served approximately 91,500 basic cable subscribers and 50,500 Internet subscribers at December 31, 2004. Our interest in Mediatti is held through Liberty Japan MC, LLC, a company of which we own approximately 93.1% and Sumitomo Corporation owns approximately 6.9%. Sumitomo has the option until February 2006 to increase its ownership interest in Liberty Japan MC to up to 50%.

Liberty Japan MC owns a 36.4% voting interest in Mediatti Communications and an additional 0.87% interest that has limited veto rights. Liberty Japan MC has the option until February 2006 to acquire from Mediatti up to 9,463 additional Mediatti shares at a price of ¥290,000 per share. If such option is fully exercised, Liberty Japan MC s interest in Mediatti will be approximately 46%. The additional interest that Liberty Japan MC has the right to acquire may initially be in the form of non-voting Class A shares, but it is expected that any Class A shares owned by Liberty Japan MC will be converted to voting common stock.

Liberty Japan MC, Olympus Mediacom L.P. and two minority shareholders of Mediatti have entered into a shareholders agreement pursuant to which Liberty Japan MC has the right to nominate three of Mediatti s seven directors and which requires that significant actions by Mediatti be approved by at least one director nominated by Liberty Japan MC.

The Mediatti shareholders who are party to the shareholders agreement have granted to each other party whose ownership interest is greater than 10%, a right of first refusal with respect to transfers of their respective interests in Mediatti. Each shareholder also has tag-along rights with respect to such transfers. Olympus Mediacom has a put right that is first exercisable during July 2008 to require Liberty Japan MC to purchase all of its Mediatti shares at fair market value. If Olympus exercises such right, the two minority shareholders who are party to the shareholders agreement may also require Liberty Japan MC to purchase their Mediatti shares at fair market value. If Olympus does not exercise such right, Liberty Japan MC has a call right that is first exercisable during July 2009 to require Olympus and the minority shareholders to sell their Mediatti shares to Liberty Japan MC at fair market value. If both the Olympus put right and the Liberty Japan MC call right expire without being exercised during the first exercise period, either may thereafter exercise its put or call right, as applicable, until October 2010.

Australia

We also own minority interests in broadband distributors and video programmers operating in Australia. UGC owns an indirect approximate 34% equity interest in Austar United Communications Ltd. Austar United provides pay television services, Internet access and mobile telephony services to subscribers in regional and rural Australia and the capital cities of Hobart and Darwin. In addition, we own an approximate 20% equity interest in Premium Movie Partnership, which supplies three premium movie-programming channels to the major subscription television distributors in Australia. PMP s partners include Showtime, Twentieth Century Fox, Sony Pictures, Paramount Pictures and Universal Studios.

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Latin America

Our Latin American operations are conducted primarily through VTR GlobalCom S.A., a wholly owned subsidiary of UGC, and our wholly owned subsidiaries Liberty Cablevision of Puerto Rico Ltd. and Pramer S.C.A. UGC also has subsidiaries that are broadband providers operating in Brazil and Peru.

Many countries in Latin America have experienced ongoing recessionary conditions during the past five years. Among these countries, Argentina, in which certain of LMI s businesses offer programming services, may have been the most harshly affected. Argentina has experienced severe economic and political volatility since 2001. Effective January 2002, the Argentine government eliminated the historical exchange rate of one Argentine peso to one U.S. dollar (the peg rate). The value of the Argentine peso dropped significantly on the date the peg rate was eliminated and dropped further through 2002. As a result, our businesses in Argentina have experienced significant negative effects on their financial results. In many cases, their customers reduced spending or extended payments, while their lenders tightened credit criteria. We cannot predict how much longer these recessionary conditions will last, nor can we predict the future impact of these conditions on the financial results of our businesses that operate in Latin America.

VTR GlobalCom S.A.

UGC s primary Latin American operation, VTR GlobalCom S.A., which we refer to as VTR, is Chile s largest multi-channel television and high-speed Internet access provider in terms of homes passed and number of subscribers, and Chile s second largest provider of residential telephony services, in terms of lines in service. VTR provides services in Santiago, Chile s largest city, the large regional cities of Iquique, Antofagasta, Concepción, Viña del Mar, Valparaiso and Rancagua, and smaller cities across Chile. Approximately 96% of its video subscribers are served via wireline cable, with the remainder via MMDS technologies. VTR s network is approximately 60% upgraded to two-way capability, with 65% of its basic cable subscribers served by a network with a bandwidth of at least 750 MHz. VTR has an approximate 70% market share of cable television services throughout Chile and an approximate 51% market share within Santiago.

VTR s channel lineup consists of 52 to 68 channels segregated into two tiers of analog cable service: a basic service with 52 to 57 channels and a premium service with 11 channels. VTR offers basic tier programming similar to the basic tier program lineup in the United States, including more premium-like channels such as HBO, Cinemax and Cinecanal on the basic tier. As a result, subscription to its existing premium service package is limited because its basic analog package contains similar channels. VTR obtains programming from the United States, Europe, Argentina and Mexico. Domestic cable television programming in Chile is only just beginning to develop around local events such as soccer matches.

VTR offers several alternatives of always on, unlimited-use high-speed Internet access to residences and small/home offices under the brand name Banda Ancha in 22 communities within Santiago and 12 cities outside Santiago. Subscribers can purchase one of five services with download speeds ranging from 128 Kbps to 2.4 Mbps. For a moderate to heavy Internet user, VTR s Internet service is generally less expensive than a dial-up service with its metered usage. To provide more flexibility to the user, VTR also offers Banda Ancha Flex, where a low monthly flat fee includes the first 200 minutes, with metered usage above 200 minutes. Approximately 33% of VTR s basic cable subscribers also receive Internet service, representing approximately 95% of its Internet subscribers.

VTR offers telephony service to customers in 22 communities within Santiago and seven cities outside Santiago. VTR offers basic dial tone service as well as several value-added services. VTR primarily provides service to residential customers who require one or two telephony lines. It also provides service to small businesses and home offices. In 2004, VTR began offering telephony services to its two-way homes passed by applying VoIP. Approximately 40% of VTR s basic cable subscribers also receive telephony service, representing approximately 65% of its telephony subscribers.

On January 23, 2004, we, Liberty and CristalChile Comunicaciones S.A., our partner in Metrópolis-Intercom S.A., a cable operator in Chile, entered into an agreement pursuant to which each agreed to use its respective commercially reasonable efforts to combine the businesses of Metrópolis and VTR, in an effort to facilitate the

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provision of enhanced services to cable and telecommunications consumers in the Chilean marketplace. The combination is subject to certain conditions, including the execution of definitive agreements, Chilean regulatory approval, the approval of our board of directors and the boards of directors of CristalChile, VTR and UGC (including, in the case of UGC, the independent members of UGC s board of directors) and the receipt of necessary third party approvals and waivers. The Chilean antitrust authorities approved the combination in October 2004. An action was filed with the Chilean Supreme Court seeking to reverse such approval, but the action was dismissed on March 10, 2005. We, CristalChile and UGC are currently negotiating the terms of the definitive agreements for the combination. If the proposed combination is consummated as contemplated, UGC will own 80% of the voting and equity rights in the combined entity, CristalChile will own the remaining 20% and we will receive a promissory note from the combined entity. CristalChile will have the right to elect 1 of the 5 members of the combined entity s board and will have veto rights over certain material decisions for so long as CristalChile owns at least a 10% equity interest in the combined entity. In addition, CristalChile will have a put right which will allow CristalChile to require UGC to purchase all, but not less than all, of its interest in the combined entity at the fair market value of the interest, subject to a minimum price, which put right will end on the tenth anniversary of the combination. Liberty has agreed to perform UGC s obligations under CristalChile s put if UGC does not do so. We have agreed to indemnify Liberty against its obligations with respect to CristalChile s put right.

Liberty Cablevision of Puerto Rico Ltd.

Liberty Cablevision of Puerto Rico Ltd., our wholly owned subsidiary, is one of Puerto Rico s largest cable television operators based on number of subscribers. Liberty Cablevision of Puerto Rico operates three head ends, serving the communities of Luquillo, Arecibo, Florida, Caguas, Humacao, Cayey and Barranquitas and 30 other municipalities. In portions of its network, Liberty Cablevision of Puerto Rico also offers high speed Internet access and cable telephony services. Liberty Cablevision of Puerto Rico s network is approximately 94% upgraded to two-way capability, with all of its basic cable subscribers served by a system with a bandwidth of at least 550 MHz.

Liberty Cablevision of Puerto Rico provides subscribers with 61 analog channels. Liberty Cablevision of Puerto Rico also offers 48 digital channels, 46 premium channels, 46 pay-per-view channels and 33 digital music channels. Liberty Cablevision of Puerto Rico obtains programming primarily from international sources, including suppliers from the United States.

Liberty Cablevision of Puerto Rico offers four tiers of high-speed Internet access with download speeds ranging from 64 Kbps to 1.5 Mbps. Approximately 14% of Liberty Cablevision of Puerto Rico s basic cable subscribers also receive Internet service, representing approximately 82% of its Internet subscribers.

Liberty Cablevision of Puerto Rico has begun offering telephony service using IP-based technology. Currently, 7% of Liberty Cablevision of Puerto Rico s basic cable subscribers also receive telephony service, representing approximately 95% of its telephony subscribers.

Pramer S.C.A.

Pramer S.C.A., a wholly owned subsidiary of LMI, is an Argentine programming company which supplies programming services to cable television and DTH satellite distributors in Latin America and Spain. At December 31, 2004, Pramer owned or had an equity interest in 11 channels and produced, marketed, distributed or otherwise represented 12 additional channels, including two of Argentina s five terrestrial broadcast stations. Subscription units for 2004 ranged from approximately 24,000 for the smallest premium service to approximately 9.6 million for the most popular basic service. Pramer s wholly owned channels include *Canal (a)*, the first Latin-American quality arts channel, *Film & Arts,* offering quality films, concerts, operas and interviews with artists, *elgourmet.com,* a channel for the lovers of the good things in life, and *Magic Kids,* an entertainment children s channel, all of which are offered as basic television services. Pramer s represented channels include *Hallmark* and *Cosmopolitan Channel* (in which we own a 50% interest through another subsidiary).

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Pramer s affiliation agreements with cable television and satellite distributors provide for payments based on the number of subscribers that receive Pramer s services. Cablevisión S.A., an Argentine cable provider, represented approximately 13% of Pramer s consolidated revenue for 2004. Pramer s affiliation agreement with Cablevisión expired in December 2004. The parties have agreed to extend this agreement until June 30, 2005 with Cablevisión paying Pramer a fixed monthly fee which represents an approximate 35% discount from the applicable fees in 2004. During this period, the parties will seek to negotiate a new affiliation agreement.

Pramer handles affiliate sales for the 12 channels it represents and advertising sales for 6 of such channels. Pramer collects the revenue for the represented channels and pays the channel owners either a fixed fee or a fee based on amounts collected. Pramer s representation of the *Hallmark* channel, including the provision of satellite uplinking and other services, accounted for approximately 9% of Pramer s consolidated revenue for 2004. The representation agreement for the *Hallmark* channel expires on December 31, 2005, subject to earlier termination under certain circumstances.

Pramer has two sources of content: rights that are purchased from various distributors and its own productions. Pramer s own productions are usually contracted with independent producers.

All of Pramer s satellite transponder capacity is provided pursuant to contracts expiring in 2014.

Latin America Other

Our 50% owned affiliate, Metrópolis-Intercom S.A. is Chile s second largest cable operator based on the number of subscribers served. Metrópolis operates cable systems in nine of the most densely populated cities within Chile, including Santiago (the capital of Chile), Viña del Mar, Concepción and Temuco. At December 31, 2004, Metrópolis served approximately 224,800 basic cable subscribers, 38,200 Internet subscribers and 10,800 telephony subscribers. CristalChile Comunicaciones S.A., a large publicly traded Chilean company with significant media interests, and we each own a 50% interest in Metrópolis. The board of directors of Metrópolis consists of eight members. CristalChile and we each designate one-half of the directors of Metrópolis and almost all actions by the board require the consent of representatives of each partner. LMI has given CristalChile the right to control the day-to-day operations of Metrópolis.

As discussed under VTR GlobalCom S.A. above, we, Liberty and CristalChile have entered into an agreement pursuant to which each has agreed to use its commercially reasonable efforts to combine the businesses of Metrópolis and VTR. The combination is subject to certain conditions. If the combination does not occur, we and CristalChile have each agreed to fund its pro rata share of a capital call sufficient to retire Metrópolis local debt facility, and to amend the existing agreement governing the parties relationship with respect to Metrópolis. Among other things, our approval rights as an owner of Metrópolis will be limited to certain material matters, including material related party transactions, but will not include the adoption of budgets or business plans or the making of capital calls. CristalChile will have a call right with respect to our interest in Metrópolis, subject to a minimum price, and for so long as CristalChile owns directly or indirectly 50% or more of the shares of Metrópolis, CristalChile will have a drag-along right, subject to a minimum purchase price, with respect to our interest in Metrópolis in connection with a bona fide sale of all of its and its affiliates direct interest in Metrópolis. We will have tag-along rights in connection with sales by CristalChile or its affiliates of any of their direct interests in Metrópolis. Neither party will have a put right to the other party of its interest in Metrópolis.

Our majority owned subsidiary, Liberty Programming Argentina, LLC, owns a 40% equity interest in Torneos y Competencias, an independent producer of Argentine sports and entertainment programming that, through various affiliates, operates a sports programming cable channel; commercializes rights to televise sporting events via cable, satellite and broadcast television, and manages two sports magazines and several thematic soccer bars. We also own a 10.6% equity interest in Fox Pan American Sports LLC, a joint venture that develops and operates multiple Spanish language subscription television and radio services comprised predominantly of sports programming. Fox Pan American Sports is a principal customer of Torneos.

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Regulatory Matters

Overview

Video distribution, Internet, telephony and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the European Union or EU. Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and open-network obligations, and restrictions on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

Foreign regulations affecting distribution and programming businesses fall into several general categories. Our businesses are required to obtain licenses, permits or other governmental authorizations from (or to notify or register with) relevant local or regulatory authorities to own and operate their respective distribution systems. In many countries, these licenses are non-exclusive and of limited duration. In some countries where we provide video programming services, we must comply with restrictions on programming content. Local or national regulatory authorities in some countries where we provide video services also impose pricing restrictions and subject certain price increases to approval by the relevant local or national authority.

Our telecommunications businesses generally are required to register with the appropriate regulatory authority where we offer telephony services, although, in some instances, we may be required to obtain a license. Our telephony businesses to date have not been subject to rate regulation but could become subject to such regulation in a number of jurisdictions if they are deemed to hold significant market power. Under the EU s new regulatory framework discussed below, a company will be deemed to have significant market power if it has the power to behave to an appreciable extent independently of competitors, customers and consumers. In some countries, we must notify the regulatory authority of our tariff structure and any subsequent price increases.

European Union

Austria, Belgium, Cyprus, The Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and the United Kingdom are Member States of the European Union or EU. As such, these countries are required to enact national legislation that implements EU directives. Although not an EU Member State, Norway is a member of the European Economic Area and generally has implemented or is implementing the same principles on the same timetable as EU Member States. In addition, Romania is seeking to join the EU in 2007 and its laws are strongly influenced by EU directives since it will need to comply with these directives in order to join the EU. As a result, most of the markets in Europe in which our businesses operate have been significantly affected by the regulatory framework that has been developed by the EU.

Communications Services and Competition Directives

A number of legal measures, which we refer to as the Directives, have revised the regulatory regime concerning communications services across the EU. They include the following:

Directive for a New Regulatory Framework for Electronic Communications Networks and Services (referred to as the Framework Directive);

Directive on the Authorization of Electronic Communications Networks and Services (referred to as the Authorization Directive);

Directive on Access to and Interconnection of Electronic Communications Networks and Services (referred to as the Access Directive);

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Directive on Universal Service and Users Rights relating to Electronic Networks and Services (referred to as the Universal Service and Users Rights Directive);

Directive on Privacy and Electronic Communications (referred to as the Privacy Directive); and

Directive on Competition in the Markets for Electronic Communications and Services (referred to as the Competition Directive).

In addition to the Directives, the European Parliament and European Council made a decision intended to ensure the efficient use of radio spectrum within the EU. Existing EU member countries were required to implement the Framework, Authorization, Access and the Universal Service and Users Rights Directives by July 25, 2003. The Privacy Directive was to have been implemented by October 31, 2003. The Competition Directive is self-implementing and does not require any national measures to be adopted. The 10 countries that joined the EU on May 1, 2004 were to ensure compliance with the Directives as of the date of accession. Measures seeking to implement the Directives are in force in most Member States. Of those countries that we operate in only Belgium and the Czech Republic still need to bring into force laws seeking substantially to implement the Directives.

The Directives seek, among other things, to harmonize national regulations and licensing systems and further increase market competition. These policies seek to harmonize licensing procedures, reduce administrative fees, ease access and interconnection, and reduce the regulatory burden on telecommunications companies. Another important objective of the new Directives is to implement one new regime for the development of communications networks and communications services, including the delivery of video services, irrespective of the technology used.

Many of the obligations included within the Directives apply only to operators or service providers with Significant Market Power in a relevant market. For example, the provisions of the Access Directive allow Member States to mandate certain access obligations only for those operators and service providers that are deemed to have Significant Market Power. For purposes of the Directives, an operator or service provider will be deemed to have Significant Market Power where, either individually or jointly with others, it enjoys a position of significant economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and consumers. As part of the implementation of certain of the Directives, the National Regulatory Authority or NRA is obliged to analyze 18 predefined markets to determine if any operator or service provider has Significant Market Power. We may be found to have Significant Market Power in some markets and in some countries. In particular, in those markets where we offer telephony services, we may be found to have Significant Market Power in the termination of calls on our own network. In addition, in some countries we may be found to have Significant Market Power in the wholesale distribution of television channels. Some national regulators may also seek to find that we have Significant Market Power in the retail broadband Internet market. Although we would vigorously dispute this last finding, there can be no assurance that such finding will not be made. In the event that we are found to have Significant Market Power in any particular market, a NRA could impose certain conditions on us to prevent abusive behavior by us.

The European Commission has adopted a Recommendation on relevant markets susceptible to ex-ante regulation under the Directives. Under the Directives, the European Commission has the power to veto the assessment by a NRA of Significant Market Power in any market not set out in this Recommendation as well as any finding by a NRA of Significant Market Power in any market whether or not it is set out in the Recommendation.

Certain key elements introduced by the Directives are set forth below, followed by a discussion of certain other regulatory matters and a description of regulation for three countries where we have large operations. This is not intended to be a comprehensive description of all aspects of regulation in this area.

Licensing. Individual licenses for electronic communications services are not required for the operation of an electronic communications network or the offering of electronic communications services. A simple registration is required in these cases. Member States are limited in the obligations that they may place on someone

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who has so registered; the only obligations that may be imposed are specifically set out in the Authorizations Directive.

Access Issues. The Access Directive sets forth the general framework for interconnection of, and third party access to, networks, including cable networks. Public telecommunications network operators are required to negotiate interconnection agreements on a non-discriminatory basis with each other. In addition, some specific obligations are provided for in this Directive such as an obligation to distribute wide-screen television broadcasts in that format and certain requirements to provide access to conditional access systems. Other access obligations can be imposed on operators identified as having Significant Market Power in a particular market. These obligations are based on the outcomes that would occur under general competition law.

Must Carry Requirements. In most countries where we provide video and radio services, we are required to transmit to subscribers certain must carry channels, which generally include public national and local channels. In some European countries, we may be obligated to transmit quite a large number of channels by virtue of these requirements. Until recently, there was no meaningful oversight of this issue at the EU level. This changed when the Directives came into effect. Member States are only permitted to impose must carry obligations where they are necessary to meet clearly defined general interest objectives and where they are proportionate and transparent. Any such obligations must be subject to periodic review. It is not clear what effect this new rule will have in practice but we expect it to lead to a reduction of the size of must-carry packages in some countries.

API Standards. The Directives require Member States to encourage the use of open Application Programming Interfaces or APIs. The European Commission is required to conduct a review to ascertain whether interoperability and freedom of choice have been adequately achieved in the Member States with respect to digital interactive video services. If the European Commission reaches a negative conclusion on this issue with respect to one or more Member States, it has the power to mandate use of a particular API.

Consumer Protection Issues and Pricing Restrictions. Under the Directives, we may face various consumer protection restrictions if we are in a dominant position in a particular market. However, before the implementation of the Directives, local or national regulatory authorities in many European countries where we provide video services already imposed pricing restrictions. This is often a contractual provision rather than a regulatory requirement. Often, the relevant local or national authority must approve basic tier price increases. In certain countries, price increases will only be approved if the increase is justified by an increase in costs associated with providing the service or if the increase is less than or equal to the increase in the consumer price index. Even in countries where rates are not regulated, subscriber fees may be challenged if they are deemed to constitute anti-competitive practices.

Other. Our European operating companies must comply with both specific and general legislation concerning data protection, content provider liability and electronic commerce. These issues are broadly harmonized at the EU level. This is an area that may become more significant over time.

Broadcasting. Broadcasting is an area outside the scope of the Directives. Generally, broadcasts originating in and intended for reception within a country must respect the laws of that country. However, pursuant to another Directive, EU Member States are required to allow broadcast signals of broadcasters in another EU Member State to be freely transmitted within their territory so long as the broadcaster complies with the law of the originating EU Member State. An international convention extends this right beyond the EU s borders into the majority of territories in which we operate. An EU directive also establishes quotas for the transmission of European-produced programming and programs made by European producers who are independent of broadcasters. The EU legal framework governing broadcast television currently is under review.

Competition Law and Other Matters

EU directives and national consumer protection and competition laws in our Western European and certain other markets impose limitations on the pricing and marketing of bundled packages of services, such as video, telephony and Internet access services. Although our businesses may offer their services in bundled packages

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in European markets, they are generally not permitted to make subscription to one service, such as cable television, conditional upon subscription to another service, such as telephony. In addition, providers cannot abuse or enhance a dominant market position through unfair anti-competitive behavior. For example, cross-subsidization having this effect would be prohibited.

As our businesses become larger throughout the EU and in individual countries in terms of service area coverage and number of subscribers, they may face increased regulatory scrutiny. Regulators may prevent certain acquisitions or permit them only subject to certain conditions.

Austria

Austria has recently brought into effect a communications law that broadly transposes the Directives. The NRA is in the process of analyzing the 18 predefined markets to determine if any operator or service provider has Significant Market Power. We have been notified that the regulator s intention is to define us as having Significant Market Power in the call termination market on our own telecommunications network, together with all other network operators. It is unknown if and which conditions the NRA will impose on the parties that have been determined to have Significant Market Power.

France

France has recently brought into effect a communications law that broadly transposes the Directives. The NRA is in the process of analyzing the 18 predefined markets to determine if any operator or service provider has Significant Market Power.

The Netherlands

The Netherlands has recently brought into effect a communications law that broadly transposes the Directives. The NRA is currently analyzing the 18 predefined markets to determine if any operator or service provider has Significant Market Power, which could lead to obligations being placed on us, especially with respect to television distribution (where we faced obligations under the old regime). In the last quarter of 2004, the incumbent telecommunications operator, KPN, requested access to our network to distribute television programming. The NRA has denied the request of KPN, stating that we have no obligation to lease capacity on our network to KPN. There have been long-standing debates in The Netherlands regarding the desirability of requiring cable operators to open their networks to unaffiliated Internet service providers. To date these discussions have not led to a requirement for cable operators to offer such an access service.

The Dutch competition authority, NMA, is still investigating the price increases that we made with respect to our video services in 2004 to determine whether we abused our dominant position. If the NMA were to find that the price increases amount to an abuse of a dominant position, the NMA could impose fines of up to 10% of our 2003 video revenue in The Netherlands and we would be obliged to reconsider the price increases. Historically, in many parts of the Netherlands, we are a party to contracts with local municipalities that seek to control aspects of our Dutch business including, in some cases, pricing and package composition. Most of these contracts have been eliminated by agreement, although some contracts are still in force and under negotiation. In some cases there is litigation ongoing where some municipalities have resisted our attempts to move away from the contracts.

Japan

Regulation of the Cable Television Industry. The two key laws governing cable television broadcasting services in Japan are the Cable Television Broadcast Law and the Wire Telecommunications Law. The Cable Television Broadcast Law was enacted in 1972 to regulate the installation and operation of cable television facilities and the provision of cable television services. The Wire Telecommunications Law is the basic law in Japan governing wire telecommunications, and it regulates all wire telecommunications equipment, including cable television facilities.

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Under the Cable Television Broadcast Law, any business seeking to install cable television facilities with more than 500 drop terminals must obtain a license from the Ministry of Internal Affairs and Communications, commonly referred to as the MIC. Under the Wire Telecommunications Law, if these facilities have fewer than 500 drop terminals, only prior notification to the MIC is required. If a license is required, the license application must provide an installation plan, including details of the facilities to be constructed and the frequencies to be used, financial estimates, and other relevant information. Generally, the license holder must obtain prior permission from the MIC in order to change any of the items included in the original license application. The Cable Television Broadcast Law also provides that any business that wishes to furnish cable television services must file prior notification with the MIC before commencing service. This notification must identify the service areas, facilities and frequencies to be used (unless the facilities are owned by the provider) and outline the proposed cable television broadcasting services and other relevant information, regardless of whether these facilities are leased or owned. Generally, the cable television provider must notify the MIC of any changes to these items.

Prior to the commencement of operations, a cable television provider must notify the MIC of all charges and tariffs for its cable television services. Those charges and tariffs to be incurred in connection with the mandatory re-broadcasting of television content require the approval of the MIC. A cable television provider must also give prior notification to the MIC of all amendments to existing tariffs or charges (but MIC approval of these amendments is not required).

A cable television provider must comply with specific guidelines, including: (1) editing standards; (2) making its facilities available for third party use for cable television broadcasting services, subject to the availability of broadcast capacity; (3) providing service within its service area to those who request it absent reasonable grounds for refusal; (4) obtaining retransmission consent where retransmission of television broadcasts occur, unless such retransmission is required under the Cable Television Broadcast Law for areas having difficulties receiving television signals; and (5) obtaining permission to use public roads for the installation and use of cable.

The MIC may revoke a facility license if the license holder breaches the terms of its license; fails to comply with technical standards set forth in, or otherwise fails to meet the requirements of, the Cable Television Broadcast Law; or fails to implement a MIC improvement order relating to its cable television facilities or its operation of cable television services.

Regulation of the Telecommunications Industry. As providers of high-speed Internet access and telephony, our businesses in Japan also are subject to regulation by the MIC under the Telecommunications Business Law. The Telecommunications Business Law previously regulated Type I and Type II carriers. Type I carriers were allowed to carry data over telecommunications circuit facilities which they install or on which they hold long-term leases meeting certain criteria. Type I carriers included common carriers, as well as wireless operators. Type II carriers, including telecommunications circuit resale carriers and Internet service providers, carried data over facilities installed by others. Under the Telecommunications Business Law, Type I carriers were allowed to offer the same kinds and categories of services as Type II carriers. Because our businesses carry data over telecommunications circuit facilities they installed in connection with their telephony and high-speed Internet access and existing cable lines, our businesses were Type I carriers.

Effective April 1, 2004, amendments to the Telecommunications Business Law eliminated the distinction between Type I (facilities-based) and Type II (service-based) carriers. Type I carriers previously were subject to more stringent licensing and tariff requirements than Type II carriers. The amendments will make it easier for entities to enter the Japanese telecommunications market, particularly those carriers who wish to own and operate their own facilities on a limited scale. Larger carriers with facilities exceeding a certain size will be required to register with the MIC, while smaller carriers may enter the market just by providing notice to the MIC. The amendments also allow any carrier to discontinue business by providing notice to their users and ex post notification to the MIC.

Under these amendments, carriers who provide Basic Telecommunications Services, defined as telecommunications that are indispensable to the lives of the citizenry as specified in MIC ordinances, will be required to provide such services in an appropriate, fair and stable manner. Carriers providing Basic Telecommunications

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Services must do so pursuant to terms and conditions and for rates that have been filed in advance with the MIC. The MIC may order modifications to contract terms and conditions it deems inappropriate for certain specified reasons. The terms and conditions as well as charges and tariffs for the provision of telecommunications services for Type I carriers were strictly regulated, but under these amendments, carriers may generally negotiate terms and conditions with their users (including fees and charges) except those relating to Basic Telecommunications Services.
Under these amendments, interconnection with telecommunications carriers was also deregulated. Telecommunications carriers, other than those exceeding certain standards specified in the Telecommunications Business Law (such as NTT), may set interconnection tariffs and terms and conditions through independent negotiations without MIC approval.
Telecommunication carriers that own their telecommunication circuit facilities are required to maintain such facilities in conformity with specified technical standards. The MIC may order a carrier that fails to meet such standards to improve or repair its telecommunication facilities.

Latin America

Chile

Cable and telephony applications for permits and concessions are submitted to the Ministry of Transportation and Telecommunications, which, through the Subsecretary of Telecommunications or Subtel, is responsible for regulating, granting permits and concessions, registering and supervising all telecommunications providers. The Antitrust Court (*Tribunal de Defensa de la Libre Competencia)* also plays an important role in regulating telecommunications in Chile through its judgments. Wireline cable television permits are non-exclusive and granted for indefinite terms. Wireless television permits have renewable terms of 10 years, while telecommunication concessions (for example, for fixed or mobile telephony) have renewable 30-year terms. Wireline and wireless permits and concessions require operation in accordance with a technical plan submitted by the licensee together with the permit or concession application. Our businesses have cable permits in most major and medium sized markets in Chile. Cross ownership between cable television, Internet access and telephony is also permitted.
In general, the General Telecommunications Law of Chile allows telecommunications companies to provide service and develop telecommunication infrastructure without geographic restrictions or exclusive rights to serve. Chile currently has a competitive, multi-carrier system for international and local long distance telecommunications services. Regulatory authorities currently determine prices charged to customers for local telecommunications services provided by incumbent local fixed telephony operators until the market is determined to be competitive. Charges for access (prices for terminating calls in fixed or mobile networks), other interconnection services and unbundling services are determined for all operators, whether or not incumbent. To date, the regulatory authorities have determined prices charged to customers by the dominant local wireline telephony providers and the interconnection tariffs for several other operators. In all cases, the authorities determine a maximum rate structure that shall be in force for a five year period. Local service providers with concessions are obligated to provide service to all customers that are within their service area or are willing to pay for an extension to receive service. Local providers, whether or not incumbent, must also give long distance service providers equal access to their network connections at regulated prices.

Puerto Rico

U.S. Federal Communications Commission Regulation. The Communications Act of 1934, as amended, and the regulations of the Federal Communications Commission (FCC) significantly affect the cable system operations of our subsidiary Liberty Cablevision of Puerto Rico, including, for example, subscriber rates; carriage of broadcast television stations; leased access and public, educational and government access; customer service; program packaging to subscribers; obscene programming; technical operating standards; use of utility poles and conduit; and ownership transfers. Thus, the FCC limits the price that cable systems that are not subject to effective competition may charge for basic services and equipment. Cable systems also must carry, without compensation, certain commercial and non-commercial television station programming within

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their geographic markets. Alternatively, local television stations may insist that a cable operator negotiate for retransmission consent. In addition, the FCC initiated a further notice of proposed rulemaking to determine whether a television station may assert rights to carriage on cable systems of both analog and digital signals during the transition to digital television and to carriage of all digital signals transmitted by a station. On February 10, 2005, the FCC denied mandatory dual carriage of a television station s analog and digital signals during the digital television transition and mandatory carriage of all digital signals, other than its primary signal.

Liberty Cablevision of Puerto Rico also offers high-speed Internet access over portions of its network. The FCC has classified high-speed Internet access service as an interstate information service which the FCC traditionally has not regulated. However, a federal appellate court vacated the FCC s classification, and rehearing was denied. On December 3, 2004, the United States Supreme Court decided to review the federal appellate court s decision. Thus, it is uncertain how Internet access services ultimately will be classified and regulated. The FCC also adopted a notice of proposed rulemaking to examine whether local franchising authorities should be allowed to impose regulatory requirements on high-speed Internet access, among other issues.

Puerto Rico Regulation. The Puerto Rico Telecommunications Regulatory Board awards franchises for and regulates cable television systems in Puerto Rico. Such franchises are non-exclusive and renewable for periods up to 10 years. The regulatory board may revoke a franchise for various reasons, including, for example, substantial noncompliance with franchise terms and conditions, violations of applicable regulations, or continuing failure to satisfy required customer service standards. Cable systems may be charged a franchise fee of up to 5% of their gross revenue.

Argentina

The Comité Federal de Radiodifusión exercises broad regulatory authority over broadcast television, cable system and DTH satellite licensees. Our businesses provide programming to such distributors. Programming must comply with restrictions on obscene, violent and advertising content, among other matters. Licensed distributors are responsible for complying with these restrictions.

Competition

Markets for broadband distribution, including cable and satellite distribution, Internet access and telephony services, and video programming generally are highly competitive and rapidly evolving. Consequently, our businesses expect to face increased competition in these markets in the countries in which they operate, and specifically as a result of deregulation in the EU.

Broadband Distribution

Video Distribution

Our businesses compete directly with a wide range of providers of news, information and entertainment programming to consumers. Depending upon the country and market, these may include: (1) over-the-air broadcast television services; (2) DTH satellite service providers (systems that transmit satellite signals containing video programming, data and other information to receiving dishes of varying sizes located on the subscriber s premises); (3) satellite master antenna television systems, commonly known as SMATVs, which generally serve condominiums, apartment and office complexes and residential developments; (4) MMDS operators; (5) digital television terrestrial broadcasters; (6) other cable operators in the same communities that we serve; (7) other fixed-line telecommunications carriers and broadband providers, including the incumbent telecommunications operators, offering video products using DSL or ADSL technology or over fiber optic lines of fiber-to-the-home, or FTTH, networks; and (8) movie theaters, video stores and home video products. Our businesses also compete to varying degrees with more traditional sources of information and entertainment, such as newspapers, magazines, books, live entertainment/concerts and sporting events.

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In some countries, our businesses face significant competition from other cable operators, while in other countries the primary competition is from DTH satellite service providers, digital television terrestrial broadcasters and/or other distributors of video programming using broadband networks. In some of our largest markets, including The Netherlands, France and Japan, we are facing increasing competition from video services offered by or over the network of the incumbent telecommunications operator. In Austria, the primary competition for video services is from satellite television service providers.

Internet

With respect to Internet access services and online content, our businesses face competition in a rapidly evolving marketplace from incumbent and non-incumbent telecommunications companies, other cable-based Internet service providers, non-cable-based Internet service providers and Internet portals, many of which have substantial resources. The Internet services offered by these competitors include both traditional dial-up Internet services and high-speed Internet access services using DSL or ADSL technology or fiber optic lines, in a range of product offerings with varying speeds and pricing, as well as interactive computer-based services, data and other non-video services to homes and businesses.

Telephony

With respect to telephony services, our businesses face competition from the incumbent telecommunications operator in each country. These operators have substantially more experience in providing telephony services, greater resources to devote to the provision of telephony services and longstanding customer relationships. In many countries, our businesses also face competition from other cable telephony providers, wireless telephony providers, FTTH-based providers or other indirect access providers. Competition in both the residential and business telephony markets will increase with certain market trends and regulatory changes, such as general price competition, the introduction of carrier pre-selection, number portability, continued deregulation of telephony markets, the replacement of fixed-line with mobile telephony, and the growth of VoIP services.

Programming Services

The business of providing programming for cable and satellite television distribution is highly competitive. Our programming businesses directly compete with other programmers for distribution on a limited number of channels. Once distribution is obtained, these programming services compete, to varying degrees, for viewers and advertisers with other cable and over the air broadcast television programming services as well as with other entertainment media, including home video (generally video rentals), online activities, movies and other forms of news, information and entertainment.

Employees

As of December 31, 2004, our consolidated subsidiaries and we had an aggregate of approximately 11,800 employees. We believe that our employee relations are good.

Properties

We lease our executive offices in Englewood, Colorado from Liberty. All of our other real or personal property is owned or leased by our subsidiaries and affiliates.

UGC leases its executive offices in Denver, Colorado. UGC s various operating companies lease or own their respective administrative offices, headend facilities, rights of way and other property necessary for their operations. The physical components of their broadband networks require maintenance and periodic upgrades to support the new services and products they introduce.

Liberty Cablevision of Puerto Rico owns its main office in Luquillo, Puerto Rico, its headends and certain other equipment in Cayey, Humacao and Lares, Puerto Rico. Liberty Cablevision of Puerto Rico also leases additional customer service offices, warehouses, headends and other equipment throughout Puerto Rico.

Pramer leases its offices in Buenos Aires, Argentina.

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Our other subsidiaries and affiliates own or lease the fixed assets necessary for the operation of their respective businesses, including office space, transponder space, headends, cable television and telecommunications distribution equipment, telecommunications switches and customer equipment (including converter boxes). Our management believes that our current facilities are suitable and adequate for our business operations for the foreseeable future.

Legal Proceedings

From time to time, our subsidiaries and affiliates have become involved in litigation relating to claims arising out of their operations in the normal course of business. The following is a description of certain legal proceedings to which one of our subsidiaries or another company in which we hold an interest is a party. In our opinion, the ultimate resolution of these legal proceedings would not likely have a material adverse effect on our business, results of operations, financial condition or liquidity.

Old UGC Reorganization. On January 12, 2004, Old UGC, Inc., a wholly owned subsidiary of UGC, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. On September 21, 2004, UGC and Old UGC filed with the Bankruptcy Court a plan of reorganization, which was subsequently amended on October 5, 2004. On November 10, 2004, the Bankruptcy Court confirmed the amended plan of reorganization.

On November 24, 2004, Old UGC completed the restructuring of its indebtedness and other obligations pursuant to the terms of the approved plan of reorganization. In the restructuring, Old UGC acquired (i) $638.0 million face amount of Old UGC senior notes held by UGC in consideration for newly issued common stock of Old UGC and (ii) $599.2 million face amount of Old UGC senior notes held by IDT United, Inc. in consideration for newly issued preferred stock of Old UGC. At the time, UGC owned a 33% common equity interest and a 94% fully diluted interest in IDT United. The Old UGC senior notes held by third parties ($24.6 million face amount) were left outstanding (after cure, through the repayment of approximately $5.1 million in unpaid interest, and reinstatement) and were subsequently redeemed in February 2005. In addition, Old UGC paid approximately $3.1 million in settlement of certain outstanding guarantee obligations.

Following the restructuring, UGC acquired the interests in IDT United that it did not previously own for a total cash purchase price of approximately $22.7 million. As a result of Old UGC s restructuring and UGC s purchase of the IDT United interests, UGC continues to hold 100% of Old UGC s outstanding equity securities.

Movieco. On December 3, 2002, Europe Movieco Partners Limited (Movieco) filed a request for arbitration against United Pan-Europe Communications, N.V., a subsidiary of UGC that we refer to as UPC, with the International Court of Arbitration of the International Chamber of Commerce. The request contained claims that were based on a cable affiliation agreement entered into between the parties on December 21, 1999. In the proceedings, Movieco claimed (1) unpaid license fees due under the affiliation agreement, plus interest, (2) an order for specific performance of the affiliation agreement or, in the alternative, damages for breach of that agreement, and (3) legal and arbitration costs plus interest. On January 13, 2005, the Arbitral Tribunal rendered an award in which Movieco s claim for the unpaid license fees as described above was sustained and determined that UPC must pay unpaid license fees, plus interest and legal fees. These amounts, which aggregated $49.3 million, were paid during the first quarter of 2005. All other claims and counterclaims were dismissed.

Excite@Home. In 2000, certain of UGC s subsidiaries, including UPC, pursued a transaction with Excite@Home which, if completed, would have merged UPC s chello broadband subsidiary with Excite@Home s international broadband operations to form a European Internet business. The transaction was not completed, and discussions between the parties ended in late 2000. On November 3, 2003, UGC received a complaint filed on September 26, 2003 by Frank Morrow, on behalf of the General Unsecured Creditors Liquidating Trust of At Home in the United States Bankruptcy Court for the Northern District of California, styled as *In re At Home Corporation, Frank Morrow v. UnitedGlobalCom, Inc. et al.* (Case No. 01-32495-TC). In general, the complaint alleged breach of contract and fiduciary duty by UGC and Old

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UGC, Inc. The plaintiff filed a claim in the Old UGC bankruptcy proceedings of approximately $2.2 billion. On September 16, 2004, the Bankruptcy Court in the Old UGC bankruptcy proceedings estimated the claim against Old UGC at zero. On November 10, 2004, the Bankruptcy Court confirmed Old UGC s plan of reorganization, which provided that the claim of Excite@Home would receive no distribution and released both Old UGC and UGC from any liability in connection with such claim. The reorganization became effective on November 24, 2004. On February 15, 2005, the parties involved in the California proceeding agreed to dismiss the Excite@Home complaint.

Cignal. On April 26, 2002, UPC received a notice that certain former shareholders of Cignal Global Communications filed a lawsuit against UPC in the District Court in Amsterdam, The Netherlands, claiming $200 million on the basis that UPC failed to honor certain option rights that were granted to those shareholders in connection with the acquisition of Cignal by Priority Telecom. UPC believes that it has complied in full with its obligations to these shareholders through the successful completion of the initial public offering of Priority Telecom on September 27, 2001. Accordingly, UPC believes that the Cignal shareholders claims are without merit and intends to defend this suit vigorously. In December 2003, certain members and former members of the Supervisory Board of Priority Telecom were put on notice that a tort claim may be filed against them for their cooperation in the initial public offering. A hearing was held on March 8, 2005 and a decision is expected in April 2005.

Class Action Lawsuits Relating to the Merger Transaction with UGC. Since January 18, 2005, twenty-one lawsuits have been filed in the Delaware Court of Chancery, and one lawsuit has been filed in the Denver District Court, State of Colorado, all purportedly on behalf of the public stockholders of UGC regarding the announcement on January 18, 2005 of the execution by UGC and us of the agreement and plan of merger for the combination of our companies under a new parent company. The defendants named in these actions include UGC, Gene W. Schneider, Michael T. Fries, David B. Koff, Robert R. Bennett, John C. Malone, John P. Cole, Bernard G. Dvorak, John W. Dick, Paul A. Gould and Gary S. Howard (directors of UGC) and us. The allegations in each of the complaints, which are substantially similar, assert that the defendants have breached their fiduciary duties of loyalty, care, good faith and candor and that various defendants have engaged in self-dealing and unjust enrichment, affirmed an unfair price, and impeded or discouraged other offers for UGC or its assets in bad faith and for improper motives. In addition to seeking to enjoin the transaction, the complaints seek remedies including damages for the public holders of UGC stock and an award of attorney s fees to plaintiffs counsel. In connection with the Delaware lawsuits, defendants have been served with one request for production of documents. On February 11, 2005, the Delaware Court of Chancery consolidated all twenty-one Delaware lawsuits into a single action. Under the terms of the court s consolidation order, the plaintiffs are required to file a consolidated amended complaint as soon as practicable, and the defendants are not required to respond to any other complaints filed in the twenty-one constituent actions. As of the date of this joint proxy statement/ prospectus, the plaintiffs have not filed a consolidated amended complaint and, pursuant to the terms of the court order, the defendants have not filed an answer or other response. The defendants believe the lawsuits are without merit.

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APPENDIX A: INFORMATION CONCERNING LIBERTY MEDIA INTERNATIONAL, INC.
PART 2: CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Agreements with or relating to UGC

In connection with the spin off of LMI from Liberty, Liberty contributed substantially all of its shares of UGC common stock and related contract rights and obligations to LMI. Accordingly, we have described below certain contracts, agreements and arrangements entered into by Liberty prior to the date of the spin off and contributed or assigned by Liberty to LMI in connection with the spin off.

UGC Merger Agreement

On January 30, 2002, pursuant to an Amended and Restated Agreement and Plan of Merger, dated December 31, 2001, among Liberty, UGC, UGC s predecessor (Old UGC) and certain of their respective subsidiaries, Liberty contributed to UGC all of the Class B common stock of Old UGC and some of the Class A common stock of Old UGC that it held in exchange for newly issued shares of UGC Class C common stock. Immediately after these contributions and contributions to UGC by the founding stockholders of Old UGC (the founders), UGC acquired Old UGC by merger of a subsidiary of UGC with and into Old UGC. As a result of the merger, UGC became a publicly traded company. Immediately following the merger, Liberty contributed to UGC certain assets, including $200 million in cash, in exchange for additional shares of UGC common stock. After giving effect to the contributions as well as certain other transactions, Liberty owned approximately 74% of UGC s outstanding equity and approximately 94% of UGC s outstanding voting power, subject to limitations on Liberty s voting rights.

In connection with these transactions, on January 30, 2002, Liberty, UGC, Old UGC and the founders entered into other agreements relating to the governance of UGC and Old UGC, which, among other things, ensured that the founders remained in control of UGC, as well as agreements relating to UGC securities. These agreements included a stockholders agreement, a standstill agreement and a registration rights agreement. Except for the provisions described below, each of these agreements was terminated on January 5, 2004, in connection with Liberty s acquisition of all of the outstanding shares of UGC Class B common stock from the founders.

Senior Notes

Also on January 30, 2002, UGC acquired from Liberty approximately $751.2 principal amount at maturity of the senior notes of Old UGC held by Liberty, as well as the debt and equity interests owned by Liberty in an entity that held approximately $598.8 million principal amount at maturity of the senior notes of Old UGC, in exchange for approximately $304.6 million of indebtedness owed by Liberty to Old UGC and cash in the amount of approximately $143.9 million.

Registration Rights Agreement

On January 30, 2002, UGC, Liberty and certain subsidiaries of Liberty entered into a registration rights agreement. In connection with the spin off, LMI became entitled to the benefits of the demand and piggy-back registration rights set forth in the registration rights agreement. The registration rights agreement is expected to be terminated in connection with the consummation of the mergers.

Old Standstill Agreement; Letter Agreement

On January 30, 2002, UGC, Liberty and certain subsidiaries of Liberty entered into a standstill agreement (which we refer to as the old standstill agreement). Pursuant to the old standstill agreement, Liberty was entitled to, among other things, certain preemptive rights with respect to issuances of shares of UGC Class A common stock. On November 12, 2003, Liberty entered into a letter agreement with UGC pursuant to which Liberty agreed to a limited waiver of its preemptive rights in connection with the consummation of the acquisition of UGC Europe, Inc. by UGC, provided that Liberty s preemptive rights under the old standstill

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agreement would survive the termination of the old standstill agreement, subject to modification. These preemptive rights were contributed to LMI in connection with the spin off. The old standstill agreement and the letter agreement are expected to be terminated in connection with the consummation of the mergers.

Founders Transaction

On January 5, 2004, Liberty acquired approximately 8.2 million shares of UGC Class B common stock from the founders, including Gene W. Schneider, Chairman of the Board and former Chief Executive Officer of UGC, and certain trusts for the benefit of Mr. Schneider s family, representing all of the outstanding shares of UGC Class B common stock, in exchange for approximately 12.6 million shares of Liberty Series A common stock and approximately $12.9 million in cash. We refer to this transaction as the founders transaction. Upon the consummation of the founders transaction, the material terms of the old standstill agreement terminated, but the preemptive rights set forth therein survived in accordance with and as modified by the letter agreement, and Liberty obtained the power to elect all of the members of UGC s board of directors and, generally, to control UGC.

Noncompetition and Nonsolicitation Agreements

On December 19, 2003, in connection with the founders transaction, Liberty entered into noncompetition and nonsolicitation agreements with Michael T. Fries, Chief Executive Officer and a director of UGC, Mark L. Schneider, former director of UGC and former Chief Executive Officer of the chellomedia division of UGC Europe, Ellen P. Spangler, Senior Vice President of Business and Legal Affairs and Secretary of UGC, and Tina M. Wildes, former director and former Senior Vice President of Business Administration of UGC, providing for the issuance of, respectively, 228,750 shares, 228,750 shares, 134,935 shares and 134,934 shares of Liberty Series A common stock to such persons in exchange for certain noncompetition and nonsolicitation covenants from such persons to Liberty. In connection with the spin off of LMI from Liberty, the benefits of these agreements were assigned to LMI.

New Standstill Agreement

On January 5, 2004, in connection with the founders transaction, Liberty and UGC entered into a standstill agreement (which we refer to as the new standstill agreement). The new standstill agreement, which Liberty assigned to LMI in connection with the spin off, generally limits LMI s ownership of UGC s common stock to 90% or less, unless LMI makes an offer or effects another transaction to acquire all of UGC s common stock. Except in the case of a short-form merger in which UGC s stockholders are entitled to statutory appraisal rights, such offer or transaction must be at a price at or above a fair value of UGC s shares determined through an appraisal process if a majority of UGC s independent directors has voted against approval or acceptance of such transaction. The mergers comply with LMI s obligations under the new standstill agreement. The new standstill agreement is expected to be terminated in connection with the consummation of the mergers.

UGC Services Agreement

On June 7, 2004, LMI and UGC entered into an agreement pursuant to which they agreed to obtain certain services from each other. Pursuant to the UGC services agreement, UGC provides LMI with specified services and benefits, including employee benefit administration, payroll, tax withholding, workers compensation administration and enrollment in UGC s benefit plans, in each case with respect to persons employed by LMI, and such other services as LMI and UGC may from time to time mutually determine to be necessary or desirable. Also, pursuant to the UGC services agreement, LMI provides to UGC certain services typically performed by accounting and tax department personnel, which may include services provided to LMI by Liberty s accounting and tax department personnel pursuant to a facilities and services agreement that LMI entered into with Liberty. See Agreements with Liberty Liberty Services Agreement below.

Pursuant to the UGC services agreement, LMI pays UGC an annual fee of $20,000 for providing the foregoing benefits and services to LMI and its employees. In addition, LMI reimburses UGC for direct out-of-pocket costs incurred by UGC for third party services in providing the foregoing benefits and services to LMI

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and LMI s employees. UGC pays LMI the portion of any accounting or tax department personnel costs (taking into account wages and fringe benefits) that is expected to be attributable to time spent performing services for UGC under the UGC services agreement. LMI and UGC evaluate all charges for reasonableness periodically and make any adjustments as they mutually agree upon.

The UGC services agreement was renewed automatically on January 1, 2005. The UGC services agreement is expected to be terminated in connection with the consummation of the mergers.

Agreements with Liberty

In connection with LMI s spin off from Liberty, LMI and Liberty entered into a series of agreements, under which LMI has certain rights and liabilities. The following is a summary of the terms of the material agreements LMI entered into with Liberty. This summary is qualified by reference to the full text of the agreements which have been included as exhibits to the registration statement on Form S-4 being filed by Liberty Global in connection with the mergers.

Reorganization Agreement

On June 7, 2004, LMI, Liberty and certain subsidiaries of Liberty entered into a reorganization agreement to provide for, among other things, the principal corporate transactions required to effect the spin off of LMI. Pursuant to the reorganization agreement, Liberty transferred to LMI, or caused its subsidiaries to transfer to LMI, substantially all of the assets comprising Liberty s International Group not already held by LMI, cash and certain financial assets. The reorganization agreement provides for mutual indemnification obligations, which are designed to make LMI financially responsible for substantially all of the liabilities relating to the businesses of Liberty s International Group prior to the spin off, as well as for all liabilities incurred by LMI after the spin off, and to make Liberty financially responsible for all of LMI s potential liabilities which are not related to LMI s businesses, including, for example, liabilities arising as a result of LMI having been a subsidiary of Liberty. In addition, the reorganization agreement provides for each of LMI and Liberty to preserve the confidentiality of all confidential or proprietary information of the other party for three years following the spin off, subject to customary exceptions, including disclosures required by law, court order or government regulation.

Liberty Services Agreement

On June 7, 2004, LMI and Liberty entered into a facilities and services agreement pursuant to which Liberty provides LMI with specified services and benefits, including:

- the lease of office space at Liberty s executive headquarters, including furniture and furnishings and the use of building services;
- telephone, utilities, technical assistance (including information technology, management information systems, network maintenance and data storage), computers, office supplies, postage, courier service, cafeteria access and other office and administrative services;
- insurance administration and risk management services;
- other services typically performed by Liberty s accounting, treasury, engineering, legal, investor relations and tax department personnel; and
- such other services as LMI and Liberty may from time to time mutually determine to be necessary or desirable.

LMI makes payments to Liberty under the Liberty services agreement based upon an annual per-square foot occupancy charge and an allocated portion of Liberty s personnel costs (taking into account wages and fringe benefits) of the departments expected to provide services to LMI. The allocated portion of these personnel costs will be based upon the anticipated percentages of time to be spent by Liberty personnel in each department performing services for LMI under the Liberty services agreement. LMI also reimburses Liberty for direct out-of-pocket costs incurred by Liberty for third party services provided to LMI that are not

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included in LMI s occupancy charge. LMI and Liberty evaluate all charges for reasonableness semi-annually and make any adjustments to these charges as they mutually agree upon. LMI paid Liberty approximately $1.325 million in fees under the Liberty services agreement for the period beginning on the date of the spin off and ending on December 31, 2004.

The Liberty services agreement will continue in effect for two years, unless earlier terminated (1) by LMI at any time on at least 30 days prior written notice, (2) by Liberty at any time on at least 180 days prior notice, (3) by Liberty upon written notice to LMI, following certain changes in control of LMI or LMI being the subject of certain bankruptcy or insolvency-related events, or (4) by LMI upon written notice to Liberty, following certain changes in control of Liberty or Liberty being the subject of certain bankruptcy or insolvency-related events. The mergers do not result in a change in control of LMI under the Liberty services agreement.

Agreements for Aircraft Joint Ownership and Management

Prior to the spin off, Liberty transferred to LMI a 25% ownership interest in two of Liberty s aircraft. In connection with the transfer, LMI and Liberty entered into certain agreements pursuant to which, among other things, LMI and Liberty share the costs of Liberty s flight department and the costs of maintaining and operating the jointly owned aircraft. Costs are allocated based upon either LMI s and Liberty s respective usage or ownership of such aircraft, depending on the type of cost. LMI s allocable share of costs under these agreements amounted to approximately $229,000 for the period beginning on the date of the spin off and ending on December 31, 2004.

Tax Sharing Agreement

Prior the spin off, LMI entered into a tax sharing agreement with Liberty that governs Liberty s and LMI s respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of audits and other tax matters. References in this summary description of the tax sharing agreement to the terms tax or taxes mean taxes as well as any interest, penalties, additions to tax or additional amounts in respect of such taxes.

Prior to the spin off, LMI and its eligible subsidiaries joined with Liberty in the filing of a consolidated return for U.S. federal income tax purposes and also joined with Liberty in the filing of certain consolidated, combined, and unitary returns for state, local, and foreign tax purposes. However, for periods (or portions thereof) beginning after the spin off, LMI no longer joins with Liberty in the filing of any federal, state, local or foreign consolidated, combined or unitary tax returns.

Under the tax sharing agreement, except as described below, Liberty is responsible for all U.S. federal, state, local and foreign income taxes reported on a consolidated, combined or unitary return that includes LMI or one of LMI s subsidiaries, on the one hand, and Liberty or one of its subsidiaries, on the other hand. In addition, except for certain liabilities relating to dual consolidated losses and gain recognition agreements that are described below, Liberty will indemnify LMI and its subsidiaries against any liabilities arising under its tax sharing agreement with AT&T Corp. LMI is responsible for all other taxes (including income taxes not reported on a consolidated, combined, or unitary return by Liberty or its subsidiaries) that are attributable to LMI or one of its subsidiaries, whether accruing before, on or after the spin off. LMI has no obligation to reimburse Liberty for the use, in any period following the spin off, of a tax benefit created before the spin off, regardless of whether such benefit arose with respect to taxes reported on a consolidated, combined or unitary basis.

Notwithstanding the tax sharing agreement, under U.S. Treasury Regulations, each member of a consolidated group is severally liable for the U.S. federal income tax liability of each other member of the consolidated group. Accordingly, with respect to periods in which LMI (or LMI s subsidiaries) have been included in Liberty s, AT&T Corp. s or Tele-Communications, Inc. s consolidated group, LMI (or LMI s subsidiaries) could be liable to the U.S. government for any U.S. federal income tax liability incurred, but not discharged, by any other member of such consolidated group. However, if any such liability were imposed, LMI would

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generally be entitled to be indemnified by Liberty for tax liabilities allocated to Liberty under the tax sharing agreement.

LMI s ability to obtain a refund from a carryback of a tax benefit to a year in which LMI and Liberty (or any of their respective subsidiaries) joined in the filing of a consolidated, combined or unitary return will be at the discretion of Liberty. Moreover, any refund that LMI may obtain will be net of any increase in taxes resulting from the carryback for which Liberty is otherwise liable under the tax sharing agreement.

The tax sharing agreement provides that LMI will enter into a closing agreement with the Internal Revenue Service with respect to unrecaptured dual consolidated losses attributable to LMI or any of its subsidiaries under Section 1503(d) of the Code. Moreover, LMI agreed to be liable for any deemed adjustment to taxes resulting from the recapture of any dual consolidated loss so attributed to LMI, if such loss is required to be recaptured as a result of one or more specified events described in the U.S. Treasury Regulations occurring after the distribution date. For purposes of the tax sharing agreement, the deemed adjustment to taxes generally will be an amount equal to the recaptured dual consolidated loss multiplied by the highest applicable statutory rate for the applicable taxing jurisdiction, plus interest and any penalties. LMI must also indemnify and hold harmless Liberty and its subsidiaries against any liability arising under Liberty s tax sharing agreement with AT&T Corp. with respect to such recaptured dual consolidated loss.

The tax sharing agreement provides that LMI is liable for any deemed adjustment to taxes resulting from the recognition of gain pursuant to a gain recognition agreement entered into by Liberty (or any parent of a consolidated group of which LMI or any of its subsidiaries were formerly a member) in accordance with Treasury Regulations Section 1.367(a)-8(b), but only if the recognition of such gain results in an adjustment to the basis of any property held by LMI or any of its subsidiaries. For purposes of the tax sharing agreement, the deemed adjustment to taxes generally will be an amount equal to the gain recognized multiplied by the highest applicable statutory rate for the applicable taxing jurisdiction, plus interest and any penalties. LMI must also indemnify and hold harmless Liberty and its subsidiaries against any liability arising under its tax sharing agreement with AT&T Corp. with respect to such recognition of gain. However, the amount LMI is required to indemnify Liberty and its subsidiaries for any deemed adjustment to taxes or any liability arising under Liberty s tax sharing agreement with AT&T Corp. will be reduced by any amount that Liberty or any of its subsidiaries receives pursuant to any indemnification arrangement with any other person arising from or relating to recognition of gain under such gain recognition agreement.

To the extent permitted by applicable tax law, LMI and Liberty will treat any payments made under the tax sharing agreement as a capital contribution or distribution (as applicable) made immediately prior to the spin off, and accordingly, as not includible in the taxable income of the recipient. However, if any payment causes, directly or indirectly, an increase in the taxable income of the recipient (or its affiliates), the payor s payment obligation will be grossed up to take into account the deemed taxes owed by the recipient (or its affiliates).

LMI is responsible for preparing and filing all tax returns that include LMI or one of its subsidiaries other than any consolidated, combined or unitary income tax return that includes LMI or one of its subsidiaries, on the one hand, and Liberty or one of its subsidiaries, on the other hand, and LMI has the authority to respond to and conduct all tax proceedings, including tax audits, involving any taxes or any deemed adjustment to taxes reported on such tax returns. Liberty is responsible for preparing and filing all consolidated, combined or unitary income tax returns that include LMI or one of its subsidiaries, on the one hand, and Liberty or one of its subsidiaries, on the other hand, and Liberty has the authority to respond to and conduct all tax proceedings, including tax audits, relating to taxes or any deemed adjustment to taxes reported on such tax returns. Liberty also has the authority to respond to and conduct all tax proceedings relating to any liability arising under its tax sharing agreement with AT&T Corp. LMI is entitled to participate in any tax proceeding involving any taxes or deemed adjustment to taxes, or any liabilities under Liberty s tax sharing agreement with AT&T Corp., for which LMI is liable under the tax sharing agreement. The tax sharing agreement further provides for cooperation between Liberty and LMI with respect to tax matters, the exchange of information and the retention of records that may affect the tax liabilities of the parties to the agreement.

Finally, the tax sharing agreement requires that neither LMI nor any of its subsidiaries will take, or fail to take, any action where such action, or failure to act, would be inconsistent with or prohibit the spin off from

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qualifying as a tax-free transaction to Liberty and to Liberty s stockholders as of the record date for the spin off under Section 355 of the Code. Moreover, LMI must indemnify Liberty and its subsidiaries, officers and directors for any loss, including any deemed adjustment to taxes of Liberty, resulting from (1) such action or failure to act, if such action or failure to act precludes the spin off from qualifying as a tax-free transaction or (2) any breach of any representation or covenant given by LMI or one of its subsidiaries in connection with the tax opinion delivered to Liberty by Skadden, Arps, Slate, Meagher & Flom LLP and any other tax opinion delivered to Liberty, in each case relating to the qualification of the spin off as a tax-free distribution described in Section 355 of the Code. For purposes of the tax sharing agreement, the deemed adjustment to taxes generally will be an amount equal to the gain recognized by Liberty multiplied by the highest applicable statutory rate for the applicable taxing jurisdiction, plus interest and any penalties.

Transfer of Interests in Cablevisión S.A.

On November 2, 2004, Liberty, VLG Acquisition LLC, Liberty Media International Holdings, LLC (a subsidiary of LMI) and Mr. Fred A. Vierra, the then-sole shareholder of VLG Acquisition, entered into an agreement with a third party to transfer to the third party, for aggregate cash consideration of $65 million, all outstanding equity interests in VLG Argentina and all of LMI s indirect rights and obligations pursuant to Cablevisión S.A. s debt restructuring agreement to contribute $27,500,000 to Cablevisión in exchange for newly issued Cablevisión shares representing approximately 40.0% of Cablevisión s fully diluted post-restructuring equity. Liberty owned a 78.2% economic and non-voting interest in VLG Argentina, and VLG Acquisition owned a 21.8% economic interest and all of the voting interests in VLG Argentina. VLG Argentina owns a 50% interest in Cablevisión. Of the aggregate consideration deliverable by the third party under this agreement, LMI was allocated $40.5 million, Liberty was allocated $13.4 million and VLG Acquisition was allocated $11.1 million. Each of LMI, Liberty and VLG Acquisition received 50% of its allocable amount in November 2004 upon signing of the agreement and the remaining 50% of its allocable amount in March 2005 upon consummation of the transaction.

David J. Leonard is an executive officer of LMI, and John H. Gowen is an officer of LMI. Prior to joining LMI, Messrs. Leonard and Gowen held indirect equity interests in VLG Acquisition, which they sold to Mr. Vierra. In connection with this sale, Messrs. Leonard and Gowen each retained a contractual right to 33% of any proceeds in excess of $100,000 from the sale of VLG Acquisition s interest in VLG Argentina or from distributions to VLG Acquisition by VLG Argentina in connection with a sale of VLG Argentina s interest in Cablevisión. As a result of these rights, Messrs. Leonard and Gowen each received approximately $3.64 million in cash consideration in connection with the transfer to the third party by VLG Acquisition of its interests in VLG Argentina, as described above.

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APPENDIX A: INFORMATION CONCERNING LIBERTY MEDIA INTERNATIONAL, INC.
PART 3 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management s Discussion and Analysis of Financial Condition and Results of Operations

The capitalized terms used below have been defined in the notes to the accompanying consolidated financial statements. In the following text, the terms, we, our, our company and us may refer, as the context requires, to LMC International (prior to June 7, 2004), LMI and its consolidated subsidiaries (on and subsequent to June 7, 2004) or both. Unless otherwise indicated, convenience translations into U.S. dollars are calculated as of December 31, 2004. The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto included elsewhere herein.

Overview

We own majority and minority interests in international broadband distribution and programming companies. On June 7, 2004, Liberty completed the spin off of LMI to Liberty s shareholders. In connection with the spin off, holders of Liberty common stock on the June 1, 2004 Record Date received 0.05 of a share of LMI Series A common stock for each share of Liberty Series A common stock owned on the Record Date and 0.05 of a share of LMI Series B common stock for each share of Liberty Series B common stock owned on the Record Date. The spin off was intended to qualify as a tax-free spin off. For financial reporting purposes, the spin off is deemed to have occurred on June 1, 2004.

Following the spin off, we and Liberty operate independently, and neither has any stock ownership, beneficial or otherwise, in the other.

Our operating subsidiaries and most significant equity method investments are set forth below:

Operating subsidiaries at December 31, 2004:

UGC
Liberty Cablevision Puerto Rico
Pramer

Our most significant subsidiary is UGC, an international broadband communications provider of video, voice, and Internet access services with operations in 13 European countries and three Latin American countries. UGC s largest operating segments are located in The Netherlands, France, Austria and Chile. At December 31, 2004, we owned approximately 423.8 million shares of UGC common stock, representing an approximate 53.6% economic interest and a 91.0% voting interest. As further described in note 5 to the accompanying consolidated financial statements, we began consolidating UGC on January 1, 2004. Prior to that date, we used the equity method to account for our investment in UGC. As discussed in greater detail in note 1 to the accompanying consolidated financial statements, we have entered into a merger agreement with UGC, whereby Liberty Global, a newly-formed holding company, would acquire all of the capital stock of our company and all of the capital stock of UGC not owned by our company.

Liberty Cablevision Puerto Rico is a wholly-owned subsidiary that owns and operates cable television systems in Puerto Rico. Pramer is a wholly-owned Argentine programming company that supplies programming services to cable television and DTH satellite distributors in Latin America and Spain.

Significant equity method investments at December 31, 2004:

Super Media
JPC

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On December 28, 2004, our 45.45% ownership interest in J-COM, and a 19.78% interest in J-COM owned by Sumitomo were combined in Super Media. As a result of these transactions, we held a 69.68% noncontrolling interest in Super Media, and Super Media held a 65.23% controlling interest in J-COM at December 31, 2004. Subject to certain conditions, Sumitomo has the obligation to contribute to Super Media substantially all of its remaining 12.25% equity interest in J-COM during 2005. At December 31, 2004, we accounted for our 69.68% interest in Super Media using the equity method. As a result of a change in the corporate governance of Super Media that occurred on February 18, 2005, we will begin accounting for Super Media as a consolidated subsidiary effective January 1, 2005. J-COM owns and operates broadband businesses in Japan. For additional information, see note 6 to the accompanying consolidated financial statements.

JPC is a joint venture between Sumitomo and our company that primarily develops, manages and distributes pay television services in Japan on a platform-neutral basis through various distribution infrastructures, principally cable and DTH service providers.

We believe our primary opportunities in our international markets include continued growth in subscribers; increasing the average revenue per unit by continuing to rollout broadband communication services such as telephone, Internet access and digital video; developing foreign programming businesses; and maximizing operating efficiencies on a regional basis. Potential impediments to achieving these goals include increasing price competition for broadband services; competition from alternative video distribution technologies; and availability of sufficient capital to finance the rollout of new services.

Results of Operations

Due to the January 1, 2004 change from the equity method to the consolidation method of accounting for our investment in UGC, our historical revenue and expenses for 2004 are not comparable to prior year periods. Accordingly, in addition to a discussion of our historical results of operations, we have also included an analysis of our operating results based on the approach we use to analyze our reportable operating segments. As further described below, we believe that our operating segment discussion provides a more meaningful basis for comparing UGC s operating results than does our historical discussion.

Changes in foreign currency exchange rates have a significant impact on our operating results as all of our operating segments, except Liberty Cablevision Puerto Rico, have functional currencies other than the U.S. dollar. Our primary exposure is currently to the euro as over 50% of our U.S. dollar revenue during 2004 was derived from countries where the euro is the functional currency. In addition, our operating results are also significantly impacted by changes in the exchange rates for the Japanese yen, Chilean peso and, to a lesser degree, other local currencies in Europe.

Discussion and Analysis of Historical Operating Results

Years ended December 31, 2004 and 2003

As noted above, we began consolidating UGC effective January 1, 2004. Unless otherwise indicated in the discussion below, the significant increases in our historical revenue, expenses and other items during 2004, as compared to 2003, are primarily attributable to this change in our consolidated reporting entities.

Stock-based compensation charges

We incurred stock-based compensation expense of $142,762,000 and $4,088,000 during 2004 and 2003, respectively. The 2004 amount, which includes $116,661,000 of compensation expense related to UGC stock incentive awards, is primarily a function of higher UGC and LMI stock prices and additional vesting of stock incentive awards. As a result of adjustments to certain terms of UGC and LMI stock incentive awards that were outstanding at the time of their respective rights offerings in February 2004 and July 2004, most of the UGC and LMI stock incentive awards outstanding at December 31, 2004 are accounted for as variable-plan awards. A $50,409,000 first quarter 2004 charge was recorded by UGC to reflect a change from fixed-plan accounting to variable-plan accounting. Due to the use of variable-plan accounting by LMI and UGC, stock compensation expense with respect to LMI and Liberty options held by LMI employees and UGC stock

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incentive awards held by UGC employees is subject to adjustment based on the market value of the underlying common stock and vesting schedules, and ultimately on the final determination of market value when the incentive awards are exercised.

Impairment of long-lived assets

We recorded charges to reflect the impairment of long-lived assets of $69,353,000 during 2004. This amount includes a $26,000,000 charge to write-off enterprise level goodwill associated with Pramer. This charge was triggered by our third quarter 2004 determination that it was more-likely-than-not that we would sell Pramer. Other impairment charges during 2004 include $16,111,000 related to the write-down of certain of UGC s long-lived telecommunications assets in Norway and $10,955,000 related to the write-down of certain of UGC s tangible fixed assets in The Netherlands.

Restructuring and other charges

During 2004, UGC recorded aggregate restructuring and other charges of $29,018,000, including (i) $21,660,000 related to its operations in The Netherlands, (ii) $4,172,000 relating to certain of its other operations in Europe and (iii) $3,186,00 for certain benefits of the former Chief Executive Officer of UGC. For additional information, see note 17 to the accompanying consolidated financial statements.

Interest and dividend income

Interest and dividend income increased $40,733,000 during 2004, as compared to 2003. The increase includes $23,823,000 that is attributable to the January 1, 2004 consolidation of UGC. The remaining increase is primarily attributable to dividend income on the ABC Family preferred stock, a 99.9% interest in which was contributed by Liberty to our company in connection with the spin off.

Share of earnings of affiliates, net

Our share of earnings of affiliates increased $24,971,000 during 2004, as compared to 2003. Such increase primarily is attributable to increases in our share of the net earnings of J-COM and, to a lesser extent, JPC. Such increases were partially offset by write-downs of our investments in Torneos y Competencias S.A., (Torneos) and another programming entity that operates in Latin America to reflect other-than-temporary declines in the fair values of these investments. The increase in J-COM s net earnings is primarily attributable to revenue growth due to increases in the subscribers to J-COM s telephone, Internet and cable television services. For additional discussion of J-COM s operating results, see Discussion and Analysis of Reportable Segments below. During 2003, we did not recognize our share of UGC s losses as our investment in UGC previously had been reduced to zero and we had no commitment to make additional investments in UGC. For additional information, see note 6 to the accompanying consolidated financial statements.

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Realized and Unrealized Gains (Losses) on Derivative Instruments, Net

The details of our realized and unrealized gains (losses) on derivative instruments are as follows:

	Year ended December 31,	
	2004	2003
	amounts in thousands	
Foreign exchange derivatives	$ 196	(22,626)
Total return debt swaps	2,384	37,804
Cross-currency and interest rate swaps	(43,779)	
Interest rate caps	(20,318)	
Variable forward transaction	1,013	
Call agreements on LMI Series A common stock	1,713	
Other	3,844	(2,416)
	$ (54,947)	12,762

For additional information concerning our derivative instruments, see note 8 to the accompanying consolidated financial statements.

Foreign currency transaction gains (losses), net

The details of our foreign currency transaction gains (losses) are as follows:

	Year ended December 31,	
	2004	2003
	amounts in thousands	
Repayment of yen denominated shareholder loans(a)	$ 56,061	
U.S. dollar debt issued by UGC s European subsidiaries	35,684	
Intercompany notes denominated in a currency other than the entities functional currency	46,349	
U.S. dollar debt issued and cash held by VTR	3,929	
Euro denominated debt issued by UGC	(77,255)	
Euro denominated cash held by UGC	26,192	
Pramer (primarily U.S. dollar denominated debt)	(730)	2,461
Telewest bonds	333	1,750
Yen denominated cash held by LMI	7,408	
Other	(5,666)	1,201
	$ 92,305	5,412

(a) On December 21, 2004, we received cash proceeds of ¥43,809 million ($420,188,000 at December 21, 2004) in connection with the repayment by J-COM and another affiliate of all principal and interest due to our company pursuant to then outstanding shareholder loans. In connection with this transaction, we recognized in our statement of operations the foreign currency translation gains that previously had been reflected in accumulated

other comprehensive earnings.

Through December 31, 2004, we have incurred cumulative translation losses with respect to our equity method investments in Torneos, an Argentine programming company, and Metrópolis, a Chilean cable company, of $86,446,000 and $30,338,000, respectively. Such amounts are included in other comprehensive earnings, net of taxes, in our December 31, 2004 consolidated balance sheet. Upon any disposition of all or a part of these investments, we would recognize the pro rata share of such losses in our statements of operations. Neither investment was deemed to be held for sale at December 31, 2004.

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Gains on exchanges of investment securities

During 2004, we recognized pre-tax gains aggregating $178,818,000 on exchanges of investment securities, including a $168,301,000 gain that is attributable to the July 19, 2004 conversion of our investment in Telewest Communications plc Senior Notes and Senior Discount Notes into 18,417,883 shares or approximately 7.5% of the issued and outstanding common stock of Telewest. This gain represents the excess of the fair value of the Telewest common stock received over our cost basis in the Senior Notes and Senior Discount Notes.

Other-than-temporary declines in fair values of investments

We recognized other-than-temporary declines in fair values of investments of $18,542,000 and $6,884,000 during 2004 and 2003, respectively. The 2004 amount includes a $12,429,000 charge recognized during the third quarter of 2004 in connection with our decision to dispose of all remaining Telewest shares during the fourth quarter of 2004.

Gains on extinguishment of debt

During 2004, we recognized gains on extinguishment of debt of $35,787,000. Such gains included a $31,916,000 gain recognized by UGC in connection with the first quarter 2004 consummation of UPC Polska s plan of reorganization and emergence from U.S. bankruptcy proceedings. For additional information, see note 10 to the accompanying consolidated financial statements.

Gains (losses) on disposition of investments, net

We recognized net gains on dispositions of investments of $43,714,000 and $3,759,000 during 2004 and 2003, respectively. The 2004 amount includes (i) a $37,174,000 gain on the sale of News Corp. Class A common stock, (ii) a $25,256,000 gain in connection with the contribution to JPC of certain indirect interests in an equity method affiliate, (iii) a $16,407,000 net loss on the disposition of 18,417,883 Telewest shares, (iv) a $10,000,000 loss on the sale of Sky Multi-Country, and a (v) a $6,878,000 gain associated with the redemption of our investment in certain bonds. For additional information, see notes 6 and 7 to the accompanying consolidated financial statements.

Income tax benefit (expense)

We recognized income tax benefit (expense) of $17,449,000 and ($27,975,000) during 2004 and 2003, respectively. The 2004 tax benefit differs from the expected tax benefit of $80,110,000 (based on the U.S. federal 35% income tax rate) due primarily to (i) the reduction of UGC s deferred tax assets as a result of tax rate reductions in The Netherlands, France, the Czech Republic, and Austria; (ii) the impact of certain permanent differences between the financial and tax accounting treatment of interest and other items associated with cross jurisdictional intercompany loans and investments; (iii) the realization of taxable foreign currency gains in certain jurisdictions not recognized for financial reporting purposes, (iv) a net increase in UGC s valuation allowance associated with reserves established against currently arising tax loss carryforwards that were only partially offset by the release of valuation allowances in other jurisdictions. Certain of the released valuation allowances were related to deferred tax assets that were recorded in purchase accounting and accordingly, such valuation allowances were reversed against goodwill. The items mentioned above were partially offset by (i) the reversal of a deferred tax liability originally recorded for a gain on extinguishment of debt in a 2002 merger transaction as a result of the emergence of Old UGC from bankruptcy in November 2004; (ii) the recognition of tax losses or deferred tax assets for the sale of investments or subsidiaries and (iii) a deferred tax benefit that we recorded during the third quarter of 2004 to reflect a reduction in the estimated blended state tax rate used to compute our net deferred tax liabilities. Such reduction represents a change in estimate that resulted from our re-evaluation of this rate upon our becoming a separate tax paying entity in connection with the spin off. The difference between the actual tax expense and the expected tax expense of $17,111,000 (based on the U.S. Federal 35% income tax rate) during 2003 is primarily attributable

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to foreign, state and local taxes. For additional details, see note 11 to the accompanying consolidated financial statements.

Years ended December 31, 2003 and 2002

Revenue

Revenue increased $8,135,000 or 8.1% during 2003, as compared to 2002. The increase was due primarily to a $7,495,000 increase in revenue generated by Liberty Cablevision Puerto Rico. The increase in the revenue of Liberty Cablevision Puerto Rico is due primarily to a $3,685,000 increase in revenue from cable television services, a $1,772,000 increase in broadband Internet revenue and a $1,255,000 increase in equipment rental income. The increase in revenue from cable television services is due primarily to the net effect of (i) increases associated with higher rates and an increase in the number of digital cable subscribers and (ii) decreases associated with an approximate 1% decrease in the number of subscribers to basic cable services. The increase in Liberty Cablevision Puerto Rico s equipment rental revenue is due primarily to the increase in digital cable subscribers.

Operating costs and expenses

Operating costs and expenses increased $6,375,000 or 14.5% during 2003, as compared to 2002. The increase was due primarily to increases in the operating costs and expenses of both Liberty Cablevision Puerto Rico and Pramer. Higher programming rates and an increase in the number of subscribers receiving the digital programming tier of service contributed to an increase in programming costs that accounted for most of the $4,103,000 increase in Liberty Cablevision Puerto Rico s operating expenses. The increase in Pramer s operating costs and expenses is attributable to individually insignificant items.

Selling, general and administrative (SG&A) expenses

SG&A expenses decreased $1,932,000 or 4.6% during 2003, as compared to 2002. The decrease is due primarily to a $4,596,000 decrease in SG&A expenses incurred by Pramer, offset by a $2,584,000 increase in SG&A expenses incurred by Liberty Cablevision Puerto Rico. The decrease in Pramer s SG&A expenses is due primarily to a decrease in bad debt expense as Pramer experienced unusually high bad debt expense during 2002 as a result of poor economic conditions in Argentina and the devaluation of the Argentine peso. The increase in Liberty Cablevision Puerto Rico s SG&A expense is due to increases in salaries and related personnel costs and other individually insignificant items. The increase in salaries and personnel costs is primarily related to increased headcount required to support Liberty Cablevision Puerto Rico s launch of its broadband Internet service.

Stock-based compensation charges (credits)

We had stock-based compensation charges of $4,088,000 in 2003 and credits of $5,815,000 in 2002. The stock compensation amounts reflected in our statements of operations during these periods were based on stock appreciation rights held by Liberty employees who performed services for our company. The stock compensation amounts recorded during 2003 and 2002 are primarily a function of the market price of Liberty common stock and the vesting of the awards.

Depreciation and amortization

Depreciation and amortization increased $2,027,000 or 15.5% during 2003, as compared to 2002. The increase in depreciation and amortization is primarily due to an increase in the depreciable tangible assets of Liberty Cablevision Puerto Rico as a result of capital additions.

Impairment of long-lived assets

We recorded charges to reflect the impairment of long-lived assets of $45,928,000 during 2002, including charges of $39,000,000 and $5,000,000 to reflect the write-off of enterprise goodwill associated with our

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investments in Metrópolis and Torneos, respectively. We recorded the Metrópolis impairment in connection with an evaluation of the carrying value of our investment in Metrópolis as more fully described below. The Torneos impairment resulted primarily from the devaluation of the Argentine peso.

Interest and dividend income

We recognized interest and dividend income of $24,874,000 and $25,883,000 during 2003 and 2002, respectively. The $1,009,000 decrease during 2003 is primarily attributable to a decrease in interest income from the Belmarken Loan that was largely offset by increases in (i) interest income earned on shareholder loans to J-COM and (ii) other sources of interest income. The Belmarken Loan represented debt of a UGC subsidiary, and we contributed the Belmarken Loan to UGC in connection with the 2002 UGC Transaction.

Share of earnings (losses) of affiliates, net

A summary of our share of earnings (losses) of affiliates, net, is included below:

	Year ended December 31,	
	2003	2002
	amounts in thousands	
J-COM	$ 20,341	(21,595)
JPC	11,775	5,801
Metrópolis	(8,291)	(80,394)
UGC		(190,216)
Other	(10,086)	(44,821)
	$ 13,739	(331,225)

Included in share of losses in 2003 and 2002 are adjustments for other-than-temporary declines in value aggregating $12,616,000 and $72,030,000, respectively. The 2002 amount includes $66,555,000 associated with Metrópolis. The Metrópolis impairment was recorded as a result of a decline in value associated with increased competition and subscriber losses.

As noted above, we did not recognize our share of UGC s losses during 2003 as our investment in UGC previously had been reduced to zero and we had no commitment to make additional investments in UGC.

Realized and unrealized gains (losses) on derivative instruments, net

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,	
	2003	2002
	amounts in thousands	
Foreign exchange derivatives	$ (22,626)	(11,239)
Total return debt swaps	37,804	(1,088)
Other	(2,416)	(4,378)
	$ 12,762	(16,705)

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Foreign currency transaction gains (losses), net

The details of our foreign currency transaction gains (losses), net are as follows:

	Year ended December 31,	
	2003	2002
	amounts in thousands	
Pramer (primarily U.S. dollar denominated debt)(a)	$ 2,461	(12,290)
Telewest bonds	1,750	3,603
Other	1,201	420
	$ 5,412	(8,267)

(a) The foreign currency losses experienced by Pramer during 2002 are attributable to the devaluation of the Argentine peso.

Gains on exchanges of investment securities

On January 30, 2002, our company and UGC completed the 2002 UGC Transaction pursuant to which UGC was formed to own Old UGC. Upon consummation of the 2002 UGC Transaction, all shares of Old UGC common stock were exchanged for shares of common stock of UGC. In addition, we contributed to UGC (i) cash consideration of $200,000,000, (ii) the Belmarken Loan, with an accreted value of $891,671,000 and a carrying value of $495,603,000 and (iii) Senior Notes and Senior Discount Notes of UPC, a subsidiary of Old UGC, with an aggregate carrying amount of $270,398,000, in exchange for 281.3 million shares of UGC Class C common stock with a fair value of $1,406,441,000. We accounted for the 2002 UGC Transaction as the acquisition of an additional noncontrolling interest in UGC in exchange for monetary financial instruments. Accordingly, we calculated a $440,440,000 gain on the transaction based on the difference between the estimated fair value of the financial instruments and their carrying value. Due to our continuing indirect ownership in the assets contributed to UGC, we limited the amount of gain we recognized to the minority shareholders attributable share (approximately 28%) of such assets or $122,618,000 (before deferred tax expense of $47,821,000).

Other-than-temporary declines in fair values of investments

During 2003 and 2002, we determined that certain of our cost investments experienced other-than-temporary declines in value. As a result, the cost bases of such investments were adjusted to their respective fair values based on quoted market prices and discounted cash flow analysis. These adjustments are reflected as other-than-temporary declines in fair value of investments in the consolidated statements of operations. The details of our other-than-temporary declines in fair value of investments are as follows:

	Year ended December 31,	
	2003	2002
	amounts in thousands	
Sky Latin America	$ 6,884	105,250
Telewest bonds		141,271
Other		865
	$ 6,884	247,386

The impairment of our investment in Sky Latin America was primarily a function of economic conditions in the countries in which Sky Latin America operates. The amount of the Sky Latin America impairment was based on discounted cash flow analysis. The carrying value of the Telewest bonds was reduced based on quoted market prices at the balance sheet date.

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Income tax benefit (expense)

We recognized income tax benefit (expense) of ($27,975,000) and $166,121,000 during 2003 and 2002, respectively. The 2003 tax expense differs from the expected tax expense of $17,111,000 (based on the U.S. federal 35% income tax rate) primarily due to foreign, state and local taxes. The 2002 tax expense differs from the expected tax benefit of $173,593,000 (based on the U.S. federal 35% income tax rate) as the effect of state, local and foreign tax benefits was more than offset by the impact of certain non-deductible expenses and other individually insignificant items. For additional information, see note 11 to the accompanying consolidated financial statements.

Cumulative effect of accounting change, net of taxes

We and our subsidiaries adopted Statement 142 effective January 1, 2002. Upon adoption, we determined that the carrying value of certain of our reporting units (including allocated goodwill) was not recoverable. Accordingly, in the first quarter of 2002, we recorded an impairment loss of $238,267,000, after deducting taxes of $103,105,000, as the cumulative effect of a change in accounting principle. This transitional impairment loss includes a pre-tax adjustment of $264,372,000 for our proportionate share of transition adjustments that UGC recorded.

Discussion and Analysis of Reportable Segments

For purposes of evaluating the performance of our operating segments, we compare and analyze 100% of the revenue and operating cash flow of our reportable operating segments regardless of whether we use the consolidation or equity method to account for such reportable segments. Accordingly, in the following tables, we have presented 100% of the revenue, operating expenses, SG&A expenses and operating cash flow of our reportable segments, notwithstanding the fact that we used the equity method to account for (i) UGC during the 2003 and 2002 periods and (ii) our equity method investment in J-COM for all periods presented. The revenue, operating expenses, SG&A expenses and operating cash flow of UGC for the 2003 and 2002 periods and J-COM for all periods presented are then eliminated to arrive at the reported amounts. It should be noted, however, that this presentation is not in accordance with GAAP since the results of operations of equity method investments are required to be reported on a net basis. Further, we could not, among other things, cause any noncontrolled affiliate to distribute to us our proportionate share of the revenue or operating cash flow of such affiliate. For additional information concerning our operating segments, including a discussion of our performance measures and a reconciliation of operating cash flow to pre-tax earnings (loss), see note 20 to the accompanying consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise operating cash flow (revenue, operating expenses and SG&A expenses) as well as an analysis of operating cash flow by operating segment for 2004 compared to 2003 and 2003 compared to 2002. In each case, the tables present (i) the amounts reported by each of our operating segments for the comparative periods, (ii) the U.S. dollar change and percentage change from period to period, and (iii) the U.S. dollar equivalent of the change and the percentage change from period to period, after removing foreign currency effects (FX). The comparisons that exclude FX assume that exchange rates remained constant during the periods that are included in each table.

UGC Broadband France acquired Noos on July 1, 2004. Accordingly, increases in the amounts presented for UGC Broadband France during 2004, as compared to the corresponding prior year periods, are primarily attributable to the Noos acquisition. In addition, UGC has included Chorus Communications Limited (Chorus), a wholly owned subsidiary of PHL and a cable operator in Ireland, in its consolidated financial statements since June 1, 2004. Accordingly, increases in the amounts presented for UGC Broadband Other Europe during 2004, as compared to 2003, are partially attributable to the operations of Chorus since June 1, 2004. In addition, the third quarter 2002 deconsolidation of UGC s broadband operations in Germany factors into the 2003 to 2002 comparisons. For additional information concerning the Noos acquisition and the PHL transactions, see note 5 to the accompanying consolidated financial statements.

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Revenue of our Reportable Segments

Revenue Years ended December 31, 2004 and 2003

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
	2004	2003	$	%	$	%
	amounts in thousands, except % amounts					
UGC Broadband The Netherlands	$ 716,932	592,223	124,709	21.1%	60,999	10.3%
UGC Broadband France	312,792	113,946	198,846	174.5%	187,462	164.5%
UGC Broadband Austria	299,874	260,162	39,712	15.3%	13,268	5.1%
UGC Broadband Other Europe	752,900	561,737	191,163	34.0%	134,926	24.0%
UGC Broadband Total Europe	2,082,498	1,528,068	554,430	36.3%	396,655	26.0%
UGC Broadband Chile (VTR)	299,951	229,835	70,116	30.5%	36,314	15.8%
J-COM	1,504,709	1,233,492	271,217	22.0%	156,706	12.7%
Corporate and all other	400,818	369,072	31,746	8.6%	(3,835)	(1.0%)
Elimination of intercompany transactions	(138,983)	(127,055)	N.M.	N.M.	N.M.	N.M.
Elimination of equity affiliates	(1,504,709)	(3,125,022)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI	$ 2,644,284	108,390	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

UGC Broadband The Netherlands

UGC Broadband The Netherlands revenue increased 21.1% in 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 10.3%. The local currency increase is primarily attributable to an increase in the average monthly revenue per subscriber, due primarily to higher average rates for cable television services and the increased penetration of broadband Internet services. These factors were somewhat offset by reduced tariffs for telephone services as lower outbound interconnect rates were passed through to the customer to maintain the product at a competitive level in the market. The average number of subscribers in 2004 was slightly higher than the comparable number in 2003 as increases in broadband Internet and telephone subscribers were largely offset by a decline in cable television subscribers.

UGC previously announced that it would increase rates for analog video customers in The Netherlands towards a standard rate, effective January 1, 2004. As previously reported, UGC has been enjoined from, or has voluntarily waived, implementing these rate increases in certain cities within The Netherlands. Thus far, UGC has reached agreement with most of these municipalities, including the municipality of Amsterdam, allowing it to increase its cable tariffs to a standard rate of 15.20. UGC is continuing to negotiate with the other municipalities.

UGC Broadband France

UGC Broadband France s revenue in 2004 includes $183,930,000 generated by Noos. Excluding the increase associated with the Noos acquisition and the $11,384,000 increase associated with foreign exchange fluctuations, UGC Broadband France s revenue increased $3,532,000 or 3.1% in 2004, as compared to 2003. This 3.1% increase is primarily attributable to an increase in the average number of subscribers in 2004, as compared to 2003. Cable television, broadband Internet and telephone services all contributed to this subscriber increase. A decrease in the average monthly revenue per telephone subscriber partially offset the positive impact of the subscriber increases. The lower telephone revenue is attributable to lower tariffs from telephone services, as lower outbound interconnect rates were passed through to the customer to maintain the service at a competitive level in the market, as well as reduced outbound telephone traffic as more customers

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migrate from dial-up Internet access to broadband Internet access and migrate from fixed-line telephone usage to cellular phone usage.

UGC Broadband Austria

UGC Broadband Austria s revenue increased 15.3% in 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 5.1%. The local currency increase is primarily attributable to growth in the average number of subscribers in 2004, as compared to 2003. This subscriber growth is primarily attributable to an increase in the average number of subscribers to broadband Internet service.

UGC Broadband Other Europe

UGC Broadband Other Europe includes broadband operations in Norway, Sweden, Belgium, Ireland, Hungary, Poland, Czech Republic, Slovak Republic, Slovenia and Romania. UGC Broadband Other Europe s revenue in 2004 includes $48,953,000 of revenue generated by Chorus. Excluding the increase associated with the 2004 Chorus acquisition and the $56,237,000 increase associated with foreign exchange fluctuations, UGC Broadband Other Europe s revenue increased $85,973,000 or 15.3% during 2004, as compared to 2003. The 15.3% increase is due primarily to increases in the average monthly revenue per subscriber across all of the UGC Broadband Other Europe countries. An overall increase in the average number of cable television and broadband Internet subscribers in 2004, as compared to 2003, also contributed to the increase.

UGC Broadband Chile (VTR)

UGC Broadband Chile s revenue increased 30.5% during 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 15.8%. This 15.8% increase is due primarily to growth in the average number of subscribers to cable television, broadband Internet and telephone services during 2004, as compared to 2003. This subscriber growth is due primarily to improved direct sales, mass marketing initiatives and lower subscriber churn. UGC Broadband Chile s average monthly revenue per subscriber remained relatively flat from period to period due primarily to significant competition in UGC Broadband Chile s markets.

J-COM

J-COM s revenue increased 22.0% during 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 12.7%. The local currency increase is primarily attributable to a significant increase in the average number of subscribers in 2004, as compared to 2003. Most of this subscriber increase is attributable to growth within J-COM s telephone and broadband Internet services. An increase in average revenue per household per month also contributed to the increase in local currency revenue. The increase in average revenue per household per month is primarily attributable to the full-year effect of cable television service price increases implemented during 2003 and increased penetration of J-COM s higher-priced broadband Internet service. These factors were somewhat offset by a reduction in the price for one of J-COM s lower-priced broadband Internet services and a decrease in customer call volumes for J-COM s telephone service.

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Revenue Years ended December 31, 2003 and 2002

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
	2003	2002	$	%	$	%
	amounts in thousands, except % amounts					
UGC Broadband The Netherlands	$ 592,223	459,044	133,179	29.0%	35,346	7.7%
UGC Broadband France	113,946	92,441	21,505	23.3%	2,681	2.9%
UGC Broadband Austria	260,162	198,189	61,973	31.3%	19,026	9.6%
UGC Broadband Other Europe	561,737	461,149	100,588	21.8%	34,034	7.4%
UGC Broadband Total Europe	1,528,068	1,210,823	317,245	26.2%	91,087	7.5%
UGC Broadband Chile (VTR)	229,835	186,426	43,409	23.3%	42,319	22.7%
J-COM	1,233,492	930,736	302,756	32.5%	211,703	22.7%
Corporate and all other	369,072	326,722	42,350	13.0%	(8,448)	(2.6)%
Elimination of intercompany transactions	(127,055)	(108,695)	N.M.	N.M.	N.M.	N.M.
Elimination of equity affiliates	(3,125,022)	(2,445,757)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI	$ 108,390	100,255	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

UGC Broadband The Netherlands

UGC Broadband The Netherlands revenue increased 29.0% in 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, such increase was 7.7%. The local currency increase is due primarily to rate increases for cable television services. The average number of subscribers in 2003 increased slightly over the comparable number in 2002 as increases in broadband Internet subscribers were largely offset by decreases in cable television and telephone subscribers.

UGC Broadband France

UGC Broadband France s revenue increased 23.3% in 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, revenue increased 2.9% in 2003, as compared to 2002. This local currency increase is primarily attributable to increases in the average number of subscribers to cable television, and to a lesser extent, broadband Internet and telephone services in 2003, as compared to 2002. UGC Broadband France s average monthly revenue per subscriber declined slightly as the positive impact of increased penetration of broadband Internet services was more than offset by lower telephony revenue and an increase in the proportion of subscribers to lower-priced tiers within the total number of subscribers for cable television services.

UGC Broadband Austria

UGC Broadband Austria s revenue increased 31.3% in 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, such increase was 9.6%. The local currency increase is due primarily to increases in the average number of broadband Internet and telephone subscribers during 2003, as compared to 2002. An increase in the average monthly revenue per subscriber, due primarily to the increased penetration of broadband Internet services, also contributed to the increase.

UGC Broadband Other Europe

UGC Broadband Other Europe s revenue increased 21.8% during 2003, as compared to 2002. Excluding the $28,069,000 decrease associated with the third quarter 2002 deconsolidation of UGC s broadband operations in Germany and the $66,554,000 increase associated with foreign exchange fluctuations, UGC

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Broadband Other Europe s revenue increased $62,103,000 or 14.3% in 2003, as compared to 2002. The local currency revenue increase is attributable to increases in average monthly revenue per subscriber across all of the UGC Broadband Other Europe countries. An overall increase in the average number of cable television and broadband Internet subscribers in 2004, as compared to 2003, also contributed to the increase.

UGC Broadband Chile (VTR)

UGC Broadband Chile s revenue increased 23.3% in 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, such increase was 22.7%. The local currency increase was primarily due to an increase in the average number of subscribers in 2003, as compared to 2002. The subscriber increase is attributable to the increased effectiveness of UGC Broadband Chile s direct sales force and mass marketing initiatives for its broadband Internet services, and to increased premium tier customers. In addition, UGC Broadband Chile s average monthly revenue per subscriber was favorably impacted by a decrease in promotions and price discounts.

J-COM

J-COM s revenue increased 32.5% during 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, such increase was 22.7%. The local currency increases are primarily attributable to a significant increase in the average number of subscribers in 2003, as compared to 2002. Most of this subscriber increase is attributable to growth within J-COM s telephone and broadband Internet services. An increase in average revenue per household per month during 2003, as compared to 2002, also contributed to the increase in local currency revenue. The increases in average revenue per household per month is primarily attributable to the effect of cable television service price increases and increased penetration of J-COM s higher-priced broadband Internet service. These factors were somewhat offset by a reduction in the prices for J-COM s lower-priced broadband Internet services and a decrease in customer call volumes for J-COM s telephone service.

Operating Expenses of our Reportable Segments

Operating expenses Years ended December 31, 2004 and 2003

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
	2004	2003	$	%	$	%
	amounts in thousands, except % amounts					
UGC Broadband The Netherlands	$ 243,975	229,653	14,322	6.2%	(8,038)	(3.5)%
UGC Broadband France	168,634	67,160	101,474	151.1%	94,427	140.6%
UGC Broadband Austria	136,675	118,457	18,218	15.4%	5,686	4.8%
UGC Broadband Other Europe	329,669	259,045	70,624	27.3%	44,952	17.4%
UGC Broadband Total Europe	878,953	674,315	204,638	30.3%	137,027	20.3%
UGC Broadband Chile (VTR)	116,131	96,965	19,166	19.8%	5,818	6.0%
J-COM	502,488	429,911	72,577	16.9%	34,243	8.0%
Corporate and all other	201,819	181,581	20,238	11.1%	5,909	3.3%
Elimination of intercompany transactions	(128,611)	(117,423)	N.M.	N.M.	N.M.	N.M.
	(502,488)	(1,215,043)	N.M.	N.M.	N.M.	N.M.

Elimination of equity affiliates						
Total consolidated LMI	$ 1,068,292	50,306	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

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General

Operating expenses include programming, network operations and other direct costs. Programming costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of the expansion of service offerings and the potential for price increases. Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins.

UGC Broadband Total Europe

Operating expenses for UGC Broadband Total Europe increased 30.3% in 2004, as compared to 2003. Operating expenses for UGC Broadband France and UGC Broadband Other Europe include $92,076,000 and $11,451,000 incurred by Noos and Chorus, respectively, both of which were acquired in 2004. Excluding the $103,527,000 increase associated with the 2004 Noos and Chorus acquisitions and the $67,611,000 increase associated with foreign exchange rate fluctuations, UGC Broadband Total Europe s operating expenses increased $33,500,000 or 5.0% in 2004, as compared to 2003, primarily due to the net effect of the following factors:

(i) an increase in customer operation expenses as a result of higher numbers of new and reconnecting subscribers during 2004, as compared to 2003. This higher activity level required UGC to hire additional staff and use outsourced contractors;

(ii) an increase in direct programming costs related to subscriber growth and, in certain markets, an increase in channels on the analog and digital platforms;

(iii) a decrease due to net cost reductions across network operations, customer care and billing and collection activities. These reductions were due to improved cost controls across all aspects of the business, including more effective procurement of support services, lower billing and collections charges, with bad debt charges in particular reduced in The Netherlands, and the increasing operational leverage of the business;

(iv) an increase in intercompany costs for broadband Internet services under the revenue sharing agreement between UPC Broadband and chellomedia;

(v) a decrease related to reduced telephone direct costs in 2004, as compared to 2003, primarily due to decreases in outbound interconnect rates;

(vi) an increase due to annual wage increases; and

(vii) a decrease due to cost savings in The Netherlands resulting from a restructuring plan implemented in the second quarter of 2004 whereby the management structure was changed from a three-region model to a centralized management organization.

UGC Broadband Chile (VTR)

UGC Broadband Chile s operating expenses increased 19.8% for 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 6.0%. The local currency increase primarily is due to increases in (i) domestic and international access charges, (ii) programming costs, and (iii) the cost of maintenance and technical services. Such increased costs were largely driven by subscriber growth.

J-COM

J-COM operating expenses increased 16.9% during 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 8.0%. These local currency increases primarily are due to an increase in programming costs as a result of subscriber growth and improved service offerings. Increases in network maintenance and technical support costs associated with the expansion of J-COM s network also contributed to the increases.

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Operating expenses Years ended December 31, 2003 and 2002

An analysis of the operating expenses of our reportable segments for the indicated periods is set forth below:

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
	2003	2002	$	%	$	%
	amounts in thousands, except % amounts					
UGC Broadband The Netherlands	$ 229,653	251,614	(21,961)	(8.7)%	(58,878)	(23.4)%
UGC Broadband France	67,160	72,120	(4,960)	(6.9)%	(15,794)	(21.9)%
UGC Broadband Austria	118,457	100,849	17,608	17.5%	(1,412)	(1.4)%
UGC Broadband Other Europe	259,045	236,685	22,360	9.4%	(6,750)	(2.9)%
UGC Broadband Total Europe	674,315	661,268	13,047	2.0%	(82,834)	(12.5)%
UGC Broadband Chile (VTR)	96,965	93,243	3,722	4.0%	3,730	4.0%
J-COM	429,911	366,828	63,083	17.2%	31,348	8.5%
Corporate and all other	181,581	175,639	5,942	3.4%	(19,118)	(10.9)%
Elimination of intercompany transactions	(117,423)	(96,762)	N.M.	N.M.	N.M.	N.M.
Elimination of equity affiliates	(1,215,043)	(1,156,285)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI	$ 50,306	43,931	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

UGC Broadband Total Europe

Operating expenses for UGC Broadband Total Europe increased 2.0% in 2003, as compared to 2002. Excluding the $14,332,000 decrease associated with the third quarter 2002 deconsolidation of UGC s Broadband operations in Germany and the $95,881,000 increase associated with foreign exchange rate fluctuations, UGC Broadband Total Europe s operating expenses decreased $68,502,000 or 10.4% in 2003, as compared to 2002, primarily due to:

(i) a decrease associated with improved cost control across all aspects of the business, including the benefit of restructuring activities, other cost cutting initiatives, continued improvements in processes and systems and organizational rationalization. In addition, more effective procurement processes resulted in improved terms from major vendors; and

(ii) a decrease in billing and collection charges, reflecting improved receivables management and lower bad debt charges, particularly in The Netherlands and France, where reduced bad debt charges accounted for over 75% of the total reduction;

(iii) a decrease in telephone outbound interconnect costs, which offset an increase in intercompany cost for broadband Internet services under the revenue sharing agreement between UPC Broadband and chellomedia;

(iv) a decrease in programming costs resulting from a year over year reduction in the DTH business, due to the closure of an uplink facility, which was only partially offset by the impact of subscriber growth.

UGC Broadband Chile (VTR)

Operating expenses for UGC Broadband Chile increased 4.0% in 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, such increase was also 4.0%. This increase is primarily due to increases in variable costs such as domestic and international access charges, programming costs and maintenance and technical service costs. Such increased costs were largely driven by subscriber growth.

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J-COM

J-COM operating expenses increased 17.2% during 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, such increases were 8.5%. The local currency increase primarily is due to an increase in programming costs as a result of video subscriber growth, and to an increase in interconnection charges paid to third parties associated with an increase in telephone revenue. Increases in network maintenance and technical support costs associated with the expansion of J-COM s network also contributed to the increase.

SG&A Expenses of our Reportable Segments

SG&A expenses Years ended December 31, 2004 and 2003

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
	2004	2003	$	%	$	%
	amounts in thousands, except % amounts					
UGC Broadband The Netherlands	$ 111,692	95,495	16,197	17.0%	6,016	6.3%
UGC Broadband France	90,468	32,866	57,602	175.3%	54,257	165.1%
UGC Broadband Austria	51,249	43,427	7,822	18.0%	3,344	7.7%
UGC Broadband Other Europe	141,833	99,197	42,636	43.0%	32,448	32.7%
UGC Broadband Total Europe	395,242	270,985	124,257	45.9%	96,065	35.5%
UGC Broadband Chile (VTR)	75,068	62,919	12,149	19.3%	3,775	6.0%
J-COM	412,624	375,263	37,361	10.0%	6,009	1.6%
Corporate and all other	227,906	193,581	34,325	17.7%	10,238	5.3%
Elimination of intercompany transactions	(10,372)	(9,632)	N.M.	N.M.	N.M.	N.M.
Elimination of equity affiliates	(412,624)	(852,779)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI	$ 687,844	40,337	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

General

SG&A expenses include human resources, information technology, general services, management, finance, legal and marketing costs and other general expenses.

UGC Broadband Total Europe

SG&A expenses for UGC Broadband Total Europe increased 45.9% in 2004, as compared to 2003. SG&A expenses for UGC Broadband France and UGC Broadband Other Europe include $51,069,000 and $25,707,000 incurred by Noos and Chorus, respectively, both of which were acquired in 2004. Excluding the $76,776,000 increase associated with the 2004 Noos and Chorus acquisitions and the $28,192,000 increase due to exchange rate fluctuations, UGC Broadband Total Europe s SG&A expenses increased $19,289,000, or 7.1% in 2004, as compared to 2003, primarily due to:

(i) an increase in marketing expenditures to support subscriber growth and new digital programming services;

(ii) annual wage increases; and

(iii) increased consulting and other information technology support costs associated with the implementation of new customer care systems in several countries and a subscriber management system in Austria.

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These increases were partly offset by continuing cost control across all aspects of the business and cost savings resulting from UGC Broadband The Netherlands restructuring that was implemented during the second quarter of 2004.

UGC Broadband Chile (VTR)

UGC Broadband Chile s SG&A expenses increased 19.3% during 2004, as compared to 2003. Excluding the effects of foreign exchange fluctuations, such increase was 6.0%. The local currency increase primarily is due to (i) an increase in commissions and marketing costs as a result of subscriber growth and increased competition, (ii) annual wage increases, and (iii) higher legal, accounting and other professional advisory fees due in part to requirements of the Sarbanes-Oxley Act of 2002.

J-COM

J-COM SG&A expenses increased 10% during 2004 as compared to 2003. Excluding the effects of foreign exchange fluctuations, J-COM SG&A expenses increased 1.6% during 2004 as compared to 2003. This local currency increase primarily is attributable to the net effect of (i) increased labor and other overhead costs associated primarily with increases in J-COM s subscribers, and (ii) reduced marketing personnel and advertising and promotion expenses.

SG&A expenses Years ended December 31, 2003 and 2002

An analysis of the SG&A expenses of our reportable segments for the indicated periods is set forth below:

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
	2003	2002	$	%	$	%
	amounts in thousands, except % amounts					
UGC Broadband The Netherlands	$ 95,495	88,101	7,394	8.4%	(9,691)	(11.0)%
UGC Broadband France	32,866	30,767	2,099	6.8%	(3,538)	(11.5)%
UGC Broadband Austria	43,427	32,678	10,749	32.9%	2,680	8.2%
UGC Broadband Other Europe	99,197	92,582	6,615	7.1%	(2,381)	(2.6)%
UGC Broadband Total Europe	270,985	244,128	26,857	11.0%	(12,930)	(5.3)%
UGC Broadband Chile (VTR)	62,919	51,224	11,695	22.8%	11,321	22.1%
J-COM	375,263	352,762	22,501	6.4%	(5,380)	(1.5)%
Corporate and all other	193,581	188,040	5,541	2.9%	(19,513)	(10.4)%
Elimination of intercompany transactions	(9,632)	(11,933)	N.M.	N.M.	N.M.	N.M.
Elimination of equity affiliates	(852,779)	(781,952)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI	$ 40,337	42,269	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

UGC Broadband Total Europe

SG&A expenses for UGC Broadband Total Europe increased 11.0% in 2003, as compared to 2002. Excluding the $1,175,000 decrease associated with the third quarter 2002 deconsolidation of UGC s broadband operations in Germany and the $39,787,000 increase associated with exchange rate fluctuations, UGC Broadband Total Europe s SG&A expenses decreased $11,755,000 or 4.8% in 2003, as compared to 2002, primarily due to improved operational cost control resulting from restructuring activities and other cost cutting measures. These cost reductions were partially offset by an increase in marketing expenditures to support subscriber growth.

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UGC Broadband Chile (VTR)

SG&A expenses for UGC Broadband Chile increased 22.8% in 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, SG&A expenses increased 22.1%, primarily due to (i) an increase in commissions and marketing costs as a result of subscriber growth and increased competition, (ii) annual wage increases and (iii) higher professional advisory fees.

J-COM

J-COM SG&A expenses increased 6.4% during 2003, as compared to 2002. Excluding the effects of foreign exchange fluctuations, J-COM SG&A expenses decreased 1.5% during 2003 as compared to 2002. This decrease was attributable primarily to reduced costs for marketing personnel and advertising and promotion expenses associated with customer acquisitions, expense reductions resulting from scale efficiencies and to continued management focus on limiting expenses. The decrease was partially offset by an increase in labor costs at J-COM s call centers as a result of the provision of customer support to a larger subscriber base.

Operating Cash Flow of our Reportable Segments

Operating cash flow is the primary measure used by our chief operating decision maker 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 and SG&A expenses (excluding depreciation and amortization, impairment of long-lived assets, restructuring and other charges 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 the 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. For a reconciliation of total consolidated operating cash flow to our consolidated pre-tax earnings (loss), see note 20 to the accompanying consolidated financial statements. 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.

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Operating Cash Flow Years ended December 31, 2004 and 2003

An analysis of the operating cash flow of our reportable segments for the indicated periods is set forth below:

		Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
		2004	2003	$	%	$	%
		amounts in thousands, except % amounts					
UGC Broadband The Netherlands		$ 361,265	267,075	94,190	35.3%	63,021	23.6%
UGC Broadband France		53,690	13,920	39,770	285.7%	38,778	278.6%
UGC Broadband Austria		111,950	98,278	13,672	13.9%	4,238	4.3%
UGC Broadband Other Europe		281,398	203,495	77,903	38.3%	57,526	28.3%
UGC Broadband Total Europe		808,303	582,768	225,535	38.7%	163,563	28.1%
UGC Broadband Chile (VTR)		108,752	69,951	38,801	55.5%	26,721	38.2%
J-COM		589,597	428,318	161,279	37.7%	116,454	27.2%
Corporate and all other		(28,907)	(6,090)	(22,817)	374.7%	(19,982)	328.1%
Elimination of equity affiliates		(589,597)	(1,057,200)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI		$ 888,148	17,747	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

As set forth in the above table, our consolidated operating cash flow for 2004 was $888,148,000. If exchange rates had remained unchanged from 2003 levels, our operating cash flow would have been $816,931,000 in 2004. For explanations of the factors contributing to the changes in operating cash flow, see the above analyses of the revenue, operating expenses and SG&A expenses of our reportable segments.

Operating Cash Flow Years ended December 31, 2003 and 2002

An analysis of the operating cash flow of our reportable segments for the indicated periods is set forth below:

		Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX	
		2003	2002	$	%	$	%
		amounts in thousands, except % amounts					
UGC Broadband The Netherlands		$ 267,075	119,329	147,746	123.8%	103,915	87.1%
UGC Broadband France		13,920	(10,446)	24,366	(233.3)%	22,013	(210.7)%
UGC Broadband Austria		98,278	64,662	33,616	52.0%	17,758	27.5%
		203,495	131,882	71,613	54.3%	43,165	32.7%

UGC Broadband Europe	Other						
UGC Broadband Europe	Total	582,768	305,427	277,341	90.8%	186,851	61.2%
UGC Broadband (VTR)	Chile	69,951	41,959	27,992	66.7%	27,268	65.0%
J-COM		428,318	211,146	217,172	102.9%	185,735	88.0%
Corporate and all other		(6,090)	(36,957)	30,867	(83.5)%	30,183	(81.7)%
Elimination of equity affiliates		(1,057,200)	(507,520)	N.M.	N.M.	N.M.	N.M.
Total consolidated LMI	$	17,747	14,055	N.M.	N.M.	N.M.	N.M.

N.M. Not Meaningful

For explanations of the factors contributing to the changes in operating cash flow, see the above analyses of the revenue, operating expenses and SG&A expenses of our reportable segments.

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Liquidity and Capital Resources

Sources and Uses of Cash

Prior to the spin off, cash transfers from Liberty represented our primary source of funds. Due to the spin off, cash transfers from Liberty no longer represent a source of liquidity for us. Although our consolidated operating subsidiaries have generated cash from operating activities and have borrowed funds under their respective bank facilities, we generally are not entitled to the resources of our operating subsidiaries or business affiliates. In this regard, we and each of our operating subsidiaries perform separate assessments of our respective liquidity needs. Accordingly, the current and future liquidity of our corporate and subsidiary operations is discussed separately below. Following the discussion of our sources and uses of liquidity, we present a discussion of our consolidated cash flow statements.

Corporate Liquidity

At December 31, 2004, we and our non-operating subsidiaries held unrestricted cash and cash equivalents of $1,487,963,000. Such cash and cash equivalents represent available liquidity at the corporate level. Our remaining unrestricted cash and cash equivalents at December 31, 2004 of $1,043,523,000 were held by UGC and our other operating subsidiaries. As noted above, we generally do not anticipate that any of the cash held by our operating subsidiaries will be made available to us to satisfy our corporate liquidity requirements. As described in greater detail below, our current sources of liquidity include (i) our cash and cash equivalents, (ii) our ability to monetize certain investments and derivative instruments, and (iii) interest and dividend income received on our cash and cash equivalents and investments. From time to time, we may also receive distributions or loan repayments from our subsidiaries or affiliates and proceeds upon the disposition of investments and other assets or upon the exercise of stock options.

During the 2004 period prior to the spin off, a subsidiary of our company borrowed $116,666,000 from Liberty pursuant to certain notes payable. In connection with the spin off, Liberty also entered into a Short-Term Credit Facility with us. During the third quarter of 2004, all amounts due to Liberty under the notes payable were repaid with proceeds from the LMI Rights Offering and the Short-Term Credit Facility was terminated.

In connection with the spin off, Liberty contributed to our company cash and cash equivalents of $50,000,000 and available-for-sale securities with a fair value of $561,130,000 on the contribution date. For additional information, see note 2 to the accompanying consolidated financial statements.

On July 19, 2004, our investment in Telewest Communications plc Senior Notes and Senior Discount Notes was converted into 18,417,883 shares or approximately 7.5% of the issued and outstanding common stock of Telewest. During the third and fourth quarters of 2004, we sold all of the acquired Telewest shares for aggregate cash proceeds of $215,708,000, resulting in a pre-tax loss of $16,407,000.

On July 26, 2004, we commenced the LMI Rights Offering whereby holders of record of LMI common stock on that date received 0.20 transferable subscription rights for each share of LMI common stock held. The LMI Rights Offering expired in accordance with its terms on August 23, 2004. Pursuant to the terms of the LMI Rights Offering, we issued 28,245,000 shares of LMI Series A common stock and 1,211,157 shares of LMI Series B common stock in exchange for aggregate cash proceeds of $739,432,000, before deducting related offering costs of $3,771,000.

In October 2004, we sold our interest in the Sky Multi-Country DTH platform in exchange for reimbursement by the purchaser of $1,500,000 of funding provided by us in the previous few months and the release from certain guarantees described below. We were deemed to owe the purchaser $6 million in respect of such platform, which amount was offset against a separate payment we received from the purchaser as explained below. We also agreed to sell our interest in the Sky Brasil DTH platform and granted the purchaser an option to purchase our interest in the Sky Mexico DTH platform. On October 28, 2004, we received $54 million in cash from the purchaser, which consisted of $60 million consideration payable for our Sky Brasil interest less the $6 million we were deemed to owe the purchaser in respect of the Sky Multi-Country DTH platform. The $60 million is refundable by us if the Sky Brasil transaction is terminated. It may be terminated by us or the purchaser if it has not closed by October 8, 2007 or by the purchaser if certain conditions are incapable of

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being satisfied. We will receive $88 million in cash upon the transfer of our Sky Mexico interest to the purchaser. The Sky Mexico interest will not be transferred until certain Mexican regulatory conditions are satisfied. If the purchaser does not exercise its option to purchase our Sky Mexico interest on or before October 8, 2006 (or in some cases an earlier date), then we have the right to require the purchaser to purchase our interest if certain conditions, including the absence of Mexican regulatory prohibition of the transaction, have been satisfied or waived. In connection with these transactions our guarantees of the obligations of the Sky Multi-Country, Sky Brasil and Sky Mexico platforms under certain transponder leases were terminated and the purchaser agreed to obtain releases of our guarantees of obligations under certain equipment leases no later than December 31, 2004. All but one of such guarantees have been released. The purchaser has agreed to indemnify us for any amounts we are required to pay under our remaining guarantee until such guarantee is terminated.

Cablevisión is currently seeking to restructure its debt pursuant to an out of court reorganization agreement. That agreement has been approved by the requisite majorities of Cablevisión s creditors, and a petition for its approval has been filed by Cablevisión with a commercial court in Buenos Aires under Argentina s bankruptcy laws. Pursuant to the reorganization agreement, we had the right and obligation to contribute $27,500,000 to Cablevisión, for which we would receive, after giving effect to a capital reduction pertaining to the current shareholders of Cablevisión (including the entity in which Liberty had a 78.2% economic interest), approximately 40.0% of the equity of the restructured Cablevisión. In the fourth quarter of, 2004, we entered into an agreement that provided for the transfer of this right and obligation in exchange for cash consideration of approximately $40,527,000. We received 50% of such cash consideration as a down payment in November 2004 and we received the remainder in March 2005. We will recognize a gain of $40,527,000 during the first quarter of 2005 in connection with the closing of this transaction.

On December 21, 2004, we received cash proceeds of ¥43,809 million ($420,188,000 at December 21, 2004) in repayment of all principal and interest due to our company from J-COM and another affiliate pursuant to then outstanding shareholder loans.

During the fourth quarter of 2004, we sold 4,500,000 shares of News Corp. Class A common stock for aggregate cash proceeds of $83,669,000 ($29,770,000 of which was received in 2005), resulting in a pre-tax gain of $37,174,000.

On December 23, 2004, Liberty Cablevision Puerto Rico completed the refinancing of its existing bank facility with a new $140 million dollar facility consisting of a $125 million six-year term loan facility and a $15 million six-year revolving credit facility. In connection with the closing of this facility, (i) Liberty Cablevision Puerto Rico made a $63,500,000 cash distribution to our company and (ii) the $50,542,000 cash collateral (including interest) for Liberty Cablevision Puerto Rico s previous bank facility was released to our company.

In addition to the above sources and potential sources of liquidity, we may elect to monetize our investments in News Corp., ABC Family preferred stock and/or certain other investments and derivative instruments that we hold. In this regard, we are a party to a variable forward sale transaction with respect to 5,500,000 shares of News Corp. Class A common stock that provided us with borrowing availability of $86,460,000 at December 31, 2004. For additional information concerning our investments and derivative contracts, see notes 7 and 8 to the accompanying consolidated financial statements.

We believe that our current sources of liquidity are sufficient to meet our known liquidity requirements through 2005, including any cash consideration that we might pay in connection with the closing of the proposed merger transaction with UGC, as described below. However, in the event another major investment or acquisition opportunity were to arise, it is likely that we would be required to seek additional capital in order to consummate any such transaction.

Our primary uses of cash have historically been investments in affiliates and acquisitions of consolidated businesses. We intend to continue expanding our collection of international broadband and programming assets. Accordingly, our future cash needs include making additional investments in and loans to existing affiliates, funding new investment opportunities, and funding our corporate general and administrative expenses.

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On January 5, 2004, we completed a transaction pursuant to which UGC s founding shareholders transferred 8.2 million shares of UGC Class B common stock to our company in exchange for 12.6 million shares of Liberty Series A common stock valued, for accounting purposes, at $152,122,000 and a cash payment of $12,857,000. We also incurred $2,970,000 of acquisition costs in connection with this transaction. This transaction was the last of a number of independent transactions that occurred from 2001 through January 2004 pursuant to which we acquired our controlling interest in UGC.

During 2004 we also purchased an additional 20 million shares of UGC Class A common stock pursuant to certain pre-emptive rights granted to our company by UGC. The $152,284,000 purchase price for such shares was comprised of (i) the cancellation of indebtedness due from subsidiaries of UGC to certain of our subsidiaries in the amount of $104,462,000 (including accrued interest) and (ii) $47,822,000 in cash. As UGC was one of our consolidated subsidiaries at the time of these purchases, the effect of these purchases was eliminated in consolidation.

Also, in January 2004, UGC initiated a rights offering pursuant to which holders of each of UGC s Class A, Class B and Class C common stock received 0.28 transferable subscription rights to purchase a like class of common stock for each share of UGC common stock owned by them on January 21, 2004. The rights offering expired on February 12, 2004. UGC received cash proceeds of approximately $1.02 billion from the rights offering. As a holder of UGC Class A, Class B and Class C common stock, we participated in the rights offering and exercised our rights to purchase 90.7 million shares for a total cash purchase price of $544,250,000.

We hold a 50% interest in Metrópolis, a cable operator in Chile. On January 23, 2004, we, Liberty and CristalChile entered into an agreement pursuant to which each agreed to use its respective commercially reasonable efforts to combine the businesses of Metrópolis and VTR a wholly owned subsidiary of UGC. If the proposed combination is consummated, UGC would own 80% of the voting and equity rights in the combined entity, and CristalChile would own the remaining 20%. We would also receive a promissory note from the combined entity (the amount of which is subject to negotiation), which would be unsecured and subordinated to third party debt. In addition, CristalChile would have a put right which would allow CristalChile to require UGC to purchase all, but not less than all, of its interest in the combined entity at the fair value of the interest, subject to a minimum price of $140 million. This put right will end on the tenth anniversary of the combination. Liberty has agreed to perform UGC s obligations under CristalChile s put if UGC does not do so and, in connection with the spin off, we agreed to indemnify Liberty against its obligations with respect to CristalChile s put right. If the merger does not occur, we and CristalChile have agreed to fund our pro rata share of a capital call sufficient to retire Metropolis local debt facility, which had an outstanding principal amount of Chilean pesos 30.2 billion ($54,399,000) at December 31, 2004. The combination is subject to certain conditions, including the execution of definitive agreements, Chilean regulatory approval, the approval of the respective boards of directors of the relevant parties (including, in the case of UGC, the independent members of UGC s board of directors) and the receipt of necessary third party approvals and waivers. The Chilean antitrust authorities approved the combination in October 2004 subject to certain conditions. The primary conditions require that the combined entity (i) re-sell broadband capacity to third party Internet service providers on a wholesale basis; (ii) activate two-way capacity on all portions of the combined network within five years; and (iii) limit basic tier price increases to the rate of inflation plus a programming cost escalator over the next three years. An action was filed with the Chilean Supreme Court seeking to reverse such approval, but the action was dismissed on March 10, 2005. We, CristalChile and UGC are currently negotiating the terms of the definitive agreements for the combination.

On May 20, 2004, we acquired all of the issued and outstanding ordinary shares of PHL for 2,447,000, including 447,000 of acquisition costs ($2,918,000 at May 20, 2004). PHL, through its subsidiary Chorus Communications Limited, owns and operates broadband communications systems in Ireland. In connection with this acquisition, we loaned an aggregate of 75,000,000 ($89,483,000 as of May 20, 2004) to PHL. The proceeds from this loan were used by PHL to discharge liabilities pursuant to a debt restructuring plan and to provide funds for capital expenditures and working capital. In June 2004, LMI loaned PHL an additional 4,500,000 ($6,137,000), for a total of 79,500,000 ($108,414,000) as of December 31, 2004. In addition to the amounts loaned to PHL as of December 31, 2004, we have committed to loan to PHL up to 10,000,000

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($13,637,000) at December 31, 2004. On December 16, 2004, UGC acquired our interest in PHL in exchange for 6,413,991 shares of UGC Class A common stock, valued for accounting purposes at $58,303,000 on that date. In connection with UGC s acquisition of our interest in PHL, UGC committed to refinance our loans to PHL no later than June 16, 2005. We and UGC accounted for this transaction as a reorganization of entities under common control at historical cost, similar to a pooling of interests. For additional information, see note 5 to the accompanying consolidated financial statements.

During the fourth quarter of 2004, we entered into call option contracts pursuant to which we contemporaneously (i) sold call options on 1,210,000 shares of LMI Series A common stock at exercise prices ranging from $39.5236 to $41.7536, and (ii) purchased call options on 1,210,000 shares with an exercise price of zero. As structured with the counterparty, these instruments have similar financial mechanics to prepaid put option contracts. Under the terms of the contracts, we can elect cash or physical settlement. All of the contracts expired during the first quarter of 2005 and were settled for cash. At December 31, 2004, the $49,218,000 fair value of these call option contracts is included in other current assets in the accompanying consolidated balance sheet.

On December 16, 2004, chellomedia Belgium acquired our wholly owned subsidiary BCH for $121,068,000 in cash. BCH s only assets were debt securities of CPE and one of the InvestCos and certain related contract rights. This purchase price was equal to our cost basis in these debt securities, which included an unrealized gain of $10,517,000.

On December 17, 2004, UGC entered into a restructuring transaction with CPE and certain other parties. In this restructuring, BCH contributed approximately $137,950,000 in cash and the debt security of the InvestCo to Belgian Cable Investors in exchange for a 78.4% common equity interest and 100% preferred equity interest in Belgian Cable Investors. CPE owns the remaining 21.6% interest in Belgian Cable Investors. Belgian Cable Investors distributed approximately $115,592,000 in cash to CPE, which used the proceeds to repurchase the debt securities of CPE held by BCH. Belgian Cable Investors holds an indirect 14.1% interest in Telenet and certain call options expiring in 2007 and 2009 to acquire 3.36 million shares (11.6%) and 5.11 million shares (17.6%), respectively, of the outstanding equity of Telenet from existing shareholders. Belgian Cable Investors indirect 14.1% interest in Telenet results from its majority ownership of the InvestCos, which hold in the aggregate 18.99% of the stock of Telenet, and a shareholders agreement among Belgian Cable Investors and three unaffiliated investors in the InvestCos that governs the voting and disposition of 21.36% of the stock of Telenet, including the stock held by the InvestCos.

During December 2004, we paid $127,890,000 to purchase 3,000,000 shares of LMI Series A common stock from Comcast Corporation in a private transaction.

On January 17, 2005, we entered into an agreement and plan of merger with UGC pursuant to which we each will merge with a separate wholly owned subsidiary of a new parent company named Liberty Global, which has been formed for this purpose. In the mergers, each outstanding share of LMI Series A common stock and LMI Series B common stock will be exchanged for one share of the corresponding series of Liberty Global common stock. UGC s public stockholders may elect to receive for each share of common stock owned either 0.2155 of a share of Liberty Global Series A common stock (plus cash for any fractional share interest) or $9.58 in cash. Cash elections will be subject to proration so that the aggregate cash consideration paid to UGC s stockholders does not exceed 20% of the aggregate value of the merger consideration payable to UGC s public stockholders. Completion of the transactions is subject to, among other conditions, approval of both companies stockholders, including an affirmative vote of a majority of the voting power of UGC Class A common stock not beneficially owned by our company, Liberty, any of our respective subsidiaries or any of the executive officers or directors of our company, Liberty, or UGC. Based on the number of shares outstanding of LMI common stock and UGC common stock at December 31, 2004, we estimate that UGC s public stockholders will receive (i) between approximately 63 million and 79 million shares of Liberty Global Series A common stock and (ii) between nil and approximately $700 million of cash consideration depending on the extent to which UGC public shareholders elect to receive cash consideration. We anticipate that we would fund any cash consideration with existing cash balances.

As noted above, we will begin consolidating Super Media and J-COM effective January 1, 2005. We do not expect the consolidation of Super Media and J-COM to have a material impact on our liquidity or capital

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resources as we expect that both our company and J-COM will continue to separately assess and finance our respective liquidity needs.

Subsidiary Liquidity

UGC. At December 31, 2004, UGC held cash and cash equivalents of $1,028,993,000 and short-term liquid investments of $48,965,000. In addition to its cash and cash equivalents and its short-term liquid investments, UGC s sources of liquidity include borrowing availability under its existing credit facilities and its operating cash flow. UGC completed a rights offering in February 2004 and received net cash proceeds of $1.02 billion. As a holder of UGC Class A, Class B and Class C common stock, we participated in the rights offering and exercised our rights to purchase 90.7 million shares for a total cash purchase price of $544,250,000.

On February 18, 2004, in connection with the consummation of UPC Polska s plan of reorganization and emergence from its U.S. bankruptcy proceeding, third-party holders of UPC Polska Notes and other claimholders received a total of $87,361,000 in cash, $101,701,000 in new 9% UPC Polska Notes due 2007 and approximately 2,011,813 shares of UGC Class A common stock in exchange for the cancellation of their claims. UGC redeemed the new 9% UPC Polska Notes due 2007 for a cash payment of $101,701,000 during the third quarter of 2004.

On April 6, 2004, UGC completed the offering and sale of 500 million UGC Convertible Notes. The UGC Convertible Notes are convertible into shares of UGC Class A common stock at an initial conversion price of 9.7561 per share, which was equivalent to a conversion price of $12.00 per share and a conversion rate of 102.5 shares per 1,000 principal amount of the UGC Convertible Notes on the date of issue. For additional information, see note 10 to the accompanying consolidated financial statements.

On December 17, 2004, VTR completed the refinancing of its existing bank facility with the VTR Bank Facility, a new Chilean peso-denominated six-year amortizing term senior secured credit facility. The facility consists of two tranches a 54.7675 billion Chilean peso ($95 million at December 17, 2004) committed Tranche A and an uncommitted Tranche B. At December 31, 2004, the U.S. dollar equivalent of the amount outstanding under Tranche A of the VTR Bank Facility was $97,941,000.

At December 31, 2004, UGC s debt includes outstanding euro denominated borrowings under four Facilities aggregating 2,366,217,000 ($3,226,810,000) and U.S. dollar denominated borrowings under two Facilities aggregating $701,020,000 pursuant to the UPC Broadband Bank Facility (as amended through December 31, 2004), 500 million ($681,850,000) principal amount of UGC Convertible Notes, $97,941,000 outstanding under the VTR Bank Facility, and certain other borrowings. A fifth euro denominated Facility under the UPC Broadband Bank Facility provided for aggregate availability of 667 million ($909 million) at December 31, 2004. The indenture governing the UPC Broadband Bank Facility (i) provides for a commitment fee of 0.5% of unused borrowing availability and (ii) is secured by the assets of most of UPC s majority-owned European cable operating companies and is senior to other long-term obligations of UPC. The indenture governing the UPC Broadband Bank Facility also contains covenants that limit among other things, UPC Broadband s ability to merge with or into another company, acquire other companies, incur additional debt, dispose of any assets unless in the ordinary course of business, enter or guarantee a loan, and enter into a hedging arrangement. The indenture also restricts UPC Broadband from transferring funds to its parent company (and directly to UGC) through loans, advances or dividends. The weighted average interest rate on borrowings under the UPC Broadband Bank Facility was 6% for 2004.

On March 8, 2005, the UPC Broadband Bank Facility was further amended to permit indebtedness under: (i) Facility G, a new 1.0 billion term loan facility maturing in full on April 1, 2010; (ii) Facility H, a new 1.5 billion ($2.05 billion) term loan facility maturing in full on September 1, 2012, of which $1.25 billion was denominated in U.S. dollars and then swapped into euros through a 7.5 year cross-currency swap; and (iii) Facility I, a new 500 million ($682 million) revolving credit facility maturing in full on April 1, 2010. In connection with this amendment, 167 million ($228 million) of Facility A, the existing revolving credit facility, was cancelled, reducing Facility A to a maximum amount of 500 million ($682 million). The

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proceeds from Facilities G and H were used primarily to prepay all amounts outstanding under existing term loan Facilities B, C and E, to fund certain acquisitions and pay transaction fees. The aggregate availability of 1.0 billion ($1.36 billion) under Facilities A and I can be used to fund acquisitions and for general corporate purposes. As a result of this amendment, the weighted average maturity of the UPC Broadband Bank Facility was extended from approximately 4 years to approximately 6 years, with no amortization payments required until 2010, and the weighted average interest margin on the UPC Broadband Bank Facility was reduced by approximately 0.25% per annum. The amendment also provided for additional flexibility on certain covenants and the funding of acquisitions.

For additional information concerning UGC s debt, see note 10 to the accompanying consolidated financial statements.

On July 1, 2004, UPC Broadband France, an indirect subsidiary of UGC and the owner of UGC s French cable television operations, acquired Noos, from Suez. Noos is a provider of digital and analog cable television services and high-speed Internet access services in France. UPC Broadband France purchased Noos to achieve certain financial, operational and strategic benefits through the integration of Noos with its French operations and the creation of a platform for further growth and innovation in Paris and its remaining French systems. The preliminary purchase price was subject to a review of certain historical financial information of Noos and UPC Broadband France. In January 2005, UGC completed its purchase price review with Suez, which resulted in a 42,844,000 ($52,128,000) reduction in the purchase price. The final purchase price for Noos was approximately 567,102,000 ($689,989,000), consisting of 487,085,000 ($592,633,000) in cash and a 19.9% equity interest in UPC Broadband France, valued at approximately 71,339,000 ($86,798,000). Acquisition costs totaled 8,678,000 ($10,558,000). For additional information, see note 5 to the accompanying consolidated financial statements.

During the third quarter of 2004, UGC s Board of Directors authorized a $100 million share repurchase program. As of December 31, 2004, UGC had repurchased 787,391 shares of UGC Class A common stock under this program. Pursuant to the Liberty Global merger agreement, UGC may not make further purchases of its Class A common stock until the mergers contemplated thereby are completed or the merger agreement is terminated.

On January 12, 2004, Old UGC, a wholly owned subsidiary of UGC that principally owns UGC s interests in businesses in Latin America and Australia, filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Old UGC s plan of reorganization, as amended, was confirmed by the Bankruptcy Court on November 10, 2004, and the restructuring of its indebtedness and other obligations pursuant to the plan was completed on November 24, 2004. On February 15, 2005, all of the Old UGC Senior Notes held by third parties were redeemed in full for total cash consideration of $25,068,000 plus accrued interest from August 15, 2004 through the redemption date totaling $1,324,000. For additional information, see note 16 to the accompanying consolidated financial statements.

On January 17, 2005, chellomedia acquired an 87.5% interest in Zone Vision from its current shareholders. Zone Vision is a programming company that owns three pay television channels and represents over 30 international channels. The consideration for the transaction consisted of $50 million in cash and 1.6 million shares of UGC Class A common stock, which are subject to a five-year vesting period. As part of the transaction, chellomedia will contribute to Zone Vision the 49% interest it already holds in Reality TV Ltd. and chellomedia s Club channel business.

During the first quarter of 2005, UGC made aggregate cash payments of $49.3 million in connection with the settlement of certain litigation. For additional information, see note 22 to the accompanying consolidated financial statements.

Management of UGC believes that UGC will be able to meet its current and long-term liquidity, acquisition and capital needs through its existing cash, operating cash flow and available borrowings under its existing credit facilities. However, to the extent that UGC management plans to grow UGC s business through acquisitions, UGC management believes that UGC will need additional sources of financing, most likely to come from the capital markets in the form of debt or equity financing or a combination of both.

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Other Subsidiaries. Liberty Cablevision Puerto Rico and Pramer generally fund their own investing and financing activities with cash from operations and bank borrowings, as necessary. Due to covenants in their respective loan agreements, we generally are not entitled to the cash resources or cash generated by the operating activities of these two consolidated subsidiaries. As noted above, Liberty Cablevision Puerto Rico completed the refinancing of its existing bank facility on December 23, 2004. At December 31, 2004, Pramer s U.S. dollar denominated bank borrowings aggregated $12,338,000. During 2002, following the devaluation of the Argentine peso, Pramer failed to make certain required payments due under its bank credit facility, resulting in a technical default. However, the bank lenders did not provide notice of default or request acceleration of the payments due under the facility. On December 29, 2004, Pramer and the banks signed definitive documents for the refinancing of this credit facility (the New Pramer Facility) and the closing occurred on January 28, 2005.

Consolidated Cash Flow Statements

Our cash flows are subject to significant variations based on foreign currency exchange rates. See related discussion under Quantitative and Qualitative Disclosures about Market Risk below. See also our Discussion and Analysis of Reportable Segments above.

Due to the fact that we began consolidating UGC on January 1, 2004, our cash flows for 2004 are not comparable to the cash flows for 2003. Accordingly, the following discussion focuses on our cash flows for 2004.

During 2004, we used net cash provided by our financing activities of $2,240,388,000 and net cash provided by operating activities of $746,240,000 to fund an increase in our cash and cash equivalent balances of $2,451,977,000 (excluding a $66,756,000 increase due to changes in foreign exchange rates) and net cash used in our investing activities of $534,651,000.

During 2004, the net cash used by our investing activities was $534,651,000. Such amount includes net cash paid for acquisitions of $508,836,000, capital expenditures of $508,347,000, investments in and loans to affiliates and others of $256,959,000 and other less significant uses of cash. For additional information concerning our acquisitions during 2004, see note 5 to the accompanying consolidated financial statements. UGC accounted for $480,133,000 of our consolidated capital expenditures during 2004. In 2005, UGC management will continue to focus on increasing penetration of services in its existing upgraded footprint and the efficient deployment of capital aimed at services that result in positive net cash flows. UGC management expects its capital expenditures to be significantly higher in 2005 than in 2004, primarily due to: (i) costs for customer premise equipment as UGC management expects to add more customers in 2005 than in 2004; (ii) increased expenditures for new build and upgrade projects to meet certain franchise commitments, increased traffic, expansion of services and other competitive factors; (iii) new initiatives such as UGC management s plan to invest more aggressively in digital television in certain locations and UGC management s planned VoIP rollout in UGC s major markets in Europe and Chile; and (iv) other factors such as improvements to UGC s master telecom center in Europe, information technology upgrades and expenditures for UGC s general support systems.

The above-described uses of our cash for investing activities were partially offset by proceeds received upon repayment of principal amounts loaned to affiliates of $535,074,000 and proceeds received upon dispositions of investments of $315,792,000 and other less significant sources of cash. The proceeds received upon repayment of affiliate loans primarily represent the third and fourth quarter repayment of yen-denominated loans to J-COM and another affiliate. The proceeds received upon dispositions of investments relate primarily to the sale of our Telewest and News Corp. securities.

During 2004, the cash provided by our financing activities was $2,240,388,000. Such amount includes net proceeds of $735,661,000 from the LMI Rights Offering, contributions from Liberty of $704,250,000, net proceeds received on a consolidated basis from the issuance of stock by subsidiaries of $488,437,000, and net borrowings of debt of $451,830,000.

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During 2003 and 2002, cash contributions from Liberty funded most of our investments in and advances to our affiliates, principally J-COM in 2003, and principally UGC and J-COM during 2002.

Critical Accounting Policies, Judgments and Estimates

The preparation of these financial statements required us to make estimates and assumptions that affected the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions. Critical accounting policies are defined as those policies that are reflective of significant judgments and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe our judgments and related estimates associated with the carrying value of our investments, the carrying value of our long-lived assets, the valuation of our acquisition related assets and liabilities, capitalization of our construction and installation costs and our income tax accounting to be critical in the preparation of our consolidated financial statements. These accounting estimates or assumptions are critical because of the levels of judgment necessary to account for matters that are inherently uncertain or highly susceptible to change.

Carrying Value of Long-lived Assets

The aggregate carrying value of our property and equipment, intangible assets and goodwill (collectively, long-lived assets) comprised 55% and 21% of our total assets at December 31, 2004 and 2003, respectively. Pursuant to Statements 142 and 144, we are required to assess the recoverability of our long-lived assets.

Statement 144 requires that we periodically review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Pursuant to Statement 142, we evaluate the goodwill and franchise rights for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and franchise rights may not be recoverable. For purposes of the goodwill evaluation, we compare the fair value of each of our reporting units to their respective carrying amounts. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit s goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Consistent with the provisions of Emerging Issue Task Force Issue No. 02-7, *Unit of Measure for Testing Impairment of Indefinite-Lived Assets,* we evaluate the recoverability of the carrying amount of our franchise rights based on the same asset groupings used to evaluate our long-lived assets because the franchise rights are inseparable from the other assets in the asset group. Any excess of the carrying value over the fair value for franchise rights is charged to operations as an impairment loss.

Considerable management judgment is necessary to estimate the fair value of assets; accordingly, actual results could vary significantly from such estimates.

In 2004, 2003 and 2002, we recorded impairments of our long-lived assets aggregating $69,353,000, nil and $45,928,000, respectively. For additional information, see note 9 to the accompanying consolidated financial statements.

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Carrying Value of Investments

The aggregate carrying value of our available-for-sale, cost and equity method investments comprised 20% and 59% of our total assets at December 31, 2004 and 2003, respectively. We account for these investments pursuant to Statement 115, Statement 142 and Accounting Principles Board Opinion No. 18. These accounting principles require us to periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other-than-temporary, we are required to reflect such decline in our statement of operations. Other-than-temporary declines in fair value of cost investments are recognized on a separate line in our consolidated statement of operations, and other-than-temporary declines in fair value of equity method investments are included in share of losses of affiliates in our consolidated statement of operations.

The primary factors we consider in our determination are the length of time that the fair value of the investment is below our company s carrying value and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other-than-temporary, the cost basis of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, we use our best estimates and assumptions to arrive at the estimated fair value of such investment. Our assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from our estimates and judgments.

Our evaluation of the fair value of our investments and any resulting impairment charges are determined as of the most recent balance sheet date. Changes in fair value subsequent to the balance sheet date due to the factors described above are possible. Subsequent decreases in fair value will be recognized in our consolidated statement of operations in the period in which they occur to the extent such decreases are deemed to be other-than-temporary. Subsequent increases in fair value will be recognized in our consolidated statement of operations only upon our ultimate disposition of the investment.

In 2004, 2003 and 2002, we recorded other-than-temporary declines in the fair values of our (i) cost and available-for-sale investments aggregating $18,542,000, $6,884,000 and $247,386,000, respectively, and (ii) equity method investments aggregating $25,973,000, $12,616,000, and $72,030,000, respectively.

Fair Value of Acquisition Related Assets and Liabilities

We allocate the purchase price of acquired companies or acquisitions of minority interests of a subsidiary to the identifiable assets acquired and liabilities assumed based on their estimated fair values. In determining fair value, management is required to make estimates and assumptions that affect the recorded amounts. To assist in this process, third party valuation specialists generally are engaged to value certain of these assets and liabilities. Estimates used in valuing acquired assets and liabilities include, but are not limited to, expected future cash flows, market comparables and appropriate discount rates. Management s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain.

Capitalization of Construction and Installation Costs

In accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies,* we capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and applicable overhead costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop, and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband Internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed. Significant judgment is involved in the determination of the nature and amount of internal costs to be capitalized with respect to construction and installation activities.

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Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items. Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. Actual income taxes could vary from these estimates due to future changes in income tax law in the jurisdictions in which we operate, our inability to generate sufficient future taxable income, differences between estimated and actual results, or unpredicted results from the final determination of each year s liability by taxing authorities. Any of such factors could have a material effect on our current and deferred tax position as reported in the accompanying consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions. For additional information, see note 11 to the accompanying consolidated financial statements.

Off Balance Sheet Arrangements and Aggregate Contractual Obligations

Off Balance Sheet Arrangements

At December 31, 2004, Liberty guaranteed ¥4,695 million ($45,842,000) of the bank debt of J-COM. Liberty s guarantees expire as the underlying debt matures and is repaid. The debt maturity dates range from 2004 to 2019. In connection with the spin off, we have agreed to indemnify Liberty for any amounts it is required to fund under these arrangements.

Liberty Japan MC owns a 36.4% voting interest in Mediatti Communications and an additional 0.87% interest that has limited veto rights. Liberty Japan MC has the option until February 2006 to acquire from Mediatti up to 9,463 additional shares in Mediatti at a price of ¥290,000 ($3,000) per share. If such option is fully exercised, Liberty Japan MC s interest in Mediatti will be approximately 46%. The additional interest that Liberty Japan MC has the right to acquire may initially be in the form of non-voting Class A shares, but it is expected that any Class A shares owned by Liberty Japan MC will be converted to voting common stock.

The Mediatti shareholders who are party to the shareholders agreement have granted to each other party whose ownership interest is greater than 10%, a right of first refusal with respect to transfers of their respective interests in Mediatti. Each shareholder also has tag-along rights with respect to such transfers. Olympus Mediacom has a put right that is first exercisable during July 2008 to require Liberty Japan MC, LLC to purchase all of its Mediatti shares at fair market value. If Olympus exercises such right, the two minority shareholders who are party to the shareholders agreement may also require Liberty Japan MC to purchase their Mediatti shares at fair market value. If Olympus Mediacom does not exercise such right, Liberty Japan MC has a call right that is first exercisable during July 2009 to require Olympus Mediacom and the minority shareholders to sell their Mediatti shares to Liberty Japan MC at fair market value. If both the Olympus Mediacom put right and the Liberty Japan MC call right expire without being exercised during the first exercise period, either may thereafter exercise its put or call right, as applicable, until October 2010.

Suez 19.9% interest in UPC Broadband France consists of 85,000,000 Class B Shares of UPC Broadband France. Subject to the terms of a call option agreement, UPC France, UGC s indirect wholly owned subsidiary, has the right through June 30, 2005 to purchase from Suez all of the Class B Shares for 85,000,000, subject to adjustment, plus interest. The purchase price for the Class B Shares may be paid in cash, UGC Class A common stock or LMI Series A common stock. Subject to the terms of a put option, Suez may require UPC France to purchase the Class B Shares at specific times prior to or after the third, fourth or fifth anniversaries of the purchase date. UPC France will be required to pay the then fair value, payable in cash, UGC common stock or LMI Series A common stock, for the Class B Shares or assist Suez in obtaining

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an offer to purchase the Class B Shares. UPC France also has the option to purchase the Class B Shares from Suez shortly after the third, fourth or fifth anniversaries of the purchase date at the then fair value in cash, UGC Class A common stock or LMI Series A common stock.

Pursuant to the agreement with CPE governing Belgian Cable Investors, CPE has the right to require BCH to purchase all of CPE s interest in Belgian Cable Investors for the then appraised fair market value of such interest during the first 30 days of every six-month period beginning in December 2007. BCH has the corresponding right to require CPE to sell all of its interest in Belgian Cable Investors to BCH for appraised fair value during the first 30 days of every six-month period following December 2009.

In January 2005, chellomedia acquired an 87.5% interest in Zone Vision from its current shareholders. Zone Vision s minority shareholders have the right to put 60% of their 12.5% shareholding in Zone Vision to chellomedia on the third anniversary of the completion of the acquisition, and 100% of their shareholding on the fifth anniversary of the completion of the acquisition. Chellomedia has corresponding call rights. The price payable upon exercise of the put or call will be the then fair market value of the shareholdings purchased.

In the ordinary course of business, we have provided indemnifications to (i) purchasers of certain of our assets, (ii) our lenders, (iii) our vendors and (iv) other parties. In addition, we have provided performance and/or financial guarantees to our franchise authorities, customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

We have contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

Contractual Commitments

As of December 31, 2004, the U.S. dollar equivalent (based on December 31, 2004 exchange rates) of our consolidated contractual commitments are as follows:

	Payments due during years ended December 31,				
	2005	2006-2007	2008-2009	Thereafter	Total
	amounts in thousands				
Debt	$ 29,518	1,308,328	2,112,967	1,509,094	4,959,907
Capital leases	2,585	5,995	7,166	32,608	48,354
Other debt	4,724	2,145	1,533	2,124	10,526
	$ 36,827	1,316,468	2,121,666	1,543,826	5,018,787
Operating leases	$ 101,440	142,630	94,811	124,092	462,973
Purchase obligations:					
Programming	95,911	34,181	8,838	17,086	156,016
Other	22,717	1,957			24,674
Other commitments	53,697	15,636	7,925	14,313	91,571
Total contractual payments	$ 310,592	1,510,872	2,233,240	1,699,317	5,754,021

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us inasmuch as we have agreed to pay minimum fees, regardless of the actual

number of subscribers or whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems.

Other purchase obligations consist of commitments to purchase customer premise equipment that are enforceable and legally binding on us. Other commitments consist of commitments to rebuild or upgrade cable

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systems and to extend the cable network to new developments, network maintenance, and other fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. The amount and timing of the payments included in the table with respect to our rebuild, upgrade and network extension commitments are estimated based on the remaining capital required to bring the cable distribution system into compliance with the requirements of the applicable franchise agreement specifications.

In addition to the commitments set forth in the table above, we have commitments under agreements with programming vendors, franchise authorities and municipalities, and other third parties pursuant to which we expect to make payments in future periods. Such amounts are not included in the above table because they are not fixed or determinable due to various factors.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the normal course of our business operations due to our investments in various foreign countries and ongoing investing and financial activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates, interest rates and stock prices. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

Cash and Investments

We invest our cash in liquid instruments that meet high credit quality standards and generally have maturities at the date of purchase of less than three months. We are exposed to exchange rate risk with respect to certain of our cash balances that are denominated in the Japanese yen, euros and, to a lesser degree, other currencies. At December 31, 2004, we held cash balances of $417,488,000 that were denominated in the Japanese yen and UGC held cash balances of $713,016,000 that were denominated in euros. These Japanese yen and euro cash balances are available to be used for future acquisitions and other liquidity requirements that may be denominated in such currencies.

We are also exposed to market price fluctuations related to our investments in equity securities. At December 31, 2004, the aggregate fair value of our equity method and available-for-sale investments that was subject to price risk was $708,787,000.

Foreign Currency Risk

We are exposed to unfavorable and potentially volatile fluctuations of the U.S. dollar (our functional currency) against the currencies of our operating subsidiaries and affiliates. Any increase (decrease) in the value of the U.S. dollar against any foreign currency that is the functional currency of one of our operating subsidiaries or affiliates will cause the parent company to experience unrealized foreign currency translation losses (gains) with respect to amounts already invested in such foreign currencies. In addition, we and our operating subsidiaries and affiliates are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our respective functional currencies, such as investments in debt and equity securities of foreign subsidiaries, equipment purchases, programming costs, notes payable and notes receivable (including intercompany amounts) that are denominated in a currency other than their own functional currency. Changes in exchange rates with respect to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. In addition, we are exposed to foreign exchange rate fluctuations related to our operating subsidiaries monetary assets and liabilities and the financial results of foreign subsidiaries and affiliates when their respective financial statements are translated into U.S. dollars for inclusion in our consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income (loss) as a separate component of equity. As a result of foreign currency risk, we may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. The primary exposure to foreign currency risk for our company is to the euro as over 50% of our U.S. dollar revenue is derived from countries where the euro is the functional

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currency. In addition, we have significant exposure to changes in the exchange rates for the Japanese yen, Chilean peso and, to a lesser degree, other local currencies in Europe.

We generally do not enter into derivative transactions that are designed to reduce our long-term exposure to foreign currency exchange risk. However, in order to reduce our foreign currency exchange risk related to our cash balances that are denominated in Japanese yen and our investment in J-COM, we have entered into collar agreements with respect to ¥15 billion ($146,470,000). These collar agreements have a weighted average remaining term of approximately 2 1/2 months, an average call price of ¥105/ U.S. dollar and an average put price of ¥109/ U.S. dollar. In the past, we have also entered into forward sales contracts with respect to the Japanese yen. During 2004, we paid $17,001,000 to settle yen forward sales and collar contracts.

The relationship between the euro, Japanese yen and Chilean peso and the U.S. dollar, which is our reporting currency, is shown below, per one U.S. dollar:

	Spot rate		
	Euro	Japanese yen	Chilean peso
December 31, 2004	0.7333	102.41	559.19
December 31, 2003	0.7933	107.37	593.80
December 31, 2002	0.9545	118.76	718.61

	Average rate		
	Euro	Japanese yen	Chilean peso
Year ended:			
December 31, 2004	0.8059	107.44	609.22
December 31, 2003	0.8806	116.06	686.04
December 31, 2002	1.0492	125.31	689.54

Inflation and Foreign Investment Risk

Certain of our operating companies operate in countries where the rate of inflation is higher than that in the United States. While our affiliated companies attempt to increase their subscription rates to offset increases in operating costs, there is no assurance that they will be able to do so. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on reported earnings. We are also impacted by inflationary increases in salaries, wages, benefits and other administrative costs, the effects of which to date have not been material. Our foreign operating companies are all directly affected by their respective countries government, economic, fiscal and monetary policies and other political factors.

Interest Rate Risks

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include fixed and floating rate investments and borrowings by our operating subsidiaries that are used to maintain liquidity and fund their respective business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. Our primary exposure to variable rate debt is through the EURIBOR-indexed and LIBOR-indexed debt of UGC. UGC maintains a mix of fixed and variable rate debt and enters into various derivative transactions pursuant to UGC s policies to manage exposure to movements in interest rates. UGC monitors its interest rate risk exposures using techniques including market value and sensitivity analyses. UGC manages the credit risks associated with its derivative financial instruments through the

evaluation and monitoring of the creditworthiness of the counterparties. Although the counterparties may expose UGC to losses in the event of nonperformance, UGC does not expect such losses, if any, to be significant. UGC uses interest rate exchange agreements to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. UGC uses interest rate cap agreements

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that lock in a maximum interest rate should variable rates rise, but which enable it to otherwise pay lower market rates.

During the first quarter of 2003, UGC purchased interest rate caps related to the UPC Broadband Bank Facility that capped the variable EURIBOR interest rate at 3.0% on a notional amount of 2.7 billion for 2003 and 2004. As UGC was able to fix its variable interest rates below 3.0% on the UPC Broadband Bank Facility during 2003 and 2004, all of these caps expired without being exercised. During the first and second quarter of 2004, UGC purchased interest rate caps for a total of $21,442,000, capping the variable interest rate at 3.0% and 4.0% for 2005 and 2006, respectively, on notional amounts totaling 2.25 billion to 2.6 billion.

In June 2003, UGC entered into a cross currency and interest rate swap pursuant to which a notional amount of $347.5 million was swapped at an average rate of 1.133 euros per U.S. dollar until July 2005, with the variable LIBOR interest rate (including margin) swapped into a fixed interest rate of 7.85%. Following the prepayment of part of Facility C in December 2004, UGC paid down this swap with a cash payment of $59,100,000 and unwound a notional amount of $171,480,000. The remainder of the swap is for a notional amount of $176,020,000, and the euro to U.S. dollar exchange rate has been reset at 1.3158 to 1. In connection with the refinancing of the UPC Broadband Bank Facility in December 2004, UGC entered into a seven-year cross currency and interest rate swap pursuant to which a notional amount of $525 million was swapped at a rate of 1.3342 euros per U.S. dollar until December 2011, with the variable interest rate of LIBOR + 300 basis points swapped into a variable rate of EURIBOR + 310 basis points for the same time period.

During 2004, the weighted-average interest rate on variable rate indebtedness of our consolidated subsidiaries was approximately 6%. If market interest rates had been higher by 50 basis points during this period, our consolidated interest expense would have increased by approximately $19 million during 2004.

Derivative Instruments

At December 31, 2004, we were a party to total return debt swaps in connection with (i) bank debt of a subsidiary of UPC, and (ii) public debt of Cablevisión. Through March 2, 2005, Liberty owned an indirect 78.2% economic and non-voting interest in a limited liability company that owns 50% of the outstanding capital stock of Cablevisión. Under the total return debt swaps, a counterparty purchases a specified amount of the underlying debt security for the benefit of our company. We posted collateral with the counterparties equal to 30% of the counterparty s purchase price for the purchased indebtedness of the UPC subsidiary and 90% of the counterparty s purchase price for the purchased indebtedness of Cablevisión. We record a derivative asset equal to the posted collateral and such asset is included in other assets in the accompanying consolidated balance sheets. We earn interest income based upon the face amount and stated interest rate of the underlying debt securities, and pay interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying purchased indebtedness of the UPC subsidiary declines by 10% or more, we are required to post cash collateral for the decline, and we record an unrealized loss on derivative instruments. The cash collateral related to the UPC subsidiary indebtedness is further adjusted up or down for subsequent changes in the fair value of the underlying indebtedness or for foreign currency exchange rate movements involving the euro and U.S. dollar. During the fourth quarter of 2004, we received cash proceeds of $35,800,000 in connection with the termination of a portion of the total return swap related to the debt of the UPC subsidiary. At December 31, 2004, the aggregate purchase price of debt securities underlying our total return debt swap arrangements involving the indebtedness of the UPC subsidiary and Cablevisión was $29,532,000. As of such date, we had posted cash collateral equal to $19,868,000 ($2,930,000 with respect to the UPC subsidiary and $16,938,000 with respect to Cablevisión). If the fair value of the purchased debt securities had been zero at December 31, 2004, we would have been required to post additional cash collateral of $8,972,000. During the first quarter of 2005, we received cash proceeds of $22,264,000 upon termination of the Cablevisión and UPC subsidiary total return swaps.

Prior to the spin off, Liberty contributed to our company 10,000,000 shares of News Corp. Class A common stock, together with a related variable forward transaction. In connection with the sale of 4,500,000 shares of News Corp. Class A common stock during the fourth quarter of 2004, we paid $3,429,000 to terminate the portion of the variable forward transaction that related to the shares that were sold. After giving effect to the

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fourth quarter termination transaction, the forward, which expires on September 17, 2009, provides (i) us with the right to effectively require the counterparty to buy 5,500,000 News Corp. Class A common stock at a price of $15.72 per share, or an aggregate price of $86,460,000 (the Floor Price), and (ii) the counterparty with the effective right to require us to sell 5,500,000 shares of News Corp. Class A common stock at a price of $26.19 per share. At any time during the term of the forward, we can require the counterparty to advance the full Floor Price. Provided we do not draw an aggregate amount in excess of the present value of the Floor Price, as determined in accordance with the forward, we may elect to draw such amounts on a discounted or undiscounted basis. As long as the aggregate advances are not in excess of the present value of the Floor Price, undiscounted advances will bear interest at prevailing three-month LIBOR and discounted advances will not bear interest. Amounts advanced up to the present value of the Floor Price are secured by the underlying shares of News Corp. Class A common stock. If we elect to draw amounts in excess of the present value of the Floor Price, those amounts will be unsecured and will bear interest at a negotiated interest rate. During the third quarter of 2004, we received undiscounted advances aggregating $126 million under the forward. Such advances were subsequently repaid during the quarter.

During the fourth quarter of 2004, we entered into call option contracts pursuant to which we contemporaneously (i) sold call options on 1,210,000 shares of LMI Series A common stock at exercise prices ranging from $39.5236 to $41.7536, and (ii) purchased call options on 1,210,000 shares with an exercise price of zero. As structured with the counterparty, these instruments have similar financial mechanics to prepaid put option contracts. Under the terms of the contracts, we can elect cash or physical settlement. All of the contracts expired during the first quarter of 2005 and were settled for cash.

Credit Risk

In addition to the risks described above, we are also exposed to the risk that our counterparties will default on their obligations to us under the above-described derivative instruments. Based on our assessment of the credit worthiness of the counterparties, we do not anticipate any such default.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media International, Inc.:

We have audited the accompanying consolidated balance sheets of Liberty Media International, Inc. (a Delaware corporation) and subsidiaries (as more fully described in Note 1) as of December 31, 2004 and 2003, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Media International, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

KPMG LLP
Denver, Colorado
March 11, 2005

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
CONSOLIDATED BALANCE SHEETS

		December 31,	
		2004	2003
		amounts in thousands	
ASSETS			
Current assets:			
Cash and cash equivalents	$	2,531,486	12,753
Trade receivables, net		201,519	14,162
Other receivables, net		165,631	968
Other current assets		293,947	16,453
Total current assets		3,192,583	44,336
Investments in affiliates, accounted for using the equity method, and related receivables (note 6)		1,865,642	1,740,552
Other investments (note 7)		838,608	450,134
Property and equipment, net (note 9)		4,303,099	97,577
Intangible assets not subject to amortization:			
Goodwill (note 9)		2,667,279	525,576
Franchise rights and other		230,674	163,450
		2,897,953	689,026
Intangible assets subject to amortization, net (note 9)		382,599	4,504
Deferred tax assets (note 11)		77,313	583,945
Other assets, net		144,566	76,963
Total assets	$	13,702,363	3,687,037

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
CONSOLIDATED BALANCE SHEETS (Continued)

	December 31,	
	2004	2003
	amounts in thousands	
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 363,549	20,629
Accrued liabilities	526,382	12,556
Subscriber advance payments and deposits	353,069	283
Accrued interest	89,612	976
Current portion of accrued stock-based compensation (notes 3 and 13)	37,017	15,052
Derivative instruments (note 8)	14,636	21,010
Current portion of debt (note 10)	36,827	12,426
Total current liabilities	1,421,092	82,932
Long-term debt (note 10)	4,981,960	41,700
Deferred tax liabilities (note 11)	458,138	135,811
Other long-term liabilities	409,998	7,948
Total liabilities	7,271,188	268,391
Commitments and contingencies (note 19)		
Minority interests in subsidiaries	1,204,369	78
Stockholders Equity:		
Series A common stock, $.01 par value. Authorized 500,000,000 shares; issued 168,514,962 and nil shares at December 31, 2004 and 2003, respectively	1,685	
Series B common stock, $.01 par value. Authorized 50,000,000 shares; issued and outstanding 7,264,300 and nil shares at December 31, 2004 and 2003, respectively	73	
Series C common stock, $.01 par value. Authorized 500,000,000 shares; no shares issued at December 31, 2004 or 2003		
Additional paid-in capital	7,001,635	
Accumulated deficit	(1,662,707)	(1,630,949)
Accumulated other comprehensive earnings (loss), net of taxes (note 18)	14,010	(46,566)
Treasury stock, at cost (note 12)	(127,890)	
Parent s investment		5,096,083

Total stockholders equity		5,226,806	3,418,568
Total liabilities and stockholders equity	$	13,702,363	3,687,037

The accompanying notes are an integral part of these consolidated financial statements.

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2004	**2003**	**2002**
	amounts in thousands, except per share amounts		
Revenue (note 14)	$ 2,644,284	108,390	100,255
Operating costs and expenses:			
Operating (other than depreciation) (note 14)	1,068,292	50,306	43,931
Selling, general and administrative (SG&A) (note 14)	687,844	40,337	42,269
Stock-based compensation charges (credits) primarily SG&A (notes 3 and 13)	142,762	4,088	(5,815)
Depreciation and amortization	960,888	15,114	13,087
Impairment of long-lived assets (note 9)	69,353		45,928
Restructuring and other charges (note 17)	29,018		
	2,958,157	109,845	139,400
Operating loss	(313,873)	(1,455)	(39,145)
Other income (expense):			
Interest expense (note 14)	(288,532)	(2,178)	(3,943)
Interest and dividend income (note 14)	65,607	24,874	25,883
Share of earnings (losses) of affiliates, net (note 6)	38,710	13,739	(331,225)
Realized and unrealized gains (losses) on derivative instruments, net (note 8)	(54,947)	12,762	(16,705)
Foreign currency transaction gains (losses), net	92,305	5,412	(8,267)
Gains on exchanges of investment securities (notes 6 and 7)	178,818		122,618
Other-than-temporary declines in fair values of investments (note 7)	(18,542)	(6,884)	(247,386)
Gains on extinguishment of debt (note 10)	35,787		
Gains (losses) on disposition of investments, net (notes 6 and 7)	43,714	(4,033)	(287)
Other income (expense), net	(7,931)	6,651	2,476
	84,989	50,343	(456,836)
Earnings (loss) before income taxes and minority interests	(228,884)	48,888	(495,981)
Income tax benefit (expense)	17,449	(27,975)	166,121
Minority interests in losses (earnings) of subsidiaries	179,677	(24)	(27)

Earnings (loss) before cumulative effect of accounting change		(31,758)	20,889	(329,887)
Cumulative effect of accounting change, net of taxes (note 3)				(238,267)
Net earnings (loss)	$	(31,758)	20,889	(568,154)
Pro forma earnings (loss) per common share (note 3):				
Basic and diluted	$	(0.20)	0.14	

The accompanying notes are an integral part of these consolidated financial statements.

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

	Year ended December 31,		
	2004	**2003**	**2002**
	amounts in thousands		
Net earnings (loss)	$ (31,758)	20,889	(568,154)
Other comprehensive earnings (loss), net of taxes (note 18):			
Foreign currency translation adjustments	165,315	102,321	(173,715)
Reclassification adjustment for foreign currency translation gains included in net earnings (loss)	(36,174)	(27)	
Unrealized gains (losses) on available-for-sale securities	(1,450)	111,594	(39,526)
Reclassification adjustment for net (gains) losses on available-for-sale securities included in net earnings (loss)	(120,842)		86,175
Effect of change in estimated blended state income tax rate (note 11)	2,745		
Other comprehensive earnings (loss)	9,594	213,888	(127,066)
Comprehensive earnings (loss)	$ (22,164)	234,777	(695,220)

The accompanying notes are an integral part of these consolidated financial statements.

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

	Common stock			Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings (loss), net of taxes	Treasury stock, at cost	Parent s investment	Total stockholders equity
	Series A	Series B	Series C						
					amounts in thousands				
Balance at January 1, 2002	$				(1,083,684)	(133,388)		3,256,665	2,039,593
Net loss					(568,154)				(568,154)
Other comprehensive loss (note 18)						(127,066)			(127,066)
Reallocation of enterprise-level goodwill from parent (note 3)								118,000	118,000
Intercompany tax allocation (note 11)								3,988	3,988
Allocation of corporate overhead (note 14)								10,794	10,794
Net cash transfers from parent								1,231,738	1,231,738
Balance at December 31, 2002					(1,651,838)	(260,454)		4,621,185	2,708,893
Net earnings					20,889				20,889
Other comprehensive earnings (note 18)						213,888			213,888
Intercompany tax allocation (note 11)								(14,774)	(14,774)
Allocation of corporate overhead (note 14)								10,873	10,873

Net cash transfers from parent			478,799	478,799
Balance at December 31, 2003	(1,630,949)	(46,566)	5,096,083	3,418,568
Net loss	(31,758)			(31,758)
Other comprehensive earnings (note 18)		9,594		9,594
Intercompany tax allocation (note 11)			6,133	6,133
Allocation of corporate overhead (note 14)			9,357	9,357
Issuance of Liberty Media Corporation common stock in acquisition (note 5)			152,122	152,122
Contribution of cash, investments and other net liabilities in connection with spin off (note 2)		50,982	304,578	355,560
Assumption by Liberty Media Corporation of obligation for stock appreciation rights in connection with spin off (note 2)			5,763	5,763
Adjustment due to issuance of stock by subsidiaries and affiliates and other changes in subsidiary equity, net of taxes (note 12)	6,049		1,025	7,074
			654,250	654,250

Net cash transfers from parent							
Change in capitalization in connection with spin off (note 2)	1,399	61	6,227,851			(6,229,311)	
Common stock issued in rights offering (note 2)	283	12	735,366				735,661
Stock issued for stock option exercises (note 13)	3		11,987				11,990
Repurchase of common stock (note 12)					(127,890)		(127,890)
Stock-based compensation (notes 3 and 13)			20,382				20,382
Balance at December 31, 2004	$ 1,685	73	7,001,635	(1,662,707)	14,010	(127,890)	5,226,806

The accompanying notes are an integral part of these consolidated financial statements

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2004	**2003**	**2002**
	amounts in thousands		
Cash flows from operating activities:			
Net earnings (loss)	$ (31,758)	20,889	(568,154)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Stock-based compensation charges (credits)	142,762	4,088	(5,815)
Cumulative effect of accounting change			238,267
Depreciation and amortization	960,888	15,114	13,087
Impairment of long-lived assets	69,353		45,928
Restructuring and other charges	29,018		
Amortization of deferred financing costs	21,735	117	134
Share of losses (earnings) of affiliates, net	(38,710)	(13,739)	331,225
Realized and unrealized losses (gains) on derivative instruments, net	54,947	(12,762)	16,705
Foreign currency transaction losses (gains), net	(92,305)	(5,412)	8,267
Gain on exchanges of investment securities	(178,818)		(122,618)
Other-than-temporary declines in fair values of investments	18,542	6,884	247,386
Gains on extinguishment of debt	(35,787)		
Losses (gains) on disposition of investments, net	(43,714)	(3,759)	287
Deferred income tax expense (benefit)	(84,149)	42,278	(169,606)
Minority interests in (losses) earnings of subsidiaries	(179,677)	24	27
Non-cash charges (credits) from Liberty Media Corporation	15,490	(3,901)	14,782
Other noncash items		(1,750)	(7,069)
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Receivables, prepaids and other	(50,358)	9,653	12,064
Payables and accruals	168,781	(1,728)	(28,165)
Net cash provided by operating activities	$ 746,240	55,996	26,732

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LIBERTY MEDIA INTERNATIONAL, INC
(See note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year ended December 31,		
	2004	**2003**	**2002**
	amounts in thousands		
Cash flows from investing activities:			
Cash paid for acquisitions, net of cash acquired	$ (508,836)		
Cash paid for acquisition to be refunded by seller	(52,128)		
Investments in and loans to affiliates and others	(256,959)	(494,193)	(1,204,242)
Proceeds received upon repayment of principal amounts loaned to affiliates	535,074		
Proceeds received upon repayment of debt securities	115,592		
Purchases of short-term liquid investments	(293,734)		
Proceeds received from sale of short-term liquid investments	246,981		
Capital expended for property and equipment	(508,347)	(22,869)	(24,910)
Net cash received (paid) to purchase or settle derivative instruments	(158,949)	19,580	(15,346)
Proceeds received upon dispositions of investments	315,792	8,230	
Deposits received in connection with pending asset sales	80,264		
Change in restricted cash	(27,298)		
Other investing activities, net	(22,103)	(16,042)	1,940
Net cash used by investing activities	(534,651)	(505,294)	(1,242,558)
Cash flows from financing activities:			
Borrowings of debt	2,301,211	41,700	
Repayments of debt	(1,849,381)	(22,954)	(12,784)
Net proceeds received from rights offering	735,661		
Proceeds from issuance of stock by subsidiaries	488,437		
Change in cash collateral	41,700	(41,700)	
Contributions from Liberty Media Corporation	704,250	478,799	1,231,738
Treasury stock purchase	(127,890)		
Deferred financing costs	(65,951)		
Other financing activities, net	12,351		
Net cash provided by financing activities	2,240,388	455,845	1,218,954
Effect of exchange rates on cash	66,756	614	(2,238)
Net increase in cash and cash equivalents	2,518,733	7,161	890
Cash and cash equivalents:			
Beginning of period	12,753	5,592	4,702

End of period	$	2,531,486	12,753	5,592
Cash paid for interest	$	280,815	932	18,603
Net cash paid for taxes	$	4,264	4,651	2,895

The accompanying notes are an integral part of these consolidated financial statements.

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002

(1) Basis of Presentation

The accompanying consolidated financial statements of Liberty Media International, Inc. (LMI) include the historical financial information of (i) certain international cable television and programming subsidiaries and assets of Liberty Media Corporation (Liberty), which we collectively refer to as LMC International, for periods prior to the June 7, 2004 consummation of the spin off transaction described in note 2 and (ii) LMI and its consolidated subsidiaries for the period following such date. Upon consummation of the spin off, LMI became the owner of the assets that comprise LMC International. In the following text, we, our, our company and us may refer, as the context requires, LMC International (prior to June 7, 2004), LMI and its consolidated subsidiaries (on and subsequent to June 7, 2004) or both.

Our operating subsidiaries and our most significant equity method investments are set forth below.

Operating subsidiaries at December 31, 2004:

UnitedGlobalCom, Inc. (UGC)
Liberty Cablevision of Puerto Rico Ltd. (Liberty Cablevision Puerto Rico)
Pramer S.C.A. (Pramer)

UGC. Our most significant subsidiary is UGC, an international broadband communications provider of video, voice, and Internet access services with operations in 13 European countries and three Latin American countries. UGC s largest operating segments are located in The Netherlands, France, Austria and Chile. At December 31, 2004, we owned approximately 423.8 million shares of UGC common stock, representing an approximate 53.6% economic interest and a 91.0% voting interest. As further described in note 5, we began consolidating UGC on January 1, 2004. Prior to that date, we used the equity method to account for our investment in UGC.

On January 17, 2005, we entered into an agreement and plan of merger with UGC pursuant to which we each will merge with a separate wholly owned subsidiary of a new parent company named Liberty Global, Inc. (Liberty Global), which has been formed for this purpose. In the mergers, each outstanding share of LMI Series A common stock and LMI Series B common stock will be exchanged for one share of the corresponding series of Liberty Global common stock. UGC s public stockholders may elect to receive for each share of common stock owned either 0.2155 of a share of Liberty Global Series A common stock (plus cash for any fractional share interest) or $9.58 in cash. Cash elections will be subject to proration so that the aggregate cash consideration paid to UGC s stockholders does not exceed 20% of the aggregate value of the merger consideration payable to UGC s public stockholders. Completion of the transactions is subject to, among other conditions, approval of both companies stockholders, including an affirmative vote of a majority of the voting power of UGC Class A common stock not beneficially owned by our company, Liberty, any of our respective subsidiaries or any of the executive officers or directors of our company, Liberty, or UGC.

The proposed merger will be accounted for as a step acquisition by our company of the remaining minority interest in UGC. The purchase price in this step acquisition will include the consideration issued to UGC public stockholders to acquire the UGC interest not already owned by our company and the direct acquisition costs incurred by our company. As UGC was our consolidated subsidiary prior to the proposed mergers, the purchase price will first be applied to eliminate the minority interest in UGC from our consolidated balance sheet, and the remaining purchase price will be allocated on a pro rata basis to the identifiable assets and liabilities of UGC based upon their respective fair values at the effective date of the proposed merger and the 46.4% interest in UGC to be acquired by Liberty Global pursuant to the proposed mergers. Any excess purchase price that remains after amounts have been allocated to the net identifiable assets of UGC will be recorded as goodwill. As the acquiring company for accounting purposes, our company will be the predecessor

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
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December 31, 2004, 2003 and 2002 (Continued)

to Liberty Global and our historical financial statements will become the historical financial statements of Liberty Global.

Other. Liberty Cablevision Puerto Rico is a wholly-owned subsidiary that owns and operates cable television systems in Puerto Rico. Pramer is a wholly-owned Argentine programming company that supplies programming services to cable television and direct-to-home (DTH) satellite distributors in Latin America and Spain.

Significant equity method investments at December 31, 2004:

LMI/ Sumisho Super Media LLC (Super Media)

Jupiter Programming Co., Ltd. (JPC)

On December 28, 2004, our 45.45% ownership interest in Jupiter Telecommunications Co., Ltd. (J-COM), and a 19.78% interest in J-COM owned by Sumitomo Corporation were combined in Super Media. As a result of these transactions, we held a 69.68% noncontrolling interest in Super Media, and Super Media held an approximate 65.23% controlling interest in J-COM at December 31, 2004. At December 31, 2004, we accounted for our 69.68% interest in Super Media using the equity method. As a result of a change in the corporate governance of Super Media that occurred on February 18, 2005, we will begin accounting for Super Media as a consolidated subsidiary effective January 1, 2005. J-COM owns and operates broadband businesses in Japan.

JPC is a joint venture between Sumitomo and our company that primarily develops, manages and distributes pay television services in Japan on a platform-neutral basis through various distribution infrastructures, principally cable and DTH service providers.

For additional information concerning our equity affiliates, see note 6.

(2) Spin Off Transaction and Rights Offering

Spin Off Transaction

On June 7, 2004 (the Spin Off Date), our common stock was distributed on a pro rata basis to Liberty s shareholders as a dividend in connection with a spin off transaction. In connection with the spin off, holders of Liberty common stock on June 1, 2004 (the Record Date) received in the aggregate 139,921,145 shares of LMI Series A common stock for their shares of Liberty Series A common stock owned on the Record Date and 6,053,173 shares of LMI Series B common stock for their shares of Liberty Series B common stock owned on the Record Date. The number of shares of LMI common stock distributed in the spin off was based on a ratio of .05 of a share of LMI common stock for each share of Liberty common stock. The spin off was intended to qualify as a tax-free spin off.

In addition to the contributed subsidiaries and net assets that comprise our company, Liberty also contributed certain other assets and liabilities to our company in connection with the spin off, as set forth in the following table (amounts in thousands):

Cash and cash equivalents	$	50,000
Available-for-sale securities		561,130
Net deferred tax liability		(253,163)
Other net liabilities		(2,407)
	$	355,560

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LIBERTY MEDIA INTERNATIONAL, INC.
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The contributed available-for-sale securities included 5,000,000 American Depositary Shares (ADSs) for preferred limited voting ordinary shares of The News Corporation Limited (News Corp.) and a 99.9% economic interest in 345,000 shares of ABC Family Worldwide, Inc. (ABC Family) Series A preferred stock. Liberty also contributed a variable forward transaction with respect to the News Corp. ADSs. During the fourth quarter of 2004, the 5,000,000 News Corp. ADSs were converted into 10,000,000 shares of News Corp. s Class A non-voting common stock (News Corp. Class A common stock) pursuant to News Corp. s reincorporation from Australia to the United States. All of the following references to News Corp. shares herein give effect to such conversion. For financial reporting purposes, the contribution of the cash, available-for-sale securities, related deferred tax liability and other net liabilities is deemed to have occurred on June 1, 2004.

All of the net assets contributed to our company by Liberty in connection with the spin off have been recorded at Liberty s historical cost.

As a result of the spin off, we operate independently from Liberty, and neither we nor Liberty have any stock ownership, beneficial or otherwise, in the other. In connection with the spin off, we and Liberty entered into certain agreements in order to govern certain of the ongoing relationships between Liberty and our company after the spin off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Facilities and Services Agreement and a Tax Sharing Agreement. In addition, Liberty and our company entered into a Short-Term Credit Facility that has since been terminated.

The Reorganization Agreement provides for, among other things, the principal corporate transactions required to effect the spin off, the issuance of LMI stock options upon adjustment of certain Liberty stock incentive awards and the allocation of responsibility for LMI and Liberty stock incentive awards, cross indemnities and other matters. Such cross indemnities are designed to make (i) our company responsible for all liabilities related to the businesses of our company prior to the spin off, as well as for all liabilities incurred by our company following the spin off, and (ii) Liberty responsible for all of our potential liabilities that are not related to our businesses, including, for example, liabilities arising as a result of our company having been a subsidiary of Liberty.

The Facilities and Services Agreement and the Short-Term Credit Facility, are described in note 14, and the Tax Sharing Agreement is described in note 11.

Rights Offering

On July 26, 2004, we commenced a rights offering (the LMI Rights Offering) whereby holders of record of LMI common stock on that date received 0.20 transferable subscription rights for each share of LMI common stock held. Each whole right to purchase LMI Series A common stock entitled the holder to purchase one share of LMI Series A common stock at a subscription price of $25.00 per share. Each whole right to purchase LMI Series B common stock entitled the holder to purchase one share of LMI Series B common stock at a subscription price of $27.50 per share. Each whole Series A and Series B right entitled the holder to subscribe, at the same applicable subscription price pursuant to an oversubscription privilege, for additional shares of the applicable series of LMI common stock, subject to proration. The LMI Rights Offering expired in accordance with its terms on August 23, 2004. Pursuant to the terms of the LMI Rights Offering, we issued 28,245,000 shares of LMI Series A common stock and 1,211,157 shares of LMI Series B common stock in exchange for aggregate cash proceeds of $739,432,000, before deducting related offering costs of $3,771,000.

As a result of the LMI Rights Offering, the exercise price for LMI stock options outstanding at the time of the LMI Rights Offering was reduced by multiplying the exercise price by 94%, and the number of options outstanding was increased by dividing the number of the then outstanding LMI stock options by 94%. Unless

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otherwise noted, all references herein to the number of outstanding LMI stock options and the related exercise prices reflect these modified terms.

(3) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, deferred income taxes and related valuation allowances, loss contingencies, fair values of financial instruments, fair values of long-lived assets and any related impairments, capitalization of construction and installation costs, useful lives of property and equipment, restructuring accruals and other special items. Actual results could differ from those estimates.

We do not control the decision making process or business management practices of our equity affiliates. Accordingly, we rely on management of these affiliates and their independent auditors to provide us with accurate financial information prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) that we use in the application of the equity method. We are not aware, however, of any errors in or possible misstatements of the financial information provided by our equity affiliates that would have a material effect on our financial statements. For information concerning our equity method investments, see note 6.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect majority voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents, Restricted Cash and Short-Term Liquid Investments

Cash equivalents consist of all investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. Restricted cash includes cash held in escrow and cash held as collateral for lines of credit and other compensating balances. Cash restricted to a specific use is classified based on the expected timing of such disbursement. Short-term liquid investments include marketable equity securities, certificates of deposit, commercial paper, corporate bonds and government securities that have original maturities greater than three months but less than twelve months.

Receivables

Receivables are reflected net of an allowance for doubtful accounts. Such allowance aggregated $61,390,000 and $13,947,000 at December 31, 2004 and 2003, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. Generally, upon disconnection of a subscriber, the

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LIBERTY MEDIA INTERNATIONAL, INC.
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account is fully reserved. The allowance is maintained until either receipt of payment or collection of the account is no longer being pursued.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers and their dispersion across many different countries worldwide. We also manage this risk by disconnecting services to customers who are delinquent.

Investments

All debt and marketable equity securities held by our company are classified as available-for-sale and are carried at fair value. Unrealized holding gains and losses on securities that are classified as available-for-sale are carried net of taxes as a component of accumulated other comprehensive earnings (loss) in stockholders equity. Realized gains and losses generally are determined on an average cost basis. Other investments in which our ownership interest is less than 20% and that are not considered marketable securities are carried at cost. Securities transactions are recorded on the trade date.

For those investments in affiliates in which we have the ability to exercise significant influence, the equity method of accounting is used. Generally, we exercise significant influence through a voting interest between 20% and 50% and/or board representation and management authority. Under this method, the investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of our investment in, and advances and commitments to, the investee. If our investment in the common stock of an affiliate is reduced to zero as a result of the prior recognition of the affiliate s net losses, and we hold investments in other more senior securities of the affiliate, we would continue to record losses from the affiliate to the extent of these additional investments. The amount of additional losses recorded would be determined based on changes in the hypothetical amount of proceeds that would be received by us if the affiliate were to experience a liquidation of its assets at their current book values. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (Statement 142), the portion of the difference between our investment and our share of the net assets of the investee that represents goodwill (equity method goodwill) is no longer amortized, but continues to be considered for impairment under Accounting Principles Board Opinion No. 18. Our share of net earnings or losses of affiliates also includes any other-than-temporary declines in fair value recognized during the period.

Changes in our proportionate share of the underlying equity of a subsidiary or equity method investee, which result from the issuance of additional equity securities by such subsidiary or equity investee, are recognized as increases or decreases to additional paid-in capital.

We continually review our investments to determine whether a decline in fair value below the cost basis is other-than-temporary. The primary factors we consider in our determination are the length of time that the fair value of the investment is below our company s carrying value and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other-than-temporary, the cost basis of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, we use our best estimates and assumptions to arrive at the estimated fair value of such investment. Writedowns for cost investments and available-for-sale securities are included in the consolidated statements of operations as other-than-temporary declines in fair values of investments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

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Financial Instruments

At December 31, 2004 and 2003, the fair value and the carrying value of our debt were approximately equal. The carrying value of cash and cash equivalents, restricted cash, short-term liquid investments, receivables, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities approximate fair value, due to their short maturity. The fair values of equity securities are based upon quoted market prices, to the extent available, at the reporting date.

Derivative Instruments

We have entered into several derivative instrument contracts including total return bond swaps, variable forward transactions and foreign currency derivative instruments. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. None of the derivative instruments that were in effect during the three years ended December 31, 2004 were designated as hedges.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. In accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies,* we capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and applicable overhead costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop, and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband Internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed. Interest capitalized with respect to construction activities was not material during 2004, 2003 and 2002.

Depreciation is computed using the straight-line method over estimated useful lives of 2 to 25 years for cable distribution systems, 20 to 40 years for buildings and 3 to 15 years for support equipment. The useful lives used to depreciate cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed.

When property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation accounts are relieved of the applicable amounts and any difference is included in deprecation expense. The impact of such retirements and disposals was not material during 2004, 2003 and 2002.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

Intangible Assets

Our primary intangible assets are goodwill, cable television franchise rights, customer relationships and trade names. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired

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LIBERTY MEDIA INTERNATIONAL, INC.
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in a business combination. Cable television franchise rights, customer relationships, and trade names were originally recorded at their fair values in connection with business combinations.

Pursuant to Statement 142, goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also provides that equity method goodwill is not amortized, but will continue to be considered for impairment under Accounting Principles Board Opinion No. 18. Pursuant to Statement 142, intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (Statement 144).

We do not amortize our franchise rights and certain trade name intangible assets as we have concluded that these assets are indefinite-lived assets. Our customer relationship intangible assets are amortized on a straight line basis over estimated useful lives ranging from 4 to 10 years.

Effective January 1, 2002, we adopted Statement 142. Statement 142 required us to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, we identified our reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. Statement 142 requires us to consider equity method affiliates as separate reporting units. As a result, a portion of Liberty s enterprise-level goodwill balance was allocated to our reporting units, including several reporting units whose only asset was a single equity method investment. For example, a portion of Liberty s enterprise level goodwill was allocated to a separate reporting unit which included only our investment in J-COM. This allocation is performed for goodwill impairment testing purposes only and does not change the reported carrying value of the investment. However, to the extent that all or a portion of an equity method investment which is part of a reporting unit containing allocated goodwill is disposed of in the future, the allocated portion of goodwill will be relieved and included in the calculation of the gain or loss on disposal.

After we had allocated enterprise level goodwill to our reporting units, we determined the fair value of our reporting units using independent appraisals, public trading prices and other means. We then compared the fair value of each reporting unit to the reporting unit s carrying amount. To the extent a reporting unit s carrying amount exceeded its fair value, we performed the second step of the transitional impairment test. In the second step, we compared the implied fair value of the reporting unit s goodwill, determined by allocating the reporting unit s fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation, to its carrying amount, both of which were measured as of the date of adoption.

In situations where the implied fair value of a reporting unit s goodwill was less than its carrying value, we recorded a transitional impairment charge. As a result, during 2002, we recognized a $238,267,000 transitional impairment loss, after deducting taxes of $103,105,000, as the cumulative effect of a change in accounting principle. The foregoing transitional impairment loss included a pre-tax adjustment of $264,372,000, representing our proportionate share of transition adjustments recorded by UGC.

Impairment of Long-Lived Assets

Statement 144 requires that we periodically review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment

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adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Pursuant to Statement 142, we evaluate the goodwill and franchise rights for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and franchise rights may not be recoverable. For purposes of the goodwill evaluation, we compare the fair value of each of our reporting units to their respective carrying amounts. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit s goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Consistent with the provisions of Emerging Issue Task Force Issue No. 02-7, *Unit of Measure for Testing Impairment of Indefinite-Lived Assets,* we evaluate the recoverability of the carrying amount of our franchise rights based on the same asset groupings used to evaluate our long-lived assets because the franchise rights are inseparable from the other assets in the asset group. Any excess of the carrying value over the fair value for franchise rights is charged to operations as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future.

Foreign Currency Translation

The functional currency of our company is the U.S. dollar. The functional currency of our foreign operations generally is the applicable local currency for each foreign subsidiary and equity method investee. Assets and liabilities of foreign subsidiaries and equity investees are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations and our company s share of the results of operations of its equity affiliates are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings (loss) in the consolidated statement of stockholders equity. Cash flows from our operations in foreign countries are translated at actual exchange rates when known, or at the average rate for the period. The effect of exchange rates on cash balances held in foreign currencies are reported as a separate line item below cash flows from financing activities.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the statements of operations as unrealized (based on the applicable period end translation) or realized upon settlement of the transactions.

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Unless otherwise indicated, convenience translations into U.S. dollars are calculated as of December 31, 2004.

Revenue Recognition

Cable Network Revenue. We recognize revenue from the provision of video, telephone and Internet access services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to these services over our cable network is recognized as revenue in the period in which the installation occurs, to the extent these fees are equal to or less than direct selling costs, which are expensed. To the extent installation revenue exceeds direct selling costs, the excess fees are deferred and amortized over the average expected subscriber life. Costs related to reconnections and disconnections are recognized in the statement of operations as incurred.

Other Revenue. We recognize revenue from the provision of direct-to-home satellite services, or DTH, telephone and data services to business customers outside of our cable network in the period the related services are provided. Installation revenue (including reconnect fees) related to these services outside of our cable network is deferred and amortized over the average expected subscriber life. Costs related to reconnections and disconnections are recognized in the statement of operations as incurred.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recorded at the monthly rate, if any, charged to the subscriber.

Subscriber Advance Payments and Deposits. Payments received in advance for distribution services are deferred and recognized as revenue when the associated services are provided. Deposits are recorded as a liability upon receipt and refunded to the subscriber upon disconnection.

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share presents the dilutive effect on a per share basis of potential common shares (e.g. options and convertible securities) as if they had been converted at the beginning of the periods presented.

As described in note 2, we issued shares of LMI Series A common stock and LMI Series B common stock in connection with the spin off. The pro forma net earnings (loss) per share amounts set forth in the accompanying consolidated statements of operations were computed assuming that the shares issued in the spin off were issued and outstanding since January 1, 2003. In addition, the weighted average share amounts for periods prior to July 26, 2004, the date that certain subscription rights were distributed to our stockholders pursuant to the LMI Rights Offering, have been increased by 6,866,484 to give effect to the benefit derived by our stockholders as a result of the distribution of such subscription rights. The details of the calculations of our weighted average common shares outstanding are set forth in the following table:

	Year ended December 31,	
	2004	**2003**
Basic and diluted:		
Weighted average common shares outstanding before adjustment	158,597,222	145,974,318
Adjustment for July 2004 LMI Rights Offering	3,883,504	6,866,484
Weighted average common shares, as adjusted	162,480,726	152,840,802

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* The weighted average share amounts for all periods assume that the shares of LMI common stock issued in connection with the spin off were issued and outstanding since January 1, 2003.

At December 31, 2004, 4,768,254 potential common shares were outstanding. All of such potential common shares represent shares issuable upon the exercise of stock options that were issued in June 2004 and adjusted in connection with the LMI Rights Offering. Potential common shares have been excluded from the pro forma calculation of diluted earnings per share in 2004 because their inclusion would be anti-dilutive. Prior to the consummation of the spin off, no potential common shares were outstanding, and accordingly, there is no difference between basic and diluted earnings per share in 2003.

Stock Based Compensation

As a result of the spin off and related adjustments to Liberty s stock incentive awards, options to acquire an aggregate of 1,595,709 shares of LMI Series A common stock and 1,498,154 shares of LMI Series B common stock were issued to our and Liberty s employees. Consistent with Liberty s accounting for the adjusted Liberty stock options and stock appreciation rights prior to the Spin Off Date, we use variable-plan accounting to account for all LMI stock options issued as adjustments of Liberty s stock incentive awards in connection with the spin off.

In addition, options to acquire an aggregate of 453,206 shares of LMI Series A common stock and 1,568,562 shares of LMI Series B common stock were issued to LMI employees and directors in June 2004. Prior to the LMI Rights Offering, we used fixed-plan accounting to account for these LMI stock options. As a result of the modification of certain terms of the LMI stock options that were outstanding at the time of the LMI Rights Offering, we began accounting for these LMI options as variable-plan options. In addition, options to acquire an aggregate 7,000 shares of LMI Series A common stock were issued to LMI employees and directors subsequent to the LMI Rights Offering. These options were granted at fair market value and, as such, are accounted for using fixed-plan accounting.

As a result of the spin off and the related issuance of options to acquire LMI common stock, certain persons who remained employees of Liberty immediately following the spin off hold options to purchase LMI common stock and certain persons who are our employees hold options, stock appreciation rights (SARs) and options with tandem SARs with respect to Liberty common stock. Pursuant to the Reorganization Agreement, we are responsible for all stock incentive awards related to LMI common stock and Liberty is responsible for all stock incentive awards related to Liberty common stock regardless of whether such stock incentive awards are held by our or Liberty s employees. Notwithstanding the foregoing, our stock-based compensation expense is based on the stock incentive awards held by our employees regardless of whether such awards relate to LMI or Liberty common stock. Accordingly, any stock-based compensation that we include in our statements of operations with respect to Liberty stock incentive awards is treated as a capital transaction that is reflected as an adjustment of additional paid-in capital.

We account for our fixed and variable stock-based compensation plans using the intrinsic value method. Generally, under the intrinsic value method, (i) compensation expense for fixed-plan stock options is recognized only if the estimated fair value of the underlying stock exceeds the exercise price on the date of grant, in which case, compensation is recognized based on the percentage of options that are vested until the options are exercised, expire or are cancelled, and (ii) compensation for variable-plan options is recognized based upon the percentage of the options that are vested and the difference between the estimated fair value of the underlying common stock and the exercise price of the options at the balance sheet date, until the options are exercised, expire or are cancelled. We record stock-based compensation expense for our stock appreciation rights (SARs) using the accelerated expense attribution method. We record compensation expense for

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restricted stock awards based on the quoted market price of our stock at the date of grant and the vesting period. As a result of the modification of certain terms of its stock options in connection with its February 2004 rights offering, UGC began accounting for its stock options that it granted prior to February 2004 as variable plan options. UGC stock options granted subsequent to February 2004 are accounted for as fixed-plan options. Most of the stock-based compensation included in our consolidated statements of operations in 2004 is attributable to UGC s stock incentive awards.

The following table illustrates the effect on net earnings (loss) and earnings (loss) per share as if we had applied the fair value recognition provisions of SFAS 123, *Accounting for Stock-Based Compensation,* (Statement 123) to our outstanding options. As the accounting for the liability-based SARs is the same under the intrinsic value method and the fair value method, the pro forma adjustments included in the following table do not include amounts related to our calculation of compensation expense related to SARs or to options with tandem SARs:

	Year ended December 31,		
	2004	2003	2002
	amounts in thousands, except per share amounts		
Net earnings (loss)	$ (31,758)	20,889	(568,154)
Add stock-based compensation charges as determined under the intrinsic value method, net of taxes	51,524		
Deduct stock compensation charges as determined under the fair value method, net of taxes	(29,904)	(832)	(1,498)
Pro forma net earnings (loss)	$ (10,138)	20,057	(569,652)
Basic and diluted earnings (loss) from continuing operations per share:			
As reported	$ (0.20)	0.14	
Pro forma	$ (0.06)	0.13	

(4) Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (Statement No. 123(R)), which is a revision of Statement 123, as amended by Statement No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure and Amendment of Statement No. 123* (Statement 148). Statement No. 123(R) supersedes Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees* (APB 25) and amends certain provisions of Statement No. 95, *Statement of Cash Flows.* Statement No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. In addition, Statement No. 123(R) will cause unrecognized expense (based on the amounts in our pro forma footnote disclosure) related to options vesting after the date of initial adoption to be recognized as a charge to operations over the remaining vesting period. We are required to adopt Statement No. 123(R) in our third quarter of 2005, beginning

July 1, 2005. Under Statement No. 123(R), we must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of

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adoption. The transition alternatives include prospective and retroactive adoption methods. Under the retroactive methods, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and share awards at the beginning of the first quarter of adoption of Statement No. 123(R), while the retroactive methods would record compensation expense for all unvested stock options and share awards beginning with the first period restated. We are evaluating the requirements of Statement No. 123(R) and we expect that the adoption of Statement No. 123(R) will have a material impact on our consolidated results of operations and earnings per share. We have not yet determined the method of adoption for Statement No. 123(R).

(5) Acquisitions

Acquisition of Controlling Interest in UGC

On January 5, 2004, we completed a transaction pursuant to which UGC s founding shareholders (the Founders) transferred 8.2 million shares of UGC Class B common stock to our company in exchange for 12.6 million shares of Liberty Series A common stock valued, for accounting purposes, at $152,122,000 and a cash payment of $12,857,000. We also incurred $2,970,000 of acquisition costs in connection with this transaction (the UGC Founders Transaction). The UGC Founders Transaction was the last of a number of independent transactions that occurred from 2001 through January 2004 pursuant to which we acquired our controlling interest in UGC. For information concerning our transactions with UGC during 2003 and 2002, see note 6.

Our acquisition of 281.3 million shares of UGC common stock in January 2002 gave us a greater than 50% economic interest in UGC, but due to certain voting and standstill arrangements, we used the equity method to account for our investment in UGC through December 31, 2003. Upon closing of the January 5, 2004 transaction, the restrictions on the exercise by us of our voting power with respect to UGC terminated, and we gained voting control of UGC. Accordingly, UGC has been accounted for as a consolidated subsidiary and included in our financial position and results of operations since January 1, 2004. We have accounted for our acquisition of UGC as a step acquisition, and have allocated our investment basis to our pro rata share of UGC s assets and liabilities at each significant acquisition date based on the estimated fair values of such assets and liabilities on such dates. Prior to the acquisition of the Founders shares, our investment basis in UGC had been reduced to zero as a result of the prior recognition of our share of UGC s losses. The following

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table reflects the amounts allocated to our assets and liabilities upon completion of the January 2004 acquisition of the Founders shares (amounts in thousands):

Cash	$	310,361
Other current assets		298,826
Property and equipment		3,386,252
Goodwill		2,023,374
Customer relationships(1)		379,093
Trade names		62,441
Other intangible assets		4,532
Investments and other assets		347,542
Current liabilities		(1,407,275)
Long-term debt		(3,615,902)
Deferred income taxes		(754,111)
Other liabilities		(259,492)
Minority interest		(607,692)
Aggregate purchase price		167,949
Issuance of Liberty common stock		(152,122)
Aggregate cash consideration (including direct acquisition costs)	$	15,827

(1) The estimated weighted-average amortization period on January 1, 2004 for the intangible asset associated with customer relationships was 4.9 years.

We have entered into a new Standstill Agreement with UGC that limits our ownership of UGC common stock to 90% of the outstanding common stock unless we make an offer or effect another transaction to acquire all outstanding UGC common stock. Under certain circumstances, such an offer or transaction would require an independent appraisal to establish the price to be paid to stockholders unaffiliated with us. Subsequent to December 31, 2004, we and UGC entered into a merger agreement whereby a newly-formed holding company will acquire all of the capital stock of our company and all of the capital stock of UGC not owned by our company. For additional information, see note 1.

During 2004, we also purchased an additional 20 million shares of UGC Class A common stock pursuant to certain pre-emptive rights granted to our company by UGC. The $152,284,000 purchase price for such shares was comprised of (i) the cancellation of indebtedness due from subsidiaries of UGC to certain of our subsidiaries in the amount of $104,462,000 (including accrued interest) and (ii) $47,822,000 in cash. As UGC was one of our consolidated subsidiaries at the time of these purchases, the effect of these purchases was eliminated in consolidation.

Also, in January 2004, UGC initiated a rights offering pursuant to which holders of each of UGC s Class A, Class B and Class C common stock received 0.28 transferable subscription rights to purchase a like class of common stock for each share of UGC common stock owned by them on January 21, 2004. The rights offering expired on February 12, 2004. UGC received cash proceeds of approximately $1.02 billion from the rights offering. As a holder of UGC Class A, Class B and Class C common stock, we participated in the rights offering and exercised our rights to purchase 90.7 million shares for a total cash purchase price of $544,250,000.

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PHL

On May 20, 2004, we acquired all of the issued and outstanding ordinary shares of Princes Holdings Limited (PHL) for 2,447,000, including 447,000 of acquisition costs ($2,918,000 at May 20, 2004). PHL, through its subsidiary Chorus Communications Limited, owns and operates broadband communications systems in Ireland. In connection with this acquisition, we loaned an aggregate of 75,000,000 ($89,483,000 as of May 20, 2004) to PHL. The proceeds from this loan were used by PHL to discharge liabilities pursuant to a debt restructuring plan and to provide funds for capital expenditures and working capital. In June 2004, LMI loaned PHL an additional 4,500,000 ($6,137,000), for a total of 79,500,000 ($108,414,000) as of December 31, 2004. This loan bears interest at 1.75% per annum. In addition to the amounts loaned to PHL as of December 31, 2004, we have committed to loan to PHL up to 10,000,000 ($13,637,000) at December 31, 2004.

We have accounted for this acquisition using the purchase method of accounting. For financial reporting purposes, the PHL acquisition is deemed to have occurred on June 1, 2004. The purchase price allocation for this acquisition is as follows (amounts in thousands):

Cash and cash equivalents	$	14,473
Other current assets		7,423
Property and equipment		75,172
Customer relationships(1)		10,239
Goodwill		24,023
Current liabilities		(26,078)
Subscriber advance payments and deposits		(12,851)
Debt		(89,483)
Aggregate cash consideration (including acquisition costs)	$	2,918

(1) The estimated weighted-average amortization period at acquisition for the intangible asset associated with customer relationships was 4 years.

On December 16, 2004, UGC acquired our interest in PHL in exchange for 6,413,991 shares of UGC Class A common stock, valued for accounting purposes at $58,303,000 on that date. In connection with UGC s acquisition of our interest in PHL, UGC committed to refinance our loans to PHL no later than June 16, 2005. We and UGC accounted for this transaction as a reorganization of entities under common control at historical cost, similar to a pooling of interests. Under reorganization accounting, UGC consolidated the financial position and results of operations of PHL using LMI s historical cost, as if this transaction had been consummated by UGC as of May 20, 2004 (June 1, 2004 for financial reporting purposes), the date of the original acquisition of PHL by our company. As UGC was a consolidated subsidiary of LMI at the time of this transaction, the shares of UGC Class A common stock received by LMI were eliminated in consolidation.

Noos

On July 1, 2004, UPC Broadband France SAS (UPC Broadband France), an indirect subsidiary of UGC and the owner of UGC s French broadband video and Internet access operations, acquired Suez-Lyonnaise Télécom SA (Noos), from Suez SA (Suez). Noos is a provider of digital and analog cable television services and high-speed Internet access services in France. UPC Broadband France purchased Noos to achieve certain financial, operational and strategic benefits through the integration of Noos with its French operations and the

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creation of a platform for further growth and innovation in Paris and its remaining French systems. The preliminary purchase price was subject to a review of certain historical financial information of Noos and UPC Broadband France. In January 2005, UGC completed its purchase price review with Suez, which resulted in a 42,844,000 ($52,128,000) reduction in the purchase price. The receivable that resulted from this purchase price reduction is included in other receivables in our consolidated balance sheet. The final purchase price for Noos was approximately 567,102,000 ($689,989,000), consisting of 487,085,000 ($592,633,000) in cash and a 19.9% equity interest in UPC Broadband France, valued at approximately 71,339,000 ($86,798,000). Acquisition costs totaled 8,678,000 ($10,558,000). UGC accounted for this transaction as the acquisition of an 80.1% interest in Noos and the sale of a 19.9% interest in UPC Broadband France. Under the purchase method of accounting, the preliminary purchase price was allocated to the acquired identifiable tangible and intangible assets and liabilities based upon their respective fair values. UGC recorded a loss of approximately 9,679,000 ($11,776,000) associated with the dilution of its ownership interest in UPC Broadband France as a result of the Noos transaction. Our $6,102,000 share of this loss is reflected as a reduction of additional paid-in capital in our consolidated statement of stockholders equity.

The following table presents the purchase price allocation for UGC s acquisition of an 80.1% interest in Noos, together with the effects of the sale of a 19.9% interest in UGC s historical French operations (amounts in thousands):

Working capital	$	(106,744)
Property, plant and equipment		769,852
Intangible assets(1)		11,815
Other long-term assets		4,066
Other long-term liabilities		(7,099)
Minority interest		(91,033)
Equity in UPC Broadband France		11,776
Cash consideration for Noos		592,633
Less cash acquired		(18,791)
Net cash consideration for Noos	$	573,842

(1) The estimated weighted-average amortization period for the intangible assets (favorable programming contract and tradename) at acquisition was 3.8 years.

The allocation above was made based on UGC s assessment of the fair value of the assets and liabilities of Noos. As of December 31, 2004, this assessment had not been finalized, but UGC does not expect further significant purchase accounting adjustments. Minority interest was computed based on 19.9% of the fair value of our historical French operations and 19.9% of the historical carrying amount of Noos.

Suez 19.9% interest in UPC Broadband France consists of 85,000,000 shares of Class B common stock of UPC Broadband France (the Class B Shares). Subject to the terms of a call option agreement, UPC France Holding BV (UPC France), UGC s indirect wholly owned subsidiary, has the right through June 30, 2005 to purchase from Suez all of the Class B Shares for 85,000,000, subject to adjustment, plus interest. The purchase price for the Class B Shares may be paid in cash, UGC Class A common stock or LMI Series A common stock. Subject to the terms of a put option, Suez may require UPC France to purchase the Class B Shares at specific times prior to or after the third, fourth or fifth anniversaries of the purchase date.

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UPC France will be required to pay the then fair value, payable in cash, UGC common stock or LMI Series A common stock, for the Class B Shares or assist Suez in obtaining an offer to purchase the Class B Shares. UPC France also has the option to purchase the Class B Shares from Suez shortly after the third, fourth or fifth anniversaries of the purchase date at the then fair value in cash, UGC Class A common stock or LMI Series A common stock.

Pro Forma Information

The following unaudited pro forma condensed consolidated operating results give effect to the UGC, PHL and Noos transactions as if they had been completed as of January 1, 2004 (for 2004 results) and as of January 1, 2003 (for 2003 results). These pro forma amounts are not necessarily indicative of operating results that would have occurred if the UGC, PHL and Noos acquisitions had occurred on such dates. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable:

	Years ended December 31,	
	2004	2003
	amounts in thousands, except per share amounts	
Revenue	$ 2,877,159	2,429,548
Net loss	$ (44,158)	(690,869)
Loss per share	$ (0.27)	(4.52)

(6) Investments in Affiliates Accounted for Using the Equity Method

Our affiliates generally are engaged in the cable and/or programming businesses in various foreign countries. The following table includes our company s carrying value and approximate percentage ownership of our more significant investments in affiliates:

	December 31, 2004		December 31, 2003
	Percentage Ownership	Carrying Amount	Carrying Amount
		amounts in thousands, except percent amounts	
Super Media/ J-COM	70%	$ 1,052,468	1,330,602
JPC	50%	290,224	259,571
Telenet Group Holdings N.V. (Telenet)	19%	232,649	
Mediatti Communications, Inc. (Mediatti)	37%	58,586	
Metrópolis-Intercom S.A. (Metrópolis),	50%	57,344	52,223
Other	Various	174,371	98,156
		$ 1,865,642	1,740,552

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The following table sets forth our share of earnings (losses) of affiliates including any writedowns for other-than-temporary declines in fair value:

	Year ended December 31,		
	2004	2003	2002
	amounts in thousands		
Super Media/ J-COM	$ 45,092	20,341	(21,595)
JPC	14,644	11,775	5,801
Mediatti	(2,331)		
Metrópolis	(8,355)	(8,291)	(80,394)
UGC			(190,216)
Other	(10,340)	(10,086)	(44,821)
	$ 38,710	13,739	(331,225)

Our share of earnings (losses) of affiliates includes losses related to other-than-temporary declines in the value of our equity method investments of $25,973,000, $12,616,000, and $72,030,000 during 2004, 2003 and 2002, respectively. Substantially all of such losses relate to our affiliates that operate in Latin America.

At December 31, 2004 and 2003, the aggregate carrying amount of our investments in affiliates exceeded our proportionate share of our affiliates net assets by $757,235,000 and $690,332,000, respectively. Any calculated excess costs on investments are allocated on an estimated fair value basis to the underlying assets and liabilities of the investee. Amounts associated with assets other than goodwill and indefinite lived intangible assets are amortized over their estimated useful lives.

Super Media/ J-COM

J-COM was incorporated in 1995 to own and operate broadband businesses in Japan. The functional currency of J-COM is the Japanese yen. On December 28, 2004, our 45.45% ownership interest in J-COM, and a 19.78% interest in J-COM owned by Sumitomo Corporation (Sumitomo) were combined in Super Media. As a result of these transactions, we held a 69.68% noncontrolling interest in Super Media, and Super Media held a 65.23% controlling interest in J-COM at December 31, 2004. At December 31, 2004, Sumitomo also held a 12.25% direct interest in J-COM and Microsoft Corporation (Microsoft) held a 19.46% beneficial interest in J-COM. Subject to certain conditions, Sumitomo has the obligation to contribute to Super Media substantially all of its remaining 12.25% equity interest in J-COM during 2005. Also, Sumitomo and we are generally required to contribute to Super Media any additional shares of J-COM that either of us acquires and to permit the other party to participate in any additional acquisition of J-COM shares during the term of Super Media.

Due to certain veto rights held by Sumitomo, we accounted for our 69.68% ownership interest in Super Media using the equity method of accounting at December 31, 2004. On February 18, 2005, J-COM announced an initial public offering of its common shares in Japan. Under the terms of the operating agreement of Super Media, our casting or tie-breaking vote with respect to decisions of the management committee became effective upon this announcement. Super Media is managed by a management committee consisting of two members, one appointed by us and one appointed by Sumitomo. From and after February 18, 2005, the management committee member appointed by us has a casting or deciding vote with respect to any management committee decision that we and Sumitomo are unable to

agree on, with the exception of the terms of the initial public offering of J-COM. Certain decisions with respect to Super Media will continue to require the consent of both members rather than the management committee. These include any decision to engage in any business other than holding J-COM shares, sell J-COM shares, issue additional units in Super

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Media, make in-kind distributions or dissolve Super Media, in each case other than as contemplated by the Super Media operating agreement.

As a result of the above-described change in the governance of Super Media, we will begin accounting for Super Media and J-COM as consolidated subsidiaries effective January 1, 2005. If all of the J-COM shares offered for sale by J-COM in the initial public offering are sold (including pursuant to the underwriters over-allotment option). Super Media s equity interests in J-COM will be diluted to approximately 52.84%.

Super Media will be dissolved in February 2010 unless we and Sumitomo mutually agree to extend the term. Super Media may also be earlier dissolved under specified circumstances.

On August 6, 2004, J-COM used cash proceeds received pursuant to capital contributions from our company, Sumitomo and Microsoft to repay shareholder loans with an aggregate principal amount of ¥30,000 million ($275,660,000 at August 6, 2004). Such amount includes ¥14,065 million ($129,237,000 at August 6, 2004) of shareholder loans held by us that were effectively converted to equity in these transactions. Such transactions did not materially impact the J-COM ownership interests of our company, Sumitomo or Microsoft.

On December 21, 2004, we received cash proceeds of ¥42,755 million ($410,080,000 at December 21, 2004) in repayment of all principal and interest due to our company from J-COM pursuant to then outstanding shareholder loans. In connection with this transaction, we recognized in our statement of operations foreign currency translation gains of $55,350,000 that previously had been reflected in accumulated other comprehensive earnings and deferred taxes.

On February 25, 2005, J-COM acquired the respective interests of Sumitomo, Microsoft and our company in Chofu Cable, Inc. (Chofu Cable), a Japanese broadband communications provider, for cash consideration of ¥2,884 million ($27,358,000 at February 25, 2005), of which ¥972 million ($9,223,000 at February 25, 2005) was paid to our company for our equity method investment in Chofu Cable. As a result of this acquisition, J-COM owns an approximate 92% equity interest in Chofu Cable.

In 2003, we purchased an 8% equity interest in J-COM from Sumitomo for $141,000,000 in cash, and we and Sumitomo each converted certain shareholder loans to equity interests in J-COM.

Summarized financial information for J-COM is as follows:

		December 31,	
		2004	2003
		amounts in thousands	
Financial Position			
Investments	$	65,178	52,962
Property and equipment, net		2,441,196	2,274,632
Intangible and other assets, net		1,783,162	1,601,596
Total assets	$	4,289,536	3,929,190
Debt	$	2,260,805	2,378,698
Other liabilities		677,595	649,229
Owners equity		1,351,136	901,263
Total liabilities and equity	$	4,289,536	3,929,190

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		Year ended December 31,		
		2004	2003	2002
		amounts in thousands		
Results of Operations				
Revenue	$	1,504,709	1,233,492	930,736
Operating, selling, general and administrative expenses		(915,112)	(805,174)	(719,590)
Stock-based compensation		(783)	(840)	(494)
Depreciation and amortization		(378,868)	(313,725)	(240,042)
Operating income (loss)		209,946	113,753	(29,390)
Interest expense, net		(94,958)	(68,980)	(33,381)
Other, net		(15,532)	1,335	2,579
Net earnings (loss)	$	99,456	46,108	(60,192)

JPC

JPC, a 50% joint venture formed in 1996 by our company and Sumitomo, is a programming company in Japan, which owns and invests in a variety of channels including *Shop Channel*. The functional currency of JPC is the Japanese yen. At December 31, 2004, our investment in JPC included ¥500 million ($4,882,000) of shareholder loans to JPC. Such loans are denominated in Japanese yen and bear interest at variable rates (1.55% at December 31, 2004). Such shareholder loans are due and payable on July 26, 2008.

On April 22, 2004, JPC issued 24,000 shares of JPC ordinary shares to Sumitomo for ¥6 billion ($54,260,000 as of April 22, 2004). On April 26, 2004, JPC paid ¥3 billion ($27,677,000 as of April 26, 2004) to each of our company and Sumitomo to redeem 12,000 shares of JPC ordinary shares from each shareholder. On April 27, 2004, we transferred our 100% indirect ownership interest in Liberty J-Sports, Inc. (Liberty J-Sports), the owner of an indirect minority interest in J-SPORTS Broadcasting Corporation, to JPC in exchange for 24,000 ordinary shares of JPC valued at ¥6 billion ($54,805,000 as of April 27, 2004). We recognized a $25,256,000 gain on this transaction, representing the excess of the cash received from the earlier share redemption over 50% of our historical cost basis in Liberty J-Sports.

Telenet

On December 16, 2004, chellomedia Belgium I BV and chellomedia Belgium II BV, UGC s indirect wholly owned subsidiaries (collectively, chellomedia Belgium), acquired our wholly owned subsidiary Belgian Cable Holdings (BCH) for $121,068,000 in cash. BCH s only assets were debt securities of Callahan Partners Europe (CPE) and one of two entities majority-owned by CPE (the InvestCos), and certain related contract rights. This purchase price was equal to our cost basis in these debt securities, which included an unrealized gain of $10,517,000. On December 17, 2004, UGC entered into a restructuring transaction with CPE and certain other parties. In this restructuring, BCH contributed approximately $137,950,000 in cash and the debt security of the InvestCo to Belgian Cable Investors, LLC (Belgian Cable Investors) in exchange for a 78.4% common equity interest and 100% preferred equity interest in Belgian Cable Investors. CPE owns the remaining 21.6% interest in Belgian Cable Investors. Belgian Cable Investors distributed approximately $115,592,000 in cash to CPE, which used the proceeds to repurchase the debt securities of

CPE held by BCH. Belgian Cable Investors holds an indirect 14.1% interest in Telenet Group Holding NV (Telenet) and certain call options expiring in 2007 and 2009 to acquire 3.36 million shares (11.6%) and 5.11 million shares (17.6%),

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respectively, of the outstanding equity of Telenet from existing shareholders. Belgian Cable Investors indirect 14.1% interest in Telenet results from its majority ownership of the InvestCos, which hold in the aggregate 18.99% of the stock of Telenet, and a shareholders agreement among Belgian Cable Investors and three unaffiliated investors in the InvestCos that governs the voting and disposition of 21.36% of the stock of Telenet, including the stock held by the InvestCos. Telenet is a cable system operator in Belgium.

The restructuring was accounted for as a fair value transaction, in which BCH effectively transferred its debt securities and approximately $22,358,000 in return for an equity interest in Belgian Cable Investors. As this was a transaction consummated at fair value, we recognized the $10,517,000 unrealized gain associated with the CPE and InvestCo debt securities as a realized gain in our consolidated statement of operations. We have determined that the InvestCos are variable interest entities, in which Belgian Cable Investors is the primary beneficiary. Certain of the securities of the InvestCos held by the InvestCos shareholders have a mandatory redemption feature, and accordingly, we have classified such securities attributable to the other shareholders of the InvestCos as debt. See note 10. In our preliminary allocation of the purchase price, we have allocated $232,649,000 to the investment in Telenet and the call options to purchase additional shares of Telenet, and have allocated $87,821,000 to the InvestCos securities that we have classified as debt, based on our preliminary assessment of fair values. We expect our purchase price allocation to be finalized during the first quarter of 2005. For financial reporting purposes, the restructuring transaction was deemed to have occurred on December 31, 2004.

Pursuant to the Telenet shareholders agreement, the InvestCos are able to vote a 25% interest plus one vote on certain Telenet matters that require a 75% vote to pass. In addition, through its interest in the InvestCos, UGC has two representatives on Telenet s board of directors. Based on the InvestCos voting ability, board membership and ability to acquire significantly more direct ownership of Telenet through the call options, UGC believes that the InvestCos exercise significant influence over Telenet. Therefore, we account for our indirect investment in Telenet using the equity method of accounting.

Pursuant to the agreement with CPE governing Belgian Cable Investors, CPE has the right to require BCH to purchase all of CPE s interest in Belgian Cable Investors for the then appraised fair value of such interest during the first 30 days of every six-month period beginning in December 2007. BCH has the corresponding right to require CPE to sell all of its interest in Belgian Cable Investors to BCH for appraised fair value during the first 30 days of every six-month period following December 2009.

Mediatti

During 2004, we completed three transactions that resulted in our acquisition of 21,572 Mediatti shares for an aggregate cash purchase price of ¥6,257 million ($59,129,000). Mediatti is a provider of cable television and high speed Internet access services in Japan. Our interest in Mediatti is held through Liberty Japan MC, LLC, (Liberty Japan MC) a company of which we own approximately 93.1% and Sumitomo owns approximately 6.9%. Sumitomo has the option until February 2006 to increase its ownership interest in Liberty Japan MC to up to 50%.

Liberty Japan MC owns a 36.4% voting interest in Mediatti and an additional 0.87% interest that has limited veto rights. Liberty Japan MC has the option until February 2006 to acquire from Mediatti up to 9,463 additional shares in Mediatti at a price of ¥290,000 ($3,000) per share. If such option is fully exercised, Liberty Japan MC s interest in Mediatti will be approximately 46%. The additional interest that Liberty Japan MC has the right to acquire may initially be in the form of non-voting Class A shares, but it is expected that any Class A shares owned by Liberty Japan MC will be converted to voting common stock.

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Liberty Japan MC, Olympus Mediacom L.P. (Olympus Mediacom) and two minority shareholders of Mediatti have entered into a shareholders agreement pursuant to which Liberty Japan MC has the right to nominate three of Mediatti s seven directors and which requires that significant actions by Mediatti be approved by at least one director nominated by Liberty Japan MC.

The Mediatti shareholders who are party to the shareholders agreement have granted to each other party whose ownership interest is greater than 10%, a right of first refusal with respect to transfers of their respective interests in Mediatti. Each shareholder also has tag-along rights with respect to such transfers. Olympus Mediacom has a put right that is first exercisable during July 2008 to require Liberty Japan MC to purchase all of its Mediatti shares at fair market value. If Olympus exercises such right, the two minority shareholders who are party to the shareholders agreement may also require Liberty Japan MC to purchase their Mediatti shares at fair market value. If Olympus Mediacom does not exercise such right, Liberty Japan MC has a call right that is first exercisable during July 2009 to require Olympus Mediacom and the minority shareholders to sell their Mediatti shares to Liberty Japan MC at fair market value. If both the Olympus Mediacom put right and the Liberty Japan MC call right expire without being exercised during the first exercise period, either may thereafter exercise its put or call right, as applicable, until October 2010.

Metrópolis

We hold a 50% interest in Metrópolis, a cable operator in Chile. On January 23, 2004, we, Liberty and CristalChile entered into an agreement pursuant to which each agreed to use its respective commercially reasonable efforts to combine the businesses of Metrópolis and VTR GlobalCom S.A. (VTR), a wholly owned subsidiary of UGC that owns UGC s Chilean operations. If the proposed combination is consummated, UGC would own 80% of the voting and equity rights in the combined entity, and CristalChile would own the remaining 20%. We would also receive a promissory note (the amount of which is subject to negotiation) from the combined entity, which would be unsecured and subordinated to third party debt. In addition, CristalChile would have a put right which would allow CristalChile to require UGC to purchase all, but not less than all, of its interest in the combined entity at the fair value of the interest, subject to a minimum price of $140 million. This put right will end on the tenth anniversary of the combination. Liberty has agreed to perform UGC s obligations under CristalChile s put if UGC does not do so and, in connection with the spin off, we agreed to indemnify Liberty against its obligations with respect to CristalChile s put right. If the merger does not occur, we and CristalChile have agreed to fund our pro rata share of a capital call sufficient to retire Metropolis local debt facility, which had an outstanding principal amount of Chilean pesos 30.2 billion ($54,399,000) at December 31, 2004. The combination is subject to certain conditions, including the execution of definitive agreements, Chilean regulatory approval, the approval of the respective boards of directors of the relevant parties (including, in the case of UGC, the independent members of UGC s board of directors) and the receipt of necessary third party approvals and waivers. The Chilean antitrust authorities approved the combination in October 2004 subject to certain conditions. The primary conditions require that the combined entity (i) re-sell broadband capacity to third party Internet service providers on a wholesale basis; (ii) activate two-way capacity on all portions of the combined network within five years; and (iii) limit basic tier price increases to the rate of inflation plus a programming cost escalator over the next three years. An action was filed with the Chilean Supreme Court seeking to reverse such approval, but the action was dismissed on March 10, 2005. We, CristalChile and UGC are currently negotiating the terms of the definitive agreements for the combination.

Due to increased competition, losses in subscribers and a decrease in operating income in 2002, we determined that the carrying value of our investment in Metrópolis including allocated enterprise-level goodwill, exceeded the estimated fair value of this investment, which fair value was based on a per-subscriber valuation. Accordingly, we recorded an other-than-temporary decline in value of $66,555,000, which is included in share

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of losses of affiliates in 2002, and an impairment of long-lived assets of $39,000,000 related to the allocated enterprise-level goodwill for Metrópolis.

UGC

On January 30, 2002, our company and UGC completed a transaction (the 2002 UGC Transaction) pursuant to which UGC was formed to own Old UGC, Inc. (Old UGC) (formerly known as UGC Holdings, Inc.). Upon consummation of the 2002 UGC Transaction, all shares of Old UGC common stock were exchanged for shares of common stock of UGC. In addition, we contributed (i) cash consideration of $200,000,000, (ii) a note receivable from Belmarken Holding B.V., (Belmarken) an indirect subsidiary of Old UGC, with an accreted value of $891,671,000 and a carrying value of $495,603,000 (the Belmarken Loan) and (iii) Senior Notes and Senior Discount Notes of United-Pan Europe Communications N.V. (UPC), a subsidiary of Old UGC, with an aggregate carrying amount of $270,398,000 to UGC in exchange for 281.3 million shares of UGC Class C common stock with a fair value of $1,406,441,000. We accounted for the 2002 UGC Transaction as the acquisition of an additional noncontrolling interest in UGC in exchange for monetary financial instruments. Accordingly, we calculated a $440,440,000 gain on the transaction based on the difference between the estimated fair value of the financial instruments and their carrying value. Due to our continuing indirect ownership in the assets contributed to UGC, our company limited the amount of gain it recognized to the minority shareholders attributable share (approximately 28%) of such assets or $122,618,000 (before deferred tax expense of $47,821,000).

Also on January 30, 2002, UGC acquired from our company our debt and equity interests in IDT United, Inc. and $751 million principal amount at maturity of UGC s $1,375 million 10% senior secured discount notes due 2008 (2008 Notes), which had been distributed to us in redemption of a portion of our interest in IDT United and repayment of a portion of IDT United s debt to our company. IDT United was formed as an indirect subsidiary of IDT Corporation for purposes of effecting a tender offer for all outstanding 2008 Notes at a purchase price of $400 per $1,000 principal amount at maturity, which tender offer expired on February 1, 2002. The aggregate purchase price for our interest in IDT United of $448 million equaled the aggregate amount we had invested in IDT United, plus interest. Approximately $305 million of the purchase price was paid by the assumption by UGC of debt owed by our company to a subsidiary of Old UGC, and the remainder was credited against our company s $200 million cash contribution to UGC described above. In connection with the 2002 UGC Transaction, a subsidiary of our company made loans to a subsidiary of UGC aggregating $103 million. Such loans accrued interest at 8% per annum.

At December 31, 2003, we owned approximately 296 million shares of UGC common stock, or an approximate 50% economic interest and an 87% voting interest in UGC. Pursuant to certain voting and standstill arrangements, we were unable to exercise control of UGC, and accordingly, we used the equity method of accounting for our investment through December 31, 2003.

Because we had no commitment to make additional capital contributions to UGC, we suspended recording our share of UGC s losses when the carrying value of our investment in UGC was reduced to zero in 2002.

On September 3, 2003, UPC completed a restructuring of its debt instruments and emerged from bankruptcy. Under the terms of the restructuring, approximately $5.4 billion of UPC s debt was exchanged for equity of UGC Europe, Inc., a new holding company of UPC (UGC Europe). Upon consummation, UGC received approximately 65.5% of UGC Europe s equity in exchange for UPC debt securities that it owned; third-party noteholders received approximately 32.5% of UGC Europe s equity; and existing preferred and ordinary shareholders, including UGC, received 2% of UGC Europe s equity.

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On December 18, 2003, UGC completed its offer to exchange its Class A common stock for the outstanding shares of UGC Europe common stock that it did not already own. Upon completion of the exchange offer, UGC owned 92.7% of the outstanding shares of UGC Europe common stock. On December 19, 2003, UGC effected a short-form merger with UGC Europe. In the short-form merger, each share of UGC Europe common stock not tendered in the exchange offer was converted into the right to receive the same consideration offered in the exchange offer, and UGC acquired the remaining 7.3% of UGC Europe. In connection with UGC s acquisition of the minority interest in UGC Europe, we calculated a $680,488,000 gain due to the dilutive effect on our investment in UGC and the implied per share value of the exchange offer. However, as we had suspended recording losses of UGC in 2002 and these suspended losses exceeded the aforementioned gain, we did not recognize the gain in our consolidated financial statements.

As discussed in detail in note 5, on January 5, 2004, we completed a transaction pursuant to which we gained voting control of UGC. Accordingly, UGC has been accounted for as a consolidated subsidiary and included in our financial position and results of operations since January 1, 2004.

Summarized financial information for UGC as of December 31, 2003 and for 2003 and 2002 is as follows:

	December 31, 2003 amounts in thousands	
Financial Position		
Current assets	$	622,321
Property and equipment, net		3,342,743
Intangible and other assets, net		3,134,607
Total assets	$	7,099,671
Debt, including liabilities subject to compromise	$	4,351,905
Other liabilities		1,252,513
Minority interest		22,761
Shareholders equity		1,472,492
Total liabilities and equity	$	7,099,671

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	Year ended December 31,	
	2003	2002
	amounts in thousands	
Results of Operations		
Revenue	$ 1,891,530	1,515,021
Operating, selling, general and administrative expenses	(1,262,648)	(1,218,647)
Depreciation and amortization	(808,663)	(730,001)
Impairment of long-lived assets, restructuring charges and stock-based compensation	(476,233)	(465,655)
Operating loss	(656,014)	(899,282)
Interest expense	(327,132)	(680,101)
Gain on extinguishment of debt	2,183,997	2,208,782
Share of earnings (losses) of affiliates	294,464	(72,142)
Foreign currency transaction gains, net	153,808	485,938
Minority interest in losses (earnings) of subsidiaries	183,182	(67,103)
Other, net	163,063	12,176
Net income from continuing operations	$ 1,995,368	988,268

(7) Other Investments

The following table sets forth the carrying amount of our other investments:

	December 31,	
	2004	2003
	amounts in thousands	
ABC Family	$ 387,380	
SBS Broadcasting S.A. (SBS)	241,500	
News Corp.	102,630	
Sky Latin America	85,846	94,347
Telewest Global, Inc., the successor to Telewest Communications plc (Telewest)		281,392
Cable Partners Europe (CPE)		74,068
Other	21,252	327
Total other investments	$ 838,608	450,134

Our investments in ABC Family, SBS and News Corp. are all accounted for as available-for-sale securities. We accounted for our investments in Telewest and CPE as available-for-sale securities during the periods in which we held those investments.

ABC Family

At December 31, 2004, we owned a 99.9% beneficial interest in 345,000 shares of the 9% Series A preferred stock of ABC Family with an aggregate liquidation value of $345 million. The issuer is required to redeem the ABC Family preferred stock at its liquidation value on August 1, 2027, and has the option to redeem the ABC Family preferred stock at its liquidation value at any time after August 1, 2007. We have the right to require

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the issuer to redeem the ABC Family preferred stock at its liquidation value during the 30 day periods commencing upon August 2 of the years 2017 and 2022. Liberty contributed this interest to our company in connection with the spin off. We recognized dividend income on the ABC Family preferred stock of $18,217,000 during the period from the Spin Off Date through December 31, 2004.

SBS

At December 31, 2004, UGC owned 6,000,000 shares or approximately 19% of the outstanding shares of SBS, a European commercial television and radio broadcasting company. UGC records these marketable equity securities at fair value using quoted market prices.

News Corp.

Liberty contributed 10,000,000 shares of News Corp. Class A common stock to our company in connection with the spin off. During the fourth quarter of 2004, we sold 4,500,000 shares of News Corp. Class A common stock for aggregate cash proceeds of $83,669,000 ($29,770,000 of which was received in 2005), resulting in a pre-tax gain of $37,174,000. Accordingly, we owned 5,500,000 shares of News Corp. Class A common stock at December 31, 2004.

Sky Latin America

Prior to October 2004, we held a 10% ownership interest in each of three direct-to-home satellite providers that operate in Brazil (Sky Brasil), Mexico (Sky Mexico) and Chile and Colombia (Sky Multi-Country) (collectively, Sky Latin America), which were accounted for as cost investments. Prior to August 2004, we also held an investment in public debt securities issued by Sky Brasil and accounted for this investment as an available-for-sale security.

In October 2004, we sold our interest in the Sky Multi-Country DTH platform in exchange for reimbursement by the purchaser of $1,500,000 of funding provided by us in the previous few months and the release from certain guarantees described below. We were deemed to owe the purchaser $6,000,000 in respect of the Sky Multi-Country platform, which amount was offset against a separate payment we received from the purchaser as explained below. We also agreed to sell our interest in the Sky Brasil DTH platform and granted the purchaser an option to purchase our interest in the Sky Mexico DTH platform.

On October 28, 2004, we received $54 million in cash from the purchaser, which consisted of $60 million consideration payable for our Sky Brasil interest less the $6 million we were deemed to owe the purchaser in respect of the Sky Multi-Country DTH platform. The $60 million is refundable by us if the Sky Brasil transaction is terminated. It may be terminated by us or the purchaser if it has not closed by October 8, 2007 or by the purchaser if certain conditions are incapable of being satisfied.

We will receive $88 million in cash upon the transfer of our Sky Mexico interest to the purchaser. The Sky Mexico interest will not be transferred until certain Mexican regulatory conditions are satisfied. If the purchaser does not exercise its option to purchase our Sky Mexico interest on or before October 8, 2006 (or in some cases an earlier date), then we have the right to require the purchaser to purchase our interest if certain conditions, including the absence of Mexican regulatory prohibition of the transaction, have been satisfied or waived.

In light of the contingencies involved, we have not treated either of the Sky Mexico or Sky Brasil transactions as a sale for accounting purposes until such time as the necessary regulatory approvals are obtained and, in the case of Sky Mexico, the cash is received.

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In connection with these transactions our guarantees of the obligations of the Sky Multi-Country, Sky Brasil and Sky Mexico platforms under certain transponder leases were terminated and the purchaser agreed to obtain releases of our guarantees of obligations under certain equipment leases no later than December 31, 2004. All but one of such guarantees have been released. The purchaser has agreed to indemnify us for any amounts we are required to pay under our remaining guarantee until such guarantee is terminated.

In 2002, we determined that due to, among other factors, economic conditions in the countries in which Sky Latin America operates, our investment in Sky Latin America experienced an other-than-temporary decline in value. As a result, the investment in each of the Sky Latin America entities was adjusted to its respective fair value based on a discounted cash flow model and per subscriber values. In the case of Sky Multi-Country, we determined that because of low subscriber counts, lack of economies of scale and the future projected cash needs of Sky Multi-Country, the entire investment should be written off at December 31, 2002. In addition, all amounts funded to Sky Multi-Country in 2003 were expensed when paid. The total amount of impairment for Sky Latin America in 2003 and 2002 was $6,884,000 and $105,250,000, respectively.

Telewest

During 2002, we purchased $370,177,000 and £67,222,000 ($128,965,000) of Telewest bonds for cash proceeds of $204,087,000. At December 31, 2002, we determined that the Telewest bonds had experienced an other-than-temporary decline in value. As a result, the carrying values of the Telewest bonds were adjusted to their respective estimated fair values based on quoted market prices at the balance sheet date, and LMC recognized an other-than-temporary decline in value of $141,271,000.

On July 19, 2004, our investment in Telewest Communications plc Senior Notes and Senior Discount Notes was converted into 18,417,883 shares or approximately 7.5% of the issued and outstanding common stock of Telewest. In connection with this transaction, we recognized a pre-tax gain of $168,301,000, representing the excess of the fair value of the Telewest common stock received over our cost basis in the Senior Notes and Senior Discount Notes. During the third and fourth quarters of 2004, we sold all of the acquired Telewest shares for aggregate cash proceeds of $215,708,000, resulting in a pre-tax loss of $16,407,000. Based on our third quarter 2004 determination that we would dispose of all remaining Telewest shares during the fourth quarter of 2004, the $12,429,000 excess of the carrying value over the fair value of the Telewest shares that we held as of September 30, 2004 was included in other-than-temporary declines in fair values of investments in our consolidated statement of operations. Consistent with our classification of the Senior Notes and Senior Discount Notes and the Telewest common stock as available-for-sale securities, the above-described gains and losses were reflected as components of our accumulated other comprehensive loss account prior to their reclassification into our consolidated statements of operations.

Unrealized holding gains and losses

Unrealized holding gains and losses related to investments in available-for-sale securities that are included in accumulated other comprehensive earnings (loss), net of tax, are summarized as follows:

	December 31,			
	2004		2003	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in thousands			
Gross unrealized holding gains	$ 92,195	18,516	156	210,925

Gross unrealized holding losses	$

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(8) Derivative Instruments

The following table provides detail of the fair value of our derivative instrument assets (liabilities), net:

		December 31,	
		2004	2003
		amounts in thousands	
Foreign exchange derivatives	$	(5,305)	(18,594)
Total return debt swaps		23,731	22,983
Interest rate caps		2,384	
Cross-currency and interest rate swaps		(25,648)	
Variable forward transaction		(3,305)	
Call agreements on LMI Series A common stock		49,218	
Other			(2,416)
Total	$	41,075	1,973
Current asset	$	73,507	
Current liability		(14,636)	(21,010)
Long-term asset		2,568	22,983
Long-term liability		(20,364)	
Total	$	41,075	1,973

Realized and unrealized gains (losses) on derivative instruments are comprised of the following amounts:

		Year ended December 31,		
		2004	2003	2002
		amounts in thousands		
Foreign exchange derivatives	$	196	(22,626)	(11,239)
Total return debt swaps		2,384	37,804	(1,088)
Cross-currency and interest rate swaps		(43,779)		
Interest rate caps		(20,318)		
Variable forward transaction		1,013		
Call agreements on LMI Series A common stock		1,713		
Other		3,844	(2,416)	(4,378)
Total	$	(54,947)	12,762	(16,705)

Foreign Exchange Contracts

We generally do not enter into derivative transactions that are designed to reduce our long-term exposure to foreign currency exchange risk. However, in order to reduce our foreign currency exchange risk related to our cash balances that are denominated in Japanese yen and our investment in J-COM, we have entered into collar agreements with respect to ¥15 billion ($146,470,000). These collar agreements have a weighted average remaining term of approximately 2 1/2 months, an average call price of ¥105/U.S. dollar and an average put price of ¥109/U.S. dollar. In the past, we have also entered into forward sales contracts with respect to the Japanese yen. During 2004, we paid $17,001,000 to settle yen forward sales and collar contracts.

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Total Return Debt Swaps

At December 31, 2004, we were a party to total return debt swaps in connection with (i) bank debt of a subsidiary of UPC, and (ii) public debt of Cablevisión S.A. (Cablevisión), the largest cable television company in Argentina, in terms of basic cable subscribers. Through March 2, 2005, Liberty owned an indirect 78.2% economic and non-voting interest in a limited liability company that owns 50% of the outstanding capital stock of Cablevisión. Under the total return debt swaps, a counterparty purchases a specified amount of the underlying debt security for the benefit of our company. We have posted collateral with the counterparties equal to 30% of the counterparty s purchase price for the purchased indebtedness of the UPC subsidiary and 90% of the counterparty s purchase price for the purchased indebtedness of Cablevisión. We record a derivative asset equal to the posted collateral and such asset is included in other assets in the accompanying consolidated balance sheets. We earn interest income based upon the face amount and stated interest rate of the underlying debt securities, and pay interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying purchased indebtedness of the UPC subsidiary declines by 10% or more, we are required to post cash collateral for the decline, and we record an unrealized loss on derivative instruments. The cash collateral related to the UPC subsidiary indebtedness is further adjusted up or down for subsequent changes in the fair value of the underlying indebtedness or for foreign currency exchange rate movements involving the euro and U.S. dollar. During the fourth quarter of 2004, we received cash proceeds of $35,800,000 in connection with the termination of a portion of the UPC total return swap related to the debt of the UPC subsidiary. At December 31, 2004, the aggregate purchase price of debt securities underlying our total return debt swap arrangements involving the indebtedness of the UPC subsidiary and Cablevisión was $29,532,000. As of such date, we had posted cash collateral equal to $19,868,000 ($2,930,000 with respect to the UPC subsidiary and $16,938,000 with respect to Cablevisión). If the fair value of the purchased debt securities had been zero at December 31, 2004, we would have been required to post additional cash collateral of $8,972,000.

During the first quarter of 2005, we received cash proceeds of $22,642,000 upon termination of the Cablevisión and UPC subsidiary total return swaps.

UGC Interest Rate and Cross-currency Derivative Contracts

During the first quarter of 2003, UGC purchased interest rate caps related to the UPC Broadband Bank Facility (see note 10) that capped the variable Euro Interbank Offered Rate (EURIBOR) interest rate at 3.0% on a notional amount of 2.7 billion in 2003 and 2004. As UGC was able to fix its variable interest rates below 3.0% on the UPC Broadband Bank Facility during 2003 and 2004, all of these caps expired without being exercised. During the first and second quarter of 2004, UGC purchased interest rate caps for a total of $21,442,000, capping the variable interest rate at 3.0% and 4.0% in 2005 and 2006, respectively, on notional amounts totaling 2.25 billion to 2.6 billion.

In June 2003, UGC entered into a cross currency and interest rate swap pursuant to which a notional amount of $347.5 million was swapped at an average rate of 1.133 euros per U.S. dollar until July 2005, with the variable LIBOR interest rate (including margin) swapped into a fixed interest rate of 7.85%. Following the prepayment of part of Facility C in December 2004, UGC paid down this swap with a cash payment of $59,100,000 and unwound a notional amount of $171,480,000. The remainder of the swap is for a notional amount of $176,020,000, and the euro to U.S. dollar exchange rate has been reset at 1.3158 to 1. In connection with the refinancing of the UPC Broadband Bank Facility in December 2004, UGC entered into a seven-year cross currency and interest rate swap pursuant to which a notional amount of $525 million was swapped at a rate of 1.3342 euros per U.S. dollar until December 2011, with the variable interest rate of LIBOR + 300 basis points swapped into a variable rate of EURIBOR + 310 basis points for the same time period.

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Variable Forward Transaction

Prior to the spin off, Liberty contributed to our company 10,000,000 shares of News Corp. Class A common stock, together with a related variable forward transaction. In connection with the sale of 4,500,000 shares of News Corp. Class A common stock during the fourth quarter of 2004, we paid $3,429,000 to terminate the portion of the variable forward transaction that related to the shares that were sold. After giving effect to the fourth quarter termination transaction, the forward, which expires on September 17, 2009, provides (i) us with the right to effectively require the counterparty to buy 5,500,000 News Corp. Class A common stock at a price of $15.72 per share, or an aggregate price of $86,460,000 (the Floor Price), and (ii) the counterparty with the effective right to require us to sell 5,500,000 shares of News Corp. Class A common stock at a price of $26.19 per share.

At any time during the term of the forward, we can require the counterparty to advance the full Floor Price. Provided we do not draw an aggregate amount in excess of the present value of the Floor Price, as determined in accordance with the forward, we may elect to draw such amounts on a discounted or undiscounted basis. As long as the aggregate advances are not in excess of the present value of the Floor Price, undiscounted advances will bear interest at prevailing three-month LIBOR and discounted advances will not bear interest. Amounts advanced up to the present value of the Floor Price are secured by the underlying shares of News Corp. Class A common stock. If we elect to draw amounts in excess of the present value of the Floor Price, those amounts will be unsecured and will bear interest at a negotiated interest rate. During the third quarter of 2004, we received undiscounted advances aggregating $126,000,000 under the forward. Such advances were subsequently repaid during the quarter.

Call Agreements on LMI Series A common stock

During the fourth quarter of 2004, we entered into call option contracts pursuant to which we contemporaneously (i) sold call options on 1,210,000 shares of LMI Series A common stock at exercise prices ranging from $39.5236 to $41.7536, and (ii) purchased call options on 1,210,000 shares with an exercise price of zero. As structured with the counterparty, these instruments have similar financial mechanics to prepaid put option contracts. Under the terms of the contracts, we can elect cash or physical settlement. All of the contracts expired during the first quarter of 2005 and were settled for cash.

(9) Long-Lived Assets

Property and Equipment

The details of property and equipment and the related accumulated depreciation are set forth below:

	December 31,	
	2004	**2003**
	amounts in thousands	
Cable distribution systems	$ 5,280,307	116,962
Support equipment, buildings and land	23,601	11,051
	5,303,908	128,013
Accumulated depreciation	(1,000,809)	(30,436)
Net property and equipment	$ 4,303,099	97,577

During the second quarter of 2004, UGC recorded an impairment of $16,111,000 on certain tangible fixed assets of its wholly owned subsidiary, Priority Telecom. The impairment assessment was triggered by

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competitive factors in 2004 that led to a greater than expected price erosion and the inability to reach forecasted market share. Fair value of the tangible assets was estimated using a discounted cash flow analysis, along with other available market data. In the fourth quarter of 2004, UGC recorded an impairment of $10,955,000 related to certain tangible fixed assets in The Netherlands. In addition, during 2004 UGC recorded several minor impairments for long-lived assets which had no future service potential due to changes in management s plans.

Depreciation expense related to our property and equipment was $894,789,000, $14,642,000 and $13,037,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

Goodwill

Changes in the carrying amount of goodwill for 2004 were as follows:

	January 1, 2004	Acquisitions	Release of pre-acquisition valuation allowance	Impairments	Foreign currency translation adjustments	December 31, 2004
			amounts in thousands			
UGC Broadband The Netherlands	$	680,349	(6,374)		55,960	729,935
UGC Broadband Austria		460,810	(2,893)		37,416	495,333
UGC Broadband Other Europe		506,854	(34,133)		56,869	529,590
UGC Broadband Chile (VTR)		191,785	(4,575)		11,876	199,086
J-COM	203,000					203,000
All other	322,576	211,590	(10,105)	(29,000)	15,274	510,335
Total LMI	$ 525,576	2,051,388	(58,080)	(29,000)	177,395	2,667,279

During 2004, we recorded a $26,000,000 impairment of certain enterprise level goodwill associated with Pramer and a $3,000,000 impairment of the enterprise level goodwill associated with one or our equity affiliates. The impairment assessment for Pramer was triggered by our determination that it was more-likely-than-not that we will sell Pramer. Accordingly, the fair value used to assess the recoverability of the enterprise level goodwill associated with Pramer was based on the value that we would expect to receive upon any sale of Pramer.

During the year ended December 31, 2004, UGC reversed valuation allowances for deferred tax assets in various tax jurisdictions due to the realization or expected realization of tax benefits from these assets. The valuation allowances were originally recorded as part of the purchase accounting adjustments related to the UGC Founders Transaction and the UGC Europe exchange offer and merger and were therefore reversed against goodwill.

Prior to January 1, 2004, when we began consolidating UGC, all of our goodwill was enterprise level goodwill. During 2002 we recorded impairment charges aggregating $45,928,000 to reduce the carrying value of the enterprise level goodwill, including $39,000,000 related to our investment in Metrópolis (see note 6). There were no changes in our goodwill balances during 2003.

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Intangible Assets Subject to Amortization, Net

The details of our amortizable intangible assets are set forth below:

	December 31,	
	2004	2003
	amounts in thousands	
Gross carrying amount		
Customer relationships	$ 426,213	
Other	31,420	6,083
	$ 457,633	6,083
Accumulated amortization		
Customer relationships	$ (71,311)	
Other	(3,723)	(1,579)
	$ (75,034)	(1,579)
Net carrying amount		
Customer relationships	$ 354,902	
Other	27,697	4,504
	$ 382,599	4,504

Amortization of intangible assets with finite useful lives was $66,099,000 and $472,000 in 2004 and 2003, respectively. Based on our current amortizable intangible assets, we expect that amortization expense will be as follows for the next five years and thereafter (amounts in thousands):

2005	$ 78,803
2006	73,235
2007	68,935
2008	65,601
2009	65,601
Thereafter	30,424
Total	$ 382,599

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(10) Debt

The components of debt were as follows:

	December 31,	
	2004	2003
	amounts in thousands	
UPC Broadband Bank Facility	$ 3,927,830	
UGC Convertible Notes	681,850	
Other UGC debt	269,269	
Other subsidiary debt and capital lease obligations	139,838	54,126
Total debt	5,018,787	54,126
Current maturities	(36,827)	(12,426)
Total long-term debt	$ 4,981,960	41,700

UPC Broadband Bank Facility

The UPC Broadband Bank Facility is the senior secured credit facility of UPC Broadband Holding B.V. (UPC Broadband), formerly known as UPC Distribution Holding B.V., an indirect wholly owned subsidiary of UPC. The UPC Broadband Bank Facility, originally executed in October 2000, is secured by the assets of UPC Broadband s majority-owned operating companies, and is senior to other long-term debt obligations of UPC.

The indenture governing the UPC Broadband Bank Facility contains covenants that limit among other things, UPC Broadband s ability to merge with or into another company, acquire other companies, incur additional debt, dispose of any assets unless in the ordinary course of business, enter or guarantee a loan and enter into a hedging arrangement. The indenture also restricts UPC Broadband from transferring funds to its parent company (and indirectly to UGC) through loans, advances or dividends. If a change of control exists with respect to UGC s ownership of UGC Europe, UGC Europe s ownership of UPC Broadband or UPC Broadband s ownership of its respective subsidiaries, the facility agent may cancel each Facility and demand full payment. The covenants also provide for the following ratios (which vary depending on the period used for the calculation): (i) senior debt to annualized earnings before interest taxes and depreciation, as defined in the indenture for the UPC Broadband Bank Facility, (EBITDA) ranging from 4.00:1 to 7.75:1 (ii) EBITDA to total cash ranging from 2.00:1 to 3.00:1 (iii) EBITDA to senior debt service ranging from 0.65:1 to 2.25:1 (iv) EBITDA to senior interest ranging from 2.10:1 to 3.40:1; and (v) total debt to annualized EBITDA ranging from 5.75:1 to 7.50:1.

In January 2004, the UPC Broadband Bank Facility was amended to permit indebtedness under a new tranche (Facility D). Facility D had substantially the same terms as the then existing facilities, and consisted of five different tranches totaling 1.072 billion ($1.462 billion). The proceeds of Facility D were limited in use to fund the scheduled payments of Facility B between December 2004 and December 2006.

In June 2004, UPC Broadband amended the UPC Broadband Bank Facility to add a new Facility E term loan to replace the undrawn Facility D term loan. Proceeds from Facility E totaled 1.022 billion ($1.394 billion), which, in conjunction with cash contributed indirectly by us, was used to: (i) repay some of the indebtedness borrowed under the other Facilities; (ii) redeem the UPC Polska senior notes due 2007; and (iii) provide funding for the Noos Acquisition.

In December 2004, the UPC Broadband Bank Facility was amended to add a new Facility F term loan that: (i) increased the average debt maturity under the UPC Broadband Bank Facility; (ii) increased the available

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liquidity under the Facility; and (iii) reduced the average interest margin under the Facility. The amendment consisted of a $525,000,000 tranche and a 140,000,000 ($190,918,000) tranche, totaling 535,019,000 ($729,605,000) in gross borrowings. The proceeds from these borrowings were applied to: (i) repay 245,000,000 ($334,106,000) under Facility A (representing all then outstanding amounts); (ii) prepay 101,224,000 ($138,039,000) of Facility B that were scheduled to mature in June 2006; (iii) prepay 177,013,000 ($241,393,000) of Facility C; and (iv) pay transaction fees of 11,782,000 ($16,067,000).

The following table provides detail of the UPC Broadband Bank Facility:

		December 31, 2004		December 31, 2003		
Facility	**Currency**	**Euros**	**US dollars**	**Euros**	**US dollars**	**Interest rate(3)**
		amounts in thousands				
A(1)(2)	Euro		$	230,000	$ 289,946	EURIBOR + 2.25% 4.0%
B(1)	Euro	1,160,026	1,581,927	2,333,250	2,941,380	EURIBOR + 2.25% 4.0%
C1	Euro	44,338	60,464	95,000	119,760	EURIBOR + 5.5%
C2	USD		176,020		347,500	LIBOR + 5.5%
E	Euro	1,021,853	1,393,501			EURIBOR + 3.0%
F1(1)	Euro	140,000	190,918			EURIBOR + 3.25% 4.0%
F2(1)	USD		525,000			LIBOR + 3.00% 3.5%
Total		2,366,217	$ 3,927,830	2,658,250	$ 3,698,586	

(1) The interest rate margin is variable based on certain leverage ratios.

(2) Facility A is a revolving credit facility that has availability of 666,750,000 ($909,247,000) as of December 31, 2004, which can be used to finance additional permitted acquisitions and/or to refinance indebtedness, subject to covenant compliance. Facility A provides for an annual commitment fee of 0.5% for the unused portion of this facility.

(3) As of December 31, 2004, six month EURIBOR and LIBOR rates were approximately 2.2% and 2.8%, respectively. The weighted-average interest rate on all Facilities in 2004 was approximately 6.0%.

On March 8, 2005, the UPC Broadband Bank Facility was further amended to permit indebtedness under: (i) Facility G, a new 1.0 billion term loan facility maturing in full on April 1, 2010; (ii) Facility H, a new 1.5 billion ($2.05 billion) term loan facility maturing in full on September 1, 2012, of which $1.25 billion was denominated in

U.S. dollars and then swapped into euros through a 7.5 year cross-currency swap; and (iii) Facility I, a new 500 million ($682 million) revolving credit facility maturing in full on April 1, 2010. In connection with this amendment, 167 million ($228 million) of Facility A, the existing revolving credit facility, was cancelled, reducing Facility A to a maximum amount of 500 million ($682 million). The proceeds from Facilities G and H were used primarily to prepay all amounts outstanding under existing term loan Facilities B, C and E, to fund certain acquisitions and pay transaction fees. The aggregate availability of 1.0 billion ($1.36 billion) under Facilities A and I can be used to fund acquisitions and for general corporate purposes. As a result of this amendment, the weighted average maturity of the UPC Broadband Bank Facility

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was extended from approximately 4 years to approximately 6 years, with no amortization payments required until 2010, and the weighted average interest margin on the UPC Broadband Bank Facility was reduced by approximately 0.25% per annum. The amendment also provided for additional flexibility on certain covenants and the funding of acquisitions.

UGC Convertible Notes

On April 6, 2004, UGC completed the offering and sale of 500 million ($604,595,000 based on the April 6, 2004 exchange rate) 1 3/4% euro-denominated convertible senior notes (the UGC Convertible Notes) due April 15, 2024. Interest is payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2004. The UGC Convertible Notes are senior unsecured obligations that rank equally in right of payment with all of UGC s existing and future senior unsubordinated and unsecured indebtedness and ranks senior in right to all of UGC s existing and future subordinated indebtedness. The UGC Convertible Notes are effectively subordinated to all existing and future indebtedness and other obligations of UGC s subsidiaries. The indenture governing the UGC Convertible Notes (the Indenture) does not contain any financial or operating covenants. The UGC Convertible Notes may be redeemed at UGC s option, in whole or in part, on or after April 20, 2011 at a redemption price in euros equal to 100% of the principal amount, together with accrued and unpaid interest. Holders of the UGC Convertible Notes have the right to tender all or part of their notes for purchase by UGC on April 15, 2011, April 15, 2014 and April 15, 2019, for a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest. If a change in control (as defined in the Indenture) has occurred, each holder of the UGC Convertible Notes may require UGC to purchase their notes, in whole or in part, at a price equal to 100% of the principal amount, plus accrued and unpaid interest. The UGC Convertible Notes are convertible into 51,250,000 shares of UGC Class A common stock at an initial conversion price of 9.7561 per share, which was equivalent to a conversion price of $12.00 per share and a conversion rate of 102.5 shares per 1,000 principal amount of the UGC Convertible Notes on the date of issue. Holders of the UGC Convertible Notes may surrender their notes for conversion prior to maturity in the following circumstances: (i) the price of UGC Class A common stock issuable upon conversion of a UGC Convertible Note reaches a specified threshold, (ii) UGC has called the UGC Convertible Notes for redemption, (iii) the trading price for the UGC Convertible Notes falls below a specified threshold or (iv) UGC makes certain distributions to holders of UGC Class A common stock or specified corporate transactions occur.

Other UGC Debt

VTR Bank Facility. On December 17, 2004, VTR completed the refinancing of its existing bank facility with a new Chilean peso-denominated six-year amortizing term senior secured credit facility (the VTR Bank Facility at December 17, 2004). The facility consists of two tranches a 54.7675 billion Chilean peso ($95 million at December 17, 2004) committed Tranche A and an uncommitted Tranche B. At December 31, 2004, the U.S. dollar equivalent of the amount outstanding under Tranche A of the VTR Bank Facility was $97,941,000. The VTR Bank Facility bears interest at variable rates (5.19% at December 31, 2004) that are subject to reduction depending on VTR s solvency rating and debt to EBITDA ratio. The VTR Bank Facility is secured by VTR s assets and the assets and capital stock of its subsidiaries, is senior to the subordinated debt owed to UGC and ranks pari passu to future senior indebtedness of VTR. The VTR Bank Facility credit agreement contains customary financial covenants and allows for the distribution by VTR of certain restricted payments, such as dividends to its shareholders, as long as no default exists under the facility and VTR maintains certain minimum levels of cash. VTR is in compliance with its loan covenants.

InvestCos Notes (Telenet). At December 31, 2004, UGC s debt included $87,821,000 related to mandatorily redeemable securities of the InvestCos, the consolidated subsidiaries of UGC that own a direct investment in

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Telenet. These securities are subject to mandatory redemption on March 30, 2050. Upon an initial public offering of Telenet or the occurrence of certain other events, these securities will become immediately redeemable. Given the mandatory redemption feature, UGC has classified these securities as debt and has recorded these securities at their estimated fair value at December 31, 2004 in conjunction with the preliminary purchase price allocation for the acquisition of Belgium Cable Investors and its indirect interest in Telenet. See note 6. Once the purchase price allocation is finalized, subsequent changes in fair value will be reported in earnings.

UPC Polska Notes. UPC Polska, Inc. (UPC Polska) is an indirect subsidiary of UGC. On February 18, 2004, in connection with the consummation of UPC Polska s plan of reorganization and emergence from its U.S. bankruptcy proceeding, third-party holders of UPC Polska Notes and other claimholders received a total of $87,361,000 in cash, $101,701,000 in new 9% UPC Polska Notes due 2007 and approximately 2,011,813 shares of UGC Class A common stock in exchange for the cancellation of their claims. UGC recognized a gain of $31,916,000 from the extinguishment of the UPC Polska Notes and other liabilities subject to compromise, equal to the excess of their respective carrying amounts over the fair value of consideration given. During 2004, UPC Polska incurred costs associated with its reorganization aggregating $5,951,000. Such costs are included in other income (expense), net in the accompanying consolidated statement of operations. As noted above, UGC redeemed the new 9% UPC Polska Notes due 2007 for a cash payment of $101,701,000 during the third quarter of 2004.

Other Subsidiary Debt

Liberty Cablevision Puerto Rico. On December 23, 2004, Liberty Cablevision Puerto Rico completed the refinancing of its existing bank facility with a new $140 million facility consisting of a $125 million six-year term loan facility and a $15 million six-year revolving credit facility (the Liberty Cablevision Puerto Rico Facility). In connection with the closing of the Liberty Cablevision Puerto Rico Facility, (i) Liberty Cablevision Puerto Rico made a $63,500,000 cash distribution to our company and (ii) the $50,542,000 cash collateral for Liberty Cablevision Puerto Rico s previous bank facility was released to our company. At December 31, 2004, the aggregate amount outstanding under this facility was $127,500,000. The Liberty Cablevision Puerto Rico Facility bears interest at LIBOR plus a 2.25% margin (5.0% at December 31, 2004). The LIBOR margin is subject to reduction depending on Liberty Cablevision Puerto Rico s debt to EBITDA ratio, as defined by the Liberty Cablevision Puerto Rico Facility. The Liberty Cablevision Puerto Rico Facility is secured by a pledge of the capital stock of Liberty Cablevision Puerto Rico and by Liberty Cablevision Puerto Rico s assets, including the capital stock of its subsidiaries. The Liberty Cablevision Puerto Rico Facility contains customary financial covenants.

Pramer. At December 31, 2004, Pramer s U.S. dollar denominated bank borrowings aggregated $12,338,000. During 2002, following the devaluation of the Argentine peso, Pramer failed to make certain required payments due under its bank credit facility, resulting in a technical default. However, the bank lenders did not provide notice of default or request acceleration of the payments due under the facility. On December 29, 2004, Pramer and the banks signed definitive documents for the refinancing of this credit facility (the New Pramer Facility) and the closing occurred on January 28, 2005. At closing, Pramer made an approximate $1.8 million payment to the banks. The remaining outstanding principal of $10.5 million amortizes over the next 4 years. The New Pramer Facility is denominated in U.S. dollars and bears interest at LIBOR plus a 3.5% margin during 2005 (6.1% at January 28, 2005). The LIBOR margin is subject to annual increases of 0.5% per year. The New Pramer Facility credit agreement contains customary financial covenants.

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General

Our debt maturities for the next five years and thereafter are as follows (amounts in thousands):

2005	$	36,827
2006		571,464
2007		745,004
2008		588,484
2009		1,533,182
Thereafter		1,543,826
Total Debt	$	5,018,787

We believe that the fair value and the carrying value of our debt were approximately equal at December 31, 2004.

(11) Income Taxes

Prior to the Spin Off Date, LMC International and its 80%-or-more-owned domestic subsidiaries (the LMC International Tax Group) are included in the consolidated federal and state income tax returns of Liberty. LMC International s income taxes included those items in the consolidated income tax calculation applicable to the LMC International Tax Group (intercompany tax allocation) and any taxes on income of LMC International s consolidated foreign or domestic subsidiaries that are excluded from the consolidated federal and state income tax returns of Liberty. The intercompany tax amounts owed to Liberty as a result of these allocations were contributed to our equity in connection with the spin off.

In connection with the spin off, LMI (together with its 80%-or-more-owned domestic subsidiaries, the LMI Tax Group), (i) became a separate tax paying entity, and (ii) entered into a Tax Sharing Agreement with Liberty. Under the Tax Sharing Agreement, Liberty is responsible for U.S. federal, state, local and foreign income taxes reported on a consolidated, combined or unitary return that includes the LMI Tax Group, on the one hand, and Liberty or one of its subsidiaries on the other hand, subject to certain limited exceptions. We are responsible for all other taxes that are attributable to the LMI Tax Group, whether accruing before, on or after the spin off. The Tax Sharing Agreement requires that we will not take, or fail to take, any action where such action, or failure to act, would be inconsistent with or prohibit the spin off from qualifying as a tax-free transaction. Moreover, we will indemnify Liberty for any loss resulting from such action or failure to act, if such action or failure to act precludes the spin off from qualifying as a tax-free transaction.

As a result of the LMI Tax Group becoming a separate tax paying entity in connection with the spin off, we re-evaluated the estimated blended state tax rate used to compute certain of our deferred tax balances, and concluded that our estimate of this blended state tax rate should be reduced. As a result, we recorded a $22,938,000 deferred tax benefit during the third quarter of 2004 to reflect the impact of the reduced rate on our net deferred tax liabilities.

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Income tax benefit (expense) consists of:

	Current	Deferred	Total
		amounts in thousands	
Year ended December 31, 2004:			
Federal	$ (51,851)	75,974	24,123
State and local	(4,554)	13,694	9,140
Foreign	(10,295)	(5,519)	(15,814)
	$ (66,700)	84,149	17,449
Year ended December 31, 2003:			
Federal	$ 14,774	(28,630)	(13,856)
State and local		(5,589)	(5,589)
Foreign	(471)	(8,059)	(8,530)
	$ 14,303	(42,278)	(27,975)
Year ended December 31, 2002:			
Federal	$ (3,988)	140,533	136,545
State and local		26,527	26,527
Foreign	503	2,546	3,049
	$ (3,485)	169,606	166,121

Income tax benefit (expense) attributable to our company s pre-tax loss or earnings differs from the amounts computed by applying the U.S. federal income tax rate of 35%, as a result of the following:

	Year ended December 31,		
	2004	2003	2002
		amounts in thousands	
Computed expected tax benefit (expense)	$ 80,110	(17,111)	173,593
State and local income taxes, net of federal income taxes	(774)	(4,315)	15,472
Foreign taxes	(308)	(7,922)	1,841
Enacted tax law changes, case law and rate changes	(149,294)		
Gain on extinguishment of debt	107,863		
Losses on sale of investments, affiliates and other assets	78,693		
Non-deductible interest and other expenses	(68,497)		(16,153)
Non-deductible or taxable foreign currency exchange results	(36,575)		
Income recognized for tax purposes, but not for financial reporting purposes	(25,820)		(2,679)

Change in valuation allowance	(22,131)		
Change in estimated blended state tax rate	22,938		
Non-taxable investment income	20,481		
International rate differences	6,511		
Other, net	4,252	1,373	(5,953)
	$ 17,449	(27,975)	166,121

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The current and non-current components of our deferred tax assets (liabilities) are as follows:

	December 31,	
	2004	2003
	amounts in thousands	
Current deferred tax assets	$ 38,355	9,697
Non-current deferred tax assets	77,313	583,945
Non-current deferred tax liabilities	(458,138)	(135,811)
Deferred tax assets (liabilities), net	$ (342,470)	457,831

Our deferred income tax valuation allowance increased $2,281,253,000 in 2004, including a $22,131,000 charge to tax expense, with the remaining net increase resulting from the January 1, 2004 consolidation of UGC, acquisitions, foreign currency translation adjustments and other items. Approximately $546 million of the valuation allowance recorded as of December 31, 2004 was attributable to deferred tax assets for which any subsequently recognized tax benefits will be allocated to reduce goodwill related to various business combinations.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003 are presented below:

	December 31,	
	2004	2003
	amounts in thousands	
Deferred tax assets:		
Investments	$ 66,862	499,214
Net operating loss carryforwards	1,770,957	7,263
Property and equipment, net	556,507	
Intangible assets, net	44,303	
Deferred compensation and severance	41,686	7,315
Other future deductible amounts	100,596	8,508
Deferred tax assets	2,580,911	522,300
Valuation allowance	(2,281,253)	
Deferred tax assets, net of valuation allowance	299,658	522,300
Deferred tax liabilities:		
Investments	(344,871)	
Property and equipment	(53,124)	(14,749)
Intangible assets	(127,712)	(19,038)
Unrealized gains on investments	(25,287)	

Other future taxable amounts		(91,134)	(30,682)
Deferred tax liabilities		(642,128)	(64,469)
Net deferred tax asset (liability)	$	(342,470)	457,831

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The significant components of our tax loss carryforwards and related tax assets are as follows (amounts in thousands):

Country	Tax loss carryforward	Related tax asset	Expiration date
France	$ 2,425,612	835,138	Indefinite
The Netherlands	1,910,476	574,542	Indefinite
Ireland	293,686	36,711	Indefinite
Austria	249,025	62,257	Indefinite
Luxembourg	243,936	74,108	Indefinite
Chile	241,232	41,009	Indefinite
Norway	117,856	33,000	2007-2012
Poland	69,901	13,281	2005-2008
United States	23,193	8,118	2021-2024
Other	401,906	92,793	Various
Total	$ 5,976,823	1,770,957	

Our tax loss carryforwards in The Netherlands are associated with various different tax groups, which are limited in their ability to offset taxable income of other Dutch tax groups. We intend to indefinitely reinvest earnings from certain foreign operations except to the extent the earnings are subject to current U.S. income taxes. Accordingly, U.S. and non-U.S. income and withholding taxes for which a deferred tax might otherwise be required have not been provided on a cumulative amount of temporary differences (including, for this purpose, any difference between the tax basis in stock of a consolidated subsidiary and the amount of the subsidiary s net equity determined for financial reporting purposes) related to investments in foreign subsidiaries are estimated to be approximately $2.7 billion at December 31, 2004. The determination of the additional U.S. and non-U.S. income and withholding tax that would arise upon a reversal of the temporary differences is subject to offset by available foreign tax credits, subject to certain limitations, and it is impractical to estimate the amount of income and withholding tax that might be payable.

Because we do business in foreign countries and have a controlling interest in most of our subsidiaries, such subsidiaries are considered to be controlled foreign corporations (CFC) under U.S. tax law. In general, our pro rata share of certain income earned by these subsidiaries that are CFCs during a taxable year when such subsidiaries have positive current or accumulated earnings and profits will be included in our income to the extent of the earnings and profits when the income is earned, regardless of whether the income is distributed to us. The income, often referred to as Subpart F income, generally includes, but is not limited to, such items as interest, dividends, royalties, gains from the disposition of certain property, certain exchange gains in excess of exchange losses, and certain related party sales and services income.

In addition, a U.S. corporation that is a shareholder in a CFC may be required to include in its income its pro rata share of the CFC s increase in the average adjusted tax basis of any investment in U.S. property held by a wholly or majority owned CFC to the extent that the CFC has positive current or accumulated earnings and profits. This is the case even though the U.S. corporation may not have received any actual cash distributions from the CFC. Although we intend to take reasonable tax planning measures to limit our tax exposure, there can be no assurance we will be able to do so.

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In general, a U.S. corporation may claim a foreign tax credit against its U.S. federal income tax expense for foreign income taxes paid or accrued. A U.S. corporation may also claim a credit for foreign income taxes paid or accrued on the earnings of a foreign corporation paid to the U.S. corporation as a dividend.

Our ability to claim a foreign tax credit for dividends received from our foreign subsidiaries or foreign taxes paid or accrued is subject to various significant limitations under U.S. tax laws including a limited carry back and carry forward period. Some of our operating companies are located in countries with which the United States does not have income tax treaties. Because we lack treaty protection in these countries, we may be subject to high rates of withholding taxes on distributions and other payments from these operating companies and may be subject to double taxation on our income. Limitations on the ability to claim a foreign tax credit, lack of treaty protection in some countries, and the inability to offset losses in one foreign jurisdiction against income earned in another foreign jurisdiction could result in a high effective U.S. federal tax rate on our earnings. Since substantially all of our revenue is generated abroad, including in jurisdictions that do not have tax treaties with the U.S., these risks are proportionately greater for us than for companies that generate most of their revenue in the U.S. or in jurisdictions that have these treaties.

We, through our subsidiaries, maintain a presence in many foreign countries. Many of these countries maintain tax regimes that differ significantly from the system of income taxation used in the United States. We have accounted for the effect of foreign taxes based on what we believe is reasonably expected to apply to us and our subsidiaries based on tax laws currently in effect and/or reasonable interpretations of these laws. Because some foreign jurisdictions do not have systems of taxation that are as well established as the system of income taxation used in the United States or tax regimes used in other major industrialized countries, it may be difficult to anticipate how foreign jurisdictions will tax our and our subsidiaries current and future operations.

(12) Stockholders Equity

Capitalization

Our authorized capital stock consists of (i) 1,050,000,000 shares of common stock, par value $.01 per share, of which 500,000,000 shares are designated LMI Series A Common Stock 50,000,000 shares are designated LMI Series B Common Stock and 500,000,000 shares are designated LMI Series C Common Stock and (ii) 50,000,000 shares of LMI preferred stock, par value $.01 per share. LMI s restated certificate of incorporation authorizes the board of directors to authorize the issuance of one or more series of preferred stock.

Under LMI s restated certificate of incorporation, holders of LMI Series A common stock are entitled to one vote for each share of such stock held, and holders of LMI Series B common stock are entitled to ten votes for each share of such stock held, on all matters submitted to a vote of LMI stockholders at any annual or special meeting. Holders of LMI Series C common stock are not entitled to any voting powers, except as required by Delaware law (in which case holders of LMI Series C common stock are entitled to 1/100th of a vote per share).

Each share of LMI Series A common stock is convertible into one share of LMI Series B common stock. At December 31, 2004, there were 1,701,538 shares of LMI Series A common stock and 3,066,716 shares of LMI Series B common stock reserved for issuance pursuant to outstanding stock options. In addition to these amounts, one share of LMI Series A common stock is reserved for issuance for each share of LMI Series B common stock that is either issued (7,264,300 shares) or subject to future issuance pursuant to outstanding stock options (3,066,716 shares).

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Subject to any preferential rights of any outstanding series of our preferred stock, the holder of LMI Series A, LMI Series B and LMI Series C common stock will be entitled to such dividends as may be declared from time to time by our board from funds available therefor. Except with respect to certain share distributions, whenever a dividend is paid to the holder of one of our series of common stock, we shall also pay to the holders of the other series of our common stock an equal per share dividend. Pursuant to the Liberty Global merger agreement, neither we nor UGC may pay any cash dividends on our respective common stocks until the mergers contemplated thereby are completed or the merger agreement is terminated. Except for the foregoing, there are currently no restrictions on our ability to pay dividends in cash or stock.

In the event of our liquidation, dissolution and winding up, after payment or provision for payment of our debts and liabilities and subject to the prior payment in full of any preferential amounts to which our preferred stockholders may be entitled, the holders of LMI Series A, LMI Series B and LMI Series C common stock will share equally, on a share for share basis, in our assets remaining for distribution to the holders of LMI common stock.

Treasury Stock

On December 7, 2004, we purchased 3,000,000 shares of LMI Series A common stock from Comcast Corporation in a private transaction for a cash purchase price of $127,890,000.

Spin Off and LMI Rights Offering

For information concerning the spin off transaction and the subsequent LMI Rights Offering, see note 2.

Issuance of Shares by Subsidiaries

During 2004, we recorded an aggregate increase to additional paid-in capital of $11,126,000 as a result of the dilution of our ownership interest in UGC.

In addition, UGC recorded a loss of approximately 9,679,000 ($11,776,000) associated with the dilution of its ownership interest in UPC Broadband France as a result of the Noos transaction. Our $6,102,000 share of this loss is reflected as a reduction of additional paid-in capital in our consolidated statement of stockholders equity.

Restricted Net Assets

At December 31, 2004, approximately $1.8 billion of our net assets represented net assets of certain of our subsidiaries that were not available to be transferred to our company in the form of dividends, loans or advances due to restrictions contained in the credit facilities of these subsidiaries.

(13) Stock Incentive Awards

LMI

Stock Incentive Plans

As discussed in more detail in note 2, certain terms of the then outstanding LMI stock options were modified in connection with the LMI Rights Offering. All references herein to the number of outstanding LMI stock options and the related exercise prices reflect these modified terms.

As a result of the spin off and related adjustments to Liberty s stock incentive awards, options to acquire an aggregate of 1,595,709 shares of LMI Series A common stock and 1,498,154 shares of LMI Series B common

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stock were issued to our and Liberty s employees at exercise prices of $33.92 and $37.88, respectively, pursuant to the LMI Transitional Stock Adjustment Plan (the Transitional Plan). Such options have remaining terms and vesting provisions equivalent to those of the respective Liberty stock incentive awards that were adjusted. At the spin off date, such options to purchase shares of LMI Series A common stock had a remaining weighted average term of 7.03 years and a remaining weighted average vesting period of 1.76 years. Options to purchase shares of LMI Series B common stock had a remaining weighted average term of 6.73 years and a remaining weighted average vesting period of 1.73 years.

Subsequent to the spin off, options to acquire an aggregate of 438,054 shares of LMI Series A common stock were issued to our employees pursuant to the Liberty Media International, Inc. 2004 Incentive Plan (LMI 2004 Incentive Plan) at a weighted average exercise price of $33.45 per share. In addition, 22,152 shares of LMI Series A common stock were issued to our non-employee directors pursuant to the Liberty Media International, Inc. 2004 Non-employee Director Incentive Plan (LMI 2004 Directors Incentive Plan) at a weighted average exercise price of $33.95 per share. The employee stock options will vest at the rate of 20% per year on each anniversary of the grant date. The non-employee director stock options will vest on the first anniversary of the grant date. All stock options granted in 2004 expire ten years after the grant date.

In 2004, LMI entered into an option agreement with John C. Malone, LMI s Chairman of the Board, Chief Executive Officer and President, pursuant to which LMI granted to Mr. Malone, under the LMI 2004 Incentive Plan, options to acquire 1,568,562 shares of LMI Series B common stock at an exercise price per share of $36.75. The options are fully exercisable; however, Mr. Malone s rights with respect to the options and any shares issued upon exercise will vest at the rate of 20% per year on each anniversary of the Spin Off Date, provided that Mr. Malone continues to have a qualifying relationship (whether as a director, officer, employee or consultant) with LMI or any successor to LMI. (Liberty Global would be the successor to LMI under the option agreement.) If Mr. Malone ceases to have such a qualifying relationship (subject to certain exceptions for his death or disability or termination without cause), his unvested options will be terminated and/or LMI will have the right to require Mr. Malone to sell to LMI, at the exercise price of the options, any shares of LMI Series B common stock previously acquired by Mr. Malone upon exercise of options which have not vested as of the date on which Mr. Malone ceases to have a qualifying relationship with LMI.

The LMI 2004 Incentive Plan is administered by the compensation committee of our board of directors. The compensation committee of our board has full power and authority to grant eligible persons the awards described below and determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. The compensation committee may grant non-qualified stock options, stock appreciation rights (SARs), restricted shares, stock units, cash awards, performance awards or any combination of the foregoing under the incentive plan (collectively, awards).

The maximum number of shares of LMI common stock with respect to which awards may be issued under the incentive plan is 20 million, subject to anti-dilution and other adjustment provisions of the LMI 2004 Incentive Plan. With limited exceptions, no person may be granted in any calendar year awards covering more than 2 million shares of our common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million. Shares of our common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by our company.

The LMI 2004 Directors Incentive Plan is designed to provide a method whereby non-employee directors may be awarded additional remuneration for the services they render on our board and committees of our board, and to encourage their investment in capital stock of our company. The LMI 2004 Directors Incentive Plan is

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administered by our full board of directors. Our board has the full power and authority to grant eligible non-employee directors the awards described below and determine the terms and conditions under which any awards are made, and may delegate certain administrative duties to our employees.

Our board may grant non-qualified stock options, stock appreciation rights, restricted shares, stock units or any combination of the foregoing under the director plan (collectively, awards). Only non-employee members of our board of directors are eligible to receive awards under the LMI 2004 Directors Incentive Plan. The maximum number of shares of our common stock with respect to which awards may be issued under the director plan is 5 million, subject to anti-dilution and other adjustment provisions of the LMI 2004 Directors Incentive Plan. Shares of our common stock issuable pursuant to awards made under the LMI 2004 Directors Incentive Plan will be made available from either authorized but unissued shares or shares that have been issued but reacquired by our company.

A summary of stock option activity in 2004 is as follows:

	LMI 2004 Incentive Plan		LMI 2004 Directors Incentive Plan		Transitional Plan		Total	
LMI Series A common stock:	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at January 1, 2004		NA		NA		NA		NA
Issued in connection with the spin-off and related adjustments to Liberty s stock incentive awards		NA		NA	1,595,709	$ 33.92	1,595,709	$ 33.92
Granted	438,054	$ 33.45	22,152	$ 33.95		NA	460,206	$ 33.47
Canceled		NA		NA	(892)	$ 33.92	(892)	$ 33.92
Exercised		NA		NA	(353,485)	$ 33.92	(353,485)	$ 33.92
Outstanding at December 31, 2004	438,054	$ 33.45	22,152	$ 33.95	1,241,332	$ 33.92	1,701,538	$ 33.82
Exercisable at December 31, 2004		NA		NA	794,245	$ 33.92	794,245	$ 33.92

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	LMI 2004 Incentive Plan		Transitional Plan		Total	
LMI Series B common stock:	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at January 1, 2004		NA		NA		NA
Issued in connection with the spin-off and related adjustments to Liberty s stock incentive awards		NA	1,498,154	$ 37.88	1,498,154	$ 37.88
Granted	1,568,562	$ 36.75		NA	1,568,562	$ 36.75
Canceled		NA		NA		NA
Exercised		NA		NA		NA
Outstanding at December 31, 2004	1,568,562	$ 36.75	1,498,154	$ 37.88	3,066,716	$ 37.30
Exercisable at December 31, 2004	1,568,562(1)	$ 36.75	973,800	$ 37.88	2,542,362	$ 37.18

(1) Amount represents Mr. Malone s options that are fully exercisable, but not vested as of December 31, 2004. The options or shares issued upon exercise vest at the rate of 20% per year on each anniversary of the date on which the spin off was completed (which was June 7, 2004), provided that Mr. Malone meets certain conditions regarding his relationship with LMI. See discussion above.

The following table summarizes information about our stock options outstanding and exercisable at December 31, 2004:

	Options outstanding			Options exercisable	
Exercise price range	**Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
LMI Series A common stock					
$33.41	453,206	9.47	$ 33.41		$ 33.41
$33.92	1,241,332	6.60	$ 33.92	794,245	$ 33.92
$37.42	7,000	9.86	$ 37.42		$ 37.42

	1,701,538	7.38	$ 33.82	794,245	$ 33.92

LMI Series B common stock

$36.75	1,568,562	9.47	$ 36.75	1,568,562(1)	$ 36.75
$37.88	1,498,154	6.16	$ 37.88	973,800	$ 37.88
	3,066,716	7.86	$ 37.30	2,542,362	$ 37.18

(1) Amount represents Mr. Malone s options that are fully exercisable, but not vested as of December 31, 2004. The options or shares issued upon exercise vest at the rate of 20% per year on each anniversary of the date on which the spin off was completed (which was June 7, 2004), provided that Mr. Malone meets certain conditions regarding his relationship with LMI. See discussion above.

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The fair value of options granted pursuant to the LMI 2004 Incentive Plan and the LMI 2004 Directors Incentive Plan in 2004 has been estimated at the date of grant using the Black-Scholes single-option pricing model and the following weighted-average assumptions:

Risk-free interest rate	4.09%
Expected lives	6 years
Expected volatility	25%
Expected dividend yield	0%

Based on the above assumptions, the total fair value of options granted under the LMI 2004 Incentive Plan and the LMI 2004 Directors Incentive Plan during 2004 was $24,872,000. The weighted average fair value per share of LMI Series A and B options granted in 2004 was $11.39 and $12.51, respectively. All such options exercise prices were equal to their market prices at the date of grant, except for the exercise price for 1,568,562 LMI Series B options granted in June 2004. The exercise price for these options was equal to 110% of the market price of the LMI Series A common stock on June 22, 2004 ($39.10 before considering the impact of the LMI Rights Offering), the date that definitive terms were established for such options. The closing market price of the LMI Series B common stock on that date was $40.05 (before considering the impact of the LMI Rights Offering).

Junior Stock Plan

In April 2000, four individuals, including two of our executive officers and one of our directors, purchased a 20% common stock interest in Liberty Jupiter, Inc., which owned an approximate 5.4% interest in J-COM at December 31, 2004. The individuals paid a total purchase price of $800,000 for the 20% common stock interest. We, one of our subsidiaries and these individuals are parties to an amended and restated shareholders agreement under which the individuals can require us to purchase, after five years from the date of purchase, all or part of their common stock interest in exchange for LMI Series A common stock at its then-fair market value. The shareholders agreement also provides that, if an individual terminates his or her employment or consulting arrangement with us or with LMC within five years from the date of purchase, we have the right to purchase from that individual certain non-vested shares (currently equal to 25% of the common shares originally purchased by him or her) at the original purchase price plus 6% per year. In addition, we have the right at any time to purchase, in exchange for LMI Series A common stock, the common stock interests of the individuals at fair market value. Compensation charges (credits) with respect to the interests held by the aforementioned executive officers and directors were $6,318,000, $1,164,000 and $(113,000) in 2004, 2003 and 2002, respectively.

UGC

UGC Equity Incentive Plan

In August 2003 UGC s board of directors (the UGC Board) adopted an equity incentive plan (the UGC Incentive Plan). UGC s stockholders approved the UGC Incentive Plan, which was effective as of September 1, 2003 and will terminate on August 31, 2013. The UGC Incentive Plan permits the grant of stock options, restricted stock awards, SARs, stock bonuses, stock units, and other grants of stock (collectively, the UGC Awards) covering up to 59,000,000 shares, as amended, of UGC Class A or Class B common stock. The number of shares increases on January 1 of each calendar year (beginning with calendar year 2004) during the duration of the UGC Incentive Plan by 1% of the aggregate number of shares of UGC Class A and Class B common stock outstanding on December 31 of the immediately preceding calendar year. No more than 5,000,000 shares of UGC Class A and Class B common stock in the aggregate may be granted to a single

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participant during any calendar year, and no more than 3,000,000 shares may be issued under the UGC Incentive Plan as UGC Class B common stock. Employees, consultants, and other non-employee directors of UGC and affiliated entities designated by the UGC Board may receive UGC Awards under the UGC Incentive Plan, provided, however, that incentive stock options may not be granted to consultants or non-employee directors.

The UGC Incentive Plan is generally administered by the compensation committee of the UGC Board, which has the discretion to determine the employees and consultants to whom the UGC Awards are granted, the number and type of shares subject to the UGC Awards, the exercise price of the UGC Awards (which may be at, below, or above the fair market value of UGC Class A or Class B common stock on the date of grant), the period over which the UGC Awards vest, the term of the UGC Awards, and certain other provisions relating to the UGC Awards. The compensation committee of the UGC Board may, under certain circumstances, delegate to officers of UGC the authority to grant UGC Awards to specified groups of employees and consultants. The UGC Board has the sole authority to grant UGC Awards under the UGC Incentive Plan to non-employee directors.

As a result of the dilution caused by UGC s subscription rights offering in February 2004, the exercise or base prices of all awards outstanding pursuant to the UGC Incentive Plan were reduced by $0.87.

A summary of activity for the UGC Incentive Plan options, restricted stock and SARs for the year ended December 31, 2004 is as follows:

	Options(1)		Restricted stock(1)		SARs(1)	
	Number of stock options	Weighted average exercise price	Number of restricted stock awards	Weighted average stock price	Number of SARs	Weighted average base price
Outstanding at January 1		$		$	32,087,270	$ 3.82
Granted	4,780,000	$ 7.72	224,587	$ 8.24	5,062,138	$ 7.31
Canceled	(80,000)	$ 7.48		$	(1,851,904)	$ 4.39
Exercised		$		$	(5,215,510)	$ 3.66
Outstanding at December 31	4,700,000	$ 7.72	224,587	$ 8.24	30,081,994	$ 4.43
Exercisable at December 31		$		$	1,972,906	$ 4.39

(1) These UGC options and restricted stock awards vest over 5 years, with quarterly vesting beginning six months from date of grant. The UGC SARs that were outstanding at January 1, 2004 vest in 5 equal annual increments from the date of grant. The UGC SARs granted in 2004 vest over 5 years, with quarterly vesting beginning six months from the date of grant.

The following table summarizes information about UGC options and restricted stock granted under the UGC Incentive Plan during the year ended December 31, 2004:

	Options			Restricted stock		
Exercise/Stock price	**Number**	**Fair value**	**Exercise price**	**Number**	**Fair value**	**Exercise price**
Less than market price		$	$		$	$
Equal to market price	4,780,000	$ 6.19	$ 7.72	224,587	$ 8.24	$ 8.24
Greater than market price		$	$		$	$
Total	4,780,000	$ 6.19	$ 7.72	224,587	$ 8.24	$ 8.24

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The weighted-average fair value and weighted-average base price of SARs granted under the UGC Incentive Plan in 2004 are as follows:

Base price	Number	Fair value	Base price
Less than market price(1)	154,500	$ 4.57	$ 2.87
Equal to market price	154,500	$ 8.31	$ 4.57
Equal to market price	4,753,138	$ 6.02	$ 7.55
Greater than market price		$	$
Total	5,062,138	$ 6.17	$ 7.31

(1) UGC originally granted these SARs below fair market value on date of grant; however, upon exercise the holder will only receive the difference between $2.87 and the lesser of $4.57 or the market price of UGC Class A common stock on the date of exercise.

The following summarizes information about UGC s options, SARs and restricted stock outstanding and exercisable as of December 31, 2004:

	Options outstanding			Options exercisable	
Exercise price range	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price
$7.48	3,215,000	9.84	$ 7.48		$
$8.24	1,485,000	9.90	$ 8.24		$
Total	4,700,000	9.86	$ 7.72		$

	SARs outstanding		SARs exercisable	
	Weighted average remaining contractual	Weighted average base		Weighted average base

Base price range	Number	life (years)	price	Number	price
$2.87	11,523,022	8.49	$ 2.87	507,378	$ 2.87
$4.57	12,084,784	8.37	$ 4.57	1,069,140	$ 4.57
$5.26-$6.33	1,981,050	8.86	$ 5.38	268,250	$ 5.26
$7.10-$8.24	4,493,138	9.83	$ 7.63	128,138	$ 7.10
Total	30,081,994	8.67	$ 4.43	1,972,906	$ 4.39

	Restricted stock outstanding		
Base price range	Number	Weighted average remaining contractual life (years)	Weighted average stock price
$8.24	224,587	4.95	$ 8.24

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A total of 11,523,022 SARs outstanding as of December 31, 2004 represent capped SARs, where the holder will only receive the difference between $2.87 and the lesser of $4.57 or the market price of UGC Class A common stock on the date of exercise.

Fair Value of Grants in 2004. The fair value of options granted pursuant to the UGC Incentive Plan in 2004 has been estimated at the date of grant using the Black-Scholes single-option pricing model and the following weighted-average assumptions:

Risk-free interest rate	3.61%
Expected lives	6 years
Expected volatility	100%
Expected dividend yield	0%

Based on the above assumptions, the total fair value of options granted under the UGC Incentive Plan was $29,580,000 in 2004.

UGC Stock Option Plans

During 1993, Old UGC adopted a stock option plan for certain of its employees, which was assumed by UGC on January 30, 2002 (the UGC Employee Plan). The UGC Employee Plan provided for the grant of options to purchase up to 39,200,000 shares of UGC Class A common stock, of which options for up to 3,000,000 shares of UGC Class B common stock were available to be granted in lieu of options for shares of UGC Class A common stock. The UGC Committee had the discretion to determine the employees and consultants to whom options were granted, the number of shares subject to the options, the exercise price of the options, the period over which the options became exercisable, the term of the options (including the period after termination of employment during which an option was to be exercised) and certain other provisions relating to the options. The maximum number of shares subject to options that were allowed to be granted to any one participant under the UGC Employee Plan during any calendar year was 5,000,000 shares. The maximum term of options granted under the UGC Employee Plan was ten years. Options granted were either incentive stock options under the Internal Revenue Code of 1986, as amended, or non-qualified stock options. The UGC Employee Plan expired June 1, 2003. Options outstanding prior to the expiration date continue to be recognized, but no new grants of options will be made. All options outstanding on January 5, 2004 pursuant to the UGC Employee Plan became fully vested as a result of the change of control due to the UGC Founders Transaction. As of December 31, 2004, 9,881,029 and 3,000,000 shares of UGC Class A common stock and UGC Class B common stock, respectively, were outstanding and exercisable pursuant to the UGC Employee Plan.

Old UGC adopted a stock option plan for non-employee directors effective June 1, 1993, which was assumed by UGC on January 30, 2002 (the UGC 1993 Director Plan). The UGC 1993 Director Plan provided for the grant of an option to acquire 20,000 shares of UGC Class A common stock to each member of the UGC Board of Directors who was not also an employee of UGC (a UGC non-employee director) on June 1, 1993, and to each person who is newly elected to the UGC Board of Directors as a non-employee director after June 1, 1993, on the date of their election. To allow for additional option grants to non-employee directors, Old UGC adopted a second stock option plan for non-employee directors effective March 20, 1998, which was assumed by UGC on January 30, 2002 (the UGC 1998 Director Plan, and together with the UGC 1993 Director Plan, the UGC Director Plans). Options under the UGC 1998 Director Plan were granted at the discretion of UGC s Board of Directors. The maximum term of options granted under the UGC Director Plans was ten years. Effective March 14, 2003, the UGC Board of Directors terminated the UGC 1993

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Director Plan. Options outstanding prior to the date of termination shall continue to be recognized, but no new grants of options will be made.

A summary of stock option activity for the UGC Employee Plan and the UGC Director Plans in 2004 is as follows:

	UGC Employee Plan		UGC Director Plans	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at January 1	13,745,692	$ 7.49	920,000	$ 10.66
Granted		$	200,000	$ 5.94
Canceled	(247,586)	$ 14.63	(130,000)	$ 47.75
Exercised	(617,077)	$ 4.94	(260,000)	$ 3.94
Outstanding at December 31	12,881,029	$ 7.52	730,000	$ 5.11
Exercisable at December 31	12,881,029	$ 7.52	492,498	$ 5.01

The combined weighted-average fair value and weighted-average exercise price of options granted under the UGC Employee Plan and the UGC Director Plans in 2004 are as follows:

Exercise price	Number	Fair value	Exercise price
Less than market price	200,000	$ 7.22	$ 5.94
Equal to market price		$	$
Greater than market price		$	$
Total	200,000	$ 7.22	$ 5.94

The following table summarizes information about the UGC Employee Plan and the UGC Director Plans stock options outstanding and exercisable as of December 31, 2004:

	Options outstanding			Options exercisable	
Exercise price range	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price

$3.29-$3.88	258,282	4.68	$ 3.44	258,282	$ 3.44
$4.13	10,426,709	6.71	$ 4.13	10,266,291	$ 4.13
$4.25-$67.51	2,914,038	4.41	$ 19.08	2,836,954	$ 19.39
$85.63	12,000	5.23	$ 85.63	12,000	$ 85.63
Total	13,611,029	6.17	$ 7.39	13,373,527	$ 7.43

UPC Stock Option Plan. UPC adopted a stock option plan on June 13, 1996, as amended (the UPC Plan), for certain of its employees and those of its subsidiaries. As a result of UPC s reorganization under Chapter 11 of the U.S. Bankruptcy Code, the UPC Plan was cancelled.

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(14) Related Party Transactions

During the 2004 period prior to the spin off, a subsidiary of our company borrowed $116,666,000 from Liberty pursuant to certain notes payable. Interest expense accrued on the amounts borrowed pursuant to such notes payable was $1,534,000 in 2004. In connection with the spin off, Liberty also entered into a Short-Term Credit Facility with our company. Pursuant to the Short-Term Credit Facility, Liberty had agreed to make loans to us from time to time up to an aggregate principal amount of $383,334,000. Amounts borrowed under the Short-Term Credit Facility and the notes payable accrued interest at 6% per annum, compounded semi-annually, and were due and payable no later than March 31, 2005. During 2004, all amounts due to Liberty under the notes payable were repaid with proceeds from the LMI Rights Offering and the Short-Term Credit Facility was terminated.

For periods prior to the spin off, corporate expenses were allocated from Liberty to us based upon the cost of general and administrative services provided. We believe such allocations were reasonable and materially approximate the amount that we would have incurred on a stand-alone basis. Amounts allocated to us prior to the spin off pursuant to these arrangements aggregated $10,833,000, $10,873,000 and $10,794,000 in 2004, 2003 and 2002, respectively. The 2004 amount includes costs associated with the spin off aggregating $2,952,000. Pursuant to the Reorganization Agreement, we and Liberty each agreed to pay 50% of such spin off costs. Excluding our share of such spin off costs, the intercompany amounts owed to Liberty as a result of these allocations were contributed to our equity in connection with the spin off. The amounts allocated by Liberty are included in SG&A expenses in the accompanying consolidated statements of operations.

In connection with the spin off, we and Liberty entered into a Facilities and Services Agreement that sets forth the terms that apply to services and other benefits provided by Liberty to us following the spin off. Pursuant to the Facilities and Services Agreement, Liberty provides us with office space and certain general and administrative services including legal, tax, accounting, treasury, engineering and investor relations support. We reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services and for our allocable portion of facilities costs and costs associated with any shared services or personnel. Amounts charged to us pursuant to this agreement aggregated $1,324,000 for the period from the Spin Off Date through December 31, 2004 and are included in SG&A expenses in the accompanying consolidated statements of operations.

Prior to the spin off, Liberty transferred to our company a 25% ownership interest in two of Liberty s aircraft. In connection with the transfer, we and Liberty entered into certain agreements pursuant to which, among other things, we and Liberty share the costs of Liberty s flight department and the costs of maintaining and operating the jointly owned aircraft. Costs are allocated based upon either our actual usage or our ownership interest, depending on the type of costs. Amounts charged to us pursuant to these agreements aggregated $230,000 for the period from the Spin Off Date through December 31, 2004 and are included in SG&A expenses in the accompanying consolidated statements of operations.

Other agreements between our company and Liberty that were entered into in connection with the spin off our described in note 2 (the Reorganization Agreement) and note 11 (the Tax Sharing Agreement).

At December 31, 2004, John C. Malone beneficially owned shares of Liberty common stock representing approximately 29.7% of Liberty s voting power and beneficially owned shares of LMI common stock which may represent up to approximately 33.2% of the voting power in our company, assuming the exercise in full of certain options to acquire shares of LMI Series B common stock granted to Mr. Malone at the time of the spin off. In addition, six of our eight directors are also directors of Liberty. By virtue of Mr. Malone s voting power in Liberty and our company, as well as his position as Chairman of the Board of Liberty and positions as

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Chairman of the Board, President and Chief Executive Officer of our company, and the aforementioned common directors, Liberty may be deemed an affiliate of our company.

Certain key employees of our company hold stock options and options with tandem SARs with respect to certain common stock of Liberty. For additional information, see note 3.

In the normal course of business, Pramer provides programming and uplink services to equity method affiliates of LMI. Total revenue for such services from the LMI affiliates aggregated $195,000, $862,000 and $569,000 in 2004, 2003 and 2002, respectively.

In the normal course of business, Liberty Cablevision Puerto Rico purchases programming services from subsidiaries of Liberty. In 2004, 2003 and 2002, the charges for such services aggregated $2,053,000, $1,867,000 and $632,000, respectively.

In 2004, 2003 and 2002, we recognized income from guarantee fees charged to J-COM aggregating $641,000, $244,000 and $3,420,000, respectively. See note 19.

During 2004, 2003 and 2002, we recognized interest income from equity method affiliates (including J-COM in all periods and UGC in 2003 and 2002) and other related parties aggregating $11,166,000, $18,180,000 and $17,864,000, respectively. See note 6.

UGC s 2004 related party revenue was $7,982,000, which consisted primarily of management, advisory and license fees, call center charges and uplink services. UGC s 2004 related party operating expenses were $15,325,000, which consisted primarily of programming costs and interconnect fees.

In addition, in 2002 we recognized $1,891,000 of aggregate interest expense on indebtedness owed to UGC and its subsidiaries.

(15) Transactions with Officers and Directors

VLG Acquisition Corp.

Prior to March 2, 2005, Liberty owned a 78.2% economic and non-voting interest in VLG Argentina LLC (VLG Argentina), an entity that owns a 50% interest in Cablevisión. VLG Acquisition Corp. (VLG Acquisition), an entity in which neither Liberty nor our company has any ownership interests, owned the remaining 21.8% economic interest and all of the voting power in VLG Argentina LLC. An executive officer and an officer of our company were shareholders of VLG Acquisition. Prior to joining our company, they sold their equity interests in VLG Acquisition to the remaining shareholder, but each retained a contractual right to 33% of any proceeds in excess of $100,000 from the sale of VLG Acquisition Corp. s interest in VLG Argentina, or from distributions to VLG Acquisition Corp. by VLG Argentina in connection with a sale of VLG Argentina s interest in Cablevisión. Although we have no direct or indirect equity interest in Cablevisión, we had the right and obligation pursuant to Cablevisión s debt restructuring agreement to contribute $27,500,000 to Cablevisión in exchange for newly issued Cablevisión shares representing approximately 40.0% of Cablevisión s fully diluted equity (the Subscription Right).

On November 2, 2004, Liberty, VLG Acquisition, VLG Argentina, a subsidiary of our company and the then sole shareholder of VLG Acquisition entered into an agreement with a third party to transfer all of the equity in VLG Argentina and all of our rights and obligations with respect to the Subscription Right to the third party for aggregate consideration of $65 million. This agreement provided that $40,527,000 of such proceeds would be allocated to our company for the Subscription Right. We received 50% of such proceeds as a down payment in November 2004 and we received the remainder in March 2005. We will recognize a gain of $40,527,000 during the first quarter of 2005 in connection with the closing of this transaction.

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As a result of the foregoing transactions, the executive officer and officer of our company who retained the above-described contractual rights with respect to VLG Acquisition received aggregate cash distributions of $7.3 million in respect of such rights during the fourth quarter of 2004 and the first quarter of 2005.

(16) Reorganization of Old UGC

Old UGC is a wholly owned subsidiary of UGC that owns VTR and an approximate 34% interest in Austar United Communications Ltd. Certain information concerning the consolidated operating performance and total assets of VTR are set forth in note 20.

On January 12, 2004, Old UGC filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. On September 21, 2004, UGC and Old UGC filed with the Bankruptcy Court a plan of reorganization, which was subsequently amended on October 5, 2004. The plan of reorganization provided for the acquisition by Old UGC of $638,008,000 face amount of certain senior notes of Old UGC (Old UGC Senior Notes) held by UGC (following cancellation of certain offsetting obligations) for common stock of Old UGC and $599,173,000 face amount of Old UGC Senior Notes held by IDT United, another consolidated subsidiary of UGC for preferred stock of Old UGC. Old UGC Senior Notes held by third parties ($24,627,000 face amount) would be left outstanding (after cure, through the repayment of approximately $5,073,000 in unpaid interest, and reinstatement). In addition, Old UGC would make a payment of approximately $3,114,000 in settlement of certain outstanding guarantee obligations. The Bankruptcy Court confirmed the plan of reorganization on November 10, 2004. Following an appeal period, the plan of reorganization was consummated on November 24, 2004.

On November 24, 2004, immediately following the consummation of the plan of reorganization, UGC executed a stock purchase agreement with two shareholders of IDT United whereby UGC acquired all of the remaining capital stock of IDT United not previously owned by UGC for approximately $22,711,000 in cash. As a result of this transaction, IDT United became UGC s wholly owned subsidiary.

In connection with the Old UGC Reorganization, a total of $24,627,000 was deposited into an escrow account for the purpose of repayment of the Old UGC Senior Notes. On February 15, 2005, the Old UGC Senior Notes were redeemed in full for total cash consideration of $25,068,000 plus accrued interest from August 15, 2004 through the redemption date totaling $1,324,000.

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(17) Restructuring and Other Charges

Restructuring Charges

A summary of UGC s restructuring charge activity in 2004 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Other	Total
			amounts in thousands		
Restructuring liability as of January 1, 2004	$ 8,405	16,821	34,399	2,442	62,067
Restructuring charges	8,176	16,862		794	25,832
Cash paid	(6,938)	(5,741)	(7,566)	(1,057)	(21,302)
Foreign currency translation adjustments	980	1,983	3,695	(657)	6,001
Restructuring liability as of December 31, 2004	$ 10,623	29,925	30,528	1,522	72,598
Short-term portion	$ 4,973	5,271	3,817	345	14,406
Long-term portion	5,650	24,654	26,711	1,177	58,192
Total	$ 10,623	29,925	30,528	1,522	72,598

In May and September 2004, UGC s Netherlands operations recorded an aggregate charge of $5,690,000 for severance benefits as a result of a restructuring plan to change its management structure from a three-region model to a centralized management organization, eliminating certain redundancies and vacating space under an office lease. In December 2004, UGC s Netherlands operations changed its estimate regarding the timing and amount of sub-lease income related to a restructuring plan that was finalized in 2001. While the office space under lease remains vacated, UGC has been unable to sub-lease this space and cannot predict that it will be able to for the foreseeable future. Accordingly, the restructuring liability has been adjusted by approximately $15,970,000 to reflect UGC s best estimate regarding future sub-lease income for the vacated property. The remaining $4,172,000 of restructuring charges in 2004 related to various redundancy eliminations and other streamlining efforts at chellomedia BV (chellomedia) an indirect wholly owned subsidiary of UGC, and Priority Telecom.

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Other Charges

In January 2004, UGC s Chief Executive Officer resigned and received certain benefits totaling $3,186,000.

(18) Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in our company s consolidated balance sheets and statements of stockholders equity reflect the aggregate of foreign currency translation adjustments and unrealized holding gains and losses on securities classified as available-for-sale. The change in the components of accumulated other comprehensive earnings (loss), net of taxes, is summarized as follows:

	Foreign currency translation adjustment	Unrealized gains (losses) on securities	Other comprehensive earnings (loss)
		amounts in thousands	
Balance at January 1, 2002	$ (102,988)	(30,400)	(133,388)
Other comprehensive earnings (loss)	(173,715)	46,649	(127,066)
Balance at December 31, 2002	(276,703)	16,249	(260,454)
Other comprehensive earnings	102,294	111,594	213,888
Balance at December 31, 2003	(174,409)	127,843	(46,566)
Other comprehensive earnings (loss)	129,141	(122,292)	6,849
Effect of change in estimated blended state income tax rate (note 11)	2,222	523	2,745
Spin off transaction (note 2)		50,982	50,982
Balance at December 31, 2004	$ (43,046)	57,056	14,010

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The components of other comprehensive earnings (loss) are reflected in our company s consolidated statements of comprehensive earnings (loss), net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss):

	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
		amounts in thousands	
Year ended December 31, 2004:			
Foreign currency translation adjustments	$ 204,392	(75,251)	129,141
Unrealized holding losses arising during period	(189,465)	67,173	(122,292)
Effect of change in estimated blended state income tax rate (note 11)		2,745	2,745
Other comprehensive earnings	$ 14,927	(5,333)	9,594
Year ended December 31, 2003:			
Foreign currency translation adjustments	$ 168,239	(65,945)	102,294
Unrealized holding gains arising during period	182,941	(71,347)	111,594
Other comprehensive earnings	$ 351,180	(137,292)	213,888
Year ended December 31, 2002:			
Foreign currency translation adjustments	$ (284,779)	111,064	(173,715)
Unrealized holding gains arising during period	76,474	(29,825)	46,649
Other comprehensive loss	$ (208,305)	81,239	(127,066)

(19) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable leases, programming contracts, purchases of customer premise equipment, construction activities, network maintenance, and upgrade and other commitments arising from our agreements with local franchise authorities. As of December 31, 2004, the U.S. dollar equivalent (based on December 31, 2004 exchange rates) of such commitments is as follows:

	Payments due during years ended December 31,						
	2005	2006	2007	2008	2009	Thereafter	Total
	amounts in thousands						
Operating Leases	$ 101,440	74,519	68,111	49,892	44,919	124,092	462,973

Purchase obligations:							
Programming	95,911	23,877	10,304	6,191	2,647	17,086	156,016
Other	22,717	1,957					24,674
Other commitments	53,697	9,753	5,883	3,953	3,972	14,313	91,571
Total contractual payments	$ 273,765	110,106	84,298	60,036	51,538	155,491	735,234

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Rental costs under non-cancelable lease arrangements amounted to $88,588,000, $2,934,000 and $1,701,000 in 2004, 2003 and 2002, respectively. It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by similar leases.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us inasmuch as we have agreed to pay minimum fees, regardless of the actual number of subscribers or whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems.

Other purchase obligations consist of commitments to purchase customer premise equipment that are enforceable and legally binding on us. Other commitments consist of commitments to rebuild or upgrade cable systems and to extend the cable network to new developments, network maintenance, and other fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. The amount and timing of the payments included in the table with respect to our rebuild, upgrade and network extension commitments are estimated based on the remaining capital required to bring the cable distribution system into compliance with the requirements of the applicable franchise agreement specifications.

In addition to the commitments set forth in the table above, we have commitments under agreements with programming vendors, franchise authorities and municipalities, and other third parties pursuant to which we expect to make payments in future periods. Such amounts are not included in the above table because they are not fixed or determinable due to various factors.

Contingent Obligations

Various partnerships and other affiliates of our company accounted for using the equity method finance a substantial portion of their acquisitions and capital expenditures through borrowings under their own credit facilities and net cash provided by their operating activities. Notwithstanding the foregoing, certain of our affiliates may require additional capital to finance their operating or investing activities. In addition, we are a party to stockholder and partnership agreements that provide for possible capital calls on stockholders and partners. In the event our affiliates require additional financing and we fail to meet a capital call, or other commitment to provide capital or loans to a particular company, such failure may have adverse consequences to our company. These consequences may include, among others, the dilution of our equity interest in that company, the forfeiture of our right to vote or exercise other rights, the right of the other stockholders or partners to force us to sell our interest at less than fair value, the forced dissolution of the company to which we have made the commitment or, in some instances, a breach of contract action for damages against us.

In addition to the foregoing, the agreement governing our investment in Mediatti contains a put-call arrangement whereby we could be required to purchase another investor s ownership interest at fair value. We have similar put-call arrangements with the minority shareholders of Belgium Cable Investors and Zone Vision. For additional information concerning these contingent obligations, see notes 6 and 22.

For a description of certain put obligations that we assumed in connection with the Noos acquisition, see note 5.

We and UGC have entered into indemnification agreements with each of our respective directors, our respective named executive officers and certain other officers. Pursuant to such agreements and as permitted by our and UGC s Bylaws, we each will indemnify our respective indemnities to the fullest extent permitted by law against any and all expenses, judgments, fines, penalties and settlements incurred as a result of being a party or threatened to be a party in a legal proceeding as a result of their service to or on behalf of our company or UGC, as applicable.

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Guarantees and Other Credit Enhancements

At December 31, 2004, Liberty guaranteed ¥4,695 million ($45,842,000) of the bank debt of J-COM. Liberty s guarantees expire as the underlying debt matures and is repaid. The debt maturity dates range from 2004 to 2019. In connection with the spin off, we have agreed to indemnify Liberty for any amounts Liberty is required to fund under these arrangements.

In the ordinary course of business, we have provided indemnifications to (i) purchasers of certain of our assets, (ii) our lenders, (iii) our vendors and (iv) other parties. In addition, we have provided performance and/or financial guarantees to our franchise authorities, customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Legal Proceedings

We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In our opinion, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

Cignal. On April 26, 2002, UPC received a notice that certain former shareholders of Cignal Global Communications (Cignal) filed a lawsuit against UPC in the District Court of Amsterdam, The Netherlands, claiming $200 million on the basis that UPC failed to honor certain option rights that were granted to those shareholders in connection with the acquisition of Cignal by Priority Telecom. UPC believes that it has complied in full with its obligations to these shareholders through the successful completion of the initial public offering of Priority Telecom on September 27, 2001. Accordingly, UPC believes that the Cignal shareholders claims are without merit and intends to defend this suit vigorously. In December 2003, certain members and former members of the Supervisory Board of Priority Telecom were put on notice that a tort claim may be filed against them for their cooperation in the initial public offering. A hearing was held on March 8, 2005, and a decision is expected in April 2005.

Class Action Lawsuits Relating to the Merger Transaction with UGC. Since January 18, 2005, twenty-one lawsuits have been filed in the Delaware Court of Chancery and one lawsuit in the Denver District Court, State of Colorado, all purportedly on behalf of UGC s public stockholders, regarding the announcement on January 18, 2005 of the execution by UGC and us of the agreement and plan of merger for the combination of our companies under a new parent company. The defendants named in these actions include UGC, Gene W. Schneider, Michael T. Fries, David B. Koff, Robert R. Bennett, John C. Malone, John P. Cole, Bernard G. Dvorak, John W. Dick, Paul A. Gould and Gary S. Howard (directors of UGC) and our company. The allegations in each of the complaints, which are substantially similar, assert that the defendants have breached their fiduciary duties of loyalty, care, good faith and candor and that various defendants have engaged in self-dealing and unjust enrichment, affirmed an unfair price, and impeded or discouraged other offers for UGC or its assets in bad faith and for improper motives. In addition to seeking to enjoin the transaction, the complaints seek remedies, including damages for the public holders of UGC s stock and an award of attorney s fees to plaintiffs counsel. On February 11, 2005, the Delaware Court of Chancery consolidated the Delaware lawsuits. In connection with the Delaware lawsuits, defendants have been served with one request for production of documents. The defendants believe the lawsuits are without merit.

The Netherlands 2004 Rate Increases. The Dutch competition authority (NMA) is currently investigating the price increases that UGC made with respect to its video services in 2004 to determine whether it abused

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its dominant position. If the NMA were to find that the price increases amount to an abuse of a dominant position, the NMA could impose fines of up to 10% of UGC s 2003 video revenue in The Netherlands and UGC would be obliged to reconsider the price increases. Historically, in many parts of The Netherlands, UGC is a party to contracts with local municipalities that seek to control aspects of its Dutch business including, in some cases, pricing and package composition. Most of these contracts have been eliminated by agreement, although some contracts are still in force and under negotiation. In some cases there is litigation ongoing where some municipalities have resisted UGC s attempts to move away from the contracts.

We and UGC operate in numerous countries around the world and accordingly we are subject to, and pay annual income taxes under, the various income tax regimes in the countries in which we operate. We have historically filed, and continue to file, all required income tax returns and pay income taxes reasonably determined to be due. The tax rules and regulations in many countries are highly complex and subject to interpretation. From time to time we may be subject to a review of our historic income tax filings. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. We have accrued income taxes (and related interest and penalties, if applicable) for amounts that represent income tax exposure items in tax years for which additional income taxes may be assessed.

(20) Information About Operating Segments

We own a variety of international subsidiaries and investments that provide broadband distribution services and video programming services. We identify our reportable segments as (i) those consolidated subsidiaries that represent 10% or more of our revenue, operating cash flow (as defined below), or total assets, and (ii) those equity method affiliates where our investment or share of operating cash flow represents 10% or more of our total assets or operating cash flow, respectively. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and operating cash flow. In addition, we review non-financial measures such as subscriber growth and penetration, as appropriate.

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 and selling, general and administrative expenses (excluding depreciation and amortization, impairment of long-lived assets, restructuring and other charges 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 the 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. A reconciliation of total consolidated operating cash flow to our consolidated pre-tax earnings (loss) is presented below. 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.

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For 2004 we have identified the following consolidated subsidiaries and equity method affiliates as our reportable segments:

UGC Broadband	The Netherlands
UGC Broadband	France
UGC Broadband	Austria
UGC Broadband	Other Europe
UGC Broadband	Chile (VTR)
Super Media/ J-COM	

UGC, a majority-owned subsidiary of our company, is an international broadband communications provider of video, voice, and Internet services with operations in 16 countries. UGC s operations are located primarily in Europe and Latin America. UGC Broadband The Netherlands, UGC Broadband France and UGC Broadband Austria represent UGC s three largest operating segments in Europe in terms of revenue. UGC Broadband Other Europe includes broadband operations in Norway, Sweden, Belgium, Ireland, Hungary, Poland, Czech Republic, Slovak Republic, Slovenia and Romania. None of the components of UGC Broadband Other Europe constitute a reportable segment. UGC Broadband Chile (VTR) represents UGC s operating segment in Latin America. J-COM provides broadband communication services in Japan. Prior to the December 28, 2004 transaction in which our 45.45% ownership interest in J-COM and a 19.78% interest in J-COM owned by Sumitomo were combined in Super Media, we accounted for J-COM using the equity method of accounting. As a result of these transactions, we held a 69.68% noncontrolling interest in Super Media, and Super Media held a 65.23% controlling interest in J-COM at December 31, 2004. At December 31, 2004, we accounted for our 69.68% interest in Super Media using the equity method. As a result of a change in the corporate governance of Super Media that occurred on February 18, 2005, we will begin accounting for Super Media as a consolidated subsidiary effective January 1, 2005. For additional information concerning J-COM and Super Media, see note 6.

The amounts presented below represent 100% of each business revenue and operating cash flow. These amounts are combined and are then adjusted to remove the amounts related to UGC during the 2003 and 2002 periods and J-COM during all periods to arrive at the reported consolidated amounts. This presentation is designed to reflect the manner in which management reviews the operating performance of individual businesses regardless of whether the investment is accounted for as a consolidated subsidiary or an equity investment. It should be noted, however, that this presentation is not in accordance with GAAP since the results of equity method investments are required to be reported on a net basis. Further, we could not, among

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002 (Continued)

other things, cause any noncontrolled affiliate to distribute to us our proportionate share of the revenue or operating cash flow of such affiliate:

Performance Measures

	Year ended December 31,					
	2004		2003		2002	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	amounts in thousands					
UGC Broadband The Netherlands	$ 716,932	361,265	592,223	267,075	459,044	119,329
UGC Broadband France	312,792	53,690	113,946	13,920	92,441	(10,446)
UGC Broadband Austria	299,874	111,950	260,162	98,278	198,189	64,662
UGC Broadband Other Europe	752,900	281,398	561,737	203,495	461,149	131,882
UGC Broadband Chile (VTR)	299,951	108,752	229,835	69,951	186,426	41,959
J-COM	1,504,709	589,597	1,233,492	428,318	930,736	211,146
Corporate and all other	261,835	(28,907)	242,017	(6,090)	218,027	(36,957)
Elimination of equity affiliates	(1,504,709)	(589,597)	(3,125,022)	(1,057,200)	(2,445,757)	(507,520)
Total consolidated LMI	$ 2,644,284	888,148	108,390	17,747	100,255	14,055

	Investments in affiliates		Long-lived assets		Total assets	
	December 31,		December 31,		December 31,	
	2004	2003	2004	2003	2004	2003
			amounts in thousands			
UGC Broadband The Netherlands	$	222	1,099,118	1,334,294	2,024,365	2,458,724
UGC Broadband France			1,065,874	246,307	1,198,372	274,180

UGC Broadband Austria			302,820	307,758	827,506	700,209
UGC Broadband Other Europe	11,797	16,757	1,026,989	873,221	1,832,761	1,845,202
UGC Broadband Chile (VTR)			351,314	322,606	682,270	602,762
Super Media/J-COM	36,846	26,027	2,441,196	2,274,632	4,289,536	3,929,190
Corporate and all other	1,853,845	1,818,811	456,984	356,134	7,137,089	4,905,631
Elimination of equity affiliates	(36,846)	(121,265)	(2,441,196)	(5,617,375)	(4,289,536)	(11,028,861)
Total consolidated LMI	$ 1,865,642	1,740,552	4,303,099	97,577	13,702,363	3,687,037

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002 (Continued)

The following table provides a reconciliation of total segment operating cash flow to earnings (loss) before income taxes and minority interests:

	Year ended December 31,		
	2004	2003	2002
	amounts in thousands		
Total segment operating cash flow	$ 888,148	17,747	14,055
Stock-based compensation credits (charges)	(142,762)	(4,088)	5,815
Depreciation and amortization	(960,888)	(15,114)	(13,087)
Impairment of long-lived assets	(69,353)		(45,928)
Restructuring and other charges	(29,018)		
Operating loss	(313,873)	(1,455)	(39,145)
Interest expense	(288,532)	(2,178)	(3,943)
Interest and dividend income	65,607	24,874	25,883
Share of earnings (losses) of affiliates, net	38,710	13,739	(331,225)
Realized and unrealized gains (losses) on derivative instruments, net	(54,947)	12,762	(16,705)
Foreign currency transaction gains (losses), net	92,305	5,412	(8,267)
Gains on exchanges of investment securities	178,818		122,618
Other-than-temporary declines in fair values of investments	(18,542)	(6,884)	(247,386)
Gains on extinguishment of debt	35,787		
Gains (losses) on disposition of investments, net	43,714	(4,033)	(287)
Other income (expense), net	(7,931)	6,651	2,476
Earnings (loss) before income taxes and minority interests	$ (228,884)	48,888	(495,981)

		Capital expenditures		
		Year ended December 31,		
		2004	2003	2002
		amounts in thousands		
UGC Broadband	The Netherlands	$ (84,698)	(63,451)	(97,841)
UGC Broadband	France	(65,435)	(48,810)	(19,688)
UGC Broadband	Austria	(53,660)	(43,751)	(38,388)
UGC Broadband	Other Europe	(146,965)	(75,873)	(53,142)

UGC Broadband	Chile (VTR)	(41,685)	(41,391)	(80,006)
J-COM		(295,914)	(279,841)	(383,913)
Corporate and all other		(115,904)	(82,717)	(71,037)
Elimination of equity affiliates		295,914	612,965	719,105
Total consolidated LMI		$ (508,347)	(22,869)	(24,910)

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002 (Continued)

(21) Quarterly Financial Information (Unaudited)

	1st quarter	2nd quarter	3rd quarter	4th quarter
	amounts in thousands, except per share amounts			
2004:				
Revenue	$ 576,303	580,659	708,807	778,515
Operating loss	$ (83,627)	(34,192)	(43,061)	(152,993)
Net earnings (loss)	$ (83,951)	(1,040)	74,365	(21,132)
Historical and pro forma earnings (loss) per common share (note 3)				
Basic and diluted	$ (0.55)	(0.01)	0.44	(0.12)
2003:				
Revenue	$ 24,947	27,076	28,031	28,336
Operating income (loss)	$ 1,777	(787)	1,625	(4,070)
Net earnings (loss)	$ 6,802	10,499	9,051	(5,463)
Historical and pro forma earnings (loss) per common share (note 3)				
Basic and diluted	$ 0.04	0.07	0.06	(0.04)

(22) Subsequent Events

Movieco Settlement

On December 3, 2002, Europe Movieco Partners Limited (Movieco) filed a request for arbitration against UPC with the International Court of Arbitration of the International Chamber of Commerce. The request contained claims that were based on a cable affiliation agreement entered into between the parties on December 21, 1999. In the proceedings, Movieco claimed (1) unpaid license fees due under the affiliation agreement, plus interest, (2) an order for specific performance of the affiliation agreement or, in the alternative, damages for breach of that agreement, and (3) legal and arbitration costs plus interest. On January 13, 2005, the Arbitral Tribunal rendered an award in which Movieco s claim for the unpaid license fees, as described above, was sustained and determined that UPC must pay $39.3 million of unpaid license fees, plus interest and legal fees of £1.5 million ($2.9 million). We paid a total amount of $49.3 million in settlement of the award during the first quarter of 2005. Such amount was accrued in our December 31, 2004 consolidated balance sheet. All other claims and counterclaims were dismissed.

Zone Vision

In January 2005, chellomedia acquired an 87.5% interest in Zone Vision Networks Ltd. (Zone Vision) from its current shareholders. Zone Vision is a programming company that owns three pay television channels and represents over 30 international channels. The consideration for the transaction consisted of $50 million in cash and 1.6 million shares of UGC Class A common stock, which are subject to a five-year vesting period. As part of the transaction, chellomedia will contribute to Zone Vision the 49% interest it already holds in Reality TV Ltd. and chellomedia s Club channel business. Zone Vision s minority shareholders have the right to put 60% of their 12.5% shareholding in Zone Vision to chellomedia on the third anniversary of the completion of the acquisition, and 100% of their shareholding on the fifth anniversary of the completion of the acquisition. Chellomedia has corresponding call rights. The price payable upon exercise of the put or call will be the then fair market value of the shareholdings purchased.

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LIBERTY MEDIA INTERNATIONAL, INC.
(See note 1)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004, 2003 and 2002 (Continued)

EWT Holding GmbH

In December 2004, a subsidiary of chellomedia entered into an agreement to sell its 28.7% interest in EWT Holding GmbH to other investors for 30 million ($40.9 million) in cash. Chellomedia received 90% of the purchase price on January 31, 2005 and the remaining 10% is due and payable no later than June 30, 2005.

Telemach

On February 10, 2005, UPC Broadband Holding, UGC s wholly owned subsidiary, acquired 100% of the shares in Telemach d.o.o., a broadband communications provider in Slovenia, for cash consideration of approximately $89.4 million.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Media International, Inc.:

Under date of March 11, 2005, we reported on the consolidated balance sheets of Liberty Media International, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, comprehensive earnings (loss), stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2004, which are included in the Company s annual report on Form 10-K for the year ended December 31, 2004. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules I and II in the Company s annual report on Form 10-K for the year ended December 31, 2004. These financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG LLP
Denver, Colorado
March 11, 2005

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LIBERTY MEDIA INTERNATIONAL, INC.
SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Parent Company Information)
CONDENSED BALANCE SHEET
(Parent Company Only)
As of December 31, 2004
amounts in thousands

ASSETS		
Current assets:		
Cash and cash equivalents	$	1,069,996
Derivative instruments		56,011
Other current assets		621
Total current assets		1,126,628
Investments in consolidated subsidiaries		4,133,285
Property and equipment, at cost		7,597
Accumulated depreciation		(387)
		7,210
Total assets	$	5,267,123
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accrued liabilities	$	3,927
Derivative instruments		5,257
Total current liabilities		9,184
Other long-term liabilities		31,133
Total liabilities		40,317
Commitments and contingencies		
Stockholders Equity:		
Series A common stock, $.01 par value. Authorized 500,000,000 shares; issued and outstanding; 168,514,962 and nil shares at December 31, 2003 and 2004, respectively		1,685
Series B common stock, $.01 par value. Authorized 50,000,000 shares; issued and outstanding; 7,264,300 and nil shares at December 31, 2003 and 2004, respectively		73
Series C common stock, $.01 par value. Authorized 500,000,000 shares; no shares issued at December 31, 2004 or 2003		
Additional paid-in capital		7,001,635
Accumulated deficit		(1,662,707)
Accumulated other comprehensive loss, net of taxes		14,010
Treasury stock, at cost		(127,890)

Total stockholders equity		5,226,806
Total liabilities and stockholders equity	$	5,267,123

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LIBERTY MEDIA INTERNATIONAL, INC.
SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Parent Company Information)
CONDENSED STATEMENT OF OPERATIONS
(Parent Company Only)
For the seven months ended December 31, 2004
amounts in thousands

Operating costs and expenses:		
Selling, general and administrative (SG&A)	$	8,535
Stock-based compensation charges		20,382
Depreciation and amortization		387
Operating loss		(29,304)
Other income (expense):		
Interest and dividend income		8,673
Realized and unrealized losses on derivative instruments, net		(4,146)
Other income, net		1,465
		5,992
Loss before income taxes and equity in income of consolidated subsidiaries, net		(23,312)
Equity in income of consolidated subsidiaries, net		76,743
Income tax benefit		5,763
Net income	$	59,194

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LIBERTY MEDIA INTERNATIONAL, INC.
SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Parent Company Information)
CONDENSED STATEMENT OF STOCKHOLDERS EQUITY
(Parent Company Only)
For the seven months ended December 31, 2004

	Common stock			Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive earnings (loss), net of taxes	Treasury stock, at cost	Total stockholders equity
	Series A	Series B	Series C					
	amounts in thousands							
Balance at June 1, 2004	$ 1,399	61		6,227,851	(1,721,901)	(56,388)		4,451,022
Net earnings					59,194			59,194
Other comprehensive earnings						70,398		70,398
Adjustment due to issuance of stock by subsidiaries and affiliates and other changes in subsidiary equity, net of taxes				6,049				6,049
Common stock issued in rights offering	283	12		735,366				735,661
Stock issued for stock option exercises	3			11,987				11,990
Repurchase of common stock							(127,890)	(127,890)
Stock-based compensation				20,382				20,382
Balance at December 31, 2004	$ 1,685	73		7,001,635	(1,662,707)	14,010	(127,890)	5,226,806

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LIBERTY MEDIA INTERNATIONAL, INC.
SCHEDULE I
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
(Parent Company Information)
CONDENSED STATEMENT OF CASH FLOWS
(Parent Company Only)
For the seven months ended December 31, 2004
amounts in thousands

Cash flows from operating activities:		
Net earnings	$	59,194
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Stock-based compensation charges		20,382
Realized and unrealized losses on derivative instruments, net		4,146
Deferred income tax expense		(4,417)
Other noncash items, net		30,582
Changes in operating assets and liabilities		
Receivables, prepaids and other		(329)
Payables and accruals		2,242
Net cash provided by operating activities		111,800
Cash flows from investing activities:		
Investments in and loans to consolidated subsidiaries, affiliates and others		323,538
Net cash paid to purchase or settle derivative instruments		(35,653)
Other investing activities, net		(36)
Net cash used by investing activities		287,849
Cash flows from financing activities:		
Net proceeds received from rights offering		735,661
Treasury stock purchase		(127,890)
Proceeds from stock option exercises		11,990
Net cash provided by financing activities		619,761
Net increase in cash and cash equivalents		1,019,410
Cash and cash equivalents:		
Beginning of period		50,586
End of period	$	1,069,996
Cash paid for interest		
Net cash paid for taxes	$	4,383

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LIBERTY MEDIA INTERNATIONAL, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

Allowance for Doubtful Accounts

	Balance at beginning of period	Additions to costs and expenses	Acquisition	Deductions or write-offs	FCTA	Other	Balance at end of period
			amounts in thousands				
Year ended December 31:							
2002	$ 11,208	6,689		(1,162)	(3,631)		13,104
2003	$ 13,104	1,450		(2,076)	1,469		13,947
2004	$ 13,947	22,663	51,400	(30,765)	3,644	501	61,390

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
Jupiter Telecommunications Co., Ltd. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Jupiter Telecommunications Co., Ltd. (a Japanese corporation) and subsidiaries as of December 31, 2003 and 2004, and the related consolidated statements of operations, shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jupiter Telecommunications Co., Ltd. and subsidiaries as of December 31, 2003 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

KPMG AZSA & Co.
Tokyo, Japan
February 14, 2005

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	2004
	(Yen in thousands)	
Current assets:		
Cash and cash equivalents	¥ 7,785,978	¥ 10,420,109
Restricted cash	1,773,060	
Accounts receivable, less allowance for doubtful accounts of ¥229,793 thousand in 2003 and ¥245,504 thousand in 2004	7,907,324	8,823,311
Loans to related party (Note 5)		4,030,000
Prepaid expenses and other current assets (Note 8)	1,596,150	4,099,032
Total current assets	19,062,512	27,372,452
Investments:		
Investments in affiliates (Notes 3 and 5)	2,794,533	3,773,360
Investments in other securities, at cost	2,891,973	2,901,566
	5,686,506	6,674,926
Property and equipment, at cost (Notes 5 and 7):		
Land	1,826,787	1,796,217
Distribution system and equipment	312,330,187	344,207,670
Support equipment and buildings	11,593,849	12,612,896
	325,750,823	358,616,783
Less accumulated depreciation	(81,523,580)	(108,613,916)
	244,227,243	250,002,867
Other assets:		
Goodwill, net (Notes 2 and 4)	139,853,596	140,658,718
Other (Note 4 and 8)	13,047,229	14,582,383
	152,900,825	155,241,101
	¥ 421,877,086	¥ 439,291,346

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	2004
	(Yen in thousands)	
Current liabilities:		
Short-term loans	¥	¥ 250,000
Long-term debt current portion (Notes 6 and 12)	2,438,480	5,385,980
Capital lease obligations current portion (Notes 5, 7 and 12):		
Related parties	7,673,978	8,237,323
Other	1,800,456	1,291,918
Accounts payable	17,293,932	17,164,463
Accrued expenses and other liabilities	3,576,708	6,155,380
Total current liabilities	32,783,554	38,485,064
Long-term debt, less current portion (Notes 6 and 12):		
Related parties	149,739,250	
Other	72,092,465	194,088,485
Capital lease obligations, less current portion (Notes 5, 7 and 12):		
Related parties	17,704,295	19,714,799
Other	3,951,900	2,560,511
Deferred revenue	41,635,426	41,699,497
Severance and retirement allowance (Note 9)	2,023,706	2,718,792
Redeemable preferred stock of consolidated subsidiary (Note 10)	500,000	500,000
Other liabilities	3,411,564	180,098
Total liabilities	323,842,160	299,947,246
Minority interest	1,266,287	974,227
Commitments and contingencies (Note 14)		
Shareholders equity (Note 11):		
Ordinary shares no par value	63,132,998	78,133,015
Authorized 15,000,000 shares; issued and outstanding 4,684,535.74 shares at December 31, 2003 and 5,146,074.74 shares at December 31, 2004		
Additional paid-in capital	122,837,273	137,930,774
Accumulated deficit	(88,506,887)	(77,685,712)
Accumulated other comprehensive loss	(694,745)	(8,204)
Total shareholders equity	96,768,639	138,369,873
	¥ 421,877,086	¥ 439,291,346

The accompanying notes to consolidated financial statements are
an integral part of these balance sheets.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2002	2003	2004
	(Yen in thousands, except share and per share amounts)		
Revenue (Note 5):			
Subscription fees	¥ 97,144,356	¥ 123,214,958	¥ 140,826,446
Other	19,486,170	19,944,074	20,519,825
	116,630,526	143,159,032	161,346,271
Operating costs and expenses:			
Operating and programming costs (Note 5)	45,967,220	49,895,426	53,869,646
Selling, general and administrative (inclusive of stock compensation expense of ¥61,902 thousand in 2002, ¥120,214 thousand in 2003 and ¥84,267 thousand in 2004) (Notes 5 and 11)	44,266,444	43,650,593	44,311,685
Depreciation and amortization	30,079,753	36,410,894	40,573,166
	120,313,417	129,956,913	138,754,497
Operating income (loss)	(3,682,891)	13,202,119	22,591,774
Other income (expense):			
Interest expense, net:			
Related parties (Note 5)	(2,847,551)	(4,562,594)	(4,055,343)
Other	(1,335,400)	(3,360,674)	(6,045,939)
Other income, net	147,639	316,116	37,574
Income (loss) before income taxes and other items	(7,718,203)	5,594,967	12,528,066
Equity in earnings of affiliates (inclusive of stock compensation expense of ¥2,156 thousand in 2002, ¥(2,855) thousand in 2003 and ¥9,217 thousand in 2004) (Note 11)	235,792	414,756	610,110
Minority interest in net (income) losses of consolidated subsidiaries	196,498	(448,668)	(458,624)
Income (loss) before income taxes	(7,285,913)	5,561,055	12,679,552
Income taxes (Note 8)	(256,763)	(209,805)	(1,858,377)
Net income (loss)	¥ (7,542,676)	¥ 5,351,250	¥ 10,821,175
Per share data:			
Net income (loss) per share basic and diluted	¥ (1,917)	¥ 1,214	¥ 2,221

Weighted average number of ordinary shares outstanding basic and diluted		3,934,286	4,407,046	4,871,169

The accompanying notes to consolidated financial statements are an integral part of these statements.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Ordinary Shares	Additional Paid-in Capital	Comprehensive Income (Loss)	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders Equity
			(Yen in thousands, except per share amounts)			
Balance at January 1, 2002	¥ 47,002,623	¥ 106,525,481		¥ (86,315,461)	¥	¥ 67,212,643
Net loss			¥ (7,542,676)	(7,542,676)		(7,542,676)
Other comprehensive income						
Comprehensive loss			¥ (7,542,676)			
Stock compensation (Notes 1 and 11)		64,058				64,058
Balance at December 31, 2002	¥ 47,002,623	¥ 106,589,539		¥ (93,858,137)	¥	¥ 59,734,025
Net income			¥ 5,351,250	5,351,250		5,351,250
Other comprehensive loss:						
Unrealized loss on cash flow hedge			(694,745)		(694,745)	(694,745)
Comprehensive income			¥ 4,656,505			
Stock compensation (Notes 1 and 11)		117,359				117,359
Ordinary shares issued upon conversion of long-term debt; 750,250 shares at ¥43,000 per share (Note 6)	16,130,375	16,130,375				32,260,750

Balance at December 31, 2003	¥ 63,132,998	¥ 122,837,273		¥ (88,506,887)	¥ (694,745)	¥ 96,768,639
Net income			¥ 10,821,175	10,821,175		10,821,175
Other comprehensive gain:						
Unrealized gain on cash flow hedge			686,541		686,541	686,541
Comprehensive income			¥ 11,507,716			
Stock compensation (Notes 1 and 11)		93,484				93,484
Ordinary shares issued; 461,539 shares at ¥65,000 per share (Note 1)	15,000,017	15,000,017				30,000,034
Balance at December 31, 2004	¥ 78,133,015	¥ 137,930,774		¥ (77,685,712)	¥ (8,204)	¥ 138,369,873

The accompanying notes to consolidated financial statements are an integral part of these statements.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2002	2003	2004
	(Yen in thousands)		
Cash flows from operating activities:			
Net income (loss)	¥ (7,542,676)	¥ 5,351,250	¥ 10,821,175
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Gain on forgiveness of subsidiary debt		(400,000)	
Depreciation and amortization	30,079,753	36,410,894	40,573,166
Equity in earnings of affiliates	(235,792)	(414,756)	(610,110)
Minority interest in net income (losses) of consolidated subsidiaries	(196,498)	448,668	458,624
Stock compensation expense	61,902	120,214	84,267
Deferred income taxes			45,591
Provision for retirement allowance	412,692	417,335	647,592
Changes in operating assets and liabilities, excluding effects of business combinations:			
Decrease/(increase) in accounts receivable, net	1,368,081	1,712,904	(431,162)
Decrease in prepaid expenses and other current assets	553,192	349,147	4,866
(Increase)/decrease in other assets	(1,651,599)	(325,769)	2,443,960
(Decrease)/increase in accounts payable	(3,124,486)	171,705	(1,184,539)
Increase in accrued expenses and other liabilities	188,537	2,665,162	39,279
Increase/(decrease) in deferred revenue	2,768,512	458,315	(380,578)
Net cash provided by operating activities	22,681,618	46,965,069	52,512,131
Cash flows from investing activities:			
Capital expenditures	(48,108,176)	(32,478,389)	(31,792,956)
Acquisition of new subsidiaries, net of cash acquired	1,856,230		(442,910)
Investments in and advances to affiliates	(665,575)	(172,500)	(359,500)
(Increase)/decrease in restricted cash		(1,773,060)	1,773,060
Loans to related party			(4,030,000)
Acquisition of minority interest in consolidated subsidiaries	(164,590)	(25,565)	(4,960,484)
Other investing activities	(650,729)	(76,891)	(69,427)

Net cash used in investing activities	(47,732,840)	(34,526,405)	(39,882,217)
Cash flows from financing activities:			
Proceeds from issuance of common stock			30,000,034
Net increase/(decrease) in short-term loans	36,984,965	(228,785,000)	250,000
Proceeds from long-term debt	2,620,000	239,078,000	185,302,000
Principal payments of long-term debt	(2,082,335)	(8,184,980)	(210,097,730)
Principal payments under capital lease obligations	(9,293,487)	(10,843,024)	(11,887,363)
Other financing activities	(738,854)	(3,464,440)	(3,562,724)
Net cash provided by (used in) financing activities	27,490,289	(12,199,444)	(9,995,783)
Net increase in cash and cash equivalents	2,439,067	239,220	2,634,131
Cash and cash equivalents at beginning of year	5,107,691	7,546,758	7,785,978
Cash and cash equivalents at end of year	¥ 7,546,758	¥ 7,785,978	¥ 10,420,109

The accompanying notes to consolidated financial statements are an integral part of these statements.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business, Basis of Financial Statements and Summary of Significant Accounting Policies

Business and Organization

Jupiter Telecommunications Co., Ltd. (Jupiter) and its subsidiaries (the Company) own and operate cable telecommunication systems throughout Japan and provide cable television services, telephony and high-speed Internet access services (collectively, Broadband services). The telecommunications industry in Japan is highly regulated by the Ministry of Internal Affairs and Communications (MIC). In general, franchise rights granted by the MIC to the Company s subsidiaries for operation of cable telecommunications systems in their respective localities are not exclusive. Currently, cable television services account for a majority of the Company s revenue. Telephony operations accounted for approximately 10%, 13% and 15% of total revenue for the years ended December 31, 2002, 2003 and 2004, respectively. Internet operations accounted for approximately 23%, 24% and 25% of total revenue for the years ended December 31, 2002, 2003 and 2004, respectively.

The Company s beneficial ownership at December 31, 2004 was as follows:

LMI/Sumisho Super Media, LLC (SM)	65.23%
Microsoft Corporation (Microsoft)	19.46%
Sumitomo Corporation (SC)	12.25%
Mitsui & Co., Ltd.	1.53%
Matsushita Electric Industrial Co., Ltd.	1.53%

In August 2004, Liberty Media International, Inc. (LMI), SC and Microsoft made capital contributions to the Company in the following amounts: LMI: ¥14,065 million for 216,382 shares: SC: ¥9,913 million for 152,505 shares; and Microsoft ¥6,022 million for 92,652 shares. The shares of common stock issued in exchange for the capital contributions were based on fair value at the date of the transaction. As a result of the transaction, their beneficial ownership in the Company increased to 45.45%, 32.03% and 19.46%, respectively. The proceeds from the capital contributions were used to repay subordinated debt owed to each of LMI, SC and Microsoft in the same amounts as contributed by each shareholder respectively (see Note 6).

On December 28, 2004, LMI contributed all of its then 45.45% beneficial ownership interest and SC contributed 19.78% of its then ownership interest in the Company to SM, a company owned 69.7% by LMI and 30.3% by SC. As a result, SM became a 65.23% shareholder of the Company while SC s direct ownership interest was reduced to 12.25%. SC is obligated to contribute its remaining 12.25% direct ownership interest in the Company to SM within six months of an initial public offering (IPO) in Japan by the Company.

The Company has historically relied on financing from its principle shareholders to meet liquidity requirements. However, in December 2004, the Company entered into a new syndicated facility and repaid all outstanding debt with its principal shareholders. For additional information concerning the 2004 refinancing, see Note 6.

Basis of Financial Statements

The Company maintains its books of account in conformity with financial accounting standards of Japan. The consolidated financial statements presented herein have been prepared in a manner and reflect certain adjustments which are necessary to conform to accounting principles generally accepted in the United States of America (U.S. GAAP). These adjustments include those related to the scope of consolidation, accounting for business combinations, accounting for income taxes, accounting for leases, accounting for stock-based compensation, revenue recognition of certain revenues, post-retirement benefits, depreciation and amortization and accruals for certain expenses.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

(a) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries which are primarily cable system operators (SOs). All significant intercompany balances and transactions have been eliminated. For the consolidated subsidiaries with a negative equity position, the Company has recognized the entire amount of cumulative losses of such subsidiaries regardless of its ownership percentage.

(b) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with an initial maturity of three months or less.

(c) Allowance for Doubtful Accounts

Allowance for doubtful accounts is computed based on historical bad debt experience and includes estimated uncollectible amounts based on analysis of certain individual accounts, including claims in bankruptcy.

(d) Investments

For those investments in affiliates in which the Company s voting interest is 20% to 50% and the Company has the ability to exercise significant influence over the affiliates operation and financial policies, the equity method of accounting is used. Under this method, the investment is originally recorded at cost and adjusted to recognize the Company s share of the net earnings or losses of its affiliates. Prior to the adoption on January 1, 2002 of Statement of Financial Accounting Standard (SFAS) No. 142, *Goodwill and Other Intangible Assets,* the excess of the Company s cost over its percentage interest in the net assets of each affiliate was amortized, primarily over a period of 20 years. Subsequent to the adoption of SFAS No. 142, such excess is no longer amortized. All significant intercompany profits from these affiliates have been eliminated.

Investments in other securities carried at cost represent non-marketable equity securities in which the Company s ownership is less than 20% and the Company does not have the ability to exercise significant influence over the entities operation and financial policies.

The Company evaluates its investments in affiliates and non-marketable equity securities for impairment due to declines in value considered to be other than temporary. In performing its evaluations, the Company utilizes various information, as available, including cash flow projections, independent valuations, industry multiples and, as applicable, stock price analysis. In the event of a determination that a decline in value is other than temporary, a charge to earnings is recorded for the loss, and a new cost basis in the investment is established.

(e) Property and Equipment

Property and equipment, including construction materials, are carried at cost, which includes all direct costs and certain indirect costs associated with the construction of cable television transmission and distribution systems, and the costs of new subscriber installations. Depreciation is computed on a straight-line method using estimated useful lives ranging from 10 to 15 years for distribution systems and equipment, from 15 to 60 years for buildings and structures and from 8 to 15 years for support equipment. Equipment under capital leases is stated at the present value of minimum lease payments. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset, which ranges from 2 to 21 years.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized. When property and equipment is retired or otherwise disposed of, the cost and related

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accumulated depreciation accounts are relieved of the applicable amounts and any differences are included in depreciation expense. The impact of such retirements and disposals resulted in additional depreciation expense of ¥1,315,484 thousand, ¥2,041,347 thousand and ¥2,558,513 thousand for the years ended December 31, 2002, 2003 and 2004, respectively.

During the first quarter of 2000, the Company and its subsidiaries approved a plan to upgrade substantially all of its 450 MHz distribution systems to 750 MHz during the years ending December 31, 2000 and 2001. The Company identified certain electronic components of their distribution systems that were replaced in connection with the upgrade and, accordingly, adjusted the remaining useful lives of such electronics in accordance with the upgrade schedule. The effect of such changes in the remaining useful lives resulted in additional depreciation expense of approximately ¥484 million for the year ended December 31, 2002. Additionally, after giving effect to the accelerated depreciation, the net loss per share increased by approximately ¥(123) per share for the year ended December 31, 2002. Such upgrades had been substantially completed by December 31, 2002.

(f) Goodwill

Goodwill represents the difference between the cost of the acquired cable television companies and amounts allocated to the estimated fair value of their net assets. The Company performs an assessment of goodwill for impairment at least annually, and more frequently if an indicator of impairment has occurred, using a two-step process. The first step requires identification of reporting units and determination of the fair value for each individual reporting unit. The fair value of each reporting unit is then compared to the reporting unit s carrying amount including assigned goodwill. To the extent a reporting unit s carrying amount exceeds its fair value, the second step of the impairment test is performed by comparing the implied fair value of the reporting unit s goodwill to its carrying amount. If the implied fair value of a reporting unit s goodwill is less than its carrying amount, an impairment loss is recorded. The Company performs its annual impairment test on the first day of October in each year. The Company has determined its reporting units to be the same as its reportable segments. The Company had no impairment charges of goodwill for the years ended December 31, 2002, 2003 and 2004.

(g) Long-Lived Assets

The Company and its subsidiaries long-lived assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. The standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company and its subsidiaries adopted SFAS No. 143 on January 1, 2003 and the adoption did not have a material effect on its results of operations, financial position or cash flows.

(h) Other Assets

Other assets include certain development costs associated with internal-use software capitalized, including external costs of material and services, and payroll costs for employees devoting time to the software projects.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These costs are amortized over a period not to exceed five years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs are expensed as incurred. Other assets also include deferred financing costs, primarily legal fees and bank facility fees, incurred to negotiate and secure the facility. These costs are amortized to interest expense using the effective interest method over the term of the facility. For additional information concerning the Company s debt facilities, see Note 6.

(i) Derivative Financial Instruments

The Company uses certain derivative financial instruments to manage its foreign currency and interest rate exposure. The Company may enter into forward contracts to reduce its exposure to short-term (generally no more than one year) movements in exchange rates applicable to firm funding commitments that are denominated in currencies other than the Japanese yen. The Company uses interest rate risk management derivative instruments, such as interest rate swap and interest cap agreements, to manage interest costs to achieve an overall desired mix of fixed and variable rate debt. As a matter of policy, the Company does not enter into derivative contracts for trading or speculative purposes.

The Company accounts for its derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133*. SFAS No. 133, as amended, requires that all derivative instruments be reported on the balance sheet as either assets or liabilities measured at fair value. For derivative instruments designated and effective as fair value hedges, changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings. For derivative instruments designated as cash flow hedges, the effective portion of any hedge is reported in other comprehensive income until it is recognized in earnings in the same period in which the hedged item affects earnings. The ineffective portion of all hedges will be recognized in current earnings each period. Changes in fair value of derivative instruments that are not designated as a hedge will be recorded each period in current earnings.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company discontinues hedge accounting prospectively when (1) it is determined that the derivative is no longer effective in offsetting changes in the fair value of cash flows of a hedged item; (2) the derivative expires or is sold, terminated, or exercised; (3) it is determined that the forecasted hedged transaction will no longer occur; (4) a hedged firm commitment no longer meets the definition of a firm commitment, or (5) management determines that the designation of the derivative as a hedge instrument is no longer appropriate. Ongoing assessments of effectiveness are being made every three months.

The Company had several outstanding forward contracts with a commercial bank to hedge foreign currency exposures related to U.S. dollar-denominated equipment purchases and other firm commitments. As of December 31, 2002, 2003 and 2004, such forward contracts had an aggregate notional amount of ¥1,553,053 thousand, ¥3,134,242 thousand and ¥5,658,147 thousand, respectively, and expire on various dates through December 2005. The forward contracts have not been designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, management believes such forward contracts are closely related with the firm commitments designated in U.S. dollars, thus managing associated currency risk. Forward contracts not designated as hedges are marked to market each period. Included in other income, net, in the accompanying consolidated statements of operations are losses on forward contracts not designated as hedges of ¥11,589 thousand, ¥65,195 thousand and ¥72,223 thousand for the years ended December 31, 2002, 2003 and 2004, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 2003, the Company entered into several interest rate swap agreements and an interest rate cap agreement to manage variable rate debt as required under the terms of its facility agreement (see Note 6). These interest rate exchange agreements effectively convert ¥60 billion of variable rate debt based on TIBOR into fixed rate debt and mature on June 30, 2009. These interest rate exchange agreements are considered cash flow hedging instruments as they are expected to effectively convert variable interest payments on certain debt instruments into fixed payments. Changes in fair value of these interest rate agreements designated as cash flow hedges are reported in accumulated other comprehensive loss. The amounts will be subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the variable rate debt affects earnings. The counterparties to the interest rate exchange agreements are banks participating in the facility agreement, therefore the Company does not anticipate nonperformance by any of them on the interest rate exchange agreements. In December 2004, the Company entered into a new debt facility, which replaced its former facility (see Note 6). Under the terms of the new facility, the Company was required to cancel certain interest rate swap agreements and an interest rate cap agreement with an aggregate notional amount of ¥24 billion, as the counterparties elected not to participate in the new facility. Such agreements were canceled in January 2005. As a result, these agreements are no longer considered cash flow hedging instruments and their respective fair value changes were reclassified into interest expense, net in the accompanying consolidated statements of operations for the year ended December 31, 2004. The remaining aggregate notional amount of ¥36 billion of interest rate swap agreements have been permitted to be carried over to the new facility as the counterparties are participants in the new facility. The Company has re-designated such interest swap agreements as cash flow hedging instruments.

(j) Severance and Retirement Plans

The Company and its subsidiaries have unfunded noncontributory defined benefit severance and retirement plans which are accounted for in accordance with SFAS No. 87, *Employers Accounting for Pensions*.

(k) Income Taxes

The Company and its subsidiaries account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Cable Television System Costs, Expenses and Revenues

The Company and its subsidiaries account for costs, expenses and revenues applicable to the construction and operation of cable television systems in accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies*. Currently, there is no significant system that falls in a prematurity period as defined by SFAS No. 51. Operating and programming costs in the Company s consolidated statements of operations include, among other things, cable service related expenses, billing costs, technical and maintenance personnel and utility expenses related to the cable television network.

(m) Revenue Recognition

The Company and its subsidiaries recognize cable television, high-speed Internet access, telephony and programming revenues when such services are provided to subscribers. Revenues derived from other sources are recognized when services are provided, events occur or products are delivered. Initial subscriber installation revenues are recognized in the period in which the related services are provided to the extent of

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that the subscribers are expected to remain connected to the cable television system. Historically, installation revenues have been less than related direct selling costs, therefore such revenues have been recognized as installations are completed.

The Company and its subsidiaries provide poor reception rebroadcasting services to noncable television viewers suffering from poor reception of television waves caused by artificial obstacles. The Company and its subsidiaries enter into agreements with parties that have built obstacles causing poor reception for construction and maintenance of cable facilities to provide such services to the affected viewers at no cost to them during the agreement period. Under these agreements, the Company and its subsidiaries receive up-front, lump-sum compensation payments for construction and maintenance. Revenues from these agreements have been deferred and are being recognized in income on a straight-line basis over the agreement periods which are generally 20 years. Such revenues are included in revenue other in the accompanying consolidated statements of operations.

See Note 5 for a description of revenue from affiliates related to construction-related sales and programming fees which are recorded in revenue other in the accompanying consolidated statements of operations.

(n) Advertising Expense

Advertising expense is charged to income as incurred. Advertising expense amounted to ¥4,425,004 thousand, ¥3,921,229 thousand and ¥2,915,403 thousand and for the years ended December 31, 2002, 2003 and 2004, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

(o) Stock-Based Compensation

The Company and its subsidiaries account for stock-based compensation plans to employees using the intrinsic value based method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25) and FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation an Interpretation of APB No. 25*. (FIN No. 44). As such, compensation expense is measured on the date of grant only if the current fair value of the underlying stock exceeds the exercise price. The Company accounts for its stock-based compensation plans to nonemployees and employees of unconsolidated affiliated companies using the fair market value based method prescribed by SFAS No. 123, *Accounting for Stock-Based Compensation*, and Emerging Issues Task Force Issue 00-12, *Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee* (EITF 00-12). Under SFAS No. 123, the fair value of the stock based award is determined using the Black-Scholes option pricing method, which is remeasured each period end until a commitment date is reached, which is generally the vesting date. The fair value of the subscription rights and stock purchase warrants granted each year was calculated using the Black-Scholes option-pricing model with the following assumptions: no dividends, volatility of 40%, risk-free rate of 3.0% and an expected life of three years. Expense associated with stock-based compensation for certain management employees is amortized on an accelerated basis over the vesting period of the individual award consistent with the method described in FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. Otherwise, compensation expense is generally amortized evenly over the vesting period. Compensation expense is recorded in operating costs and expenses for the Company s employees and nonemployees and in equity in earnings of affiliates for employees of affiliated companies in the accompanying consolidated statements of operations.

SFAS No. 123 allows companies to continue to apply the provisions of APB No. 25, where applicable, and provide pro forma disclosure for employee stock option grants as if the fair value based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB No. 25

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for stock-based compensation plans to its employees and provide the pro forma disclosure required by SFAS No. 123. The following table illustrates the effect on net income (loss) and net income (loss) per share for the years ended December 31, 2002, 2003 and 2004, if the Company had applied the fair value recognition provisions of SFAS No. 123 (Yen in thousands, except share and per share amounts):

	2002	2003	2004
Net income (loss), as reported	¥ (7,542,676)	¥ 5,351,250	¥10,821,175
Add stock-based compensation expense included in reported net income (loss)			
Deduct stock-based compensation expense determined under fair value based method for all awards, net of applicable taxes	(510,246)	(454,172)	(607,655)
Pro forma net income (loss)	¥ (8,052,922)	¥ 4,897,078	¥10,213,520
Basic and diluted per share data:			
Net income (loss) per share, as reported (Yen)	(1,917)	1,214	2,221
Net income (loss) per share, pro forma (Yen)	(2,047)	1,111	2,097

(p) Earnings Per Share

Earnings per share (EPS) is presented in accordance with the provisions of SFAS No. 128, *Earnings Per Share*. Under SFAS No. 128, basic EPS excludes dilution for potential ordinary shares and is computed by dividing net income (loss) by the weighted average number of ordinary shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. Basic and diluted EPS are the same in 2002, 2003 and 2004, as all potential ordinary share equivalents, consisting of stock options, are anti-dilutive.

(q) Segments

The Company reports operating segment information in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. SFAS No. 131 defined operating segments as components of an enterprise about which separate financial information is available that is regularly evaluated by the chief operating decision-maker in deciding how to allocate resources to an individual segment and in assessing performance of the segment.

The Company has determined that each individual consolidated subsidiary and unconsolidated managed equity affiliate SO is an operating segment because each SO represents a legal entity and serves a separate geographic area. The Company has evaluated the criteria for aggregation of the operating segments under paragraph 17 of SFAS No. 131 and believes it meets each of its respective criteria. Accordingly, management has determined that the Company has one reportable segment, Broadband services.

(r) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant judgments and estimates include derivative financial instruments, depreciation and amortization costs, impairments of property and equipment and goodwill, income taxes and other contingencies. Actual results could differ from those estimates.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(s) Recent Accounting Pronouncements

The FASB issued SFAS No. 123 (Revised 2004) (SFAS No. 123R) in December 2004. SFAS No. 123R is a revision of SFAS No. 123. SFAS No. 123R supersedes APB No. 25 and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. We have not yet determined the impact SFAS No. 123R will have on our results of operations.

2. Acquisitions

The Company acquired varying interests in cable television companies during the periods presented. The Company utilized the purchase method of accounting for all such acquisitions and, accordingly, has allocated the purchase price based on the estimated fair value of the assets and liabilities of the acquired companies. The assets, liabilities and operations of such companies have been included in the accompanying consolidated financial statements since the dates of their respective acquisitions.

In January 2002, the Company purchased additional shares of its affiliate J-COM Media Saitama during a capital call for ¥500,000 thousand and purchased shares from existing shareholders of its affiliate J-COM Urawa-Yono for ¥10,080 thousand. After the purchases, the Company s equity ownership increased to a 50.2% controlling interest in J-COM Media Saitama and a 50.10% controlling interest in J-COM Urawa-Yono. These transactions have been treated as step-acquisitions. The results of operations for both J-COM Media Saitama and J-COM Urawa-Yono have been included as a consolidated entity from January 1, 2002.

In March 2002, the Company purchased additional shares in its affiliate, @NetHome Co., Ltd (@NetHome), from SC at a price per share of ¥55,000 or ¥527,670 thousand and all of the shares held by At Home Asia-Pacific for ¥1.4 billion. After the purchases, the Company had an 87.4% equity interest in @NetHome. The purchases have been accounted for as a step-acquisition. The operations for @NetHome have been included as a consolidated entity from April 1, 2002. In March 2004, the Company purchased from SC the remaining outstanding shares of @NetHome for ¥4,860 million. After the purchase, @NetHome became a wholly owned subsidiary of the Company. The purchase has been accounted for as a step-acquisition. The Company recorded approximately ¥4.0 billion of goodwill for the excess consideration over the fair value of the net assets and liabilities acquired in the 2004 step-acquisition.

In March 2004, the Company purchased a controlling interest in Izumi Otsu from certain of its shareholders. The total purchase price of such Izumi Otsu shares was ¥160,000 thousand and gave the Company a 66.7% interest. The results of Izumi Otsu have been included as a consolidated subsidiary from April 1, 2004. In August 2004, the Company and certain shareholders entered into an agreement and merged Izumi Otsu into the Company s 84.2% consolidated subsidiary, J-COM Kansai. After the merger, the Company has an 84.0% equity interest in J-COM Kansai.

In July 2004, the Company purchased a 100% controlling interest in Cable System Engineering Corporation (CSE), whose business is cable network construction and installation. The total purchase price of CSE was ¥577,210 thousand. No goodwill was recognized in connection with this acquisition. The result of operations for CSE have been included from August 1, 2004.

The impact to revenue, net income (loss) and net income (loss) per share for the years ended December 31, 2002, 2003 and 2004, as if the transactions were completed as of the beginning of those years, is not significant.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
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The aggregate purchase price of the business combinations during the years ended December 31, 2002 and 2004 was allocated based upon fair values as follows (Yen in thousands):

	2002	2004
Cash, receivables and other assets	¥ 7,039,726	¥ 2,073,191
Property and equipment	16,565,501	791,856
Goodwill	3,690,538	4,228,117
Debt and capital lease obligations	(15,881,589)	
Other liabilities	(6,110,058)	(1,395,471)
	¥ 5,304,118	¥ 5,697,693

3. Investments in Affiliates

The Company s affiliates are engaged primarily in the Broadband services business in Japan. At December 31, 2004, the Company held investments in J-COM Shimonoseki (50.0%), J-COM Fukuoka (45.0%), Jupiter VOD Co. Ltd. (50.0%), Kansai Multimedia Service Co., Ltd. (Kansai Multimedia) (25.8%), CATV Kobe (20.4%) and Green City Cable TV Corporation (20.0%).

The carrying value of investments in affiliates as of December 31, 2003 and 2004 includes ¥730,910 thousand and ¥761,053 thousand of unamortized excess cost of investments over the Company s equity in the net assets of the affiliates. All significant intercompany profits from these affiliates have been eliminated according to the equity method of accounting.

The carrying value of investments in affiliates as of December 31, 2003 and 2004 includes ¥2,019,000 thousand and ¥1,945,000 thousand of short-term loans the Company made to certain managed affiliates. The interest rate on these loans was 3.23% and 2.48% as of December 31, 2003 and 2004.

Condensed financial information of the Company s unconsolidated affiliates at December 31, 2003, and 2004 and for each of the three years ended December 31, 2002, 2003 and 2004 are as follows (Yen in thousands):

	2003	2004
Combined Financial Position:		
Property and equipment, net	¥ 29,696,602	¥ 29,578,096
Other assets, net	6,201,251	7,545,469
Total assets	¥ 35,897,853	¥ 37,123,565
Debt	¥ 17,998,825	¥ 15,577,345
Other liabilities	16,030,950	17,224,152
Shareholders equity	1,868,078	4,322,068
Total liabilities and equity	¥ 35,897,853	¥ 37,123,565

	2002	2003	2004

Combined Operations:			
Total revenue	¥ 18,218,205	¥ 19,776,603	¥ 21,784,795
Operating, selling, general and administrative expenses	(13,001,409)	(13,430,881)	(15,080,471)
Depreciation and amortization	(3,180,977)	(3,682,641)	(4,164,827)
Operating income	2,035,819	2,663,081	2,539,497
Interest expense, net	(410,278)	(478,609)	(427,400)
Other expense, net	(558,636)	(1,013,158)	(428,107)
Net income	¥ 1,066,905	¥ 1,171,314	¥ 1,683,990

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4. Goodwill and Other Assets

The changes in the carrying amount of goodwill, net, for the years ended December 31, 2003 and 2004 consisted of the following (Yen in thousands):

	2003	2004
Goodwill, net, beginning of year	¥ 139,827,277	¥ 139,853,596
Goodwill acquired during the year	26,319	4,228,117
Initial recognition of acquired tax benefits allocated to reduce goodwill of acquired entities (Note 8)		(3,422,995)
Goodwill, net, end of year	¥ 139,853,596	¥ 140,658,718

Other assets, excluding goodwill, at December 31, 2003 and 2004, consisted of the following (Yen in thousands):

	2003	2004
Lease and other deposits	¥ 4,295,947	¥ 4,313,742
Deferred financing costs	3,763,785	3,540,302
Capitalized computer software, net	3,022,557	3,351,115
Long-term loans receivable, net	300,380	270,885
Deferred tax assets		1,308,582
Other	1,664,560	1,797,757
Total other assets	¥ 13,047,229	¥ 14,582,383

5. Related Party Transactions

The Company purchases cable system materials and supplies from third-party suppliers and resells them to its subsidiaries and affiliates. The sales to unconsolidated affiliates amounted to ¥3,484,288 thousand, ¥2,888,046 thousand and ¥2,385,495 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in revenue other in the accompanying consolidated statements of operations.

The Company provides programming services to its subsidiaries and affiliates. The revenue from unconsolidated affiliates for such services provided and the related products sold amounted to ¥815,287 thousand, ¥1,092,724 thousand and ¥1,379,744 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in revenue other in the accompanying consolidated statements of operations.

The Company provides management services to its subsidiaries and managed affiliates. Fees for such services related to managed affiliates amounted to ¥390,434 thousand, ¥468,219 thousand and ¥521,670 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in revenue other in the accompanying consolidated statements of operations.

In July 2002, the Company began providing management services to Chofu Cable Inc. (J-COM Chofu), an affiliated company that is 92% jointly owned by LMI, Microsoft and SC. Fees for such services amounted to ¥29,590 thousand, ¥60,882 thousand and ¥87,446 thousand for the years ended December 31, 2002, 2003 and 2004 respectively, and are included in revenue other in the accompanying consolidated statements of operations. As part of the 2004 refinancing, J-COM Chofu became party to the Company s new debt facility (see Note 6). At December 31, 2004, the Company had advanced ¥4,030 million of short term loans to J-COM Chofu and the interest rate on these loans were

2.48%.

The Company purchases certain cable television programs from Jupiter Programming Co., Ltd. (JPC), an affiliated company jointly owned by SC and a wholly owned subsidiary of LMI. Such purchases, including purchases from JPC s affiliates, amounted to ¥2,879,616 thousand, ¥3,155,139 thousand and ¥3,915,345 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in operating and

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programming costs in the accompanying consolidated statements of operations. Additionally, the Company receives a distribution fee to carry the Shop Channel, a majority owned subsidiary of JPC, for the greater of a fixed rate per subscriber or a percentage of revenue generated through sales in the Company s territory. Such fees amounted to ¥614,224 thousand, ¥939,438 thousand and ¥1,063,678 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included as revenue other in the accompanying consolidated statements of operations.

The Company purchased stock of affiliated companies from SC in the amounts of ¥1,112,750 thousand, ¥0 thousand, and ¥5,091,864 thousand in the years ended December 31, 2002, 2003 and 2004, respectively.

AJCC K.K. (AJCC) is a subsidiary of SC and its primary business is the sale of home terminals and related goods to cable television companies. Sumisho Lease Co., Ltd. and Sumisho Auto Leasing Co., Ltd. (collectively Sumisho leasing) are a subsidiary and affiliate, respectively, of SC and provide to the Company various office equipment and vehicles. The Company and its subsidiaries purchases of such goods, primarily as capital leases, from both AJCC and Sumisho leasing, amounted to ¥10,074,639 thousand, ¥6,087,645 thousand and ¥12,621,284 thousand for the years ended December 31, 2002, 2003 and 2004, respectively.

The Company pays monthly fees to its affiliates, @NetHome and Kansai Multimedia, based on an agreed-upon percentage of subscription revenue collected by the Company from its customers for the @NetHome and Kansai Multimedia services. Payments made to @NetHome under these arrangements, prior to it becoming a consolidated subsidiary, amounted to ¥1,585,691 thousand for the years ended December 31, 2002. Payments made to Kansai Multimedia under these arrangements amounted to ¥2,882,494 thousand, ¥3,226,764 thousand and ¥3,380,148 thousand for the years ended December 31, 2002, 2003 and 2004, respectively. Such payments are included in operating and programming costs in the accompanying consolidated statements of operations. In March 2002, @Net Home became a consolidated subsidiary of the Company (see Note 2). Therefore, since April 1, 2002, through @NetHome, the Company receives the monthly fee from its unconsolidated affiliates. Such service fees amounted to ¥480,356 thousand, ¥1,071,891 thousand and ¥1,242,550 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in revenue-subscription fees in the accompanying consolidated statements of operations.

The Company has management service agreements with SC and LMI under which officers and management level employees are seconded from SC and LMI to the Company, whose services are charged as service fees to the Company based on their payroll costs. The service fees paid to SC amounted to ¥571,319 thousand, ¥706,303 thousand and ¥784,122 thousand for the years ended December 31, 2002, 2003 and 2004, respectively. The service fees paid to LMI amounted to ¥761,009 thousand, ¥714,986 thousand and ¥665,354 thousand for the years ended December 31, 2002, 2003 and 2004, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

SC, LMI and Microsoft had long-term subordinated loans to the Company of ¥52,894,625 thousand, ¥52,894,625 thousand and ¥43,950,000 thousand, respectively, at December 31, 2003. In December 2004, the Company refinanced and replaced these subordinated shareholder loans under a new facility. See Note 6.

The Company pays fees on debt guaranteed by SC, LMI and Microsoft. The guarantee fees incurred were ¥413,128 thousand to SC, ¥361,627 thousand to LMI and ¥285,042 thousand to Microsoft for the year ended December 31, 2002. The guarantee fees incurred were ¥84,224 thousand to SC, ¥73,470 thousand to LMI and ¥51,890 thousand to Microsoft for the year ended December 31, 2003. The guarantee fees incurred were ¥41,071 thousand to SC, ¥41,071 thousand to LMI and ¥16,332 thousand to Microsoft for the year ended December 31, 2004. Such fees are included in interest expense, net-related parties in the accompanying

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consolidated statements of operations. In December 2004 these guarantees were replaced by a guarantee facility with a syndicate of lenders. See Note 6.

6. Long-Term Debt

A summary of long-term debt as of December 31, 2003 and 2004 is as follows (Yen in thousands):

	2003	2004
¥140 billion Facility term loans, due fiscal 2005 2009	¥ 53,000,000	¥
¥175 billion Facility term loans, due fiscal 2005 2011		130,000,000
Mezzanine Facility Subordinated loan due fiscal 2012		50,000,000
8 yr Shareholder Subordinated loans, due fiscal 2011	117,739,250	
8 yr Shareholder Tranche B Subordinated loans, due fiscal 2011	32,000,000	
0% unsecured loans from Development Bank of Japan, due fiscal 2005 2019	12,223,720	
Unsecured loans from Development Bank of Japan, due fiscal 2005 2019, interest from 0.65% to 6.8%	3,895,400	
0% secured loans from Development Bank of Japan, due fiscal 2005 2019	5,354,735	15,810,095
Secured loans from Development Bank of Japan, due fiscal 2005 2019, interest at 0.95% to 6.8%		3,614,200
0% unsecured loans from others, due fiscal 2012	57,090	50,170
Total	224,270,195	199,474,465
Less: current portion	(2,438,480)	(5,385,980)
Long-term debt, less current portion	¥ 221,831,715	¥ 194,088,485

2003 Financing

On January 31, 2003, the Company entered into a ¥140 billion bank syndicated facility for certain of its managed subsidiaries and affiliates (¥140 billion Facility). In connection with the ¥140 billion Facility, on February 6, 2003, the Company entered into eight-year subordinated loans with each of SC, LMI and Microsoft (Principal Shareholders), which initially aggregated ¥182 billion (Shareholder Subordinated Loans).

The ¥140 billion Facility was for the financing of Jupiter, sixteen of its consolidated managed affiliates and one managed affiliate accounted for under the equity method of accounting. The financing was used for permitted general corporate purposes, capital expenditures, financing costs and limited purchase of minority shares and capital calls of the affiliates participating in the ¥140 billion Facility.

The ¥140 billion Facility provided for term loans of up to ¥120 billion and a revolving loan facility up to ¥20 billion with the final maturity of June 30, 2009. ¥32 billion of the total term loan portion of the ¥140 billion Facility was considered provided by the shareholders under the Tranche B Subordinated Loans.

Interest was based on TIBOR, as defined in the ¥140 billion Facility, plus margin which changed based upon a leverage ratio of Total Debt to EBITDA as set forth in the ¥140 billion Facility agreement. At December 31, 2003, the interest rate was 2.83%. The Shareholder Subordinated Loans, which were subordinated to the ¥140 billion Facility, consisted of eight-year subordinated loans and eight-year Tranche B Subordinated Loans. The ¥140 billion Facility had requirements to make mandatory prepayments under specific circumstances as defined in the agreements. Such prepayments are designated as restricted cash on the consolidated balance sheets.

In May 2003, LMI and SC converted ¥32 billion of Shareholder Subordinated Loans for 750,250 shares of common stock of the company. At December 31, 2003, the interest rate was 2.08%.

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In December 2003, a consolidated subsidiary of the Company became party to the ¥140 billion Facility. Immediately prior to this transaction, the consolidated subsidiary had outstanding ¥3,686,090 thousand to third-party creditors. In connection with this transaction, a third-party debt holder forgave ¥400,000 thousand of debt owed to it. As a result, the Company recorded a gain of ¥400,000 thousand in other non-operating income in the accompanying consolidated statement of operations for the year ended December 31, 2003. Additionally, the third-party debt holder was issued ¥500,000 thousand of preferred stock of the consolidated subsidiary in exchange for ¥500,000 thousand of debt owed to it (see Note 10). The remaining ¥2,686,090 thousand of third-party debt was repaid from proceeds of the ¥140 billion Facility.

In March 2004, the Company entered into additional shareholder subordinated loans of ¥2,431,000 thousand each with SC and LMI. The aggregate ¥4,862,000 thousand of loan proceeds were used for the purchase of the remaining shares of @NetHome (see Note 2). These additional shareholder subordinated loans had identical terms to the Shareholder Subordinated Loans discussed above.

In August 2004, LMI, SC and Microsoft made a capital contribution to the Company in the aggregate amount of ¥30,000 million. The proceeds of this contribution were used to repay an aggregate of ¥30,000 million of Shareholder Subordinated Loans owed respectively in the same amounts as contributed by LMI, SC and Microsoft (see Note 1).

2004 Refinancing

On December 15, 2004, for the purpose of the refinancing the ¥140 billion Facility, the Company entered into a ¥175 billion senior syndicated facility (¥175 billion Facility) which consists of a ¥130 billion term loan facility (Term Loan Facility), a ¥20 billion revolving facility (Revolving Facility) and a ¥25 billion guarantee facility (Guarantee Facility). Concurrently the Company entered into a ¥50 billion subordinated syndicated loan facility (Mezzanine Facility). Consistent with the ¥140 billion Facility, the ¥175 billion Facility will be utilized for the financing of Jupiter, sixteen of its consolidated managed affiliates, one managed affiliate under the equity method accounting and one managed affiliate, which the Company has no equity investment (Jupiter Combined Group). On December 21, 2004, the Company made full drawdowns from each of the ¥130 billion Term Loan Facility and the ¥50 billion Mezzanine Facility. The proceeds from the December 2004 drawdown were used to repay all outstanding loans under the ¥140 billion Facility and all outstanding Shareholder Subordinated Loans.

The ¥130 billion Term Loan Facility consists of a five year ¥90 billion Tranche A Term Loan Facility (Tranche A Facility) and a seven year ¥40 billion Tranche B Term Loan Facility (Tranche B Facility). Final maturity dates of the Tranche A Facility and Tranche B Facility are December 31, 2009 and December 31, 2011, respectively. Loan repayment of the Tranche A Facility and the Tranche B Facility commence on September 30, 2005 and March 31, 2009, respectively, each based on a defined rate reduction each quarter thereafter until maturity.

The ¥20 billion Revolving Facility will be available for drawdown until one month prior to its final maturity of December 31, 2009. A commitment fee of 0.50% per annum is payable on the unused available Revolving Facility during its availability period.

The ¥25 billion Guarantee Facility provides for seven years of bank guarantees on loans from the Development Bank of Japan owed by affiliates of the Jupiter Combined Group. The Guarantee Facility commitment reduces gradually according to the amount and schedule as defined in the ¥175 billion Facility agreement until final maturity at December 31, 2011. As of December 31, 2004 the guarantee commitment is ¥25 billion. Such guarantee commitment will be reduced to ¥23.1 billion by December 2005; ¥21.6 billion by December 2006; ¥20.0 billion by December 2007; ¥18.6 billion by December 2008; ¥17.2 billion by December 2009; ¥15.8 billion by December 2010; and to ¥13.2 billion by December 2011. A commitment fee of 0.50% per annum is payable on the unused available Guarantee Facility during its availability period.

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Interest on the Tranche A Facility, Tranche B Facility and the Revolving Facility is based on TIBOR, as defined in the agreement, plus the applicable margin. Each facility s applicable margin is reducing based upon a leverage ratio of Senior Debt to EBITDA as such terms are defined in the ¥175 billion Facility agreement. When the leverage ratio is greater than or equal to 4.0:1, the margin on the Tranche A Facility and the Revolving Facility is 1.50% per annum and the margin of the Tranche B Facility ranges from 1.80% to 2.00% per annum; when less than 4.0:1 but greater than or equal to 2.5:1 the margin on the Tranche A Facility and the Revolving Facility is 1.38% per annum and the margin of the Tranche B Facility ranges from 1.69% to 1.88% per annum; when less than 2.5:1 but greater than or equal to 1.5:1 the margin on the Tranche A Facility and the Revolving Facility is 1.25% per annum and the margin of the Tranche B Facility ranges from 1.58% to 1.75% per annum; and when less than 1.5:1 the margin on the Tranche A Facility and the Revolving Facility is 1.00% per annum and the margin of the Tranche B Facility ranges from 1.35% to 1.50% per annum. In regards to the fees due on the Guarantee Facility, when the leverage ratio is greater than 4.00:1, the interest rate is 3.00% per annum; when less than 4.00:1 but greater than or equal to 3.75:1 the interest rate is 2.00%; when less than 3.75:1 but greater than or equal to 3.50:1 the interest rate is 1.50%; when less than 3.50:1 but greater than or equal to 3.00:1 the interest rate is 1.00%; when less than 3.00:1 but greater than or equal to 2.00:1 the interest rate is 0.75%; and when less than 2.00:1, the interest rate is 0.50% per annum. As of December 31, 2004 the interest rates for the outstanding Tranche A Facility, Tranche B Facility, and Guarantee Facility, were 1.6%, 1.9%, and 1.0% respectively.

The ¥175 billion Facility has requirements to make mandatory prepayments in the amount equal to (1) 50% of the Group Free Cash Flow, as defined in the agreement, until the later of (a) March 31, 2007 and (b) the first quarter for which the ratio of Senior Debt to EBITDA, as defined in the agreement, is less than 2.50:1.00; (2) 50% of third party contributions received when the ratio of Senior Debt to EBITDA is greater than 4.00:1.00; (3) proceeds from the sale of assets exceeding ¥500 million that are not reinvested within six months; (4) insurance proceeds exceeding ¥500 million that are not used to repair or replace the damaged assets within twelve months; and (5) proceeds of any take-out securities as defined in the ¥175 billion Facility agreement. The ¥175 billion Facility requires the Jupiter Combined Group to comply with various financial covenants, such as Maximum Senior Debt to EBITDA Ratio, Maximum Senior Debt to Combined Total Capital Ratio, Minimum Debt Service Coverage Ratio and Minimum Interest Coverage Ratio as such terms are defined in the ¥175 billion Facility agreement. In addition, the ¥175 billion Facility contains certain limitations or prohibitions on additional indebtedness. Additionally, the ¥175 billion Facility requires the Company to maintain interest hedging agreements on at least 50% of the outstanding amounts under the Tranche A Facility. Due to the ¥175 billion Facility closing on December 15, 2004, the Company was not required to calculate financial covenants for the fiscal year 2004.

The Mezzanine Facility contains a bullet repayment upon final maturity at June 30, 2012. However, in the event of an IPO by the Company, there is a mandatory prepayment of the Mezzanine Facility of 100% from the proceeds of such IPO. Interest on the Mezzanine Facility is based on TIBOR, as defined in the agreement, plus an increasing margin. The initial margin is 3.25% per annum and increases 0.25% each successive three month period from closing up to a maximum margin of 9.00% per annum. The Mezzanine Facility has identical financial covenants as the ¥175 billion Facility.

As of December 31, 2004 the Company had ¥20 billion revolving loans available for immediate borrowing under the ¥175 billion Facility.

Development Bank of Japan Loans

The loans represent institutional loans from the Development Bank of Japan, which have been made available to telecommunication companies operating in specific local areas designated as Teletopia by the MIC to facilitate development of local telecommunication network. Requirements to qualify for such financing include use of optical fiber cables, equity participation by local/municipal government and guarantee by third parties,

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among other things. These loans are obtained by the Company s subsidiaries and were primarily guaranteed, directly or indirectly, by SC, LMI and Microsoft. In connection with the 2004 refinancing described above, the guarantees by SC, LMI and Microsoft have been cancelled and replaced with guarantees pursuant to the Guarantee Facility.

Securities on Long-Term Debt

At December 31, 2004, subsidiaries shares owned by the Company, trademark and franchise rights held by the Company and substantially all equipment held by the Company s subsidiaries were pledged to secure the loans from the Development Bank of Japan and the Company s bank facilities. The aggregate annual maturities of long-term debt outstanding at December 31, 2004 are as follows (Yen in thousands):

Year Ending December 31,		
2005	¥	5,385,980
2006		11,648,720
2007		20,461,660
2008		31,474,610
2009		42,981,060
Thereafter		87,522,435
	¥	199,474,465

7. Leases

The Company and its subsidiaries are obligated under various capital leases, primarily for home terminals, and other noncancelable operating leases, which expire at various dates during the next seven years. See Note 5 for further discussion of capital leases from subsidiaries and affiliates of SC.

At December 31, 2003 and 2004, the amount of equipment and related accumulated depreciation recorded under capital leases were as follows (Yen in thousands):

		2003		2004
Distribution system and equipment	¥	45,170,512	¥	48,061,224
Support equipment and buildings		6,656,913		6,594,499
Less: accumulated depreciation		(22,111,664)		(24,129,460)
Other assets, at cost, net of depreciation		292,511		209,669
	¥	30,008,272	¥	30,735,932

Depreciation of assets under capital leases is included in depreciation and amortization in the accompanying consolidated statements of operations.

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Future minimum lease payments under capital leases and noncancelable operating leases as of December 31, 2004 are as follows (Yen in thousands):

Year ending December 31,	Capital Leases	Operating Leases
2005	¥ 10,479,258	¥ 901,131
2006	8,298,826	750,754
2007	5,997,212	626,332
2008	4,102,122	399,496
2009	2,810,622	383,100
More than five years	2,686,635	703,288
Total minimum lease payments	34,374,675	¥ 3,764,101
Less: amount representing interest (rates ranging from 1.10% to 5.99%)	(2,570,124)	
Present value of net minimum payments	31,804,551	
Less: current portion	(9,529,241)	
Noncurrent portion	¥ 22,275,310	

The Company and its subsidiaries occupy certain offices under cancelable lease arrangements. Rental expenses for such leases for the years ended December 31, 2002, 2003 and 2004, totaled ¥4,115,628 thousand, ¥4,134,249 thousand and ¥3,970,228 thousand, respectively, and were included in selling, general and administrative expenses in the accompanying consolidated statements of operations. Also, the Company and its subsidiaries occupy certain transmission facilities and use poles and other equipment under cancelable lease arrangements. Rental expenses for such leases for the years ended December 31, 2002, 2003 and 2004, totaled ¥7,323,538 thousand, ¥8,542,845 thousand and ¥8,943,602 thousand, respectively, and are included in operating costs and programming costs in the accompanying consolidated statements of operations.

8. Income Taxes

The Company and its subsidiaries are subject to Japanese national corporate tax of 30%, an inhabitant tax of 6% and a deductible enterprise tax of 10%, which in aggregate result in a statutory tax rate of 42%. On March 24, 2003, the Japanese Diet approved the Amendments to Local Tax Law, reducing the enterprise tax from 10.08% to 7.2%. The amendments to the tax rates will be effective for fiscal years beginning on or after April 1, 2004. Consequently, the statutory income tax rate will be lowered to approximately 40% for deferred tax assets and liabilities expected to be settled or realized on or after January 1, 2005 for the Company.

All pretax income/loss and related tax expense/benefit are derived solely from Japanese operations. Income tax expense for the years ended December 31, 2002, 2003 and 2004 is as follows (Yen in thousand):

	2002	2003	2004
Current	¥ 256,763	¥ 209,805	¥ 1,812,786
Deferred			45,591

Income tax expense	¥ 256,763	¥ 209,805	¥ 1,858,377

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The effective rates of income tax (benefit) expense relating to losses (income) incurred differs from the rate that would result from applying the normal statutory tax rates for the years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
Normal effective statutory tax rate	(42.0)%	42.0%	42.0%
Adjustment to deferred tax assets and liabilities for enacted changes in tax laws and rates			0.1
Increase/(decrease) in valuation allowance	42.0	(41.2)	(27.4)
Other	3.5	3.0	
Effective tax rate	3.5%	3.8%	14.7%

The effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities at December 31, 2003 and 2004 are as follows (Yen in thousands):

	2003	2004
Deferred tax assets:		
Operating loss carryforwards	¥ 29,921,448	¥ 21,649,833
Deferred revenue	14,165,581	14,455,010
Lease obligation	12,452,252	12,721,820
Retirement and other allowances	1,390,741	1,459,068
Investment in affiliates	794,896	567,766
Accrued expenses and other	2,485,228	3,978,505
Total gross deferred tax assets	61,210,146	54,832,002
Less: valuation allowance	(45,846,086)	(35,240,909)
Deferred tax assets	15,364,060	19,591,093
Deferred tax liabilities:		
Property and equipment	12,680,631	13,796,923
Tax deductible goodwill	633,155	
Other	2,050,274	2,416,766
Total gross deferred tax liabilities	15,364,060	16,213,689
Net deferred tax assets	¥	¥ 3,377,404

The net changes in the total valuation allowance for the years ended December 31, 2002, 2003 and 2004 were decreases of ¥8,985,905 thousand, ¥6,543,162 thousand and ¥10,605,177 thousand, respectively.
Current deferred tax assets in the amount of ¥2,068,822 thousand are included in prepaid expenses and non-current deferred tax assets in the amount of ¥1,308,582 thousand are included in other in non-current assets in the

accompanied consolidated balance sheet at December 31, 2004.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management expects to realize its deferred tax assets net of existing valuation allowance. The Company had ¥343,918 thousand of tax deductible goodwill as of December 31, 2004.

The amount of unrecognized tax benefits at December 31, 2003 and 2004 acquired in connection with business combinations were ¥12,000 million and ¥7,267 million (net of ¥3,423 million recognized during 2004),

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respectively. If the deferred tax assets are realized or the valuation allowance is reversed, the tax benefit realized is first applied to i) reduce to zero any goodwill related to acquisition, ii) second to reduce to zero other non-current intangible assets related to the acquisition and iii) third to reduce income tax expense. See Note 4.

At December 31, 2004, the Company and its subsidiaries had net operating loss carryforwards for income tax purposes of ¥54,124,581 thousand which were available to offset future taxable income. Net operating loss carryforwards, if not utilized, will expire in each of the next five years as follows (Yen in thousands):

Year Ending December 31,	
2005	¥ 17,501,242
2006	20,094,037
2007	
2008	55,494
2009	10,751,591
2010-2011	5,722,217
	¥ 54,124,581

9. Severance and Retirement Plans

Under unfunded severance and retirement plans, substantially all full-time employees terminating their employment after the three year vesting period are entitled, under most circumstances, to lump-sum severance payments determined by reference to their rate of pay at the time of termination, years of service and certain other factors. No assumptions are made for future compensation levels as the plans have flat-benefit formulas. As a result, the accumulated benefit obligation and projected benefit obligation are the same. December 31, 2004 was used as the measurement date.

Net periodic cost of the Company and its subsidiaries plans accounted for in accordance with SFAS No. 87 for the years ended December 31, 2002, 2003 and 2004, included the following components (Yen in thousands):

	2002	2003	2004
Service cost benefits earned during the year	¥ 205,094	¥ 257,230	¥ 265,608
Interest cost on projected benefit obligation	35,074	40,159	40,120
Recognized actuarial loss	232,507	158,371	463,216
Net periodic cost	¥ 472,675	¥ 455,760	¥ 768,944

The reconciliation of beginning and ending balances of the benefit obligations of the Company and its subsidiaries plans accounted for in accordance with SFAS No. 87 are as follows (Yen in thousands):

	2003	2004
Change in benefit obligation:		
Benefit obligation, beginning of year	¥ 1,606,371	¥ 2,006,011
Service cost	257,230	265,608
Interest cost	40,159	40,120

Acquisitions (Note 2)		30,630
Actuarial loss	158,371	432,586
Benefits paid	(56,120)	(93,288)
Benefit obligation, end of year	¥ 2,006,011	¥ 2,681,667

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The weighted-average discount rate used in the determination of projected benefit obligation and net pension cost of the Company and its subsidiaries plans as of and for the year ended December 31, 2002, 2003, and 2004 is as follows:

	2002	2003	2004
Projected benefit obligation			
Discount rate	2.5%	2.0%	2.0%
Net pension cost			
Discount rate	3.0%	2.0%	2.0%

The estimated future benefit payments are (Yen in thousands):

	Estimated Future Benefit Payments
2005	¥ 105,753
2006	116,145
2007	172,494
2008	138,000
2009	167,641
2010 to 2014	996,298
	¥ 1,696,331

In addition, employees of the Company and certain of its subsidiaries participate in a multi-employer defined benefit plan. The Company contributions to this plan amounted to ¥324,521 thousand, ¥342,521 thousand and ¥292,546 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in provision for retirement allowance in selling, general and administrative expenses in the accompanying consolidated statements of operations.

10. Redeemable Preferred Stock

On December 29, 2003, in connection with being included as a party to the ¥140 billion Facility, a consolidated subsidiary of the Company issued ¥500,000 thousand of preferred stock to a third-party in exchange for debt owed to that third party. All or a part of the preferred stock can be redeemed after 2010, up to a half of the preceding year s net income, at the holder s demand. The holder of the preferred stock has a priority to receive dividends, however, the amount of such dividends will be decided by the subsidiary s board of directors and such dividend will not exceed ¥1,000 per preferred stock for any fiscal year and will not accumulate.

11. Shareholders Equity

Dividends

Under the Japanese Commercial Code (the Code), the amount available for dividends is based on retained earnings as recorded on the books of the Company maintained in conformity with financial accounting standards of Japan. Certain adjustments not recorded on the Company s books are reflected in the consolidated financial statements for reasons described in Note 1. At December 31, 2004, the accumulated deficit recorded on the Company s books of account was ¥16,024,828 thousand. Therefore, no dividends may be paid at the present time.

The Code provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings be appropriated to a legal reserve until such reserve and the additional paid-in capital equal 25% of the issued capital. The Code also provides that neither additional paid-in capital nor the legal reserve are to be used for cash dividends, but may be either (i) used to reduce a capital deficit, by resolution of the

shareholders; (ii) capitalized, by resolution of the Board of Directors; or (iii) used

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for purposes other than those provided in (i) and (ii), such as refund made to shareholders or acquisition of treasury stocks, but only up to an amount equal to the additional paid-in capital and the legal reserve less 25% of the issued capital, by resolution of the shareholders. The Code provides that at least one-half of the issue price of new shares be included in capital.

Stock-Based Compensation Plans

The Company maintains subscription-rights option plans and stock purchase warrant plans for certain directors, corporate auditors and employees of the Company s consolidated managed franchises and to directors, corporate auditors and employees of the Company s unconsolidated managed franchises and other non-employees (collectively the Jupiter Option Plans). The Company s board of directors and shareholders approved the grant of the Company s ordinary shares at an initial exercise price of ¥92,000 per share. The exercise price is subject to adjustment upon an effective IPO to the lower of ¥92,000 per share or the IPO offering price.

Under Jupiter Option Plans, the number of ordinary shares issuable will be adjusted for stock splits, reverse stock splits and certain other recapitalizations and the subscription rights will not be exercisable until the Company s ordinary shares are registered with the Japan Securities Dealers Association or listed on a stock exchange.

Non-management employees will, unless the grant agreement provides otherwise, vest in two years from date of grant. Management employees will, unless the grant agreement provides otherwise, vest in four equal installments from date of grant. Options under the Jupiter Option Plans generally expire 10 years from date of grant, currently ranging from August 23, 2010 to August 23, 2012.

The Company has accounted for awards granted to the Company s and its consolidated managed franchises directors, corporate auditors and employees under APB No. 25 and FIN No. 44. Based on the Company s estimated fair value per ordinary share, there was no intrinsic value at the date of grant under the Jupiter Option Plans. As the exercise price at the date of grant is uncertain, the Jupiter Option Plans are considered variable awards. Under APB No. 25 and FIN 44, variable awards will have stock compensation recognized each period to the extent the market value of the ordinary shares granted exceeds the exercise price. The Company will be subject to variable accounting for grants to employees under the Jupiter Option Plans until all options granted are exercised, forfeited, or expired. At December 31, 2002, 2003 and 2004, the market value of the Company s ordinary shares did not exceed the exercise price and no compensation expense was recognized.

The Company has accounted for awards granted to directors, corporate auditors and employees of the Company s unconsolidated managed franchises and to other non-employees, in accordance with SFAS No. 123 and EITF 00-12. As a result of cancellations, options outstanding to directors, corporate auditors and employees of the Company s unconsolidated managed franchises and to other non-employees were 23,338 ordinary shares, 21,916 ordinary shares and 11,476 ordinary shares at December 31, 2002, 2003 and 2004, respectively. The Company recorded compensation expense related to the directors, corporate auditors and employees of the Company s unconsolidated managed franchises and other non-employees of ¥64,058 thousand, ¥117,359 thousand and ¥93,484 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, which has been included in selling, general and administrative expense for the Company s non-employees and in equity in earnings of affiliates for employees of affiliated companies in the accompanying consolidated statements of operations.

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes activity under the Jupiter Option Plans:

	2002	2003	2004
Outstanding at beginning of the year	132,712	159,004	191,764
Granted	30,576	41,958	29,730
Canceled	(4,284)	(9,198)	(8,418)
Outstanding at end of the year	159,004	191,764	213,076
Weighted average exercise price	¥ 92,000	¥ 92,000	¥ 92,000
Weighted average remaining contractual life	8.0 years	7.4 years	6.6 years
Options exercisable, end of period			
Weighted average fair value of options granted	¥ 14,604	¥ 18,340	¥ 24,545

12. Fair Value of Financial Instruments

For financial instruments other than long-term loans, lease obligations and interest rate swap agreements, the carrying amount approximates fair value because of the short maturity of these instruments. Based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, the fair value of long-term debt and capital lease obligations at December 31, 2003 and 2004 are as follows (Yen in thousands):

	2003		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	¥ 224,270,195	¥ 220,114,532	¥199,474,465	¥199,127,222
Lease obligation	31,130,629	32,328,048	31,804,551	30,125,734
Interest rate swap agreements	694,745	694,745	8,204	8,204

13. Supplemental Disclosures to Consolidated Statements of Cash Flows

	2002	2003	2004
		(Yen in thousands)	
Cash paid during the year for:			
Interest	¥ 4,696,332	¥ 4,408,426	¥ 8,588,285
Income tax	¥	¥ 378,116	¥ 323,144
Cash acquisitions of new subsidiaries:			
Fair value of assets acquired	¥ 20,135,417	¥	¥ 1,688,442
Liabilities assumed	21,991,647		1,245,532

Cash paid, net of cash acquired	¥	(1,856,230)	¥		¥	442,910
Property acquired under capital leases during the year	¥	10,990,909	¥	6,057,250	¥	12,561,285
Conversion of long-term debt into equity	¥		¥	32,260,750	¥	

14. Commitments

In connection with the September 1, 2000 acquisition of Titus Communications Corporation (Titus), Microsoft and the Company entered into a gain recognition agreement with respect to the Titus shares and assets acquired. The Company agreed not to sell during any 18-month period, without Microsoft consent, any shares of Titus, or sell any of Titus assets, valued at $35 million or more, in a transaction that would result in taxable income to Microsoft. Microsoft will retain this consent right until the earlier of June 30, 2006 or the

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JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

date Microsoft owns less than 5% of the Company s ordinary shares and Microsoft has sold, in taxable transactions, 80% of the Company s ordinary shares issued to it in connection with the Titus acquisition.

The Company has guaranteed payment of certain bank loans for its equity method affiliate investee, CATV Kobe, and its cost method investee Bay Communications Inc. The guarantees are based on an agreed-upon proportionate share of the bank loans among certain of the entities shareholders, considering each of their respective equity interest. The term of the guarantee ranges from 5 to 12 years and the aggregate guaranteed amounts were ¥796,233 thousand, ¥722,531 thousand and ¥179,072 thousand as of December 31, 2002, 2003 and 2004, respectively. Management believes that the likelihood the Company would be required to perform or otherwise incur any significant losses associated with any of these guarantees is remote.

15. Subsequent Events

On February 9, 2005, the Company entered into a share purchase agreement to purchase from Microsoft, LMI, and SC all of their interest in J-COM Chofu, as well as all of the equity interest owned by Microsoft in Tu-Ka Cellular Tokyo, Inc. and Tu-Ka Cellular Tokai, Inc. (Tu-Ka) on or about February 25, 2005. The Company will pay approximately $24 million (approximately ¥2,500 million) to Microsoft, approximately ¥972 million to LMI and approximately ¥940 million to SC for their respective Chofu or Tu-Ka shares. Consideration for J-COM Chofu shares will be in cash at closing, and the Tu-Ka shares will be transferred in exchange for a non-interest-bearing promissory note to Microsoft that is payable 5 business days after a successful IPO in Japan by the Company.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Jupiter Programming Co. Ltd.:

We have audited the accompanying consolidated balance sheets of Jupiter Programming Co. Ltd. and subsidiaries as of December 31, 2003 and 2004, and the related consolidated statements of operations, shareholders equity and comprehensive income, and cash flows for each of the years in the two-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jupiter Programming Co., Ltd. and subsidiaries as of December 31, 2003 and 2004, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Tokyo, Japan
March 4, 2005

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2003 and 2004

	2003	2004
	(Yen in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents:		
Related party	¥ 2,350,000	¥ 3,100,000
Other	2,554,768	2,252,611
Accounts receivable (less allowance for doubtful accounts of ¥10,618 thousand in 2003 and ¥7,723 thousand in 2004):		
Related party	307,160	380,826
Other	3,036,190	4,298,811
Retail inventories	2,235,952	2,999,404
Program rights and language versioning, net (Note 3)	646,758	599,480
Deferred income taxes (Note 13)	1,165,550	1,334,560
Prepaid and other current assets	378,606	401,840
Total current assets	12,674,984	15,367,532
Investments (Note 4)	3,359,563	6,929,961
Property and equipment, net (Note 5)	2,012,286	5,327,068
Software development costs, net (Note 6)	1,450,388	1,902,244
Program rights and language versioning, excluding current portion, net (Note 3)	140,372	86,289
Goodwill (Note 8)	188,945	470,131
Other intangible assets, net (Note 7)	59,393	251,959
Deferred income taxes (Note 13)	236,975	357,606
Other assets, net	506,321	680,365
Total assets	¥ 20,629,227	¥ 31,373,155

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

	2003	2004
	(Yen in thousands)	
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Short-term debt (Note 12)	¥ 46,000	¥
Obligations under capital leases, current installments (related party) (Note 11)	329,764	290,031
Accounts payable:		
Related party	485,416	557,851
Other	3,722,456	4,848,307
Accrued liabilities		
Related party	232,172	276,938
Other	1,228,563	1,515,453
Income taxes payable	1,516,200	2,191,203
Advances from affiliate		938,000
Other current liabilities	517,910	512,501
Total current liabilities	8,078,481	11,130,284
Long-term debt (Note 12):		
Related party	2,016,000	1,000,000
Other	4,000,000	4,000,000
Obligations under capital leases, excluding current installments (related party) (Note 11)	174,946	823,170
Accrued pension and severance cost (Note 14)	216,611	284,796
Deferred income taxes (Note 13)		81,380
Total liabilities	14,486,038	17,319,630
Minority interests	1,539,900	3,055,893
Shareholders equity (Note 15):		
Common stock, no par value; 2003 authorized 450,000 shares; issued and outstanding 336,680 shares 2004 authorized 460,000 shares; issued and outstanding 360,680 shares	16,834,000	11,434,000
Additional paid-in capital		6,788,054
Accumulated deficit	(12,230,711)	(7,207,717)
Accumulated other comprehensive loss		(16,705)
Total shareholders equity	4,603,289	10,997,632
Total liabilities and shareholders equity	¥ 20,629,227	¥ 31,373,155

See accompanying notes to consolidated financial statements.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended December 31, 2002, 2003 and 2004

	2002	2003	2004
	(unaudited)		
		(Yen in thousands)	
Revenues:			
Retail sales, net	¥ 27,432,871	¥ 38,699,329	¥ 50,010,854
Television programming revenue:			
Related party	1,457,731	1,655,215	1,762,782
Other	4,247,036	5,802,030	6,664,584
Services and other revenue:			
Related party	524,849	755,244	866,157
Other	634,336	906,453	1,176,418
Total revenues	34,296,823	47,818,271	60,480,795
Operating costs and expenses:			
Cost of retail sales:			
Related party	1,251,413	1,597,880	2,212,430
Other	15,141,176	21,658,902	28,038,763
Cost of programming and distribution:			
Related party	851,475	2,487,545	2,742,401
Other	5,417,193	6,271,783	7,482,238
Selling, general and administrative expenses:			
Related party	895,979	943,439	1,318,449
Other	6,728,610	8,532,952	10,084,322
Depreciation and amortization	1,107,040	1,210,163	1,380,432
Total operating expenses	31,392,886	42,702,664	53,259,035
Operating income	2,903,937	5,115,607	7,221,760
Other income (expense):			
Interest expense:			
Related party	(77,899)	(60,073)	(45,258)
Other	(74,482)	(66,204)	(77,245)
Foreign exchange (loss) gain	(309,017)	(141,368)	126,572
Equity in (losses) income of equity method affiliates (Note 4)	(163,758)	(64,472)	22,888
Other (expense) income, net	(214,087)	9,763	(9,241)
Total other (expense) income	(839,243)	(322,354)	17,716
Income before income taxes and minority interests	2,064,694	4,793,253	7,239,476
Income tax expense (Note 13)	(703,947)	(1,519,225)	(2,951,446)
Minority interests in earnings, net of tax	(343,027)	(608,738)	(1,077,972)

Net income	¥ 1,017,720	¥ 2,665,290	¥ 3,210,058

See accompanying notes to consolidated financial statements.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
AND COMPREHENSIVE INCOME
Years ended December 31, 2002, 2003 and 2004

	2002	2003	2004
	(unaudited)		
		(Yen in thousands)	
Common stock (Note 15):			
Balance at beginning of year	¥ 16,834,000	¥ 16,834,000	¥ 16,834,000
Transfer from common stock			(8,400,000)
Issuance of common stock			3,000,000
Balance at end of year	16,834,000	16,834,000	11,434,000
Additional paid-in capital (Note 15):			
Balance at beginning of year			
Transfer from common stock			6,587,064
Issuance of common stock			3,000,000
Carryover basis adjustment related to LJS acquisition (Note 2)			(2,799,010)
Balance at end of year			6,788,054
Accumulated deficit:			
Balance at beginning of year	(15,913,721)	(14,896,001)	(12,230,711)
Transfer from common stock			1,812,936
Net income	1,017,720	2,665,290	3,210,058
Balance at end of year	(14,896,001)	(12,230,711)	(7,207,717)
Accumulated other comprehensive income:			
Balance at beginning of year			
Unrecognized losses on derivative instruments (Note 9):			
Unrealized holding losses arising during the year, net of tax benefit, ¥11,460 thousand in 2004			(16,705)
Balance at end of year			(16,705)
Treasury stock at cost:			
Balance at beginning of year			
Redemption of common stock, to be held as treasury stock (Note 15)			(6,000,000)
Issuance of treasury stock related to LJS acquisition (Note 2)			6,000,000

Balance at end of year						
Total shareholders equity	¥	1,937,999	¥	4,603,289	¥	10,997,632
Comprehensive income:						
Net income for the year	¥	1,017,720	¥	2,665,290	¥	3,210,058
Other comprehensive loss for the year, net of tax benefit, ¥11,460 thousand in 2004						(16,705)
Total comprehensive income	¥	1,017,720	¥	2,665,290	¥	3,193,353

See accompanying notes to consolidated financial statements.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2002, 2003 and 2004

	2002	2003	2004
	(unaudited)		
		(Yen in thousands)	
Cash flows from operating activities:			
Net income	¥ 1,017,720	¥ 2,665,290	¥ 3,210,058
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,107,040	1,210,163	1,380,432
Amortization of program rights and language versioning	1,298,054	1,570,670	1,732,435
Provision for doubtful accounts	1,501	1,975	(3,519)
Equity in losses (income) of equity method affiliates	163,758	64,472	(22,888)
Write-down of cost method investment	215,650		
Deferred income taxes	(536,017)	(553,039)	(278,181)
Minority interest in earnings	343,027	608,738	1,077,972
Changes in assets and liabilities, net of effects of acquisitions:			
Purchase of program rights and language versioning	(1,433,219)	(1,608,392)	(1,631,074)
Increase in accounts receivable	(515,809)	(740,650)	(1,307,561)
(Increase) decrease in retail inventories, net	(777,383)	252,870	(763,453)
Increase (decrease) in accounts payable	1,242,235	777,510	883,283
Increase in accrued liabilities	169,642	425,674	263,015
Increase in income taxes payable	939,964	369,587	674,288
Other, net	457,341	210,947	(22,218)
Net cash provided by operating activities	3,693,504	5,255,815	5,192,589
Cash flows from investing activities:			
Capital expenditures	(1,378,218)	(1,299,228)	(3,886,668)
Acquisition of subsidiary, net of cash acquired	(188,844)		(391,887)
Investments in affiliates	(626,050)	(1,259,945)	(748,500)
Other, net	(113,998)	4,500	
Net cash used in investing activities	(2,307,110)	(2,554,673)	(5,027,055)
Cash flows from financing activities:			
Proceeds (repayments) on short-term debt		46,000	(46,000)
Proceeds from advances from affiliate			938,000
Proceeds from issuance of long-term debt	60,000	4,040,000	
Principal payments on long-term debt		(4,000,000)	(176,000)
Principal payments on obligations under capital leases	(527,935)	(460,262)	(429,014)
Proceeds from issuance of common stock			6,000,000
Payments to acquire treasury stock			(6,000,000)

Net cash used in financing activities	(467,935)	(374,262)	286,986
Net effect of exchange rate changes on cash and cash equivalents	(25,895)	(23,095)	(4,677)
Net increase in cash and cash equivalents	892,564	2,303,785	447,843
Cash and cash equivalents at beginning of year	1,708,419	2,600,983	4,904,768
Cash and cash equivalents at end of year	¥ 2,600,983	¥ 4,904,768	¥ 5,352,611
Supplemental information:			
Cash paid during the year for:			
Income taxes	¥ 299,999	¥ 1,702,678	¥ 2,551,301
Interest	152,381	126,277	90,711
Acquisition of BBF (Note 2)			
Fair value of assets acquired (including cash acquired of ¥158,113 thousand)			705,657
Fair value of liabilities assumed			(87,657)
Accrued estimated additional purchase consideration			(68,000)
Non-cash activities:			
Assets acquired under capital leases	5,457	142,644	1,037,505
Acquisition of LJS through issuance of treasury stock (Note 2)			3,200,990
Elimination of long-term loan from LJS			840,000

See accompanying notes to consolidated financial statements.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of Business and Summary of Significant Accounting Policies and Practices

(a) Description of Business

Jupiter Programming Co. Ltd. (the Company) and its subsidiaries (hereafter collectively referred to as JPC) invest in, develop, manage and distribute television programming to cable and satellite systems in Japan. Jupiter Shop Channel Co., Ltd (Shop Channel), through which JPC markets and sells a wide variety of consumer products and accessories, is JPC s largest channel in terms of revenue, comprising approximately 80%, 81%, and 83%, of total revenues for the years ended December 31, 2002, 2003 and 2004, respectively. JPC s business activities are conducted in Japan and serve the Japanese market.

The Company is owned 50% by Liberty Media International, Inc. (LMI) through its wholly owned subsidiaries Liberty Programming Japan, Inc. (43%) and Liberty Programming Japan II LLC (7%), and 50% by Sumitomo Corporation. The Company was incorporated in 1996 in Japan under the name Kabushiki Kaisha Jupiter Programming, Jupiter Programming Co. Ltd. in English.

(b) Basis of Consolidated Financial Statements

The consolidated statements of operations, shareholders equity and comprehensive income and cash flows for the year ended December 31, 2002, as well as the related footnote disclosures for that year, are unaudited. These consolidated financial statements for 2002 have been prepared on a consistent basis with the 2003 and 2004 consolidated financial statements and reflect all adjustments that in the opinion of management are necessary to present the results of operations and cash flows for 2002 in accordance with the accounting principles generally accepted in the United States of America.

The Company and its subsidiaries maintain their books of account in accordance with accounting principles generally accepted in Japan. The consolidated financial statements presented herein have been prepared in a manner and reflect certain adjustments that are necessary to conform them to accounting principles generally accepted in the United States of America. The major areas requiring such adjustment are accounting for derivative instruments and hedging activities, accounting for assets held under finance lease arrangements, accounting for goodwill and other intangible assets, employers accounting for pensions, accounting for compensated absence, accounting for deferred taxes, accounting for cooperative marketing arrangements and certain customer discounts, and accounting for the non-cash contribution of Liberty J Sports, Inc., from LMI.

(c) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and all of its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

JPC accounts for investments in variable interest entities in accordance with the provisions of the Revised Interpretation of the FASB Interpretation (FIN) No. 46 Consolidation of Variable Interest Entities , issued in December 2003. The Revised Interpretation of FIN No. 46 provides guidance on how to identify a variable interest entity (VIE), and determines when the assets, liabilities, non-controlling interests, and results of operations of a VIE must be included in a company s consolidated financial statements. A company that holds variable interests in an entity is required to consolidate the entity if the company s interest in the VIE is such that the company will absorb a majority of the VIE s expected losses and/or receive a majority of the entity s expected residual returns, if any. VIEs created after December 31, 2003 must be accounted for under FIN No. 46R. For nonpublic companies, FIN No. 46R must be applied to all VIEs created before January 1, 2004 that are subject to this Interpretation by the beginning of the first annual period beginning after December 15, 2004. There has been no material effect to JPC s consolidated financial statements from potential VIEs entered into after December 31, 2003 and there was no impact from the adoption of the deferred provisions effective January 1, 2005.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(d) Cash Equivalents

Cash equivalents consist of highly liquid debt instruments with an initial maturity of three months or less from the date of purchase.

(e) Allowance for Doubtful Accounts

Allowance for doubtful accounts is computed based on historical bad debt experience and includes estimated uncollectible amounts based on an analysis of certain individual accounts, including claims in bankruptcy.

(f) Retail Inventories

Retail Inventories, consisting primarily of products held for sale on Shop Channel, are stated at the lower of cost or market value. Cost is determined using the first-in, first-out method.

(g) Program Rights and Language Versioning

Rights to programming acquired for broadcast on the programming channels and language versioning are stated at the lower of cost and net realizable value. Program right licenses generally state a fixed time period within which a program can be aired, and generally limit the number of times a program can be aired. The licensor retains ownership of the program upon expiration of the license. Programming rights and language versioning costs are amortized over the license period for the program rights based on the nature of the contract or program. Where airing runs are limited, amortization is generally based on runs usage, where usage is unlimited, a straight line basis is used as an estimate of actual usage for amortization purposes. Certain sports programs are amortized fully upon first airing. Such amortization is included in programming and distribution expense in the accompanying consolidated statements of operations.

The portion of unamortized program rights and language versioning costs expected to be amortized within one year is classified as a current asset in the accompanying consolidated balance sheets.

(h) Investments

For those investments in affiliates in which JPC s voting interest is 20% to 50% and JPC has the ability to exercise significant influence over the affiliates operations and financial policies, the equity method of accounting is used. Under this method, the investment is originally recorded at cost and is adjusted to recognize JPC s share of the net earnings or losses of its affiliates. JPC recognizes its share of losses of an equity method affiliate until its investment and net advances, if any, are reduced to zero and only provides for additional losses in the event that it has guaranteed obligations of the equity method affiliate or is otherwise committed to provide further financial support.

The difference between the carrying value of JPC s investment in the affiliate and the underlying equity in the net assets of the affiliate is recorded as equity method intangible assets where appropriate and amortized over a relevant period of time, or as residual goodwill. Equity method goodwill is not amortized but continues to be reviewed for impairment in accordance with APB No. 18, which requires that an other than temporary decline in value of an investment be recognized as an impairment loss.

Investments in other securities carried at cost represent non-marketable equity securities in which JPC s ownership is less than 20% and JPC does not have the ability to exercise significant influence over the entities operation and financial policies.

JPC evaluates its investments in affiliates and non-marketable equity securities for impairment due to declines in value considered to be other than temporary. In performing its evaluations, JPC utilizes various sources of information, as available, including cash flow projections, independent valuations and, as applicable, stock

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

price analysis. In the event of a determination that a decline in value is other than temporary, a charge to income is recorded for the loss, and a new cost basis in the investment is established.

(i) Derivative Financial Instruments

Under Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities , as amended, entities are required to carry all derivative instruments in the consolidated balance sheets at fair value. The accounting for changes in the fair value (that is, gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding the instrument. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (loss) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness as well as the ineffective portion of the gain or loss are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in income in the period of change.

JPC uses foreign exchange forward contracts to manage currency exposure, resulting from changes in foreign currency exchange rates, on purchase commitments for contracted programming rights and other contract costs and for forecasted inventory purchases in U.S. dollars. JPC enters into these contracts to hedge its U.S. dollar denominated net monetary exposures. Hedges relating to purchase commitments for contracted programming rights and other contract costs may qualify for hedge accounting under the hedging criteria specified by SFAS No. 133. However prior to January 1, 2004, JPC elected not to designate any qualifying transactions as hedges. For certain qualifying transactions entered into since January 1, 2004, JPC has designated the transactions as cash flow hedges and the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive loss. For JPC s foreign exchange forward contracts that do not qualify for hedge accounting under the hedging criteria specified by SFAS No. 133, changes in the fair value of derivatives are recorded in the consolidated statement of operations in the period of the change.

JPC does not, as a matter of policy, enter into derivative transactions for the purpose of speculation.

(j) Property and Equipment

Property and equipment are stated at cost.

Depreciation and amortization is generally computed using the straight line method over the estimated useful lives of the respective assets as follows:

Furniture and fixtures	2-20 years
Leasehold and building improvements	3-18 years
Equipment and vehicles	2-15 years
Buildings	37-50 years

Equipment under capital leases is initially stated at the present value of minimum lease payments. Equipment under capital leases is amortized using the straight line method over the shorter of the lease term and the estimated useful lives of the respective assets, which generally range from three to nine years.

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(k) Software Development Costs

JPC capitalizes certain costs incurred to purchase or develop software for internal use. Costs incurred to develop software for internal use are expensed as incurred during the preliminary project stage, including costs associated with making strategic decisions and determining performance and system requirements regarding the project, and vendor demonstration costs. Labor costs incurred subsequent to the preliminary project stage through implementation are capitalized. JPC also expenses costs incurred for internal use software projects in the post implementation stage such as costs for training and maintenance. The capitalized cost of software is amortized straight-line over the estimated useful life, which is generally two to five years.

(l) Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of net assets of businesses acquired. In June 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the use of the purchase method of accounting for business combinations and establishes certain criteria for the recognition of intangible assets separately from goodwill. Under SFAS No. 142 goodwill is no longer amortized, but instead is tested for impairment at least annually. Intangible assets with definite useful lives are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Any recognized intangible assets determined to have an indefinite useful life are not amortized, but instead are tested for impairment until their life is determined to be no longer indefinite.

JPC performs its annual impairment test for goodwill and indefinite-life intangible assets at the end of each year. JPC completed its annual impairment tests at December 31, 2002, 2003 and 2004, respectively, with no indication of impairment identified.

(m) Long-Lived Assets and Long-Lived Assets to Be Disposed of

JPC accounts for long-lived assets in accordance with the provisions of SFAS No. 144. SFAS No. 144 requires that long-lived assets and certain identifiable intangibles with definite useful lives be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Fair value is determined by independent third party appraisals, projected discounted cash flows, or other valuation techniques as appropriate.

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. The standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. JPC adopted SFAS No. 143 on January 1, 2003 and the adoption did not have a material effect on its results of operations, financial position or cash flows.

(n) Accrued Pension and Severance Costs

The Company and certain of its subsidiaries provide a Retirement Allowance Plan (RAP) for eligible employees. The RAP is an unfunded retirement allowance program in which benefits are based on years of service which in turn determine a multiple of final monthly compensation. JPC accounts for the RAP in accordance with the provisions of SFAS No. 87, Employers Accounting for Pensions .

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In addition, JPC employees participate in an Employees Pension Fund (EPF) Plan. The EPF Plan is a multi-employer plan consisting of approximately 120 participating companies, mainly affiliates of Sumitomo Corporation. The plan is composed of substitutional portions based on the pay-related part of the old age pension benefits prescribed by the Welfare Pension Insurance Law in Japan, and corporate portions based on contributory defined benefit pension arrangements established at the discretion of the Company and its subsidiaries. Benefits under the EPF Plan are based on years of service and the employee s compensation during the five years before retirement.

The assets of the EPF Plan are co-mingled and no assets are separately identifiable for any one participating company. JPC accounts for the EPF Plan in accordance with the provisions of SFAS No. 87, governing multi-employer plans. Under these provisions, JPC recognizes a net pension expense for the required contribution for each period and recognizes a liability for any contributions due but unpaid at the end of each period. Any shortfalls in plan funding are charged to participating companies on a share-of-contribution basis through special contributions spread over a period of years determined by the EPF Plan as being appropriate.

(o) Revenue Recognition

Retail sales. Revenue from sales of products by Shop Channel is recognized when the products are delivered to customers, which is when title and risk of loss transfers. Shop Channel s retail sales policy allows merchandise to be returned at the customers discretion, generally up to 30 days after the date of sale. Retail sales revenue is reported net of discounts, and of estimated returns, which are based upon historical experience.

Television Programming Revenue. Television programming revenue includes subscription and advertising revenue. Subscription revenue is recognized in the periods in which programming services are provided to cable and satellite subscribers. JPC s channels distribute programming to individual satellite platform subscribers through an agreement with the platform operator which provides subscriber management services to channels in return for a fee based on subscription revenues. Individual subscribers pay a monthly fee for programming channels under the terms of rolling one-month subscription contracts. Cable service providers generally pay a per-subscriber fee for the right to distribute JPC s programming on their systems under the terms of generally annual distribution contracts. Subscription revenue is recognized net of satellite platform commissions and certain cooperative marketing and advertising funds paid to cable system operators. Satellite platform commissions for the years ended December 31, 2002, 2003 and 2004 were ¥843,335 thousand, ¥1,580,945 thousand and ¥1,639,055 thousand, respectively. Cooperative marketing and advertising funds paid to cable system operators for the years ended December 31, 2002, 2003 and 2004 were ¥80,289 thousand, ¥174,432 thousand and ¥225,572 thousand, respectively.

The Company generates advertising revenue on all of its programming channels except Shop Channel. Advertising revenue is recognized, net of agency commissions, when advertisements are broadcast on JPC s programming channels.

Services and Other Revenue. Services and other revenue mainly comprises cable and advertising sales fees and commissions, and technical broadcast facility and production services provided by the Company and certain subsidiaries, and is recognized in the periods in which such services are provided to customers.

(p) Cost of Retail Sales

Cost of retail sales consists of the cost of products marketed to customers by Shop Channel, including write-downs for inventory obsolescence, shipping and handling costs and warehouse costs. Product costs are recognized as cost of retail sales in the accompanying consolidated statements of operations when the products are delivered to customers and the corresponding revenue is recognized.

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(q) Cost of Programming and Distribution

Cost of programming and distribution consists of costs incurred to acquire or produce programs airing on the channels distributed to cable and satellite subscribers. Distribution costs include the costs of delivering the programming channels via satellite, including the costs incurred for uplink services and use of satellite transponders, and payments made to cable and satellite platforms for carriage of Shop Channel.

(r) Advertising Expense

Advertising expense is recognized as incurred and is included in selling, general and administrative expenses or, if appropriate, as a reduction of subscription revenue. Cooperative marketing costs are recognized as an expense to the extent that an identifiable benefit is received and the fair value of the benefit can be reasonably measured, otherwise as a reduction of subscription revenue. Advertising expense included in selling, general and administrative expenses for the years ended December 31, 2002, 2003 and 2004 was ¥1,062,757 thousand, ¥1,003,836 thousand and ¥1,333,596 thousand, respectively.

(s) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(t) Foreign Currency Transactions

Assets and liabilities denominated in foreign currencies are translated at the applicable current rates on the balance sheet dates. All revenue and expenses denominated in foreign currencies are converted at the rates of exchange prevailing when such transactions occur. The resulting exchange gains or losses are reflected in other income (expense) in the accompanying consolidated statements of operations.

(u) Use of Estimates

Management of JPC has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period, to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable, retail inventories, investments, deferred tax assets, retail sales returns, and obligations related to employees retirement plans. Actual results could differ from estimates.

(v) New Accounting Standards

In November 2004, the FASB issued SFAS No. 151, Inventory Costs-an amendment of ARB No. 43. This Statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ... under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges... . This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of so abnormal. In addition, this Statement requires

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that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during annual periods beginning after June 15, 2005. JPC does not expect the adoption of this statement will have a material effect on its consolidated financial statements.

(w) Reclassification

Certain prior year amounts have been reclassified for comparability with the current year presentation.

(2) Acquisitions

On May 1, 2002, JPC acquired 100% of the outstanding common stock of Misawa Satellite Broadcasting Ltd. (MSB), a television programming company. The aggregate purchase price was ¥188,844 thousand and was paid in cash. The acquisition was accounted for as a purchase. On January 1, 2003, JPC merged the business operations of MSB with its wholly-owned subsidiary, Jupiter Satellite Broadcasting Co., Ltd. MSB operated Home Channel and as a result of the acquisition, JPC is expected to increase direct-to-home revenue from the packages in which Home Channel was carried. The results of operations of MSB are included in the accompanying consolidated statements of operations from May 1, 2002 onward. Goodwill from the acquisition of MSB is not deductible for tax purposes.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition of MSB (Yen in thousands):

Current assets	¥	139,787
Goodwill		183,655
Total assets acquired		323,442
Current liabilities assumed		(134,598)
Net assets acquired	¥	188,844

In addition to the goodwill recognized from the MSB transaction, ¥7,827 thousand of other goodwill was recorded in 2002.

In April 2004, JPC acquired all of the issued and outstanding common stock of Liberty J Sports, Inc. (LJS) from LMI, in exchange for 24,000 shares of JPC s common stock held in treasury having a fair value, as determined by independent appraisal, of ¥250,000 per share. The aggregate purchase price amounted to ¥6,000,000 thousand. Immediately prior to the acquisition, LJS held 33.3% of the issued and outstanding shares of voting common stock of Jupiter Sports, Inc., with JPC holding the remaining 66.7%. Jupiter Sports Inc. is a holding company with its only principal asset, an investment, representing approximately 42.8% of the issued and outstanding voting common stock, in JSports Broadcasting Corporation (JSB). JSB is a sports channel broadcasting company currently operating three channels of various sports related contents. Jupiter Sports Inc. accounts for its investment in JSB using the equity method of accounting as it is able to exercise significant influence over the operations of JSB. As a result of the acquisition of LJS, JPC has increased its indirect ownership in JSB from 28.5% to 42.8%. Upon consummation of the acquisition, LJS was converted to a limited liability company with the Certificate of Conversion filed with the Secretary of State of Delaware, and renamed J Sports LLC.

The acquisition was consummated in concert with a series of capital transactions as described in Note 15 to the consolidated financial statements.

The Company has accounted for the acquisition to the extent of the ¥3,000,000 thousand cash paid to LMI in an earlier redemption of shares of common stock (see Note 15) in a manner similar to a partial step acquisition, reflecting the culmination of an earnings process on the part of LMI. Accordingly, the excess of

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¥3,000,000 thousand over 50% of the fair value of the assets acquired and liabilities assumed with respect to the underlying investment in JSB has been recorded as a component of JPC s investment in JSB and accordingly has been classified as equity method goodwill. Management has determined that the fair value of the assets acquired and liabilities assumed approximated their respective carrying values at the date of acquisition, and that there were no material intangible assets applicable to the underlying investment in JSB. The balance of the underlying investment acquired in JSB has been accounted for at historical cost using carryover basis with the difference of ¥3,000,000 thousand over such historical cost amount being reflected as a deduction from additional paid in capital. Goodwill from the acquisition is not deductible for tax purposes.

The following table summarizes the allocation of the acquisition consideration (Yen in thousands):

Purchase accounting:		
50% of acquisition consideration	¥	3,000,000
Fair value of 50% of underlying net assets acquired		200,990
Equity method goodwill	¥	2,799,010
Carryover basis:		
50% of acquisition consideration	¥	3,000,000
Historical cost of 50% of underlying net assets acquired		200,990
Carryover basis adjustment to additional paid in capital	¥	2,799,010

On December 28, 2004, JPC acquired 100% of the outstanding shares of BB Factory Corporation Ltd. (BBF), a television programming company. The aggregate purchase price is estimated to be ¥618,000 thousand, of which ¥550,000 thousand was paid in cash on December 28, 2004. The estimated additional purchase consideration of ¥68,000 has been accrued at December 31, 2004. The amount was determined with reference to the net asset value of BBF at January 31, 2005, pending final approval by both parties to the transaction. The additional purchase amount for BBF shall be settled in cash no later than March 31, 2005. The acquisition was accounted for as a purchase. JPC intends to sell access rights to the BBF broadcasting infrastructure to a new joint venture in which the JPC will hold a 50% interest. The new joint venture will be named Reality TV Japan, and was incorporated on January 26, 2005. BBF operated Channel BB and as a result of the acquisition, JPC expects to decrease funding requirements for Reality TV Japan due to its access to direct-to-home revenue from the packages in which Channel BB was carried. JPC has recognized intangible assets in the amount of ¥200,000 thousand representing estimated financial benefits from taking over Channel BB s position in those packaging alliances, which it will amortize over a ten year period from 2005. The results of operations of BBF will be included in JPC s consolidated statements of operations from January 1, 2005. Goodwill from the acquisition of BBF is not deductible for tax purposes.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition of BBF (Yen in thousands).

Current assets	¥	224,471
Intangible assets		200,000
Goodwill		281,186
Total assets acquired		705,657
Current liabilities assumed		(6,277)
Deferred tax liabilities		(81,380)

Net assets acquired	¥	618,000

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(3) Program Rights and Language Versioning

Program rights and language versioning as of December 31, 2003 and 2004 were composed of the following (Yen in thousands):

	2003	2004
Program rights	¥ 1,616,603	¥ 1,308,623
Language versioning	206,884	116,910
	1,823,487	1,425,533
Less accumulated amortization 557,638	(1,036,357)	(739,764)
	787,130	685,769
Less current portion	(646,758)	(599,480)
	¥ 140,372	¥ 86,289

Amortization expense related to program rights and language versioning for the years ended December 31, 2002, 2003 and 2004 was ¥1,298,054 thousand, ¥1,570,670 thousand and ¥1,732,435 thousand, respectively, which is included in cost of programming and distribution in the consolidated statements of operations in respective years.

(4) Investments

Investments, including advances, as of December 31, 2003 and 2004 were composed of the following (Yen in thousands):

	2003		2004	
	percentage ownership	carrying amount	percentage ownership	carrying amount
Investments accounted for under the equity method:				
Discovery Japan, Inc.	50.0%	¥ 281,692	50.0%	¥ 580,455
Animal Planet Japan, Co. Ltd.	33.3%	342,423	33.3%	223,510
InteracTV Co., Ltd.	42.5%	38,805	42.5%	38,586
JSports Broadcasting Corporation	28.5%	1,110,431	42.8%	4,045,414
AXN Japan, Inc.	35.0%	825,112	35.0%	879,630
Jupiter VOD Co., Inc.			50.0%	401,266
Total equity method investments		2,598,463		6,168,861
Investments accounted for at cost:				
NikkeiCNBC Japan, Inc.	9.8%	100,000	9.8%	100,000
Kids Station, Inc.	15.0%	304,500	15.0%	304,500
AT-X, Inc.	12.3%	266,000	12.3%	266,000
Nihon Eiga Satellite Broadcasting Corporation	10.0%	66,600	10.0%	66,600

Satellite Service Co. Ltd.	12.0%	24,000	12.0%	24,000
Total cost method investments		761,100		761,100
		¥ 3,359,563		¥ 6,929,961

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The following investments represent participation in programming businesses:

Discovery Japan, Inc., a general documentary channel;
Animal Planet Japan, Co. Ltd., an animal-specific documentary channel;
JSports Broadcasting Corporation, a sports channel business currently operating three channels;
AXN Japan, Inc., an action and adventure channel;
NikkeiCNBC Japan, Inc., a news service channel;
Kids Station, Inc., a children s entertainment channel;
AT-X, Inc., an animation genre channel;
Nihon Eiga Satellite Broadcasting Corporation, a Japanese period drama and movie channels business currently operating two channels; and
Jupiter VOD Co., Inc. a multi-genre video on demand programming service

The following investments represent participation in broadcast license-holding companies through which channels are consigned to subscribers to the CS110 degree East Direct-to-home satellite service:

InteracTV Co., Ltd., holds licenses for Movie Plus, Lala, Golf Network and Shop channels, among others;
Satellite Service Co. Ltd., holds licenses for Discovery and Animal Planet channels, among others.

The following reflects JPC s share of earnings (losses) of investments accounted for under the equity method for the years ended December 31, 2002, 2003 and 2004 (Yen in thousands):

	2002	2003	2004
	(unaudited)		
Discovery Japan, Inc.	¥ (92,949)	¥ 143,445	¥ 298,763
Animal Planet Japan, Co. Ltd.	(260,929)	(311,673)	(283,913)
InteracTV Co., Ltd.	(1,142)	(1,272)	(219)
JSports Broadcasting Corporation	191,262	143,227	135,973
AXN Japan, Inc.		(38,199)	(43,982)
Jupiter VOD Co., Inc.			(83,734)
	¥ (163,758)	¥ (64,472)	¥ 22,888

In August 2003, the Company invested ¥863,311 thousand to acquire a 35% interest in AXN Japan, Inc. (AXN). During 2004 JPC provided cash loans in the amount of ¥98,500 thousand to AXN. AXN is an action and adventure entertainment channel that complements JPC s channel businesses.

In December 2004, the Company invested ¥485,000 thousand and acquired a 50% voting interest in Jupiter VOD Co., Ltd. (JVOD). JVOD is a video on demand service that will begin providing on-demand video services primarily to digitized cable systems capable of receiving its service from January 2005.

The carrying amount of investments in affiliates as of December 31, 2003, included ¥751,940 thousand of excess cost of the investments over the Company s equity in the net assets of AXN. The carrying amount of investments in affiliates as of December 31, 2004, included ¥751,940 thousand and ¥2,799,010 thousand of excess cost of the investments over the Company s equity in the net assets of AXN and JSB, respectively. The amount of that excess cost represents equity method goodwill.

JPC holds 33.3% of the ordinary shares of Animal Planet Japan, Co. Ltd, and records its share of the earnings and losses in accordance with that ordinary shareholding ratio. The Company has funding obligations in accordance with its ordinary shareholding ratio up to a maximum of ¥1,295,250 thousand. During the years ended December 31, 2003

and 2004, the Company invested ¥370,000 thousand and ¥165,000 thousand, respectively, and had made an aggregate investment of ¥1,295,000 thousand as of December 31, 2004, in

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Animal Planet Japan, Co. Ltd. JPC s funding obligations for this investment have been substantially fulfilled. JPC and Animal Planet Japan, Co. Ltd. s other shareholders are currently preparing a revised business plan and funding agreement for this investment.

The aggregate cost of JPC s cost method investments totaled ¥761,100 thousand at December 31, 2004. JPC estimated that the fair value of each of those investments exceeded the cost of the investment, and therefore concluded that no impairment had occurred.

Financial information for the companies in which the Company has an investment accounted for under the equity method is presented as combined as the companies are similar in nature and operate in the same business area. Condensed combined financial information is as follows (Yen in thousands):

	2003	2004
Combined financial position at December 31,		
Current assets	¥ 6,747,882	¥ 8,533,233
Other assets	1,780,915	634,175
Total assets	¥ 8,528,797	¥ 9,167,408
Current liabilities	¥ 2,983,359	¥ 3,056,756
Other liabilities	2,543,293	1,413,948
Shareholders equity	3,002,145	4,696,704
Total liabilities and shareholders equity	¥ 8,528,797	¥ 9,167,408

	2002	2003	2004
	(unaudited)		
Combined operations for the year ended December 31,			
Revenues	¥ 16,034,608	¥ 15,256,112	¥ 21,682,192
Operating expenses	15,720,997	15,270,229	21,998,685
Operating income (loss)	313,611	(14,117)	(316,493)
Other income, net, including income taxes	364,935	319,099	783,921
Net income	¥ 678,546	¥ 304,982	¥ 467,428

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(5) Property and Equipment

Property and equipment as of December 31, 2003 and 2004 were comprised of the following (Yen in thousands):

	2003	2004
Furniture and fixtures	¥ 143,364	¥ 187,233
Leasehold and building improvements	671,028	1,362,537
Equipment and vehicles	2,698,152	4,295,113
Buildings		851,485
Land	437,147	437,147
Construction in progress	253,678	183,254
	4,203,369	7,316,769
Less accumulated depreciation and amortization	(2,191,083)	(1,989,701)
	¥ 2,012,286	¥ 5,327,068

Property and equipment include assets held under capitalized lease arrangements (Note 11). Depreciation and amortization expense related to property and equipment for the years ended December 31, 2002, 2003 and 2004 was ¥699,332 thousand, ¥734,930 thousand and ¥772,907 thousand, respectively.

(6) Software Development Costs

Capitalized software development costs for internal use as of December 31, 2003 and 2004 are as follows (Yen in thousands):

	2003	2004
Software development costs	¥ 2,722,942	¥ 3,773,137
Less accumulated amortization	(1,272,554)	(1,870,893)
	¥ 1,450,388	¥ 1,902,244

Significant software development additions during 2003 and 2004 included development of Shop Channel core system and e-commerce infrastructure, and further development of a sales receivables management system, all of which are for internal use.

Aggregate amortization expense for the years ended December 31, 2002, 2003 and 2004 was ¥355,727 thousand, ¥451,327 thousand and ¥584,340 thousand, respectively.

(7) Intangibles

Intangible assets acquired during the year ended December 31, 2004 totaled ¥214,936 thousand. The weighted average amortization period is ten years. (Note 2)

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The details of intangible assets other than software and goodwill at December 31, 2003 and 2004 were as follows (Yen in thousands):

	2003	2004
Intangible assets subject to amortization, net of accumulated amortization of ¥6,420 thousand in 2003 and ¥28,417 thousand in 2004:		
Channel packaging arrangements	¥	¥ 200,000
Other	54,525	46,886
	54,525	246,886
Other intangible assets not subject to amortization:	4,868	5,073
Total other intangible assets	¥ 59,393	¥ 251,959

Channel packaging arrangements represent estimated value to be derived from existing channel position in packaging alliances on the direct-to-home satellite distribution platform, and are being amortized over their estimated useful life of ten years. The aggregate amortization expense of other intangible assets subject to amortization for the years ended December 31, 2002, 2003 and 2004 was ¥36,177 thousand, ¥1,802 thousand and ¥22,257 thousand, respectively. The future estimated amortization expenses for each of five years relating to amounts currently recorded in the consolidated balance sheet are as follows (Yen in thousands):

Year ending December 31,	
2005	¥ 45,892
2006	26,146
2007	22,466
2008	22,466
2009	22,466

(8) Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2002, 2003 and 2004 were as follows (Yen in thousands):

	2002	2003	2004
	(unaudited)		
Balance at beginning of year	¥	¥ 191,482	¥ 188,945
Acquisitions	191,482		281,186
Adjustment		(2,537)	
Balance at end of year	¥ 191,482	¥ 188,945	¥ 470,131

A breakdown of the goodwill recorded during 2002 and 2004 is provided in note 2 and is summarized as follows:

2002	Misawa Satellite Broadcasting Co	¥191,482 thousand

2004	BB Factory	¥281,186 thousand

(9) Derivative Instruments and Hedging Activities

JPC uses foreign exchange forward contracts that extend 3 to 52 months to manage currency exposure, resulting from changes in foreign currency exchange rates, on purchase commitments for contracted programming rights and other contract costs and for forecasted inventory purchases in U.S. dollars. JPC enters into these contracts to hedge its U.S. dollar denominated monetary exposures.

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JPC does not enter into derivative financial transactions for trading or speculative purposes.

JPC is exposed to credit-related losses in the event of non-performance by the counterparties to derivative financial instruments, but they do not expect the counterparties to fail to meet their obligations because of the high credit rating of the counterparties.

For certain qualifying transactions entered into from January 1, 2004, JPC designates the transactions as cash flow hedges and the effective portion of the gain or loss on the derivative instrument is reported as a component of other accumulated comprehensive loss. The amount of hedge ineffectiveness recognized currently in foreign exchange gain was not material for the year ended December 31, 2004. These amounts are reclassified into earnings through loss (gain) on forward exchange contracts when the hedged items impact earnings. Accumulated losses, net of taxes, of ¥16,705 thousand are included in accumulated other comprehensive loss at December 31, 2004, and will be reclassified into earnings within twelve months. No cash flow hedges were discontinued during the year ended December 31, 2004 as a result of forecasted transactions that are no longer probable to occur.

JPC has entered into foreign exchange forward contracts designated but not qualified as hedging instruments under SFAS No. 133 as a means of hedging certain foreign currency exposures. JPC records these contracts on the balance sheet at fair value. The changes in fair value of such instruments are recognized currently in earnings and are included in foreign exchange (loss) gain.

At December 31, 2003, the fair value of forward exchange contracts not designated as hedging instruments recognized in the balance sheet was a liability of ¥241,507 thousand. At December 31, 2004, the fair value of forward exchange contracts recognized in the balance sheet was a liability of ¥174,959 thousand and an asset of ¥18,813 thousand.

(10) Fair Value of Financial Instruments

The carrying amounts for financial instruments in JPC s consolidated financial statements at December 31, 2003 and 2004 approximate to their estimated fair values. Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, accounts receivable, accounts payable, income taxes payable, accrued liabilities, and other current liabilities (non-derivatives): The carrying amounts approximate fair value because of the short duration of these instruments.

Foreign exchange forward contracts: The carrying amount is reflective of fair value. The fair value of currency forward contracts is estimated based on quotes obtained from financial institutions. As at December 31, 2003, fair value of foreign exchange forward contracts of ¥241,507 thousand was included in the consolidated balance sheet under other current liabilities. As at December 31, 2004, fair value of foreign exchange forward contracts of ¥18,813 thousand was included in the consolidated balance sheet under other current assets, and ¥174,959 thousand was included under other current liabilities.

Long-term debt, including current maturities and short-term debt: The fair value of JPC s long-term debt is estimated by discounting the future cash flows of each instrument by a proxy for rates expected to be incurred on similar borrowings at current rates. Borrowings bear interest based on certain financial ratios that determine a margin over Euroyen TIBOR, and are therefore variable. JPC believes the carrying amount approximates fair value based on the variable rates and currently available terms and conditions for similar debt.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capital lease obligations, including current installments: The carrying amount is reflective of fair value. The fair value of JPC s capital lease obligations is estimated by discounting the future cash flows of each instrument at rates currently offered to JPC by leasing companies.

(11) Leases

JPC is obligated under various capital leases for certain equipment and other assets that expire at various dates, generally during the next five years. At December 31, 2003 and 2004, the gross amount of equipment and the related accumulated amortization recorded under capital leases were as follows (Yen in thousands):

	2003	2004
Equipment and vehicles	¥ 1,794,097	¥ 1,839,215
Others	99,667	126,368
Less accumulated amortization	(1,417,805)	(865,908)
	¥ 475,959	¥ 1,099,675

Amortization of assets held under capital leases is included with depreciation and amortization expense. Leased equipment is included in property and equipment (note 5).

Future minimum capital lease payments as of December 31, 2004 were as follows (Yen in thousands):

Year ending December 31,	
2005	¥ 313,917
2006	247,663
2007	224,818
2008	190,961
2009	170,756
Thereafter	24,479
Total minimum lease payments	1,172,594
Less amount representing interest (at rates ranging from 1.25% to 2.6%)	(59,393)
Present value of future minimum capital lease payments	1,113,201
Less current installments	(290,031)
	¥ 823,170

JPC also has several operating leases, primarily for office space, that expire over the next 10 years and a 30-year lease for land that expires in 29 years. Rent expense for the years ended December 31, 2002, 2003 and 2004 was ¥238,621 thousand, ¥275,264 thousand and ¥332,530 thousand, respectively.

The Company leases two principle office premises. JPC headquarters has a three-year lease agreement from August 2004, with a rolling two-year right of renewal that provides for annual rental costs of ¥245,118 thousand. Shop Channel has a 10-year agreement expiring in October 2013 with an annual rental cost of ¥185,905 thousand. These and other leases for office space are mainly cancelable upon six months notice. Accordingly, the schedule below detailing future minimum lease payments under non-cancelable operating leases includes the lease costs for the

Company s premises for only a six-month period.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future minimum lease payments for the noncancelable portion of operating leases as of December 31, 2004 were as follows (Yen in thousands):

Year ending December 31,		
2005	¥	293,418
2006		4,980
2007		4,980
2008		4,980
2009		4,980
Thereafter		111,635
Total minimum lease payments	¥	424,973

(12) Debt

Short-term debt at December 31, 2003 and 2004 consisted of the following (Yen in thousands):

		2003		2004
Promissory note	¥	46,000	¥	

Short-term debt in 2003 represented a promissory note in the amount of ¥46,000 thousand due to Sony Pictures Entertainment (Japan) Inc. which was repaid by the due date of March 31, 2004.

Long-term debt at December 31, 2003 and 2004 consisted of the following (Yen in thousands):

		2003		2004
Borrowings from banks	¥	4,000,000	¥	4,000,000
Loans from shareholders		1,000,000		1,000,000
Loans from subsidiary minority shareholders		1,016,000		
Total long-term debt		6,016,000		5,000,000
Less: current maturities				
Long-term debt	¥	6,016,000	¥	5,000,000

At December 31, 2004, the Company had a ¥10,000,000 thousand credit facility (the Facility) available for immediate and full borrowing with a group of banks. The Facility, which is guaranteed by certain of the Company s subsidiaries, comprises an ¥8,000,000 thousand five-year term loan and a ¥2,000,000 thousand 364-day revolving facility. Outstanding borrowings under the five-year term loan at December 31, 2003 and 2004 were ¥4,000,000 thousand. There were no borrowings outstanding under the 364-day revolving facility as of December 31, 2003 and 2004. The Company pays a commitment fee of 0.20% on undrawn borrowings of the Facility. Interest on outstanding borrowings is based on certain financial ratios and can range from Euroyen TIBOR + 0.75% to TIBOR + 2.00% for the five-year term loan and from TIBOR + 0.70% to TIBOR + 1.00% for the 364-day revolving facility. The interest rates charged at December 31, 2003 and 2004 for the five-year term loan and for the 364-day revolving facility were 0.83% and

0.835% and 0.78% and 0.785%, respectively.

The term loan portion of the Facility is available for immediate and full borrowing to be drawn upon until December 25, 2005. Repayment by installments begins on March 31, 2006, on a quarterly basis, equal to 10% of the outstanding balance at the end of the availability period, until fully repaid on June 25, 2008. The 364-day revolving facility was renewed on June 22, 2004 and is available for immediate and full borrowing until June 22, 2005, and repayment in full is due on that date.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Facility contains certain financial and other restrictive covenants. The financial covenants consist of: (i) EBITDA, as defined by the Facility agreement and reported on a Commercial Code of Japan basis, shall be equal to or exceed; for year 2004, ¥3,000,000 thousand; for year 2005, ¥3,500,000 thousand; for year 2006, ¥4,000,000 thousand; for year 2007, ¥5,000,000 thousand; and (ii) Actual Amount of Investment , as defined by the Facility agreement, shall not exceed Maximum Amount of Investment as defined, provided that, in respect of a year, an amount equal to the excess of Maximum over Actual amount of investment shall be added to the Maximum Amount of Investment of the next following year. Maximum amounts of investment are defined relative to prior year EBITDA and other specified amounts.

Restrictive covenants contained in the Facility agreement include certain restrictions on: (i) creation of contractual security interests over the Company s assets; (ii) sale of assets that would result in material adverse effect, or would comprise over 10% of total assets; (iii) corporate reorganization that would result in material adverse effect; (iv) sale of shares in principal subsidiaries; (v) distribution of dividends, repurchase of own shares, and repayment of subordinated loans; (vi) amendment of subordinated loan agreements; (vii) transactions with related parties other than in normal course of business, (viii) changes in fundamental nature of business; (ix) incursion of interest-bearing debt not contemplated in the Facility agreement; (x) transfer, creation of security interests on, or otherwise disposal of the Company s shares; (xi) changes in control of the Company management by parent companies; (xii) purchase of shares in companies in unrelated business areas; and (xiii) changes in scope of the business of a particular subsidiary. JPC was in compliance with these covenants at December 31, 2004.

JPC has outstanding term borrowings of ¥500,000 thousand from each of LMI and Sumitomo Corporation. The borrowings are subordinated to the Facility described above. The borrowings bear interest at the higher of the rate applicable to the term loan portion of the Facility, and Japan Long Term Prime rate (1.85% and 1.55% at December 31, 2003 and 2004, respectively), and are due in full on July 26, 2008.

JPC had the following debt of certain subsidiaries due to minority shareholders in those subsidiaries:

As of December 31, 2003 JPC had outstanding borrowings of ¥836,000 thousand by Jupiter Sports Inc. due to Liberty J Sports, Inc., an indirect wholly owned subsidiary of LMI. The borrowings bore interest at the higher of the rate applicable to the term loan portion of the Facility and Japan Long Term Prime rate (1.85% at December 31, 2003), and was due in full on December 31, 2007. In April 2004, JPC acquired all of the issued and outstanding shares of Liberty J Sports, Inc. from LMI. Upon acquiring control, the outstanding borrowings were eliminated in consolidation of Liberty J Sports, Inc., which was subsequently renamed J Sports LLC. Note 2 provides further details of this acquisition.

As of December 31, 2003 JPC had outstanding borrowings of ¥180,000 thousand by Jupiter Shop Channel Co., Ltd. due to Home Shopping Network Inc. The borrowings bore interest at the Japan Short Term Prime rate (1.375% at December 31, 2003). The borrowings were due in full on December 31, 2005 and were repaid early in full in December 2004. No gain or loss was recognized on this repayment transaction.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2004 were as follows (Yen in thousands):

	2004
Year ending December 31,	
2005	¥
2006	1,600,000
2007	1,600,000
2008	1,800,000
2009	
Total debt	¥ 5,000,000

(13) Income Taxes

The components of the provision for income taxes for the years ended December 31, 2002, 2003 and 2004 recognized in the consolidated statements of operations were as follows (Yen in thousands):

	2002 (unaudited)	2003	2004
Current taxes	¥ 1,239,964	¥ 2,072,264	¥ 3,229,627
Deferred taxes	(536,017)	(553,039)	(278,181)
Income tax expense	¥ 703,947	¥ 1,519,225	¥ 2,951,446

All pre-tax income and income tax expense is related to operations in Japan. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2004 were presented below (Yen in thousands).

	2003	2004
Deferred tax assets:		
Retail inventories	¥ 617,970	¥ 811,289
Property and equipment	195,223	297,238
Accrued liabilities	372,529	330,995
Enterprise tax payable	142,709	195,588
Unrealized foreign exchange	101,371	62,581
Equity method investments	711,645	944,389
Operating loss carryforwards	1,892,339	895,097
Others	270,394	320,361
	4,304,180	3,857,538
Less valuation allowance	(2,901,655)	(2,165,372)

Total deferred tax assets		1,402,525		1,692,166
Deferred tax liabilities:				
Intangibles				(81,380)
Net deferred tax assets	¥	1,402,525	¥	1,610,786

The net changes in the total valuation allowance for the years ended December 31, 2002, 2003 and 2004 were decreases of ¥1,003,452 thousand, ¥1,970,667 thousand, and ¥736,283 thousand, respectively.

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or in which the operating losses are available for use. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefit of these deductible differences, net of the existing valuation allowance. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of the future taxable income during the carryforward period are reduced.

At December 31, 2004, JPC and its subsidiaries had total net operating loss carryforwards for income tax purposes of approximately ¥2,199,795 thousand, which are available to offset future taxable income, if any. JPC s subsidiaries are subject to taxation on a stand-alone basis and net operating loss carryforwards may not be utilized against other group company profits. Aggregated net operating loss carryforwards, if not utilized, expire as follows (Yen in thousands):

Year ending December 31,		
2005	¥	1,116,701
2006		143,308
2007		
2008		
2009		351,540
2010		229,485
2011		358,761
	¥	2,199,795

The Company and its subsidiaries were subject to Japanese National Corporate tax of 30%, an Inhabitant tax of 6% and a deductible Enterprise tax of 10%, which in aggregate result in a statutory tax rate of 42.1%. On March 24, 2003, the Japanese Diet approved the Amendments to Local Tax Law, reducing the standard enterprise tax rate from 10.08% to 7.2%. The amendments to the tax rates became effective for fiscal years beginning on or after April 1, 2004. Consequently, the statutory income tax rate was lowered to approximately 40.7% for deferred tax assets and liabilities expected to be settled or realized on or after January 1, 2005. As a result of the decrease in the statutory tax rate, when compared with the amounts based on the tax rate applied before this revision, the net deferred tax assets decreased by approximately ¥47,119 thousand at December 31, 2004. A reconciliation of the Japanese statutory income tax rate and the effective income tax rate as a

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

percentage of income before income taxes for the years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
	(unaudited)		
Statutory tax rate	42.1%	42.1%	42.1%
Non-deductible expenses	2.8	1.9	1.4
Change in valuation allowance	(27.1)	(9.9)	(1.2)
Income tax credits			(0.8)
Reduction of tax net operating loss due to intercompany transfer of assets	19.6		
Additional tax deduction due to intercompany transfer of assets	(3.9)	(1.7)	(1.1)
Effect of tax rate change			0.7
Others	0.6	(0.7)	(0.3)
Effective income tax rate	34.1%	31.7%	40.8%

(14) Accrued Pension and Severance Cost

Net periodic cost of the Company and its subsidiaries unfunded RAP accounted for in accordance with SFAS No. 87 for the years ended December 31, 2002, 2003 and 2004, included the following components (Yen in thousands):

	2002	2003	2004
	(unaudited)		
Service cost benefits earned during the year	¥ 43,652	¥ 44,743	¥ 49,768
Interest cost on projected benefit obligation	2,625	3,951	4,332
Recognized actuarial loss	10,341	15,972	24,317
Net periodic cost	¥ 56,618	¥ 64,666	¥ 78,417

The reconciliation of beginning and ending balances of the benefit obligations of the Company and its subsidiaries plans accounted for in accordance with SFAS No. 87 are as follows (Yen in thousands):

	2003	2004
Change in projected benefit obligations:		
Benefit obligations, beginning of year	¥ 158,031	¥ 216,611
Service cost	44,743	49,768
Interest cost	3,951	4,332
Actuarial loss	15,973	24,317
Benefits paid	(6,087)	(10,232)
Projected benefit obligations, end of year	¥ 216,611	¥ 284,796
Accumulated benefit obligations, end of year	¥ 164,662	¥ 210,159

Actuarial gains and losses are recognized fully in the year in which they occur. The weighted-average discount rate used in determining net periodic cost of the Company and its subsidiaries plans was 2.50%, 2.00% and 2.00% for the years ended December 31, 2002, 2003 and 2004, respectively. The weighted-average discount rate used in determining benefit obligations as of December 31, 2003 and 2004 was 2.00%. Assumed salary

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

increases ranged from 1% to 4.1% depending on employees age for the years ended December 31, 2002, 2003 and 2004.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (Yen in thousands):

Year ending December 31,	
2005	¥ 16,206
2006	25,570
2007	25,291
2008	29,482
2009	34,715
Years 2010-2014	174,596

JPC uses a measurement date of December 31 for all of its unfunded Retirement Allowance Plans.

In addition, employees of the Company and certain of its subsidiaries participate in a multi-employer defined benefit EPF plan. The Company contributions to this plan amounted to ¥56,976 thousand, ¥60,322 thousand, and ¥44,510 thousand for the years ended December 31, 2002, 2003 and 2004, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

(15) Shareholders Equity

The Commercial Code of Japan, provides that an amount equal to at least 10% of cash dividends and other cash appropriations paid be appropriated as a legal reserve until the aggregated amount of additional paid-in capital and the legal reserve equals 25% of the issued capital.

The Company paid no cash dividends for the years ended December 31, 2002, 2003 and 2004. The amount available for dividends under the Commercial Code of Japan is based on the unappropriated retained earnings recorded in the Company s books of account and amounted to nil at December 31, 2004.

On January 30, 2004, the total number of JPC s ordinary shares authorized to be issued was increased from 450,000 to 460,000 shares.

On March 5, 2004, JPC transferred ¥8,400,000 thousand of common stock to additional paid-in capital (¥6,587,064 thousand) and accumulated deficit (¥1,812,936 thousand). The transfer was approved by the Company s stockholders in accordance with the Commercial Code of Japan, which allows a company to make a purchase of its own shares, as contemplated in the further transaction noted below, only from specified additional paid-in capital or retained earnings reserves. JPC purchased its own shares using the resulting additional paid-in capital, and elected at the same time to eliminate its accumulated deficit and generate positive retained earnings on a single entity basis. On a consolidated basis, JPC continued to show an accumulated deficit immediately after that transfer. Such transfer did not impact JPC s total equity, cash position or liquidity. Had the Company been subject to corporate law generally applicable to United States companies for similar transactions, the accumulated deficit at December 31, 2004 would be ¥1,812,936 thousand more than the amount included in the accompanying consolidated financial statements.

During March and April 2004 the following capital transactions occurred and were based on an independent third party valuation of the common stock of JPC:

1) Issuance of 24,000 newly issued shares of common stock to Sumitomo Corporation at a rate of ¥250,000 per common share (¥6,000,000 thousand), ¥3,000,000 thousand of which was allocated to common stock with the remaining ¥3,000,000 thousand allocated to additional paid-in capital;

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2) Redemption of 12,000 shares of common stock from Sumitomo Corporation at a rate of ¥250,000 per common share (¥3,000,000 thousand) to be held as treasury stock;

3) Redemption of 12,000 shares of common stock from Liberty Programming Japan at a rate of ¥250,000 per common share (¥3,000,000 thousand) to be held as treasury stock;

4) Issuance of 24,000 shares of common stock held in treasury shares to Liberty Programming Japan II Inc. in return for 1,000 shares of common stock in Liberty J Sports Inc. Liberty J Sports Inc. was then converted to a limited liability company with the Certificate of Conversion filed with the Delaware Secretary of State, and was subsequently renamed J Sports LLC. J Sports LLC is a wholly owned subsidiary of JPC.

(16) Related Party Transactions

JPC engages in a variety of transactions in the normal course of business. Significant related party balances, income and expenditures have been separately identified in the consolidated balance sheets and statements of operations. A list of related parties and a description of main types of transactions with each party follows:

Sumitomo Corporation, shareholder, and its subsidiaries: television programming advertising revenues, cost of retail sales, costs of programming and distribution, selling, general and administrative expenses for staff secondment fees, cash deposits, property and equipment capital leases, subordinated loans and interest thereon;

LMI, shareholder, and its subsidiaries: selling, general and administrative expenses for staff secondment fees and recharge of project development costs, subordinated loans and interest thereon;

Discovery Japan, Inc., and Animal Planet Japan, Co. Ltd, affiliate companies: services and other revenues from cable and advertising sales activities and broadcasting, marketing and office support services; costs of programming, distribution relating to direct-to-home subscription revenue and receipt of cash advances;

JSports Broadcasting Corporation, affiliate company: services and other revenues from cable and advertising sales activities and recovery of staff costs for seconded staff;

InteracTV Co., Ltd, affiliate company: pass through of direct-to-home television programming subscription revenues to JPC, costs of programming and distribution payments for transponder services;

Minority interests in Jupiter Golf Network, Co. Ltd, four companies holding total of 10.6%: television programming advertising revenues;

Home Shopping Network Inc.: minority shareholder loans and interest thereon;

Jupiter Telecommunications Co., Ltd, an affiliated company of LMI and Sumitomo Corporation at December 31, 2004, and an indirect consolidated subsidiary of LMI effective January 1, 2005: television programming cable subscription revenues, costs of programming and distribution for carriage of Shop Channel by cable systems.

(17) Concentration of credit risk

As of December 31, 2003 and 2004, SkyPerfecTV, an unrelated party, and Jupiter Telecommunications Co., Ltd (JCom), a related party, agent for sales of programming delivered via satellite and most significant cable system operator, respectively, represented concentrations of credit risk for the Company. For the years ended December 31, 2002, 2003 and 2004, subscription revenues of ¥1,688,119 thousand, ¥2,888,163 thousand and ¥3,095,526 thousand, respectively, received through SkyPerfect TV, accounted for approximately 35%, 45% and 44%, respectively, of subscription revenues, and 5%, 6% and 5%, respectively, of total revenues. As of

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JUPITER PROGRAMMING CO. LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002, 2003 and 2004, SkyPerfect TV accounted for approximately 7%, 5% and 6%, respectively, of accounts receivable.

For the years ended December 31, 2002, 2003 and 2004, subscription revenues of ¥1,207,749 thousand, ¥1,361,897 thousand and ¥1,464,167 thousand, respectively, received through JCom, accounted for approximately 25%, 21% and 21%, respectively, of subscription revenues, and 4%, 3% and 2%, respectively, of total revenues. As of December 31, 2002, 2003 and 2004, JCom accounted for approximately 7%, 6% and 3%, respectively, of accounts receivable.

(18) Commitments, Other Than Leases

At December 31, 2004, JPC has commitments to purchase various program rights as follows (Yen in thousands):

Year ending December 31,		
2005	¥	1,131,527
2006		822,490
2007		37,864
2008		14,205
Total program rights purchase commitments	¥	2,006,086

At December 31, 2004, JPC has commitments for transponder and uplink services as follows (Yen in thousands):

Year ending December 31,		
2005	¥	1,217,059
2006		1,265,173
2007		642,872
2008		523,984
2009		403,459
Thereafter		140,142
Total transponder and uplink services commitments	¥	4,192,689

JPC contracts, through subsidiaries and affiliate licensed broadcasting companies, to utilize capacity on three satellites from two transponder service providers. JPC channels contract for a portion of the capacity available on a transponder according to the bandwidth needs of individual channels. Transponder service contracts are generally ten years in duration. Service fees are based on fixed rates or a fixed portion plus a variable portion based on platform subscriber numbers. Termination is possible on a channel-by-channel basis. One transponder service provider charges termination penalty fees, the other does not charge a fee until the last channel from one licensed broadcaster terminates. Due to the unclear nature of the responsibility for termination fees, commitments are disclosed for the full minimum commitment amounts under the service contracts.

JPC has capital equipment purchase commitments amounting to ¥2,024,206 thousand at December 31, 2004 that must be expended by December 31, 2005.

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INDEPENDENT AUDITORS REPORT

The Board of Directors and Stockholders
Torneos y Competencias S.A.:

We have audited the accompanying consolidated balance sheets of Torneos y Competencias S.A. and its subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations and comprehensive income (loss), of changes in stockholders equity and of cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Torneos y Competencias S.A. and its subsidiaries as of December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in Note 1 to the consolidated financial statements, the Company is in default with respect to two bank loans and certain loans are past due. In addition, at December 31, 2004, the Company has a net working capital deficiency. These matters raise substantial doubt about the Company s ability to continue as a going concern. Management s plans with regards to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Finsterbusch Pickenhayn Sibille(*)
Buenos Aires, Argentina
March 11, 2005

(*) Finsterbusch Pickenhayn Sibille is the Argentine member firm of KPMG International, a Swiss cooperative.

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TORNEOS Y COMPETENCIAS S.A.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2004	2003
	in thousands of Argentine pesos	
ASSETS		
Current Assets		
Cash	A$ 2,641	A$ 2,224
Accounts receivable, net	19,007	15,116
Related party receivables (Note 6)	15,426	9,087
Programming rights, net	3,210	7,268
Advances to soccer clubs	1,180	2,216
Tax receivables	2,805	5,877
Building held for sale (Notes 6.d and 11.a)	2,940	
Prepaid expenses and other current assets	3,466	2,375
Total current assets	50,675	44,163
Related party receivables (Note 6)	2,885	774
Programming rights, net	19,050	9,291
Advances to soccer clubs	2,421	4,660
Deferred income taxes (Note 9)	1,360	2,054
Investments in affiliates accounted for under the equity method (Note 4)	21,132	19,185
Property and equipment, net (Note 5)	15,690	15,914
Other assets	1,214	1,165
Assets associated with discontinued operations (Note 6.d)		5,909
TOTAL ASSETS	A$ 114,427	A$ 103,115
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	A$ 28,532	A$ 11,743
Related party liabilities (Note 6)	6,216	15,880
Debt (Note 7)		
Related party debt	8,419	8,306
Third party debt	8,333	9,024
Taxes payable	6,588	5,331
Deferred income	6,906	16,133
Other liabilities	4,816	4,203
Total current liabilities	69,810	70,620
Investments in affiliates accounted for under the equity method (Note 4)		3,715
Other liabilities	2,076	3,476

Liabilities associated with discontinued operations (Note 6.d)		3,700		3,208
TOTAL LIABILITIES	A$	75,586	A$	81,019
Commitments and contingencies (Note 10)				
Minority interest in subsidiaries		(31)		8
Stockholders equity:				
Common stock, A$1 par value. 50,160,000 shares authorized, issued and outstanding		50,160		50,160
Additional paid-in capital				107,812
Accumulated other comprehensive losses, net of taxes		(6,768)		(6,717)
Legal reserve				1,597
Accumulated deficit		(4,520)		(130,764)
Total stockholders equity	A$	38,872	A$	22,088
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	A$	114,427	A$	103,115

See accompanying notes to consolidated financial statements.

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TORNEOS Y COMPETENCIAS S.A.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	2004	**2003**	**2002**
	in thousands of Argentine pesos, except number of shares and per share amounts		
Revenue			
Related party (Note 6)	A$ 84,241	A$ 85,320	A$ 71,195
Third party	18,826	10,210	9,508
Operating costs and expenses			
Operating (other than depreciation)			
Related party (Note 6)	(532)	(199)	(404)
Third party	(59,230)	(46,447)	(37,339)
Selling, general and administrative			
Related party (Note 6)	(9,651)	(9,963)	(2,469)
Third party	(15,984)	(13,540)	(17,934)
Provision for doubtful accounts and other receivables	(3,798)	(709)	(7,293)
Depreciation	(1,404)	(1,424)	(1,719)
Impairment of goodwill (Note 2)			(95,663)
Operating income (loss)	12,468	23,248	(82,118)
Share of earnings (losses) from equity affiliates (Note 4)	12,901	9,427	(10,589)
Interest expense	(7,215)	(10,042)	(18,321)
Foreign currency transaction gains (losses)	4,167	5,365	(9,236)
Other income (expenses), net	(709)	459	(2,082)
Income (loss) from continuing operations before income tax and minority interest	21,612	28,457	(122,346)
Income tax expense (Note 9)	(5,027)	(7,886)	(1,698)
Minority interest in losses (earnings) of subsidiaries	11	(16)	116
Income (loss) from continuing operations	16,596	20,555	(123,928)
Discontinued operations, net of tax (including gain on disposal of A$239 during 2004 and impairment of goodwill of A$6,074 during 2002) (Note 6.d)	239	(604)	(9,658)
Net income (loss)	A$ 16,835	A$ 19,951	A$ (133,586)
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment	(51)	1,136	(6,222)

Comprehensive income (loss)	A$ 16,784	A$ 21,087	A$ (139,808)
Income (loss) per share from continuing operations	0.33	0.41	(2.47)
Income (loss) per share from discontinued operations	0.01	(0.01)	(0.19)
Net income (loss) per share	0.34	0.40	(2.66)
Weighted average number of common shares outstanding	50,160,000	50,160,000	50,160,000

See accompanying notes to consolidated financial statements.

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TORNEOS Y COMPETENCIAS S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common stock	Additional paid-in capital	Accumulated other comprehensive losses, net of taxes	Legal reserve	Accumulated deficit	Total stockholders equity
			in thousands of Argentine pesos			
Balance as of January 1, 2002	A$ 50,160	A$ 107,812	A$ (1,631)	A$ 1,597	A$ (17,129)	A$ 140,809
Foreign currency translation adjustment			(6,222)			(6,222)
Net loss					(133,586)	(133,586)
Balance as of December 31, 2002	50,160	107,812	(7,853)	1,597	(150,715)	1,001
Foreign currency translation adjustment			1,136			1,136
Net income					19,951	19,951
Balance as of December 31, 2003	50,160	107,812	(6,717)	1,597	(130,764)	22,088
Foreign currency translation adjustment			(51)			(51)
Absorption of accumulated deficit as required under Argentine law (Note 8)		(107,812)		(1,597)	109,409	
Net income					16,835	16,835
Balance as of December 31, 2004	A$ 50,160	A$	A$ (6,768)	A$	A$ (4,520)	A$ 38,872

See accompanying notes to consolidated financial statements.

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TORNEOS Y COMPETENCIAS S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2004	2003	2002
	in thousands of Argentine pesos		
Cash flows from operating activities:			
Income (loss) from continuing operations	A$ 16,596	A$ 20,555	A$ (123,928)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:			
Provision for doubtful accounts and other receivables	3,798	709	7,293
Depreciation	1,404	1,424	1,719
Share of (earnings) losses from equity affiliates	(12,901)	(9,427)	10,589
Impairment of goodwill			95,663
Minority interest in losses (earnings) of subsidiaries	(11)	16	(116)
Deferred tax expense	694	4,170	1,698
Changes in operating assets and liabilities, net of the effect of dispositions:			
Receivables, programming rights and others	(17,098)	13,847	3,775
Payable and other current liabilities	2,194	(24,639)	30,019
Net cash provided by (used in) operating activities	(5,324)	6,655	26,712
Cash flows from investing activities:			
Capital expenditures	(1,430)	(1,162)	
Cash distribution from equity affiliates	7,500		2,718
Proceeds from the sale of property and equipment	250		732
Net cash provided by (used in) investing activities	6,320	(1,162)	3,450
Cash flows from financing activities:			
Debt proceeds	4,338	1,213	10,537
Repayment of debt	(4,917)	(5,063)	(43,649)
Net cash used in financing activities	(579)	(3,850)	(33,112)
Net cash provided by (used in) discontinued operations		(26)	172
Net increase (decrease) in cash	417	1,617	(2,778)
Cash at beginning of year	2,224	607	3,385
Cash at end of year	A$ 2,641	A$ 2,224	A$ 607

See accompanying notes to consolidated financial statements.

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TORNEOS Y COMPETENCIAS S.A.
December 31, 2004, 2003 and 2002
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of Argentine pesos, except as otherwise mentioned)

1. Description of Business, Liquidity and Basis of Presentation

Description of business

Torneos y Competencias S.A. (TyC or the Company) is an independent producer of Argentine sports and entertainment programming that, through various affiliates, operates a sports programming cable channel; commercializes rights to televise sporting events via cable, satellite and broadcast television; and manages two sports magazines and several thematic soccer bars. TyC s emphasis is on soccer, and it has an exclusive agreement (except for certain cable broadcast rights held by an affiliate) with the *Asociación de Fútbol Argentino,* or AFA , to produce and distribute programs related to matches between clubs in the Argentine professional soccer leagues. This agreement expires in 2010 unless extended to 2014 at TyC s request. TyC produces or co-produces, with its three television studios and the production facilities of its production partners, a number of soccer-based programs, such as *Fútbol de Primera, El clásico del Domingo and Fútbol de Verano.*

TyC has interests in two magazines: El Grafico, which covers Argentine and international sports, with special emphasis on soccer; and Golf Digest, the Argentine and Chilean editions of the American golf magazine.

TyC also has the rights to broadcast friendly summer season tournaments in different Argentine cities through 2007.

The Company s principal shareholders are:

Shareholders	Ownership percentage
ACH Acquisitions Co.	20%
Telefónica de Contenidos S.A. Unipersonal	20%
A y N Argentina LLC	20%
Liberty Argentina, Inc, a subsidiary of Liberty Media International, Inc (LMI)	40%

TyC s 50% owned affiliate, *Televisión Satelital Codificada S.A.,* or TSC holds the commercial rights in Argentina, with certain exceptions, to televise selected official soccer matches of AFA s Premier Ligue. TSC sells the rights to televise specific matches to cable operators, to an over-the-air broadcast television channel in and around Buenos Aires and, in certain cases, exclusively to the TyC Sports Channel.

Another 50% owned affiliate of TyC, *TELE-RED Imagen S.A.*, or TRISA owns the TyC Sports Channel, the first dedicated sports cable channel in Argentina, which packages soccer programming co produced by Torneos and other sporting events to which TRISA holds commercial rights. TRISA also holds commercial rights to produce and distribute certain motor car racing, basketball and boxing events.

T&T Sports Marketing Inc. (T&T), a 50% owned affiliate of the Company, has entered into agreements with the *Confederación Sudamericana de Fútbol (Conmebol)* for the acquisition of the *Copa Libertadores* and *Copa Sudamericana* broadcasting rights up to 2010. See Notes 4 and 6.

Liquidity

The Company is in default with respect to two bank loans. In addition, the Company s loans from LMI are past due. Principal and interest under these bank and LMI loans of A$13,346 and A$4,088, respectively, have been classified as current liabilities at December 31, 2004. See Note 7. In addition, at December 31, 2004, current liabilities exceed current assets by A$19,135. The Company plans to renegotiate these loans to extend the repayment terms. Although the Company expects that it will be able to successfully renegotiate the bank loans that are in default and the past due loans from LMI, no assurance can be given that the Company will be

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

successful. In the event that the Company s efforts in this regard are not successful, the Company s ability to continue as a going concern could be adversely affected in that the Company may not have sufficient funds available to meet its current liabilities as they become due and payable, particularly if payment is demanded under the aforementioned bank or LMI loans.

Basis of presentation

The accompanying consolidated financial statements include the accounts of TyC and all voting interest entities where TyC exercises a controlling interest through the ownership of a direct or indirect majority voting interest and variable interest entities for which TyC is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation. TyC management concluded that the Company holds no interest in entities that meet the definition of variable interest entities pursuant to Financial Accounting Standards Board Interpretation No. 46(R). TyC s operating subsidiaries and TyC s most significant equity affiliates as of December 31, 2004 are set forth below:

Operating subsidiaries as of December 31, 2004

Avilacab S.A. (Avilacab)
South American Sports S.A. (SAS)
TyC Minor S.A. (TyC Minor)

Significant equity affiliates as of December 31, 2004

TSC
TRISA
T&T

For additional information concerning TyC s equity affiliates, see Note 4.

In the following notes, references to the Company refer to TyC and its consolidated subsidiaries.

2. Summary of Significant Accounting Policies

The Company maintains its books of account in conformity with financial accounting standards of the City of Buenos Aires, Argentina. The accompanying consolidated statements have been prepared in a manner and reflect certain adjustments which are necessary to conform to accounting principles generally accepted in the United States of America (US GAAP).

Use of estimates

The preparation of these consolidated financial statements in conformity with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, allowances for uncollectible accounts, deferred income taxes and related valuation allowances, loss contingencies, fair values and useful lives of long-lived assets and any related impairment. Actual results could differ from those estimates.

The Company does not control the decision making process or business management practices of TyC s equity affiliates. Accordingly, the Company relies on management of these affiliates and their independent auditors to provide us with accurate financial information prepared in accordance with US GAAP that we use in the application of the equity method. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by TyC s equity affiliates that would have a material effect on Company s financial statements. For information concerning TyC s equity method investments, see Note 4.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inflation adjustment

Argentine generally accepted accounting principles require the restatement of assets and liabilities into constant Argentine pesos.

Under US GAAP, account balances and transactions are stated in the units of currency of the period when the transactions originated. This accounting model is commonly known as the historical cost basis of accounting. The Company has excluded the effect of the general price level restatement for the preparation of these financial statements in accordance with US GAAP.

Accounts receivable, net

Accounts receivable are reflected net of an allowance for doubtful accounts. Such allowance amounted to A$6,810 and A$4,521 at December 31, 2004 and 2003, respectively. The allowance for doubtful accounts is based upon the Company s assessment of probable loss related to uncollectible accounts receivable. A number of factors are used in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or collection of the account is no longer being pursued.

The Company has five clients whose balances aggregate approximately 40% and 79% of the total balances of accounts receivable, net, as of December 31, 2004 and 2003, respectively, and approximately 83%, 89% and 88% of the revenue for the years ended December 31, 2004, 2003 and 2002, respectively.

Programming rights, net

The Company and certain equity investees have multi-year contracts for telecast rights of sporting events and rights to the image and sound archives related to all of the country s national soccer teams. Pursuant to these contracts, an asset is recorded for the rights acquired and a liability is recorded for the obligation incurred when the programs or sporting events are available for telecast. Program rights for sporting events which are for a specified number of games are amortized on an event-by-event basis, and those which are for a specified season or period are amortized over the term of such period on a straight-line basis.

Non-current programming rights represent telecast and production rights of sporting events available for telecast beyond one year from the balance sheet date.

Investments in affiliates accounted for under the equity method

Investments in affiliates in which TyC has the ability to exercise significant influence are accounted for using the equity method. Under this method, the investment, originally recorded at cost, is adjusted to recognize TyC s share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, limited to the extent of TyC s investment in, and advances and commitments to, the investee. If the investment in the common stock of an affiliate is reduced to zero as a result of the prior recognition of the affiliate s net losses, TyC would continue to record losses from the affiliate to the extent of its commitments to the affiliate and would include the negative investment in other liabilities.

Impairment of investments

The Company continually reviews its investments in affiliates to determine whether a decline in fair value below the cost basis is other than non-temporary. The primary factors that the Company considers in its determination are the length of time that the fair value of the investment is below Company s carrying value and the financial condition, operating performance and near term prospects of the investee, industry specific or investee specific changes in stock price or valuation subsequent to the balance sheet date, and Company s intent and ability to hold the investment for a period of time sufficient to allow for recovery in fair value. In

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

situations where the fair value of an investment is not evident due to a lack of public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. Writedowns for equity method investments are included in Share of earning (losses) from equity affiliates, and a new cost basis in the investment is established.

Property and equipment, net

Property and equipment is recorded at cost, net of the respective accumulated depreciation.

Depreciation has been calculated on the straight-line method over the assets estimated useful lives as follows:

	Estimated useful life (years)
Buildings	50
Furniture and fixtures	10
Technical equipment, vehicles and TV studio	5
Computer hardware	2 to 3

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operation expenses.

Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (Statement 144) requires the Company to periodically review the carrying amount of property and equipment, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the assets is greater than the expected undiscounted cash flow to be generated by such assets, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. The Company generally measures fair value by considering sales prices for similar assets or discounting estimated future cash flows using an appropriate discount rate. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. Assets to be disposed of are carried at the lower of the carrying amount or fair value less costs to sell.

Building held for sale

Represents a building received in connection with the transaction related to the sale of Red Celeste y Blanca S.A. (La Red), which is available for sale. It is recorded at its fair value at the date of the disposition of La Red, which does not exceed its fair value as of December 31, 2004. See Note 6.d.

Goodwill

Goodwill represents the excess of purchase price over the fair value of identifiable assets acquired, in acquisitions of equity interests in subsidiaries and affiliates.

Impairment of Goodwill

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (Statement 142). Statement 142 requires that goodwill and other intangible assets with indefinite useful lives (collectively, indefinite lived intangible assets) no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement 142. Equity method goodwill is also no longer amortized, but continues to be considered for impairment under Accounting Principles Board Opinion No. 18. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives and reviewed for impairment in accordance with Statement 144.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Statement 142 required the Company to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Company identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption. Statement 142 requires the Company to consider equity method affiliates as separate reporting units.

The Company determined the fair value of its reporting units using discounted cash flows. The Company then compared the fair value of each reporting unit to the reporting unit s carrying amount. To the extent a reporting unit s carrying amount exceeded its fair value, the Company performed the second step of the transitional impairment test. In the second step, the Company compared the implied fair value of the reporting unit s goodwill, determined by allocating the reporting unit s fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation, to its carrying amount, both of which were measured as of the date of adoption. This allocation is performed for goodwill impairment testing purposes only and does not change the reported carrying value of the investment. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Based on this analysis, the Company recorded an impairment loss of A$101,737 for the year ended December 31, 2002 to write-off all of its then existing goodwill, including A$6,074 related to La Red that has been included in Discontinued operations, net of tax in the accompanying consolidated financial statements. Since this analysis used projections made during the time of unfavorable economic events in Argentina in early 2002, the adjustment was recognized as a component of operating costs and expenses and not as a transition adjustment.

As noted above, the Company s enterprise-level goodwill is allocable to reporting units, whether they are consolidated subsidiaries or equity method investments. The following table summarizes the allocation of the impairment loss recorded for the year ended December 31, 2002, corresponding to continuing operations.

Entity	Impairment loss	
SAS	A$	7,132
Sobre Golf S.A.		420
TSC		50,317
TRISA and Tele Net Image Corp.		37,794
Total enterprise-level goodwill	A$	95,663

Income Taxes

The Company accounts for income taxes in accordance with the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

Net deferred tax assets are reduced by a valuation allowance calculated based on the estimation of future results prepared by the Company s management. Deferred tax liabilities related to investments in equity investees that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. See Note 9.

Minority interest

Recognition of the minority interest s share of losses of subsidiaries is generally limited to the amount of such minority interest s allocable portion of the common equity of those subsidiaries.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign currency translation

The functional currency of the Company is the Argentine Peso. The functional currency of the Company s foreign equity affiliate T&T is the United States dollar. The Company s share of the assets and liabilities of T&T is translated at the spot rate in effect at the applicable reporting date and the Company s share of the results of operations of T&T is determined based on results translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment is recorded as a component of Accumulated other comprehensive losses, net of taxes, in the Company s statements of stockholders equity.

Transactions denominated in currencies other than the Company s functional currency are recorded at the exchange rates prevailing at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the statements of operations.

Revenue recognition

The Company s principal sources of revenue are:

Broadcasting Program rights: Broadcast program rights revenue are recognized when the matches are broadcasted.

Sport TV programs production: Revenue from sports TV programs production services are recognized when the services are rendered.

Others: Other revenue includes, among others, advertising and sports event organization. Advertising revenue, including the stadium based advertising, are recognized in the period during which underlying advertisements are broadcast. Sports events organization revenue are recognized when services are rendered.

Deferred income: corresponds to revenue collected by TyC in advance, whose recognition is deferred until matches or related advertising are available for telecast.

Earnings per share

The Company computes net income (loss) per share by dividing net income (loss) for the year by the weighted average number of common shares outstanding. There were no potential common shares outstanding during any of the periods presented.

3. Supplemental Consolidated Statements of Cash Flows Disclosures

a) Income tax, minimum presumed income tax and interests

During the years ended December 31, 2004, 2003 and 2002, the Company paid A$4,352, A$3,716 and A$0 for income tax and minimum presumed income tax, respectively. Additionally, during the years ended December 31, 2004, 2003 and 2002 the Company paid A$732, A$498 and A$13,891, respectively, in interest related to operating activities.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

b) Noncash investing and financing activities

The Company sold all of its interest in La Red to Avila Inversora S.A. (AISA) and Carlos Avila Enterprise S.A. (CAE) (related companies, see Note 6) for consideration of A$6,640. In conjunction with the sale, receivables were originated and a building was received as follows:

Related party receivable	A$	3,700(1)
Building		2,940(2)
	A$	6,640

(1) The accounts receivable will be settled by AISA by effectively assuming the obligation to repay up to A$3,700 of principal and interest of a financial debt payable by TyC, currently in default. See Notes 6.d and 7. If as a result of the renegotiation of the loan in default, TyC pays an amount lower than A$3.7 million, the difference will be settled by AISA through the provision of advertising by América T.V. S.A. (América TV), a related company of the purchasers.

(2) Fair value was determined based on an option held by TyC to return the building to CAE for an amount of US$1 million as per the related sales agreement signed between the parties. See note 6.d.

4. Investments in Affiliates Accounted for Under the Equity Method

The following table includes TyC s carrying value and percentage ownership of its investments in affiliates:

	December 31, 2004		December 31, 2003
	Percentage ownership	Carrying amount	Carrying amount
TSC	50%	A$ 10,062	A$ 7,196
TRISA	50%	9,162	11,983
T&T	50%	1,902	(3,715)(1)
Others		6	6
Total		A$ 21,132	A$ 15,470

(1) As the Company s investment in T&T was negative as of December 31, 2003, it has been classified in Non-current liabilities-Investments in affiliates accounted for under the equity method because the Company is ready to provide financial support, as may be necessary, to allow T&T to continue operating as going concern.

The following table reflects TyC s share of earnings (losses) from equity affiliates:

	Year ended December 31,		
	2004	2003	2002

TSC	A$ 2,868	A$ 3,502	A$ (193)
TRISA	4,678	8,539	(10,084)
T&T	5,668	4,055	2,492
Sale of Pro Entertainment S.A.(1)		(5,706)	
Others	(313)	(963)	(2,804)
Total	A$ 12,901	A$ 9,427	A$ (10,589)

(1) Relates to TyC forgiveness in 2003 of an accounts receivable maintained with Pro Entertainment S.A., as a result of the sale of such company by T&T in fiscal year 2002.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December, 31, 2004, 2003 and 2002, the Company s share of earnings (losses) from equity affiliates includes losses related to other-than-temporary declines in the fair value of equity method investments of A$0, A$0 and A$2,493, respectively.

During the years ended December 31, 2004, 2003 and 2002, TRISA distributed cash dividends, of which the Company collected A$7,500, A$0 and A$2,718, respectively.

TSC

Summarized financial information for TSC follows:

	December 31,	
	2004	**2003**
Financial Position		
Current assets(1)	A$ 50,111	A$ 45,716
Non-current assets	10,487	8,661
Total assets	A$ 60,598	A$ 54,377
Current portion of long term debt	A$ 11,500	A$ 5,728
Other current liabilities(2)	24,863	30,905
Non current liabilities	4,111	3,352
Stockholders equity	20,124	14,392
Total liabilities and stockholders equity	A$ 60,598	A$ 54,377

(1) Includes outstanding amounts receivable from Cablevisión S.A. (Cablevisión), a related party, of A$2,497 and A$2,497 at December 31, 2004 and 2003, respectively. See Note 6.

(2) Includes outstanding amounts payable to TyC of A$3,893 and A$5,466 at December 31, 2004 and 2003, respectively. See Note 6.

	Year ended December 31,		
	2004	**2003**	**2002**
Results of Operations			
Revenue(1)	A$ 127,023	A$ 128,762	A$ 117,833
Operating, selling, general and administrative expense(2)	(118,149)	(113,599)	(104,423)
Operating income	8,874	15,163	13,410
Interest expense	(2,459)	(4,638)	(14,773)
Interest income	56	984	680
Foreign exchange gain (loss)	35	(671)	2,370

Other, net	(123)	91	(1,701)
Income tax expense	(647)	(3,925)	(372)
Net income (loss)	**A$ 5,736**	**A$ 7,004**	**A$ (386)**

(1) Includes revenue from Cablevisión, a related party, for an amount of A$39,172, A$39,899 and A$29,052 for the years ended December 31, 2004, 2003 and 2002, respectively. See Note 6.

(2) Includes services provided by TyC for an amount of A$10,468, A$10,205 and A$8,456 for the years ended December 31, 2004, 2003 and 2002, respectively. See Note 6.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

TRISA

Summarized financial information for TRISA follows:

	December 31, 2004	December 31, 2003
Financial Position		
Current assets(1)	A$ 68,196	A$ 80,357
Property and equipment, net	11,813	9,812
Investments	853	794
Other non-current assets	28,621	17,827
Total assets	A$ 109,483	A$ 108,790
Current portion of long term debt	A$ 4,348	A$ 4,272
Other current liabilities(2)	43,721	43,384
Non-current debt	25,986	29,808
Other non-current liabilities	17,105	7,359
Stockholders equity	18,323	23,967
Total liabilities and stockholders equity	A$ 109,483	A$ 108,790

(1) Includes outstanding amounts receivable from Cablevisión, a related party, of A$3,136 and A$3,036 at December 31, 2004 and 2003, respectively. See Note 6.

(2) Includes outstanding amounts payable to TyC of A$3,202 and A$2,173 at December 31, 2004 and 2003, respectively. See Note 6.

	Year ended December 31, 2004	2003	2002
Results of Operations			
Revenue(1)	A$ 125,011	A$ 109,598	A$ 98,041
Operating, selling, general and administrative expenses(2)	(115,732)	(97,707)	(81,911)
Operating income	9,279	11,891	16,130
Interest expense	(5,490)	(3,451)	(2,291)
Interest income	2,367	4,487	4,379
Foreign exchange gain (loss)	(636)	5,379	(31,575)
Share of earnings (losses) from equity affiliates	61	(356)	(1,462)
Other, net	926	509	4,234

Income tax benefit (expense)	2,849	(1,381)	(9,583)
Net income (loss)	A$ 9,356	A$ 17,078	A$ (20,168)

(1) Includes revenues from Cablevisión, a related party, for an amount of A$32,938, A$34,126 and A$25,902 and from TyC for an amount of A$532, A$184 and A$149 for the years ended December 31, 2004, 2003 and 2002, respectively. See Note 6.

(2) Includes services provided by TyC for an amount of A$14,272, A$10,119 and A$5,713 for the years ended December 31, 2004, 2003 and 2002, respectively. See Note 6.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

T&T

In December 2004, the Company sold its ownership interest (50%) in T&T to an unrelated third party for cash proceeds of US$270 thousand. In connection with this sale, the Company retained a call right to repurchase the 50% interest in T&T for a price of US$285 thousand during the one-year period ended December 29, 2005. Due to the Company s unilateral ability to repurchase this interest and the favorable call price relative to the fair value of the interest, the Company did not meet the criteria for treating this transaction as a sale, and accordingly, has recorded the cash received as a current liability in the accompanying balance sheet as of December 31, 2004.

Summarized financial information for T&T follows:

	December 31,	
	2004	**2003**
Financial Position		
Current assets(1)	A$ 10,441	A$ 11,987
Non-current assets	60	1,411
Total assets	A$ 10,501	A$ 13,398
Current portion of long term debt	A$	288
Other current liabilities(2)	6,697	19,806
Non-current liabilities		735
Stockholders equity	3,804	(7,431)
Total liabilities and stockholders equity	A$ 10,501	A$ 13,398

(1) Includes outstanding amounts receivable from Fox Sports Latin America S.A. (Fox Sports), a related party, of A$0 and A$374 at December 31, 2004 and 2003, respectively. See Note 6.

(2) Includes outstanding amounts payable to Fox Sports, a related party, of A$3,675 and A$5,438 at December 31, 2004 and 2003, respectively. See Note 6.

	Year ended December 31,		
	2004	**2003**	**2002**
Results of Operations			
Revenue(1)	A$ 117,713	A$ 110,962	A$ 127,827
Operating, selling, general and administrative expenses(2)	(106,351)	(103,556)	(126,113)
Operating income	A$ 11,362	A$ 7,406	A$ 1,714
Share of earnings from equity affiliates			3,312
Other, net	(26)	705	(42)

Net income	A$	11,336	A$	8,111	A$	4,984

(1) Includes revenues from Fox Sports, a related party, for an amount of A$93,933, A$85,689 and A$115,254 for the years ended December 31, 2004, 2003 and 2002, respectively. See Note 6.

(2) Includes services provided by TyC for an amount of A$9,239, A$2,938 and A$3,227, for the years ended December 31, 2004, 2003 and 2002, respectively. See Note 6.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Property and Equipment

The details of property and equipment and the related accumulated depreciation are set forth below:

	December 31,	
	2004	2003
Buildings	A$ 14,544	A$ 14,794
Furniture and fixtures	7,267	5,311
Technical equipment, vehicles and TV studio	7,339	6,109
Computer hardware	1,367	1,429
Total property and equipment	30,517	27,643
Less: Accumulated depreciation	(14,827)	(11,729)
Net property and equipment	A$ 15,690	A$ 15,914

Loans amounting to A$2,856 are secured by certain of the Company s premises. See Note 7.

6. Related Party Transactions

(a) Company s affiliated entities:

Detailed information about Company s affiliated entities is provided in Note 4.

(b) Balances and transactions with related parties

Entities in which TyC has significant influence: TSC, TRISA, T&T and Theme Bar Management S.A.
Companies with common shareholders or directors: Cablevisión, Pramer S.C.A. and the following companies pertaining to the Fox Group: Fox Pan American Sports LLC, Fox Sports, International Sports Programming LLC and Fox Sports International Distribution Ltd. (hereinafter referred to individually or together as FPAS).
Companies with equity interests in TyC, either direct or indirect: LMI.
Companies where TyC s chairman has an equity interest, either direct or indirect: CAE, AISA and América TV.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company entered into transactions in the normal course of business with related parties. The following is a summary of the balances and transactions with related parties:

	December 31, 2004	December 31, 2003
Receivables Current:		
América TV	A$ 1,458	A$ 1,091
TRISA	3,202	2,173
TSC	3,893	5,466
FPAS	5,047	
AISA	1,550(1)	357
Others	276	
	A$ 15,426	**A$ 9,087**
Receivables Non Current:		
América TV	A$ 735	A$ 774
AISA	2,150(1)	
	A$ 2,885	**A$ 774**
Payables Current:		
América TV	A$ 1,297	A$ 312
FPAS	4,207	14,921
Others	712	647
	A$ 6,216	**A$ 15,880**

(1) Accounts receivable related to the sale of La Red See item (d) below in this note.
See Note 7 regarding Related Party Loans.

		Year ended December 31,		
Revenue	**Transaction description**	**2004**	**2003**	**2002**
TRISA	Advertising, Production, Rights and Others	A$ 14,272	10,119	5,713
TSC	Production and Rights	10,468	10,205	8,456
T&T	Production and Rights	9,239	2,938	3,227
América TV	Production	852	1,006	1,035
FPAS	Advertising, Production, Rights and Others	49,367	60,871	52,312

Others	43	181	452
	A$ 84,241	A$ 85,320	A$ 71,195

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

		Year ended December 31,		
Services received	**Transaction description**	**2004**	**2003**	**2002**
Operating (other than depreciation) expenses				
TRISA	Production and rights	A$ (532)	(184)	(149)
Pramer S.C.A.	Production		(15)	(255)
	Total operating (other than depreciation) expenses	A$ (532)	(199)	(404)
Selling, general and administrative expenses				
América TV	Advertising and others	A$ (1,131)	A$ (1,628)	A$ (1,540)
FPAS	Advertising	(8,450)	(8,192)	(529)
CAE	Other	(39)	(100)	(296)
Others	Rights and others	(31)	(43)	(104)
	Total selling, general and administrative expenses	A$ (9,651)	A$ (9,963)	A$ (2,469)

The Company believes that the transactions discussed above were made on terms no less favorable to the Company than would have been obtained from unaffiliated third parties.

(c) Agreement with FPAS

In April 2003, TyC agreed with FPAS to forgive four monthly payments that were due from April to July 2004 pursuant to a contract that expired in July 2004. TyC has recognized the forgiven payments as a reduction of revenue from the date of the agreement through July 2004 on a straight-line basis.

(d) Discontinued operations Sale of La Red

On January 7, 2004, TyC sold its interest in La Red to CAE and AISA.

As stated in the sales agreement, the sales price was A$8.7 million, comprised of: a) A$5.0 million through the transfer of a building (see Building held for sale Note 2), and b) A$3.7 million, which will be paid by AISA through the assumption of a financial debt held by TyC, currently in default (see Note 7). As provided in such agreement, if as a result of the renegotiation of the loan in default, TyC pays an amount lower than A$3.7 million, the difference will be settled by AISA through the provision of advertising by América T.V., a related company of the purchasers, as determined based on fair market value. As collateral for payment, all transferred shares were pledged in favor of the seller.

Additionally, as per the agreement, TyC had the option to return the building to CAE for consideration of US$1 million, equivalent to A$2,940 as of the date of the transaction, in the event that during the one-year period ending January 7, 2005, TyC was not able to sell such building. TyC considered this amount to be the fair value of the building as of the date of the transaction.

The difference between the book value of the Company s equity interest in La Red as of the date of disposition and the fair value of the total consideration received amounts to A$3,939. The Company considered the earnings process was not substantially complete with respect to the uncollected A$3.7 million related party receivable. Consequently, the Company recognized a gain of A$239, which is included in Discontinued operations, net of tax; and deferred a gain of

A$3,700, which is included in Liabilities associated with discontinued operations, in the accompanying consolidated balance sheet as of December 31, 2004.

As mentioned in Note 11, in January 2005, the building was sold for cash consideration of A$6.0 million.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As a result of this transaction, the Company has disposed of its entire radio broadcasting business. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of La Red have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operation and statements of cash flows and have been reported separately in such consolidated financial statements. In addition, unless specifically noted, amounts disclosed in the notes to the accompanying consolidated financial statements are for continuing operations. The following table summarizes certain information related to discontinued operations:

	December 31, 2003
Current assets	A$ 4,357
Non-current assets	1,552
Total assets	A$ 5,909
Current liabilities	A$ 2,790
Non-current liabilities	418
Total liabilities	A$ 3,208
Stockholders equity	A$ 2,701

	Year ended December 31,	
	2003	2002
Revenue	A$ 5,672	A$ 3,820
Pre-tax loss (including impairment of goodwill of A$6,074 in 2002)	A$ (253)	A$ (9,658)
Loss from discontinued operations, net of tax	A$ (604)	A$ (9,658)

7. Debt

The Company s debt as of December 31, 2004 and 2003 is summarized below:

	2004	2003
Bank loans	A$ 8,333	A$ 9,024
Related Party	8,419	8,306
Total	A$ 16,752	A$ 17,330

Bank Loans:

The bank debt is denominated in Argentine pesos with interest rates ranging from 9% to 11% and maturities as follows:

Past due	A$	4,927
2005	A$	3,406
Total debt	A$	8,333(1)

(1) Includes A$2,635 for which one of the purchasers of La Red has effectively assumed the obligation to repay up to A$3,700 of principal and interest. See Note 6.

The total amount of loans denominated in Argentine pesos at December 31, 2004 includes A$4,927 corresponding to loans that are in default and are being renegotiated. Such loans are classified as current liabilities.

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Loans amounting to A$2,856 are secured by certain of the Company s premises.

Related Party Loans:

Represents loans primarily from LMI. The loans from LMI, which bear interest at 9% and are denominated in US dollars, are past due. Such loans are classified as current liabilities.

TyC believes that the carrying amount of debt approximates fair value at December 31, 2004, with the exception of related party loans and bank loans in default, for which TyC considers that it is not practical to estimate fair value.

8. Stockholders Equity

The Company is subject to certain restrictions on the distribution of profits. Under the Argentine Commercial Law, a minimum of 5% of net income for the year calculated in accordance with Argentine GAAP must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital (common stock plus inflation adjustment of common stock accounts, and additional Paid-in Capital). This legal reserve may be used only to absorb accumulated deficits.

Additionally, under Argentine Commercial Law, in the event that accumulated deficit is higher than 50% of common stock, plus 100% of additional paid-in-capital and legal reserve, the Company is required to absorb the related accumulated deficit against such equity accounts. Consequently on July 8, 2004, TyC stockholders approved the absorption of accumulated deficit in the amount of A$109,409, by offsetting such balance against additional paid-in-capital and legal reserve outstanding as of that date.

9. Income Tax

Income tax expense for the years ended December 31, 2004, 2003 and 2002 consists of the following:

	Year ended December 31,		
	2004	**2003**	**2002**
Current tax expense	A$ (4,231)	A$ (3,611)	A$
Deferred tax expense	(694)	(4,170)	(1,698)
Sub-total	(4,925)	(7,781)	(1,698)
Minimum presumed income tax	(102)	(105)	
Income tax expense	A$ (5,027)	A$ (7,886)	A$ (1,698)

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effects of temporary differences and tax loss carryforwards that give rise to significant portions of the Company s deferred tax assets and liabilities are presented below:

	December 31,	
	2004	**2003**
Allowance for doubtful accounts	A$ 2,506	A$ 1,467
Directors fees		660
Accumulated tax losses	499	567
Accumulated tax losses from the sale of controlled subsidiaries	5,754	
Items accrued not yet deducted	597	884
Deferred income		1,202
Programming rights	(2,133)	(1,623)
Unpaid interest on foreign loans from related parties	1,290	
Others	48	91
Sub-total	8,561	3,248
Less: Valuation allowance on deferred tax asset	(7,201)	(1,194)
Net deferred tax asset at tax rate (35%)	A$ 1,360	A$ 2,054

Income tax expense (benefit) for the years ended December 31, 2004, 2003 and 2002 differ from the amounts computed by applying the Company s statutory income tax rate to pre-tax income (loss) as a result of the following:

	2004	**2003**	**2002**
Income (loss) before taxes and discontinued operations	A$ 21,623	A$ 28,441	A$ (122,230)
Prevailing tax rate	35%	35%	35%
Expected tax benefit (expense) from continuing operations	(7,568)	(9,954)	42,781
Impairment of intangible assets			(33,482)
Increase in accumulated tax losses from the sale of controlled subsidiaries	5,754		
Imputed interest		(246)	(1,075)
Directors fees			(1,268)
Share of earnings (losses) from equity affiliates	4,515	3,299	(3,706)
Non-recoverable receivables	(236)	(363)	(1,824)
Non-deductible expenses	(1,485)	(467)	(2,747)
Change in valuation allowance on deferred tax assets	(6,007)	(155)	(377)
Income tax expense from continuing operations	A$ (5,027)	A$ (7,886)	A$ (1,698)

As of December 31, 2004, the Company has accumulated tax loss carryforwards of A$17.9 million (equivalent to A$6.3 million at prevailing tax rate), which expire through year 2009.

The Company is subject to a minimum presumed income tax. This tax is supplementary to income tax. The tax is calculated by applying the effective tax rate of 1% on certain production assets valued according to the tax regulations in effect as of the end of each year. The Company s tax liabilities will be the higher of income tax or minimum presumed income tax. However, if the minimum presumed income tax exceeds income tax during any fiscal year, such excess may be computed as a prepayment of any income tax excess over the

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

minimum presumed income tax that may arise in the next ten fiscal years. Each of TyC and its controlled companies file separate tax returns. The minimum presumed income tax charge for the years ended December 31, 2004 and 2003 correspond to controlled companies that generate tax losses.

10. Commitments and Contingencies

(a) Long-term Rights Contracts

The Company has long-term rights contracts which require payments through 2010. Future minimum payments, including unrecorded amounts, by year are as follows at December 31, 2004:

Year ending December 31:

2005	A$	8,625
2006	A$	16,755
2007	A$	5,589
2008	A$	1,589
2009	A$	1,589
Thereafter	A$	723

Additionally, TyC has long-term rights contracts which require, for the period from 2007 to 2014, payments of 50% of the revenue derived form the related rights.

(b) Litigation

The Company has contingent liabilities related to legal and other matters arising in the ordinary course of business. A liability of A$2,664 has been included in the Company s consolidated balance sheet as of December 31, 2004 to provide for probable and estimable potential losses under these claims.

In addition, the Company is subject to other claims and legal actions that have arisen in the ordinary course of business. Although there can be no assurance as to the ultimate disposition of these matters, it is the opinion of the Company s management based upon the information available at this time and consultation with external legal counsel, that the expected outcome of these other claims and legal actions, individually or in the aggregate, will not have a material effect on the Company s financial position or results of operations. Accordingly, no additional liabilities have been established for the outcome of these matters.

11. Subsequent Events

(a) Sale of Building Held for Sale

On January 6, 2005 the Company sold to a third party the building held for sale included in current assets in the accompanying consolidated financial statements, for cash consideration of A$6 million.

(b) Agreement with FPAS

The Company s contracts with FPAS for the provision of production of content, advertising sales and operating and administrative service to the signal Fox Sports expired on December 31, 2004. On January 1,

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TORNEOS Y COMPETENCIAS S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2005, the Company signed new service agreements with FPAS that expire in December 2010. The annual payments due to the Company under these contracts are as follows:

Amounts in thousands of US$

	2004	2005
Administrative services	658	658
Production of content	4,344	5,544
Advertising commission (range)	From 17.5% to 20%	From 17.5% to 20%

Regarding production of content, the amount of the payments increases to US$5,844 thousand and US$6,244 thousand for years 2006 and 2007, respectively, and to US$6,744 thousand for years 2008 to 2010.

The value of administrative services will not change throughout the period from 2005 to 2010.

In the case of certain changes in the direct or indirect TyC ownership, FPAS has the right to terminate any or all service agreements by delivering written notice 60 days prior to such termination.

On January 1, 2005 the Company also extended from 2007 to 2010 the revenue agreements related to *Clásico del Domingo* and *Futbol de Primera* rights for América (except Argentina) and the Summer Soccer rights for América in the same terms and conditions prevailing in the former agreements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
UnitedGlobalCom, Inc.:

We have audited the accompanying consolidated balance sheets of UnitedGlobalCom, Inc. (a Delaware corporation) and subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of operations and comprehensive income (loss), stockholders equity (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The 2001 consolidated financial statements of UnitedGlobalCom, Inc. and subsidiaries were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements, before the revision described in Note 7 to the 2003 consolidated financial statements, in their report dated April 12, 2002 (except with respect to the matter discussed in Note 23 to those consolidated financial statements, as to which the date was May 14, 2002). Such report included an explanatory paragraph indicating substantial doubt about the Company s ability to continue as a going concern.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the financial position of UnitedGlobalCom, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in 2002, the Company changed its method of accounting for goodwill and other intangible assets and in 2003, changed its method of accounting for gains and losses on the early extinguishments of debt.

As discussed above, the 2001 consolidated financial statements of UnitedGlobalCom, Inc. and subsidiaries were audited by other auditors who have ceased operations. As described in Note 6, these consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of January 1, 2002. In our opinion, the disclosures for 2001 in Note 6 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of UnitedGlobalCom, Inc. and subsidiaries other than with respect to such disclosures, and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

KPMG LLP

Denver, Colorado
March 8, 2004

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The following is a copy of the Report of Independent Public Accountants previously issued by Arthur Andersen LLP in connection with the Company s Annual Report on Form 10-K for the year ended December 31, 2001, as amended in connection with Amendment No. 1 to the Company s Form S-1 Registration Statement filed on June 6, 2002. The report of Andersen is included in this Annual Report on Form 10-K pursuant to Rule 2-02(e) of Regulation S-X. This Audit Report has not been reissued by Arthur Andersen LLP. The information previously contained in Note 23 to those consolidated financial statements is provided in Note 4 to our 2003 consolidated financial statements. The information previously contained in Note 2 to those consolidated financial statements is not included in our 2003 consolidated financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To UnitedGlobalCom, Inc.:

We have audited the accompanying consolidated balance sheets of UnitedGlobalCom, Inc. (a Delaware corporation f/k/a New UnitedGlobalCom, Inc. see Note 23) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations and comprehensive (loss) income, stockholders (deficit) equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of UnitedGlobalCom, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 3 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities effective January 1, 2001.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations, is currently in default under certain of its significant bank credit facilities, senior notes and senior discount note agreements, which has resulted in a significant net working capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Arthur Andersen LLP

Denver, Colorado
April 12, 2002 (except with respect
to the matter discussed in Note 23,
as to which the date is May 14, 2002)

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UNITEDGLOBALCOM, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	**2002**
	in thousands, except par value and number of shares	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 310,361	$ 410,185
Restricted cash	25,052	48,219
Marketable equity securities and other investments	208,459	45,854
Subscriber receivables, net of allowance for doubtful accounts of $51,109 and $71,485, respectively	140,075	136,796
Related party receivables	1,730	15,402
Other receivables	63,427	50,759
Deferred financing costs, net	2,730	62,996
Other current assets, net	76,812	95,340
Total Current Assets	828,646	865,551
Long-Term Assets		
Property, plant and equipment, net	3,342,743	3,640,211
Goodwill	2,519,831	1,250,333
Intangible assets, net	252,236	13,776
Other assets, net	156,215	161,723
Total Assets	$ 7,099,671	$ 5,931,594
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities		
Not subject to compromise:		
Accounts payable	$ 224,092	$ 190,710
Accounts payable, related party	1,448	1,704
Accrued liabilities	405,546	328,927
Subscriber prepayments and deposits	141,108	127,553
Short-term debt		205,145
Notes payable, related party	102,728	102,728
Current portion of long-term debt	310,804	3,366,235
Other current liabilities	82,149	16,448
Total Current Liabilities not Subject to Compromise	1,267,875	4,339,450
Subject to compromise:		
Accounts payable and accrued liabilities	14,445	271,250
Short-term debt	5,099	
Current portion of long-term debt	317,372	2,812,988

Total Current Liabilities Subject to Compromise	336,916	3,084,238
Long-Term Liabilities		
Not subject to compromise:		
Long-term debt	3,615,902	472,671
Net negative investment in deconsolidated subsidiaries		644,471
Deferred taxes	124,232	107,596
Other long-term liabilities	259,493	165,896
Total Long-Term Liabilities not Subject to Compromise	3,999,627	1,390,634
Guarantees, commitments and contingencies (Note 13)		
Minority interests in subsidiaries	22,761	1,402,146
Stockholders Equity (Deficit)		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, nil shares issued and outstanding		
Class A common stock, $0.01 par value, 1,000,000,000 shares authorized, 287,350,970 and 110,392,692 shares issued, respectively	2,873	1,104
Class B common stock, $0.01 par value, 1,000,000,000 shares authorized, 8,870,332 shares issued	89	89
Class C common stock, $0.01 par value, 400,000,000 shares authorized, 303,123,542 shares issued and outstanding	3,031	3,031
Additional paid-in capital	5,852,896	3,683,644
Deferred compensation		(28,473)
Treasury stock, at cost	(70,495)	(34,162)
Accumulated deficit	(3,372,737)	(6,797,762)
Accumulated other comprehensive income (loss)	(943,165)	(1,112,345)
Total Stockholders Equity (Deficit)	1,472,492	(4,284,874)
Total Liabilities and Stockholders Equity (Deficit)	$ 7,099,671	$ 5,931,594

The accompanying notes are an integral part of these consolidated financial statements.

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UNITEDGLOBALCOM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	Year ended December 31,		
	2003	2002	2001
	in thousands, except per share data		
Statements of Operations			
Revenue	$ 1,891,530	$ 1,515,021	$ 1,561,894
Operating expense	(768,838)	(772,398)	(1,062,394)
Selling, general and administrative expense	(493,810)	(446,249)	(690,743)
Depreciation and amortization Operating expense	(808,663)	(730,001)	(1,147,176)
Impairment of long-lived assets Operating expense	(402,239)	(436,153)	(1,320,942)
Restructuring charges and other Operating expense	(35,970)	(1,274)	(204,127)
Stock-based compensation Selling, general and administrative expense	(38,024)	(28,228)	(8,818)
Operating income (loss)	(656,014)	(899,282)	(2,872,306)
Interest income, including related party income of $985, $2,722 and $35,336, respectively	13,054	38,315	104,696
Interest expense, including related party expense of $8,218, $24,805 and $58,834, respectively	(327,132)	(680,101)	(1,070,830)
Foreign currency exchange gain (loss), net	121,612	739,794	(148,192)
Gain on extinguishment of debt	2,183,997	2,208,782	3,447
Gain (loss) on sale of investments in affiliates, net	279,442	117,262	(416,803)
Provision for loss on investments		(27,083)	(342,419)
Other (expense) income, net	(14,884)	(93,749)	76,907
Income (loss) before income taxes and other items	1,600,075	1,403,938	(4,665,500)
Reorganization expense, net	(32,009)	(75,243)	
Income tax (expense) benefit, net	(50,344)	(201,182)	40,661
Minority interests in subsidiaries, net	183,182	(67,103)	496,515
Share in results of affiliates, net	294,464	(72,142)	(386,441)
Income (loss) before cumulative effect of change in accounting principle	1,995,368	988,268	(4,514,765)
Cumulative effect of change in accounting principle		(1,344,722)	20,056
Net income (loss)	$ 1,995,368	$ (356,454)	$ (4,494,709)
Earnings per share (Note 20):			
Basic net income (loss) per share before cumulative effect of change in accounting principle	$ 7.41	$ 2.29	$ (41.47)
		(3.13)	0.18

Cumulative effect of change in accounting principle			
Basic net income (loss) per share	$ 7.41	$ (0.84)	$ (41.29)
Diluted net income (loss) per share before cumulative effect of change in accounting principle	$ 7.41	$ 2.29	$ (41.47)
Cumulative effect of change in accounting principle		(3.12)	0.18
Diluted net income (loss) per share	$ 7.41	$ (0.83)	$ (41.29)
Statements of Comprehensive Income			
Net income (loss)	$ 1,995,368	$ (356,454)	$ (4,494,709)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	61,440	(864,104)	11,157
Change in fair value of derivative assets	10,616	13,443	(24,059)
Change in unrealized gain on available-for-sale securities	97,318	4,029	37,526
Other	(194)	(77)	271
Comprehensive income (loss)	$ 2,164,548	$ (1,203,163)	$ (4,469,814)

The accompanying notes are an integral part of these consolidated financial statements.

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UNITEDGLOBALCOM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Deferred Compensation	Class A Treasury St	
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	A
	in thousands, except number of shares									
December 31, 2002	110,392,692	$ 1,104	8,870,332	$ 89	303,123,542	$ 3,031	$ 3,683,644	$ (28,473)	7,404,240	$
Issuance of Class A common stock for subsidiary preference shares	2,155,905	21					6,082			
Issuance of Class A common stock in connection with stock option plans	311,454	3					1,351			
Issuance of Class A common stock in connection with 401(k) plan	58,272	1					258			
Issuance of common stock by UGC Europe for debt and other liabilities							966,362			
Equity transactions of subsidiaries							(129,904)	1,896		
Amortization of deferred compensation								26,577		
Receipt of common stock in satisfaction of executive loans									188,792	
Issuance of Class A common stock in connection with the UGC Europe exchange offer	174,432,647	1,744					1,325,103		4,780,611	
Net income										

Foreign currency translation adjustments										
Change in fair value of derivative assets										
Unrealized gain (loss) on available-for-sale securities										
Amortization of cumulative effect of change in accounting principle										
December 31, 2003	287,350,970	$ 2,873	8,870,332	$ 89	303,123,542	$ 3,031	$ 5,852,896	$	12,373,643	$

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Class B Treasury Stock			Accumulated Other Comprehensive	
	Shares	Amount	Accumulated Deficit	Income (Loss)	Total
			in thousands, except number of shares		
December 31, 2002		$	$ (6,797,762)	$ (1,112,345)	$ (4,284,874)
Issuance of Class A common stock for subsidiary preference shares			1,423,102		1,429,205
Issuance of Class A common stock in connection with stock option plans					1,354
Issuance of Class A common stock in connection with 401(k) plan					259
Issuance of common stock by UGC Europe for debt and other liabilities					966,362
Equity transactions of subsidiaries			6,555		(121,453)
Amortization of deferred compensation					26,577

Receipt of common stock in satisfaction of executive loans	672,316							
Issuance of Class A common stock in connection with the UGC Europe exchange offer								1,290,514
Net income				1,995,368				1,995,368
Foreign currency translation adjustments						61,440		61,440
Change in fair value of derivative assets						10,616		10,616
Unrealized gain (loss) on available-for-sale securities						97,318		97,318
Amortization of cumulative effect of change in accounting principle						(194)		(194)
December 31, 2003	672,316	$	$	(3,372,737)	$	(943,165)	$	1,472,492

Accumulated Other Comprehensive Income (Loss)

	December 31,	
	2003	**2002**
	in thousands	
Foreign currency translation adjustments	$ (1,057,074)	$ (1,118,514)
Fair value of derivative assets		(10,616)
Other	113,909	16,785
Total	$ (943,165)	$ (1,112,345)

The accompanying notes are an integral part of these consolidated financial statements.

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UNITEDGLOBALCOM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Series C Preferred Stock		Series D Preferred Stock		Class A Common Stock		Class B Common Stock		Co
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Sha
					in thousands, except number of shares				
Balances, December 31, 2001	425,000	$ 425,000	287,500	$ 287,500	98,042,205	$ 981	19,027,134	$ 190	
Accrual of dividends on Series B, C and D convertible preferred stock									
Merger/reorganization transaction	(425,000)	(425,000)	(287,500)	(287,500)	11,628,674	116	(10,156,802)	(101)	21,8
Issuance of Class C common stock for financial assets									281,2
Issuance of Class A common stock in exchange for remaining interest in Old UGC					600,000	6			
Issuance of Class A common stock in connection with 401(k) plan					121,813	1			
Equity transactions of subsidiaries and other									
Amortization of deferred compensation									
Purchase of treasury shares									
Net income									
Foreign currency translation adjustments									
Change in fair value of derivative assets									
Change in unrealized gain on available-for-sale securities									

Amortization of cumulative effect of change in accounting principle							
Balances, December 31, 2002	$	$	110,392,692	$ 1,104	8,870,332	$ 89	303,1

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Compensation	Treasury Stock Shares	Treasury Stock Amount	Accumulated Deficit	Other Comprehensive Income (Loss)	Total
			in thousands, except number of shares			
Balances, December 31, 2001	$ (74,185)	5,604,948	$ (29,984)	$ (6,437,290)	$ (265,636)	$ (4,555,480)
Accrual of dividends on Series B, C and D convertible preferred stock				(4,018)		(4,174)
Merger/reorganizatio transaction		(35,708)	923			59,104
Issuance of Class C common stock for financial assets						1,399,282
Issuance of Class A common stock in exchange for remaining interest in Old UGC						
Issuance of Class A common stock in connection with 401(k) plan						341
Equity transactions of subsidiaries and other	12,794					(8,601)
Amortization of deferred compensation	32,918					32,918
Purchase of treasury shares		1,835,000	(5,101)			(5,101)
Net income				(356,454)		(356,454)
Foreign currency translation adjustments					(864,104)	(864,104)
					13,443	13,443

Change in fair value of derivative assets						
Change in unrealized gain on available-for-sale securities					4,029	4,029
Amortization of cumulative effect of change in accounting principle					(77)	(77)
Balances, December 31, 2002	$ (28,473)	7,404,240	$ (34,162)	$ (6,797,762)	$ (1,112,345)	$ (4,284,874)

The accompanying notes are an integral part of these consolidated financial statements.

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UNITEDGLOBALCOM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Series C Preferred Stock		Series D Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-In
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital
	in thousands, except number of shares								
Balances, December 31, 2000	425,000	$ 425,000	287,500	$ 287,500	83,820,633	$ 838	19,221,940	$ 192	$ 1,531,593
Exchange of Class B common stock for Class A common stock					194,806	2	(194,806)	(2)	
Issuance of Class A common stock in connection with stock option plans and 401(k) plan					76,504	1			386
Issuance of Class A common stock for cash					11,991,018	120			19,905
Accrual of dividends on Series B, C and D convertible preferred stock		14,875		10,063					(1,873)
Issuance of Class A common stock in lieu of cash dividends on Series C and D convertible preferred stock		(14,875)		(10,063)	1,959,244	20			24,918
Equity transactions of subsidiaries and others									(29,122)
Amortization of deferred compensation									(1,292)
Loans to related parties, collateralized									(6,571)

with common shares and options								
Net loss								
Foreign currency translation adjustments								
Change in fair value of derivative assets								
Unrealized gain (loss) on available-for-sale securities								
Cumulative effect of change in accounting principle								
Amortization of cumulative effect of change in accounting principle								
Balances, December 31, 2001	425,000	$ 425,000	287,500	$ 287,500	98,042,205	$ 981	19,027,134	$ 190	$ 1,537,944

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Deferred Compensation	Treasury Stock		Accumulated Deficit	Other Comprehensive Income (Loss)	Total
		Shares	Amount			
	in thousands, except number of shares					
Balances, December 31, 2000	$ (117,136)	5,604,948	$ (29,984)	$ (1,892,706)	$ (290,531)	$ (85,234)
Exchange of Class B common stock for Class A common stock						
Issuance of Class A common stock in connection with stock option plans and 401(k) plan						387

Issuance of Class A common stock for cash						20,025
Accrual of dividends on Series B, C and D convertible preferred stock				(49,875)		(26,810)
Issuance of Class A common stock in lieu of cash dividends on Series C and D convertible preferred stock						
Equity transactions of subsidiaries and others	22,159					(6,963)
Amortization of deferred compensation	20,792					19,500
Loans to related parties, collateralized with common shares and options						(6,571)
Net loss				(4,494,709)		(4,494,709)
Foreign currency translation adjustments					11,157	11,157
Change in fair value of derivative assets					(24,059)	(24,059)
Unrealized gain (loss) on available-for-sale securities					37,526	37,526
Cumulative effect of change in accounting principle					523	523
Amortization of cumulative effect of change in accounting principle					(252)	(252)
Balances, December 31, 2001	$ (74,185)	5,604,948	$ (29,984)	$ (6,437,290)	$ (265,636)	$ (4,555,480)

The accompanying notes are an integral part of these consolidated financial statements.

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UNITEDGLOBALCOM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2003	**2002**	**2001**
		in thousands	
Cash Flows from Operating Activities			
Net income (loss)	$ 1,995,368	$ (356,454)	$ (4,494,709)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Stock-based compensation	38,024	28,228	8,818
Depreciation and amortization	808,663	730,001	1,147,176
Impairment of long-lived assets	402,239	437,427	1,525,069
Accretion of interest on senior notes and amortization of deferred financing costs	50,733	234,247	492,387
Unrealized foreign exchange (gains) losses, net	(84,258)	(745,169)	125,722
Loss on derivative securities	12,508	115,458	
Gain on extinguishment of debt	(2,183,997)	(2,208,782)	3,447
(Gain) loss on sale of investments in affiliates and other assets, net	(279,442)	(117,262)	416,803
Provision for loss on investments		27,083	342,419
Reorganization expenses, net	32,009	75,243	
Deferred tax provision	(18,161)	104,068	(43,167)
Minority interests in subsidiaries, net	(183,182)	67,103	(496,515)
Share in results of affiliates, net	(294,464)	72,142	386,441
Cumulative effect of change in accounting principle		1,344,722	(20,056)
Change in assets and liabilities:			
Change in receivables, net	49,238	42,175	68,137
Change in other assets	(8,368)	4,628	2,489
Change in accounts payable, accrued liabilities and other	55,182	(148,466)	(135,604)
Net cash flows from operating activities	392,092	(293,608)	(671,143)
Cash Flows from Investing Activities			
Purchase of short-term liquid investments	(1,000)	(117,221)	(1,691,751)
Proceeds from sale of short-term liquid investments	45,561	152,405	1,907,171
Restricted cash released (deposited), net	24,825	40,357	(74,996)
Investments in affiliates and other investments	(20,931)	(2,590)	(60,654)
Proceeds from sale of investments in affiliated companies	45,447		120,416
New acquisitions, net of cash acquired	(2,150)	(22,617)	(39,950)
Capital expenditures	(333,124)	(335,192)	(996,411)
Purchase of interest rate caps	(9,750)		
Settlement of interest rate caps	(58,038)		
Other	7,806	27,595	(45,192)

Net cash flows from investing activities	(301,354)	(257,263)	(881,367)
Cash Flows from Financing Activities			
Issuance of common stock	1,354	200,006	24,054
Proceeds from notes payable to shareholder		102,728	
Proceeds from short-term and long-term borrowings	23,161	42,742	1,673,981
Retirement of existing senior notes		(231,630)	(261,309)
Financing costs	(2,233)	(18,293)	(17,771)
Repayments of short-term and long-term borrowings	(233,506)	(90,331)	(766,950)
Other			(6,571)
Net cash flows from financing activities	(211,224)	5,222	645,434
Effects of Exchange Rates on Cash	20,662	35,694	(49,612)
Decrease in Cash and Cash Equivalents	(99,824)	(509,955)	(956,688)
Cash and Cash Equivalents, Beginning of Year	410,185	920,140	1,876,828
Cash and Cash Equivalents, End of Year	$ 310,361	$ 410,185	$ 920,140
Supplemental Cash Flow Disclosure			
Cash paid for reorganization expenses	$ 27,084	$ 33,488	$
Cash paid for interest	$ 185,591	$ 304,274	$ 519,221
Cash paid for income taxes	$ 1,947	$ 14,260	$
Non-Cash Investing and Financing Activities			
Issuance of subsidiary common stock for financial assets	$ 966,362	$	$
Issuance of common stock for acquisitions	$ 1,326,847	$ 1,206,441	$

The accompanying notes are an integral part of these consolidated financial statements.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Operations

UnitedGlobalCom, Inc. (together with its subsidiaries the Company , UGC , we , us , our or similar terms) was for February 2001 as part of a series of planned transactions with Old UGC, Inc. (Old UGC , formerly known as UGC Holdings, Inc., now our wholly owned subsidiary) and Liberty Media Corporation (together with its subsidiaries and affiliates Liberty), which restructured and recapitalized our business. We are an international broadband communications provider of video, voice and Internet services with operations in 15 countries outside the United States. UGC Europe, Inc. (together with its subsidiaries UGC Europe), our largest consolidated operation, is a pan-European broadband communications company. Through its broadband networks, UGC Europe provides video, high-speed Internet access, telephone and programming services. UGC Europe s operations are currently organized into two principal divisions UPC Broadband and chellomedia. UPC Broadband delivers video, high-speed Internet access and telephone services to residential customers. chellomedia provides broadband Internet and interactive digital products and services, produces and markets thematic channels, operates our digital media center and operates a competitive local exchange carrier business providing telephone and data network solutions to the business market under the brand name Priority Telecom. Our primary Latin American operation, VTR GlobalCom S.A. (VTR), provides multi-channel television, high-speed Internet access and residential telephone services in Chile. We also have an approximate 19% interest in SBS Broadcasting S.A. (SBS), a European commercial television and radio broadcasting company, and an approximate 34% interest in Austar United Communications Ltd. (Austar United), a pay-TV provider in Australia.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, allowances for uncollectible accounts, deferred tax valuation allowances, loss contingencies, fair values of financial instruments, asset impairments, useful lives of property, plant and equipment, restructuring accruals and other special items. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect majority voting interest and variable interest entities for which we are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents, Restricted Cash, Marketable Equity Securities and Other Investments

Cash and cash equivalents include cash and highly liquid investments with original maturities of less than three months. Restricted cash includes cash held as collateral for letters of credit and other loans, and is classified based on the expected expiration of such facilities. Cash held in escrow and restricted to a specific use is classified based on the expected timing of such disbursement. Marketable equity securities and other investments include marketable equity securities, certificates of deposit, commercial paper, corporate bonds and government securities that have original maturities greater than three months but less than twelve months.

Marketable equity securities and other investments are classified as available-for-sale and reported at fair value. Unrealized gains and losses on these marketable equity securities and other investments are reported as a separate component of stockholders equity. Declines in the fair value of marketable equity securities and

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

other investments that are other than temporary are recognized in the statement of operations, thus establishing a new cost basis for such investment. These marketable equity securities and other investments are evaluated on a quarterly basis to determine whether declines in the fair value of these securities are other than temporary. This quarterly evaluation consists of reviewing, among other things, the historical volatility of the price of each security and any market and company specific factors related to each security. Declines in the fair value of investments below cost basis for a period of less than six months are considered to be temporary. Declines in the fair value of investments for a period of six to nine months are evaluated on a case-by-case basis to determine whether any company or market-specific factors exist that would indicate that such declines are other than temporary. Declines in the fair value of investments below cost basis for greater than nine months are considered other than temporary and are recorded as charges to the statement of operations, absent specific factors to the contrary.

We estimate fair value amounts using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts we could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. Generally, upon disconnection of a subscriber, the account is fully reserved. The allowance is maintained until either receipt of payment or collection of the account is no longer pursued. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Additions, replacements and improvements that extend asset lives are capitalized and costs for normal repair and maintenance are charged to expense as incurred. Costs associated with the construction of cable networks, transmission and distribution facilities are capitalized (including capital leases). Depreciation is calculated using the straight-line method over the economic useful life of the asset. Costs associated with new cable, telephone and Internet access subscriber installations are capitalized and depreciated over the average expected subscriber life. Subscriber installation costs include direct labor, materials (such as cabling, wiring, wall plates and fittings) and related overhead (such as indirect labor, logistics and inventory handling).

The economic lives of property, plant and equipment at acquisition are as follows:

Customer premise equipment	4-10 years
Commercial	3-20 years
Scaleable infrastructure	3-20 years
Line extensions	5-20 years
Upgrade/rebuild	3-20 years
Support capital	1-33 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets we intend to use, if the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, we recognize a loss for the difference between the fair value and carrying value of the asset. For assets we intend to dispose of, we recognize a loss for the amount that the estimated fair value, less costs to sell, is less than the carrying value of the assets.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill and Other Intangible Assets

Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. Other intangible assets consist principally of customer relationships, trademarks and computer software. Other intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. We adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), effective January 1, 2002. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized, but are tested for impairment on an annual basis and whenever indicators of impairment arise. The goodwill impairment test, which is based on fair value, is performed on a reporting unit level on an annual basis. Goodwill and other indefinite-lived intangible assets are tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances may include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors.

Investments in Affiliates, Accounted for under the Equity Method

For those investments in unconsolidated subsidiaries and companies in which our voting interest is 20% to 50%, our investments are held through a combination of voting common stock, preferred stock, debentures or convertible debt and we exert significant influence through Board representation and management authority, the equity method of accounting is used. The cost method of accounting is used for our investments in affiliates in which our ownership interest is less than 20% and where we do not exert significant influence. Under the equity method, the investment, originally recorded at cost, is adjusted to recognize our proportionate share of net earnings or losses of the affiliate, limited to the extent of our investment in and advances to the affiliate, including any debt guarantees or other contractual funding commitments. We evaluate our investments in publicly traded securities accounted for under the equity method periodically for impairment. A current fair value of an investment that is less than its carrying amount may indicate a loss in value of the investment. A decline in value of an investment which is other than temporary is recognized as a realized loss, establishing a new carrying amount for the investment. Factors considered in making this evaluation include the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, including cash flows of the investee and any specific events which may influence the operations of the issuer, and our intent and ability to retain our investments for a period of time sufficient to allow for any anticipated recovery in market value.

Derivative Financial Instruments

We use derivative financial instruments from time to time to manage exposure to movements in foreign currency exchange rates and interest rates. We account for derivative financial instruments in accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended, (SFAS 133), which establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheets as either an asset or liability measured at its fair value. These rules require that changes in the derivative instrument s fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument s gains and losses to offset related results on the hedged item in the statement of operations, to the extent effective, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. For derivative financial instruments designated and that qualify as cash flow hedges, changes in the fair value of the effective portion of the derivative financial instruments are recorded as a component of other comprehensive income or loss in stockholders equity until the hedged item is recognized in earnings. The ineffective portion of the change in fair value of the derivative financial instruments is immediately recognized in earnings. The change in fair value of the hedged item is recorded as an adjustment to its carrying value on the balance sheet. For

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

derivative financial instruments that are not designated or that do not qualify as accounting hedges, the changes in the fair value of the derivative financial instruments are recognized in earnings.

Subscriber Prepayments and Deposits

Payments received in advance for distribution services are deferred and recognized as revenue when the associated services are provided. Deposits are recorded as a liability upon receipt and refunded to the subscriber upon disconnection.

Cable Network Revenue and Related Costs

We recognize revenue from the provision of video, telephone and Internet access services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to these services over our cable network is recognized as revenue in the period in which the installation occurs, to the extent these fees are equal to or less than direct selling costs, which are expensed. To the extent installation revenue exceeds direct selling costs, the excess fees are deferred and amortized over the average expected subscriber life. Costs related to reconnections and disconnections are recognized in the statement of operations as incurred.

Other Revenue and Related Costs

We recognize revenue from the provision of direct-to-home satellite services, or DTH , telephone and data services to business customers outside of our cable network in the period the related services are provided. Installation revenue (including reconnect fees) related to these services outside of our cable network is deferred and amortized over the average expected subscriber life. Costs related to reconnections and disconnections are recognized in the statement of operations as incurred.

Concentration of Credit Risk

Financial instruments which potentially subject us to concentrations of credit risk consist principally of subscriber receivables. Concentration of credit risk with respect to subscriber receivables is limited due to the large number of customers and their dispersion across many different countries worldwide. We also manage this risk by disconnecting services to customers who are delinquent.

Stock-Based Compensation

We account for our stock-based compensation plans and the stock-based compensation plans of our subsidiaries using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25). We have provided pro forma disclosures of net income (loss) under the fair value method of accounting for these plans, as prescribed by SFAS No. 123*, Accounting for Stock-Based Compensation* (SFAS 123), as amended by SFAS No. 148, *Accounting for*

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation Transition and Disclosure and Amendment of SFAS No. 123 (SFAS 148), as follows:

	Year ended December 31,		
	2003	2002	2001
	in thousands, except per share amounts		
Net income (loss), as reported	$ 1,995,368	$ (356,454)	$ (4,494,709)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects(1)	29,242	28,228	8,818
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(57,101)	(102,837)	(98,638)
Pro forma net income (loss)	$ 1,967,509	$ (431,063)	$ (4,584,529)
Basic net income (loss) per common share:			
As reported	$ 7.41	$ (0.84)	$ (41.29)
Pro forma	$ 7.35	$ (1.01)	$ (42.10)
Diluted net income (loss) per common share:			
As reported	$ 7.41	$ (0.83)	$ (41.29)
Pro forma	$ 7.35	$ (1.01)	$ (42.10)

(1) Not including SARs. Compensation expense for SARs is the same under APB 25 and SFAS 123.

Stock-based compensation is recorded as a result of applying variable-plan accounting to stock appreciation rights (SARs) granted to employees and vesting of certain of our fixed stock-based compensation plans. Under variable-plan accounting, compensation expense (credit) is recognized at each financial statement date for vested SARs based on the difference between the grant price and the estimated fair value of our Class A common stock, until the SARs are exercised or expire, or until the fair value is less than the original grant price. Under fixed-plan accounting, deferred compensation is recorded for the excess of fair value over the exercise price of such options at the date of grant. This deferred compensation is then recognized in the statement of operations ratably over the vesting period of the options.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if we believe it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are

not recognized until it becomes apparent that such amounts will reverse in the foreseeable future.

Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per share is determined by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during each period. Net income

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(loss) attributable to common stockholders includes the accrual of dividends on convertible preferred stock which is charged directly to additional paid-in capital and/or accumulated deficit. Diluted net income (loss) per share includes the effects of potentially issuable common stock, but only if dilutive.

Foreign Operations and Foreign Currency Exchange Rate Risk

Our consolidated financial statements are prepared in U.S. dollars. Almost all of our operations are conducted in a currency other than the U.S. dollar. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated at period-end exchange rates and the statements of operations are translated at actual exchange rates when known, or at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in other comprehensive income (loss) as a separate component of stockholders equity (deficit). Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at actual exchange rates when known, or at the average rate for the period. As a result, amounts related to assets and liabilities reported in the consolidated statements of cash flows will not agree to changes in the corresponding balances in the consolidated balance sheets. The effects of exchange rate changes on cash balances held in foreign currencies are reported as a separate line below cash flows from financing activities. Certain items such as investments in debt and equity securities of foreign subsidiaries, equipment purchases, programming costs, notes payable and notes receivable (including intercompany amounts) and certain other charges are denominated in a currency other than the respective company s functional currency, which results in foreign exchange gains and losses recorded in the consolidated statement of operations. Accordingly, we may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. We adopted SFAS 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.* Among other things, SFAS 145 required us to reclassify gains and losses associated with the extinguishment of debt (including the related tax effects) from extraordinary classification to other income in the accompanying consolidated statements of operations.

3. Acquisitions, Dispositions and Other

2003

Acquisition of UPC Preference Shares

On February 12, 2003, we issued 368,287 shares of our Class A common stock in a private transaction pursuant to a securities purchase agreement dated February 6, 2003, among us and Alliance Balanced Shares, Alliance Growth Fund, Alliance Global Strategic Income Trust and EQ Alliance Common Stock Portfolio. In consideration for issuing the 368,287 shares of our Class A common stock, we acquired 1,833 preference shares A of UPC, nominal value 1.00 per share, and warrants to purchase 890,030 ordinary shares A of UPC, nominal value 1.00 per share, at an exercise price of 42.546 per ordinary share. On February 13, 2003, we issued 482,217 shares of our Class A common stock in a private transaction pursuant to a securities purchase agreement dated February 11, 2003, among us and Capital Research and Management Company, on behalf of The Income Fund of America, Inc., Capital World Growth and Income Fund, Inc. and Fundamental Investors, Inc. In consideration for the 482,217 shares of our Class A common stock, we acquired 2,400

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preference shares A of UPC, nominal value 1.00 per share, and warrants to purchase 1,165,352 ordinary shares A of UPC, nominal value 1.00 per share, at an exercise price of 42.546 per ordinary share. A gain of $610.9 million was recognized from the purchase of these preference shares for the difference between fair value of the consideration given and book value (including accrued dividends) of these preference shares at the transaction date. This gain is reflected in the consolidated statement of stockholders equity (deficit).

On April 4, 2003, we issued 879,041 shares of our Class A common stock in a private transaction pursuant to a transaction agreement dated March 31, 2003, among us, a subsidiary of ours, Motorola Inc. and Motorola UPC Holdings, Inc. In consideration for the 879,041 shares of our Class A common stock, we acquired 3,500 preference shares A of UPC, nominal value 1.00 per share and warrants to purchase 1,669,457 ordinary shares A of UPC, nominal value 1.00 per share, at an exercise price of 42.546 per ordinary share. On April 14, 2003, we issued 426,360 shares of our Class A common stock in a private transaction pursuant to a securities purchase agreement dated April 8, 2003, between us and Liberty International B-L LLC. In consideration for the 426,360 shares of our Class A common stock, we acquired 2,122 preference shares A of UPC, nominal value .00 per share and warrants to purchase 971,118 ordinary shares A of UPC, nominal value 1.00 per share, at an exercise price of 42.546 per ordinary share. A gain of $812.2 million was recognized during the second quarter of 2003 from the purchase of these preference shares for the difference between fair value of the consideration given and book value (including accrued dividends) of the preference shares at the transaction date. This gain is reflected in the consolidated statement of stockholders equity (deficit).

United Pan-Europe Communications N.V. Reorganization

In September 2003, as a result of the consummation of UPC s plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code and insolvency proceedings under Dutch law, UGC Europe acquired all of the stock of, and became the successor issuer to, UPC. Prior to UPC s reorganization, we were the majority stockholder and largest single creditor of UPC. We became the holder of approximately 66.6% of UGC Europe s common stock in exchange for the equity and debt of UPC that we owned prior to UPC s reorganization. UPC s other bondholders and third-party holders of UPC s ordinary shares and preference shares exchanged their securities for the remaining 33.4% of UGC Europe s common stock.

We accounted for this restructuring as a reorganization of entities under common control at historical cost, similar to a pooling of interests. Under reorganization accounting, we have consolidated the financial position and results of operations of UGC Europe as if the reorganization had been consummated at inception. We previously recognized a gain on the effective retirement of UPC s senior notes, senior discount notes and UPC s exchangeable loan held by us when those securities were acquired directly and indirectly by us in connection with our merger transaction with Liberty in January 2002. The issuance of common stock by UGC Europe to third-party holders of the remaining UPC senior notes and senior discount notes was recorded at fair value. This fair value was significantly less than the accreted value of such debt securities as reflected in our historical consolidated financial statements. Accordingly, for consolidated financial reporting purposes, we recognized a gain of $2.1 billion from the extinguishment of such debt outstanding at that time equal to the excess of the then accreted value of such debt ($3.076 billion) over the fair value of UGC Europe common stock issued ($966.4 million).

UGC Europe Exchange Offer and Merger

On December 18, 2003, we completed an exchange offer pursuant to which we offered to exchange 10.3 shares of our Class A common stock for each outstanding share of UGC Europe common stock not owned by us. On December 19, 2003, we effected a short-form merger between UGC Europe and one of our subsidiaries on the same terms offered in the exchange offer. We issued 172,248,306 shares of our Class A common stock to third parties in connection with the exchange offer and merger (including 2,596,270 shares subject to appraisal

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rights that were withdrawn subsequent to December 31, 2003), as well as 4,780,611 shares to Old UGC to acquire its UGC Europe common stock. We now own all of the outstanding equity securities of UGC Europe.

We valued the exchange offer and merger for accounting purposes at $1.315 billion, based on the issuance of our Class A common stock at the average closing price of such stock for the five days surrounding November 12, 2003, the date we announced the revised and final terms of the exchange offer, and our estimated transaction costs, consisting primarily of dealer-manager, legal and accounting fees, printing costs, other external costs and other purchase consideration directly related to the exchange offer and merger. This total value includes $19.7 million related to the value of shares subject to appraisal rights that were withdrawn in January 2004. This amount is included in other current liabilities in the accompanying consolidated balance sheet.

We accounted for the exchange offer and merger using the purchase method of accounting, in accordance with SFAS No. 141, *Business Combinations* (SFAS 141). Under the purchase method of accounting, the total estimated purchase price was allocated to the minority shareholders proportionate interest in UGC Europe s identifiable tangible and intangible assets and liabilities acquired by us based upon their estimated fair values upon completion of the transaction. Purchase price in excess of the book value of these identifiable tangible and intangible assets and liabilities acquired was allocated as follows (in thousands):

Property, plant and equipment	$	717
Goodwill		1,005,148
Customer relationships and tradename		243,212
Other assets		10,556
Other liabilities		55,271
Total consideration	$	1,314,904

The excess purchase price over the net identifiable tangible and intangible assets and liabilities acquired was recorded as goodwill, which is not deductible for tax purposes. This goodwill was attributable to the following:

Our ability to create a simpler, unified capital structure in which equity investors would participate in our equity at a single level, which would lead to greater liquidity for investors, due to the larger combined public float;

Our ability to facilitate the investment and transfer of funds between us and UGC Europe and its subsidiaries, thereby creating more efficient uses of our consolidated financial resources; and

Our assessment that the elimination of public stockholders at the UGC Europe level would create opportunities for cost reductions and organizational efficiencies through, among other things, the combination of UGC Europe s and our separate corporate functions into a better integrated, unitary corporate organization.

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The following unaudited pro forma condensed consolidated operating results give effect to this transaction as if it had been completed as of January 1, 2003 (for 2003 results) and as of January 1, 2002 (for 2002 results). This unaudited pro forma condensed consolidated financial information does not purport to represent what our results of operations would actually have been if this transaction had in fact occurred on such dates. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable:

	Year ended December 31,	
	2003	2002
	in thousands, except share and per share amounts	
Revenue	$ 1,891,530	$ 1,515,021
Income before cumulative effect of change in accounting principle	$ 1,805,225	$ 1,014,908
Net income (loss)	$ 1,805,225	$ (329,814)
Earnings per share:		
Basic net income (loss) per share before cumulative effect of change in accounting principle	$ 4.99	$ 1.63
Cumulative effect of change in accounting principle		(2.17)
Basic net income (loss) per share	$ 4.99	$ (0.54)
Diluted net income (loss) per share before cumulative effect of change in accounting principle	$ 4.98	$ 1.63
Cumulative effect of change in accounting principle		(2.17)
Diluted net income (loss) per share	$ 4.98	$ (0.54)

2002

Merger Transaction

On January 30, 2002, we completed a transaction with Liberty and Old UGC, pursuant to which the following occurred.

Immediately prior to the merger transaction on January 30, 2002:

Liberty contributed approximately 9.9 million shares of Old UGC Class B common stock and approximately 12.0 million shares of Old UGC Class A common stock to us and in exchange for these contributions, we issued Liberty approximately 21.8 million shares of our Class C common stock;

Certain long-term stockholders of Old UGC (the Founders) transferred their shares of Old UGC Class B common stock to limited liability companies, which limited liability companies then merged into us. As a result of such mergers, the Founders received approximately 8.9 million shares of our Class B common stock, which number of shares equals the number of shares of Old UGC Class B common stock transferred by them to the limited liability companies; and

Four of the Founders (the Principal Founders) contributed $3.0 million to Old UGC in exchange for securities that, at the effective time of the merger, converted into securities representing a 0.5% interest in Old UGC and entitled them to elect one-half of Old UGC s directors.

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As a result of the merger transaction:

Old UGC became our 99.5%-owned subsidiary, and the Principal Founders held the remaining 0.5% interest in Old UGC;

Each share of Old UGC s Class A and Class B common stock outstanding immediately prior to the merger was converted into one share of our Class A common stock;

The shares of Old UGC s Series B, C and D preferred stock outstanding immediately prior to the merger were converted into an aggregate of approximately 23.3 million shares of our Class A common stock, which amount is equal to the number of shares of Old UGC Class A common stock the holders of Old UGC s preferred stock would have received had they converted their preferred stock immediately prior to the merger;

Liberty had the right to elect four of our 12 directors;

The Founders had the effective voting power to elect eight of our 12 directors; and

We had the right to elect half of Old UGC s directors and the Principal Founders had the right to elect the other half of Old UGC s directors (see discussion below regarding a transaction that occurred on May 14, 2002, pursuant to which Old UGC became our wholly-owned subsidiary and we became entitled to elect the entire board of directors of Old UGC).

Immediately following the merger transaction:

Liberty contributed to us the UPC Exchangeable Loan which had an accreted value of $891.7 million as of January 30, 2002 and, as a result, UPC owed the amount payable under such loan to us rather than to Liberty;

Liberty contributed $200.0 million in cash to us;

Liberty contributed to us certain UPC bonds (the United UPC Bonds) and, as a result, UPC owed the amounts represented by the United UPC Bonds to us rather than to Liberty; and

In exchange for the contribution of these assets to us, an aggregate of approximately 281.3 million shares of our Class C common stock was issued to Liberty.

In December 2001, IDT United, Inc. (IDT United) commenced a cash tender offer for, and related consent solicitation with respect to, the entire $1.375 billion face amount of senior discount notes of Old UGC (the Old UGC Senior Notes). As of the expiration of the tender offer on February 1, 2002, holders of the notes had validly tendered and not withdrawn notes representing approximately $1.350 billion aggregate principal amount at maturity. At the time of the tender offer, Liberty had an equity and debt interest in IDT United. IDT United s sole purpose was to tender for the Old UGC Senior Notes.

Prior to the merger on January 30, 2002, we acquired from Liberty $751.2 million aggregate principal amount at maturity of the Old UGC Senior Notes (which had previously been distributed to Liberty by IDT United in redemption of a portion of Liberty s equity interest and in prepayment of a portion of IDT United s debt to Liberty), as well as all of Liberty s remaining interest in IDT United. The purchase price for the Old UGC Senior Notes and Liberty s interest in IDT United was:

Our assumption of approximately $304.6 million of indebtedness owed by Liberty to Old UGC; and

Cash in the amount of approximately $143.9 million.

On January 30, 2002, Liberty loaned us approximately $17.3 million, of which approximately $2.3 million was used to purchase shares of redeemable preferred stock and convertible promissory notes issued by IDT United. Following January 30, 2002, Liberty loaned us an additional approximately $85.4 million. We used the

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proceeds of these loans to purchase additional shares of redeemable preferred stock and convertible promissory notes issued by IDT United. These notes to Liberty accrued interest at 8.0% annually, compounded and payable quarterly, and were cancelled in January 2004 (see Note 22). Subsequent to these transactions, IDT United held Old UGC Senior Notes with a principal amount at maturity of $599.2 million. Although we only retain a 33.3% common equity interest in IDT United, we consolidate IDT United as a variable interest entity , as we are the primary beneficiary of an entity that has insufficient equity at risk.

On May 14, 2002, the Principal Founders transferred all of the shares of Old UGC common stock held by them to us in exchange for an aggregate of 600,000 shares of our Class A common stock pursuant to an exchange agreement dated May 14, 2002, among such individuals and us. This exchange agreement superseded the exchange agreement entered into at the time of the merger transaction. As a result of this exchange, Old UGC became our wholly-owned subsidiary, and we were entitled to elect the entire board of directors of Old UGC. This transaction was the final step in the recapitalization of Old UGC.

We accounted for the merger transaction on January 30, 2002 as a reorganization of entities under common control at historical cost, similar to a pooling of interests. Under reorganization accounting, we consolidated the financial position and results of operations of Old UGC as if the merger transaction had been consummated at the inception of Old UGC. The purchase of the Old UGC Senior Notes directly from Liberty and the purchase of Liberty s interest in IDT United were recorded at fair value. The issuance of our new shares of Class C common stock to Liberty for cash, the United UPC Bonds and the UPC Exchangeable Loan was recorded at the fair value of our common stock at closing. The estimated fair value of these financial assets (with the exception of the UPC Exchangeable Loan) was significantly less than the accreted value of such debt securities as reflected in Old UGC s historical financial statements. Accordingly, for consolidated financial reporting purposes, we recognized a gain of approximately $1.757 billion from the extinguishment of such debt outstanding at that time equal to the excess of the then accreted value of such debt over our cost, as follows:

	Fair value at acquisition	Book value	Gain/(loss)
		in thousands	
Old UGC Senior Notes	$ 540,149	$ 1,210,974	$ 670,825
United UPC Bonds	312,831	1,451,519	1,138,688
UPC Exchangeable Loan	891,671	891,671	
Write-off of deferred financing costs		(52,224)	(52,224)
Total gain on extinguishment of debt	$ 1,744,651	$ 3,501,940	$ 1,757,289

We also recorded a deferred income tax provision of $110.6 million related to a portion of the gain on extinguishment of the Old UGC Senior Notes.

Transfer of German Shares

Until July 30, 2002, UPC had a 51% ownership interest in EWT/ TSS Group through its 51% owned subsidiary, UPC Germany. Pursuant to the agreement by which UPC acquired EWT/ TSS Group, UPC was required to fulfill a contribution obligation no later than March 2003, by contributing certain assets amounting to approximately 358.8 million. If UPC failed to make the contribution by such date or in certain circumstances such as a material default by UPC under its financing agreements, the minority shareholders of UPC Germany could call for 22.3% of the ownership interest in UPC Germany in exchange for the euro equivalent of 1 Deutsche Mark. On March 5, 2002, UPC received the holders notice of exercise. On July 30, 2002, UPC completed the transfer of 22.3% of UPC

Germany to the minority shareholders in return for the cancellation of the contribution obligation. UPC now owns 28.7% of UPC Germany, with the former minority shareholders owning the remaining 71.3%. UPC Germany is governed by a new shareholders agreement. For

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accounting purposes, this transaction resulted in the deconsolidation of UPC Germany effective August 1, 2002, and recognition of a gain from the reversal of the net negative investment in UPC Germany. Details of the assets and liabilities of UPC Germany as of August 1, 2002 were as follows (in thousands):

Working capital	$	(74,809)
Property, plant and equipment		74,169
Goodwill and other intangible assets		69,912
Long-term liabilities		(84,288)
Minority interest		(142,158)
Gain on reversal of net negative investment		147,925
Net cash deconsolidated	$	(9,249)

Other

In January 2002, we recognized a gain of $109.2 million from the restructuring and cancellation of capital lease obligations associated with excess capacity of certain Priority Telecom vendor contracts.

In June 2002, we recognized a gain of $342.3 million from the delivery by certain banks of $399.2 million in aggregate principal amount of UPC s senior notes and senior discount notes as settlement of certain interest rate and cross currency derivative contracts between the banks and UPC.

2001

In December 2001, UPC and Canal+ Group, the television and film division of Vivendi Universal (Canal+) merged their respective Polish DTH satellite television platforms, as well as the Canal+ Polska premium channel, to form a common Polish DTH platform. UPC Polska contributed its Polish and United Kingdom DTH assets to Telewizyjna Korporacja Partycypacyjna S.A., a subsidiary of Canal+ (TKP), and placed 30.0 million ($26.8 million) cash into an escrow account, which was used to fund TKP with a loan of 30.0 million in January 2002 (the JV Loan). In return, UPC Polska received a 25% ownership interest in TKP and 150.0 ($134.1) million in cash. UPC Polska s investment in TKP was recorded at fair value as of the date of the transaction, resulting in a loss of $416.9 million upon consummation of the merger.

4. Marketable Equity Securities and Other Investments

	December 31, 2003		December 31, 2002	
	Fair value	Unrealized gain	Fair value	Unrealized gain
	in thousands			
SBS common stock	$ 195,600	$ 105,790	$	$
Other equity securities	10,725	6,098		
Corporate bonds and other	2,134	856	45,854	14
Total	$ 208,459	$ 112,744	$ 45,854	$ 14

We recorded an aggregate charge to earnings for other than temporary declines in the fair value of certain of our investments of approximately nil, $2.0 million and nil for the years ended December 31, 2003, 2002 and 2001, respectively.

We own 6.0 million shares of SBS. Historically, our common share ownership interest in SBS was accounted for under the equity method of accounting, as we were able to exert significant influence. On December 19, 2003, SBS redeemed certain of its outstanding debt and as a result issued new common shares to the note

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holders which reduced our ownership interest. As we no longer have the ability to exercise significant influence over SBS, we changed our accounting method from the equity method to the cost method, and marked these shares to fair value as available-for-sale securities.

5. Property, Plant and Equipment

	December 31, 2002	Additions	Disposals	Impairments(1)	UGC Europe exchange offer(2)	Foreign currency translation adjustments	December 31, 2003
				in thousands			
Customer premises equipment	$ 1,003,950	$ 95,834	$ (2,459)	$ (89,971)	$ 20,936	$ 201,941	$ 1,230,231
Commercial	5,670					235	5,905
Scaleable infrastructure	637,171	44,177		(23,806)	(8,973)	138,000	786,569
Line extensions	2,055,614	66,216		(302,280)	(3,806)	373,306	2,189,050
Upgrade/rebuild	846,406	30,287		(4,854)	(5,653)	151,127	1,017,313
Support capital	696,362	70,972	(473)	(30,874)	4,824	127,250	868,061
Priority Telecom(3)	306,233	17,074		(415)	(5,357)	43,521	361,056
UPC Media	83,598	5,833		(6,438)	(1,254)	16,447	98,186
Total	5,635,004	330,393	(2,932)	(458,638)	717	1,051,827	6,556,371
Accumulated depreciation	(1,994,793)	(804,937)	2,123	64,788		(480,809)	(3,213,628)
Net property, plant and equipment	$ 3,640,211	$ (474,544)	$ (809)	$ (393,850)	$ 717	$ 571,018	$ 3,342,743

(1) See Note 17.

(2) See Note 3.

(3) Consists primarily of network infrastructure and equipment.

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6. Goodwill

The change in the carrying amount of goodwill by operating segment for the year ended December 31, 2003 is as follows:

	December 31, 2002	Acquisitions	UGC Europe exchange offer(1)	Foreign currency translation adjustments	December 31, 2003
			in thousands		
Europe:					
Austria	$ 140,349	$ 383	$ 167,209	$ 31,640	$ 339,581
Belgium	14,284		24,467	1,747	40,498
Czech Republic			67,138	1,240	68,378
Hungary	73,878	229	142,809	11,723	228,639
The Netherlands	705,833		256,415	149,310	1,111,558
Norway	9,017		28,553	930	38,500
Poland			36,368	672	37,040
Romania	20,138		2,698	324	23,160
Slovak Republic	3,353		22,644	1,133	27,130
Sweden	142,771		30,823	31,270	204,864
chellomedia			122,304	2,258	124,562
UGC Europe, Inc.			103,720	1,915	105,635
Total	1,109,623	612	1,005,148	234,162	2,349,545
Latin America:					
Chile	140,710			29,576	170,286
Total	$ 1,250,333	$ 612	$ 1,005,148	$ 263,738	$ 2,519,831

(1) See Note 3.

We adopted SFAS 142 effective January 1, 2002. SFAS 142 required a transitional impairment assessment of goodwill as of January 1, 2002, in two steps. Under step one, the fair value of each of our reporting units was compared with their respective carrying amounts, including goodwill. If the fair value of a reporting unit exceeded its carrying amount, goodwill of the reporting unit was considered not impaired. If the carrying amount of a reporting unit exceeded its fair value, the second step of the goodwill impairment test was performed to measure the amount of impairment loss. We completed step one in June 2002, and concluded the carrying value of certain reporting units as of January 1, 2002 exceeded fair value. The completion of step two resulted in an impairment adjustment of $1.34 billion. This amount has been reflected as a cumulative effect of a change in accounting principle in the consolidated statement of operations, effective January 1, 2002, in accordance with SFAS 142. We also recorded impairment charges totaling $362.8 million based on our annual impairment test effective December 31, 2002.

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Pro Forma Information

Prior to January 1, 2002, goodwill and excess basis on equity method investments was generally amortized over 15 years. The following presents the pro forma effect on net loss for the year ended December 31, 2001, from the reduction of amortization expense on goodwill and the reduction of amortization of excess basis on equity method investments, as a result of the adoption of SFAS 142 (in thousands, except per share amounts):

		Year ended December 31, 2001
Net loss as reported	$	(4,494,709)
Goodwill amortization		
UPC and subsidiaries		379,449
VTR		11,310
Austar United and subsidiaries		12,765
Other		2,881
Amortization of excess basis on equity investments		
UPC affiliates		35,940
Austar United affiliates		2,823
Other		2,027
Adjusted net loss	$	(4,047,514)
Basic and diluted net loss per common share as reported	$	(41.29)
Goodwill amortization		
UPC and subsidiaries		3.45
VTR		0.10
Austar United and subsidiaries		0.12
Other		0.03
Amortization of excess basis on equity investments		
UPC affiliates		0.33
Austar United affiliates		0.03
Other		0.02
Adjusted basic and diluted net loss per common share	$	(37.21)

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7. Intangible Assets

Other intangible assets consist primarily of customer relationships, tradename, licenses and capitalized software. Customer relationships are amortized over the expected lives of our customers. The weighted-average amortization period of the customer relationship intangible is approximately 7.5 years. Tradename is an indefinite-lived intangible asset that is not subject to amortization. The following tables present certain information for other intangible assets. Actual amounts of amortization expense may differ from estimated amounts due to additional acquisitions, changes in foreign currency exchange rates, impairment of intangible assets, accelerated amortization of intangible assets, and other events.

	December 31, 2002	Additions	Impairments(1)	Disposals	UGC Europe exchange offer	Foreign currency translation adjustments	December 31, 2003
				in thousands			
Intangible assets with definite lives:							
Customer relationships	$	$	$	$	$ 220,290	$ 4,068	$ 224,358
License fees	25,075	1,489	(13,871)	(3,815)		2,870	11,748
Other	10,493	233		(4,132)		1,925	8,519
Intangible assets with indefinite lives:							
Tradename					22,922	424	23,346
Total	35,568	1,722	(13,871)	(7,947)	243,212	9,287	267,971
Accumulated amortization	(21,792)	(3,726)	5,482	7,537		(3,236)	(15,735)
Net intangible assets	$ 13,776	$ (2,004)	$ (8,389)	$ (410)	$ 243,212	$ 6,051	$ 252,236

(1) See Note 17.

	Year ended December 31,		
	2003	2002	2001
		in thousands	
Amortization expense	$ 3,726	$ 16,632	$ 19,136

	Year ended December 31,					
	2004	2005	2006	2007	2008	Thereafter
	in thousands					
Estimated amortization expense	$ 33,043	$ 31,816	$ 30,515	$ 30,515	$ 30,515	$ 72,486

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Long-Term Debt

	December 31,	
	2003	2002
	in thousands	
UPC Distribution Bank Facility	$ 3,698,586	$ 3,289,826
UPC Polska notes	317,372	377,110
VTR Bank Facility	123,000	
Old UGC Senior Notes	24,627	24,313
Other	80,493	133,148
PCI notes		14,509
UPC July 1999 senior notes(1)		1,079,062
UPC January 2000 senior notes(1)		1,075,468
UPC October 1999 senior notes(1)		658,458
Total	4,244,078	6,651,894
Current portion	(628,176)	(6,179,223)
Long-term portion	$ 3,615,902	$ 472,671

(1) These senior notes and senior discount notes were converted into common stock of UGC Europe in connection with UPC s reorganization.

UPC Distribution Bank Facility

The UPC Distribution Bank Facility is guaranteed by UPC s majority owned cable operating companies, excluding Poland, and is senior to other long-term debt obligations of UPC. The UPC Distribution Bank Facility credit agreement contains certain financial covenants and restrictions on UPC s subsidiaries regarding payment of dividends, ability to incur indebtedness, dispose of assets, and merge and enter into affiliate transactions.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table provides detail of the UPC Distribution Bank Facility:

Tranche	Currency/tranche amount		Amount outstanding December 31, 2003		Interest rate(4)	Description	Payment begins	Final maturity
	Euros	US dollars	Euros	US dollars				
	in thousands							
Facility A(1)(2)(3)	666,750	$ 840,529	230,000	$ 289,946	EURIBOR +2.25% 4.0%	Revolving credit	June-06	June-08
Facility B(1)(2)	2,333,250	2,941,380	2,333,250	2,941,380	EURIBOR +2.25% 4.0%	Term loan	June-04	June-08
Facility C1(1)	95,000	119,760	95,000	119,760	EURIBOR +5.5%	Term loan	June-04	March-09
Facility C2(1)	405,000	347,500	275,654	347,500	LIBOR +5.5%	Term loan	June-04	March-09
Total			2,933,904	$ 3,698,586				

(1) An annual commitment fee of 0.5% over the unused portions of each facility is applicable.

(2) Pursuant to the terms of the October 2000 agreement, this interest rate is variable depending on certain leverage ratios.

(3) The availability under Facility A of 436.8 ($550.6) million can be used to finance additional permitted acquisitions and/or to refinance indebtedness, subject to covenant compliance.

(4) As of December 31, 2003, six month EURIBOR and LIBOR rates were 2.2% and 1.2%, respectively.

In January 2004, the UPC Distribution Bank Facility was amended to:

Permit indebtedness under a new facility (Facility D). The new facility has substantially the same terms as the existing facility and consists of five different tranches totaling 1.072 billion. The proceeds of Facility D are limited in use to fund the scheduled payments of Facility B under the existing facility between December 2004 and December 2006;

Increase and extend the maximum permitted ratios of senior debt to annualized EBITDA (as defined in the bank facility) and lower and extend the minimum required ratios of EBITDA to senior interest and EBITDA to senior debt service;

Include a total debt to annualized EBITDA ratio and EBITDA to total cash interest ratio;

Include a mandatory prepayment from proceeds of debt issuance and net equity proceeds received by UGC Europe; and

Permit acquisitions depending on certain leverage ratios and other restrictions.

UPC Polska Notes

On July 7, 2003, UPC Polska filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. On January 22, 2004, the U.S. Bankruptcy Court confirmed UPC Polska s Chapter 11 plan of reorganization, which was consummated and became effective on February 18, 2004, when UPC Polska emerged from the Chapter 11 proceedings. In accordance with UPC Polska s plan of reorganization, third-party note holders received a total of $80.0 million in cash, $100.0 million in new 9.0% UPC Polska notes due 2007, and approximately 2.0 million shares of our Class A common stock in exchange for the cancellation of their claims. Two subsidiaries of UGC Europe, UPC Telecom B.V. and Belmarken Holding B.V., received $15.0 million in cash and 100% of the newly issued membership interests denominated as stock of the reorganized company in exchange for the cancellation of their claims.

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UNITEDGLOBALCOM, INC.
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VTR Bank Facility

In May 2003, VTR and VTR s senior lenders amended and restated VTR s existing senior secured credit facility. Principal payments are payable during the term of the facility on a quarterly basis beginning March 31, 2004, with final maturity on December 31, 2006. The VTR Bank Facility bears interest at LIBOR plus 5.50% (subject to adjustment under certain conditions) and is collateralized by tangible and intangible assets pledged by VTR and certain of its operating subsidiaries, as set forth in the credit agreement. The VTR Bank Facility is senior to other long-term debt obligations of VTR. The VTR Bank Facility credit agreement establishes certain covenants with respect to financial statements, existence of lawsuits, insurance, prohibition of material changes, limits to taxes, indebtedness, restriction of payments, capital expenditures, compliance ratios, governmental approvals, coverage agreements, lines of business, transactions with related parties, certain obligations with subsidiaries and collateral issues.

Old UGC Senior Notes

The Old UGC Senior Notes accreted to an aggregate principal amount of $1.375 billion on February 15, 2003, at which time cash interest began to accrue. Commencing August 15, 2003, cash interest on the Old UGC Senior Notes is payable on February 15 and August 15 of each year until maturity at a rate of 10.75% per annum. The Old UGC Senior Notes mature on February 15, 2008. As of December 31, 2003, the following entities held the Old UGC Senior Notes:

		Principal amount at maturity
		in thousands
UGC	$	638,008(1)
IDT United		599,173(1)
Third parties		24,627
Total	$	1,261,808

(1) Eliminated in consolidation.

The Old UGC Senior Notes began to accrue interest on a cash-pay basis on February 15, 2003, with the first payment due August 15, 2003. Old UGC did not make this interest payment. Because this failure to pay continued for a period of more than 30 days, an event of default exists under the terms of the Old UGC Senior Notes indenture. On November 24, 2003, Old UGC, which principally owns our interests in Latin America and Australia, reached an agreement with us, IDT United (in which we have a 94% fully diluted interest and a 33% common equity interest) and the unaffiliated stockholders of IDT United on terms for the restructuring of the Old UGC Senior Notes. Consistent with the restructuring agreement, on January 12, 2004, Old UGC filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. The agreement and related transactions, if implemented, would result in the acquisition by Old UGC of the Old UGC Notes held by us (following cancellation of offsetting obligations) and IDT United for common stock of Old UGC. Old UGC Senior Notes held by third parties would either be left outstanding (after cure and reinstatement) or acquired for our Class A Common Stock (or, at our election, for cash). Subject to consummation of the transactions contemplated by the agreement, we expect to acquire the interests of the unaffiliated stockholders in IDT United for our Class A Common Stock and/or cash, at our election, in which case Old UGC would continue to be wholly owned by us. The value of

any Class A Common Stock to be issued by us in these transactions is not expected to exceed $45 million. A claim was filed in the Chapter 11 proceeding by Excite@Home. See Note 13.

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UNITEDGLOBALCOM, INC.
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Long-Term Debt Maturities

The maturities of our long-term debt are as follows (in thousands):

Year Ended December 31, 2004	$ 628,176
Year Ended December 31, 2005	718,903
Year Ended December 31, 2006	1,002,106
Year Ended December 31, 2007	671,704
Year Ended December 31, 2008	813,423
Thereafter	409,766
Total	$ 4,244,078

9. Fair Value of Financial Instruments

	December 31, 2003		December 31, 2002	
	Carrying value	Fair value	Carrying value	Fair value
	in thousands			
UPC Distribution Bank Facility	$ 3,698,586	$ 3,698,586(1)	$ 3,289,826	$ 3,289,826(2)
UPC Polska Notes	317,372	194,500(3)	377,110	99,133(4)
VTR Bank Facility	123,000	123,000(5)	144,000	144,000(5)
Note payable to Liberty	102,728	102,728(6)	102,728	102,728(6)
Old UGC Senior Notes	24,627	20,687(7)	24,313	8,619(4)
UPC July 1999 Senior Notes			1,079,062	64,687(4)
UPC October 1999 Senior Notes			658,458	41,146(4)
UPC January 2000 Senior Notes			1,075,468	68,152(4)
UPC FiBI Loan			57,033	(8)
Other	85,592	85,592(9)	151,769	151,769(9)
Total	$ 4,351,905	$ 4,225,093	$ 6,959,767	$ 3,970,060

(1) In the absence of quoted market prices, we determined the fair value to be equivalent to carrying value because: a) interest on this facility is tied to variable market rates; b) Moody s Investor Service rated the facility at B+; and c) the credit agreement was amended in January 2004 to add a new 1.072 billion tranche on similar credit terms as the previous facility.

(2) In the absence of quoted market prices, we determined the fair value to be equivalent to carrying value because: a) the restructuring plan of UPC assumed this facility was valued at par (100% of carrying amount); b) the reorganization plan of UPC assumed, in liquidation, that the lenders of the facility would be paid back 100%, based on seniority in liquidation (i.e., the assets of UPC Distribution were sufficient to repay the facility in a liquidation scenario); c) certain lenders under the facility confirmed to us they did not mark down the facility on their books; and d) when the facility was amended in connection with the restructuring agreement on

September 30, 2002, the revised terms included increased fees and margin (credit spread), resetting the terms of this variable-rate facility to market.

(3) Fair value represents the consideration UPC Polska note holders received from the consummation of UPC Polska s second amended Chapter 11 plan of reorganization.

(4) Fair value is based on quoted market prices.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) In the absence of quoted market prices, we determined the fair value to be equivalent to carrying value because: a) interest on this facility is tied to variable market rates; b) VTR is not highly leveraged; c) VTR s results of operations exceeded budget in 2002 and 2003; d) the Chilean peso strengthened considerably in 2003; and e) in May 2003 the credit agreement was amended and restated on similar credit terms to the previous facility.

(6) We extinguished this obligation at its carrying amount in January 2004 through the issuance of our Class A common stock at fair value.

(7) Fair value is based on an independent valuation analysis.

(8) Fair value of our Israeli investment was determined to be nil by an independent valuation firm in 2002. The FiBI Loan was secured by this investment. On October 30, 2002, the First International Bank of Israel (FiBI) and we agreed to sell our Israeli investment to a wholly-owned subsidiary of FiBI in exchange for the extinguishment of the FiBI Loan. This transaction closed on February 24, 2003.

(9) Fair value approximates carrying value.

The carrying value of cash and cash equivalents, subscriber receivables, other receivables, other current assets, accounts payable, accrued liabilities and subscriber prepayments and deposits approximates fair value, due to their short maturity. The fair values of equity securities are based upon quoted market prices at the reporting date.

10. Derivative Instruments

We had a cross currency swap related to the UPC Distribution Bank Facility where a $347.5 million notional amount was swapped at an average rate of 0.852 euros per U.S. dollar until November 29, 2002. On November 29, 2002, the swap was settled for 64.6 million. We also had an interest rate swap related to the UPC Distribution Bank Facility where a notional amount of 1.725 billion was fixed at 4.55% for the EURIBOR portion of the interest calculation through April 15, 2003. This swap qualified as an accounting cash flow hedge, accordingly, the changes in fair value of this instrument were recorded through other comprehensive income (loss) in the consolidated statement of stockholders equity (deficit). This swap expired April 15, 2003. During the first quarter of 2003, we purchased an interest rate cap on the euro denominated UPC Distribution Bank Facility for 2003 and 2004. As a result, the net rate (without the applicable margin) is capped at 3.0% on a notional amount of 2.7 billion. The changes in fair value of these interest caps are recorded through other income in the consolidated statement of operations. In June 2003, we entered into a cross currency and interest rate swap pursuant to which a $347.5 million obligation under the UPC Distribution Bank Facility was swapped at an average rate of 1.113 euros per U.S. dollar until July 2005. The changes in fair value of these interest swaps are recorded through other income in the consolidated statement of operations. For the years ended December 31, 2003, 2002 and 2001, we recorded losses of $56.3 million, $130.1 million and $105.8 million, respectively, in connection with the change in fair value of these derivative instruments. The fair value of these derivative contracts as of December 31, 2003 was $45.6 million (liability).

Certain of our operating companies programming contracts are denominated in currencies that are not the functional currency or local currency of that operating company, nor that of the counter party. As a result, these contracts contain embedded foreign exchange derivatives that require separate accounting. We report these derivatives at fair value, with changes in fair value recognized in earnings.

11. Bankruptcy Proceedings

In September 2002, we and other creditors of UPC reached a binding agreement on a recapitalization and reorganization plan for UPC. In order to effect the restructuring, on December 3, 2002, UPC filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the

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Southern District of New York, including a pre-negotiated plan of reorganization dated December 3, 2002. On that date, UPC also commenced a moratorium of payments in The Netherlands under Dutch bankruptcy law and filed a proposed plan of compulsory composition with the Amsterdam Court under the Dutch bankruptcy code. The U.S. Bankruptcy Court confirmed the reorganization plan on February 20, 2003. The Dutch Bankruptcy Court ratified the plan of compulsory composition on March 13, 2003. Following appeals in the Dutch proceedings, the reorganization was completed as provided for in the pre-negotiated plan of reorganization in September 2003.

On June 19, 2003, UPC Polska executed a binding agreement with some of its creditors to restructure its balance sheet. In order to effect the restructuring, on July 7, 2003, UPC Polska filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York, including a pre-negotiated plan of reorganization dated July 8, 2003. On October 27, 2003, UPC Polska filed a first amended plan of reorganization with the U.S. Bankruptcy Court. On December 17, 2003, UPC Polska entered into a Stipulation and Order with Respect to Consensual Plan of Reorganization which terminated the restructuring agreement. Pursuant to the Stipulation, UPC filed a second amended plan of reorganization with the U.S. Bankruptcy Court, which was consummated and became effective on February 18, 2004.

In connection with their bankruptcy proceedings, UPC and UPC Polska are required to prepare their consolidated financial statements in accordance with Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), issued by the American Institute of Certified Public Accountants. In accordance with SOP 90-7, all of UPC s and UPC Polska s pre-petition liabilities that were subject to compromise under their plans of reorganization are segregated in their consolidated balance sheet as liabilities and convertible preferred stock subject to compromise. These liabilities were recorded at the amounts expected to be allowed as claims in the bankruptcy proceedings rather than at the estimated amounts for which those allowed claims might be settled as a result of the approval of the plans of reorganization. Since we consolidate UPC and UPC Polska, financial information with respect to UPC and UPC Polska included in our accompanying consolidated financial statements has been prepared in

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accordance with SOP 90-7. The following presents condensed financial information for UPC Polska and UPC in accordance with SOP 90-7:

	UPC Polska	UPC
	December 31,	
	2003	2002
	in thousands	
Balance Sheet		
Assets		
Current assets	$ 240,131	$ 54,650
Long-term assets		328,422
Total assets	$ 240,131	$ 383,072
Liabilities and Stockholders Equity (Deficit)		
Current liabilities		
Not subject to compromise:		
Accounts payable, accrued liabilities, debt and other	$ 10,794	$ 631
Total current liabilities not subject to compromise	10,794	631
Subject to compromise:		
Accounts payable	14,445	38,647
Short-term debt	6,000	
Accrued liabilities		232,603
Intercompany payable(1)	4,668	135,652
Current portion of long-term debt(1)	456,992	2,812,954
Debt(1)	481,737	1,533,707
Total current liabilities subject to compromise	963,842	4,753,563
Long-term liabilities not subject to compromise		725,008
Convertible preferred stock subject to compromise(2)		1,744,043
Stockholders equity (deficit)	(734,505)	(6,840,173)
Total liabilities and stockholders equity (deficit)	$ 240,131	$ 383,072

(1) Certain amounts are eliminated in consolidation.

(2) 99.6% is eliminated in consolidation.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	UPC Polska	UPC
	December 31,	
	2003(1)	2002(2)
	in thousands	
Statement of Operations		
Revenue	$	$ 19,037
Expense		(42,696)
Depreciation and amortization		(16,562)
Impairment and restructuring charges	(6,000)	(1,218)
Operating income (loss)	(6,000)	(41,439)
Share in results of affiliates and other expense, net	(6,669)	(1,870,430)
Net income (loss)	$ (12,669)	$ (1,911,869)

(1) For the period from July 7, 2003 (the petition date) to December 31, 2003.

(2) For the year ended December 31, 2002.

The following presents certain other disclosures required by SOP 90-7 for UPC Polska and UPC:

	2003	2002
	in thousands	
Interest expense on liabilities subject to compromise(1)	$ 55,270	$
Contractual interest expense on liabilities subject to compromise	$ 106,858	$ 709,571
Reorganization expense:		
Professional fees	$ 43,248	$ 37,898
Adjustment of debt to expected allowed amounts	(19,239)	
Write-off of deferred finance costs		36,203
Other	8,000	1,142
Total reorganization expense	$ 32,009	$ 75,243

(1) In accordance with SOP 90-7, interest expense on liabilities subject to compromise is reported in the accompanying consolidated statement of operations only to the extent that it will be paid during the bankruptcy proceedings or to the extent it is considered an allowed claim.

12. Net Negative Investment in Deconsolidated Subsidiaries

On November 15, 2001, we transferred an approximate 50% interest in United Australia/ Pacific, Inc. (UAP) to an independent third party for nominal consideration. As a result, we deconsolidated UAP effective November 15, 2001. On March 29, 2002, UAP filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court. On March 18, 2003, the U.S. Bankruptcy Court entered an order confirming UAP s plan of reorganization (the UAP Plan). The UAP Plan became effective in April 2003, and the UAP bankruptcy proceeding was completed in June 2003.

In April 2003, pursuant to the UAP Plan, affiliates of Castle Harlan Australian Mezzanine Partners Pty Ltd. (CHAMP) acquired UAP s indirect approximate 63.2% interest in United Austar, Inc. (UAI), which owned approximately 80.7% of Austar United. The purchase price for UAP s indirect interest in UAI was $34.5 million in cash, which was distributed to the holders of UAP s senior notes due 2006 in complete satisfaction of their claims. Upon consummation of the UAP Plan, we recognized our proportionate share of

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UAP s gain from the sale of its 63.2% interest in UAI ($26.3 million) and our proportionate share of UAP s gain from the extinguishment of its outstanding senior notes ($258.4 million). Such amounts are reflected in share in results of affiliates in the accompanying consolidated statement of operations. In addition, we recognized a gain of $284.7 million associated with the sale of our indirect approximate 49.99% interest in UAP that occurred on November 15, 2001.

13. Guarantees, Commitments and Contingencies

Guarantees

In connection with agreements for the sale of certain assets, we typically retain liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification guarantees typically extend for a number of years. We are unable to estimate the maximum potential liability for these types of indemnification guarantees as the sale agreements typically do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and the likelihood of which cannot be determined at this time. Historically, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees.

In connection with the acquisition of UPC s ordinary shares held by Philips Electronics N.V. (Philips) on December 1, 1997, UPC agreed to indemnify Philips for any damages incurred by Philips in relation to a guarantee provided by them to the City of Vienna, Austria (Vienna Obligations), but was not able to give such indemnification due to certain debt covenants. Following the successful tender for our bonds in January 2002, we were able to enter into an indemnity agreement with Philips with respect to the Vienna Obligations. On August 27, 2003, UPC acknowledged to us that UPC would be primarily liable for the payment of any amounts owing pursuant to the Vienna Obligations and that UPC would indemnify and hold us harmless for the payment of any amounts owing under such indemnity agreement. Historically, UPC has not made any significant indemnification payments to either Philips or us under such agreements and no material amounts have been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees, as UPC does not believe such amounts are probable of occurrence.

Under the UPC Distribution Bank Facility and VTR Bank Facility, we have agreed to indemnify our lenders under such facilities against costs or losses resulting from changes in laws and regulation which would increase the lenders costs, and for legal action brought against the lenders. These indemnifications generally extend for the term of the credit facilities and do not provide for any limit on the maximum potential liability. Historically, we have not made any significant indemnification payments under such agreements and no material amounts have been accrued in the accompanying financial statements with respect to these indemnification guarantees.

We sub-lease transponder capacity to a third party and all guaranteed performance criteria is matched with the guaranteed performance criteria we receive from the lease transponder provider. We have third party contracts for the distribution of channels from our digital media center in Amsterdam that require us to perform according to industry standard practice, with penalties attached should performance drop below the agreed-upon criteria. Additionally, our interactive services group in Europe has third party contracts for the delivery of interactive content with certain performance criteria guarantees.

Commitments

We have entered into various lease agreements for conduit and satellite transponder capacity, programming, broadcast and exhibition rights, office space, office furniture and equipment, and vehicles. Rental expense

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

under these lease agreements totaled $69.9 million, $48.5 million and $63.3 million for the years ended December 31, 2003, 2002 and 2001, respectively. We have capital and operating lease obligations and other non-cancelable commitments as follows (in thousands):

	Capital leases	Operating leases
Year ended December 31, 2004	$ 7,791	$ 60,501
Year ended December 31, 2005	8,790	39,376
Year ended December 31, 2006	7,887	32,020
Year ended December 31, 2007	7,899	26,109
Year ended December 31, 2008	7,917	21,511
Thereafter	61,826	42,092
Total minimum payments	$ 102,110	$ 221,609
Less amount representing interest and executory costs	(37,268)	
Net lease payments	64,842	
Lease obligations due within one year	(3,073)	
Long-term lease obligations	$ 61,769	

As of December 31, 2003, we have a commitment to purchase 265,000 set-top computers over the next two years. We expect to finance these purchases from existing unrestricted cash balances and future operating cash flow.

We have certain franchise obligations under which we must meet performance requirements to construct networks under certain circumstances. Non-performance of these obligations could result in penalties being levied against us. We continue to meet our obligations so as not to incur such penalties. In the ordinary course of business, we provide customers with certain performance guarantees. For example, should a service outage occur in excess of a certain period of time, we would compensate those customers for the outage. Historically, we have not made any significant payments under any of these indemnifications or guarantees. In certain cases, due to the nature of the agreement, we have not been able to estimate our maximum potential loss or the maximum potential loss has not been specified.

Contingencies

The following is a description of certain legal proceedings to which we or one of our subsidiaries is a party. From time to time we may become involved in litigation relating to claims arising out of our operations in the normal course of business. In our opinion, the ultimate resolution of these legal proceedings would not likely have a material adverse effect on our business, results of operations, financial condition or liquidity.

Cignal

On April 26, 2002, UPC received a notice that certain former shareholders of Cignal Global Communications (Cignal) filed a lawsuit against UPC in the District Court in Amsterdam, The Netherlands, claiming $200.0 million alleging that UPC failed to honor certain option rights that were granted to those shareholders in connection with the acquisition of Cignal by Priority Telecom. UPC believes that it has complied in full with its obligations to these shareholders through the successful consummation of the initial public offering of Priority Telecom on September 27, 2001. Accordingly, UPC believes that the Cignal shareholders claims are without merit and intends to defend this suit vigorously. In December 2003, certain members and former members of the Supervisory Board of Priority Telecom were put on notice that a tort claim may be filed against them for their cooperation in the initial public offering.

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UNITEDGLOBALCOM, INC.
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Excite@Home

In 2000, certain of our subsidiaries, including UPC, pursued a transaction with Excite@Home, which if completed, would have merged UPC s chello broadband subsidiary with Excite@Home s international broadband operations to form a European Internet business. The transaction was not completed, and discussions between the parties ended in late 2000. On November 3, 2003, we received a complaint filed on September 26, 2003 by Frank Morrow, on behalf of the General Unsecured Creditors Liquidating Trust of At Home in the United States Bankruptcy Court for the Northern District of California, styled as *In re At Home Corporation, Frank Morrow v. UnitedGlobalCom, Inc. et al.* (Case No. 01-32495-TC). In general, the complaint alleges breach of contract and fiduciary duty by UGC and Old UGC. The action has been stayed as to Old UGC by the Bankruptcy Court in the Old UGC bankruptcy proceeding. The plaintiff has filed a claim in the bankruptcy proceedings of approximately $2.2 billion. We deny the material allegations and intend to defend the litigation vigorously.

HBO

UPC Polska was involved in a dispute with HBO Communications (UK) Ltd., Polska Programming B.V. and HBO Poland Partners (collectively HBO) concerning its cable carriage agreement and its D-DTH carriage agreement for the HBO premium movie channel. In February 2004, the matter was settled and UPC Polska paid $6.0 million to HBO.

ICH

On July 4, 2001, ICH, InterComm France CVOHA (ICF I), InterComm France II CVOHA (ICF II), and Reflex Participations (Reflex, collectively with ICF I and ICF II, the ICF Party) served a demand for arbitration on UPC, Old UGC, and its subsidiaries, Belmarken Holding B.V. (Belmarken) and UPC France Holding B.V. The claimants allege breaches of obligations allegedly owed by UPC in connection with the ICF Party s position as a minority shareholder in Médiaréseaux S.A. In February 2004, the parties entered into a settlement agreement pursuant to which UPC purchased the shares owned by the ICF Party in Médiaréseaux S.A. for consideration of 1,800,000 shares of our Class A common stock.

Movieco

On December 3, 2002, Europe Movieco Partners Limited (Movieco) filed a request for arbitration (the Request) against UPC with the International Court of Arbitration of the International Chamber of Commerce. The Request contains claims that are based on a cable affiliation agreement entered into between the parties on December 21, 1999 (the CAA). The arbitral proceedings were suspended from December 17, 2002 to March 18, 2003. They have subsequently been reactivated and directions have been given by the Arbitral Tribunal. In the proceedings, Movieco claims (i) unpaid license fees due under the CAA, plus interest, (ii) an order for specific performance of the CAA or, in the alternative, damages for breach of that agreement, and (iii) legal and arbitration costs plus interest. Of the unpaid license fees, approximately $11.0 million had been accrued prior to UPC commencing insolvency proceedings in the Netherlands on December 3, 2002 (the Pre-Petition Claim). Movieco made a claim in the Dutch insolvency proceedings for the Pre-Petition Claim and shares of the appropriate value were delivered to Movieco in December 2003. UPC filed a counterclaim in the arbitral proceeding, stating that the CAA is null and void because it breaches Article 81 of the EC Treaty. UPC also relies on the Order of the Southern District of New York dated January 7, 2003 in which the New York Court ordered that the rejection of the CAA was approved effective March 1, 2003, and that UPC shall have no further liability under the CAA.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Philips

On October 22, 2002, Philips Digital Networks B.V. (Philips) commenced legal proceedings against UPC, UPC Nederland B.V. and UPC Distribution (together the UPC Defendants) alleging failure to perform by the UPC Defendants under a Set Top Computer Supply Agreement between the parties dated November 19, 2001, as amended (the STC Agreement). The action was commenced by Philips following a termination of the STC Agreement by the UPC Defendants as a consequence of Philips failure to deliver STCs conforming to the material technical specifications required by the terms of the STC Agreement. The parties have entered into a settlement agreement conditioned upon UPC Defendants entering into a purchase agreement for STCs by June 30, 2004.

UGC Europe Exchange Offer

On October 8, 2003, an action was filed in the Court of Chancery of the State of Delaware in New Castle County, in which the plaintiff named as defendants UGC Europe, UGC and certain of our directors. The complaint purports to assert claims on behalf of all public shareholders of UGC Europe. On October 21, 2003, the plaintiff filed an amended complaint in the Delaware Court of Chancery. The complaint alleges that UGC Europe and the defendant directors have breached their fiduciary duties to the public shareholders of UGC Europe in connection with an offer by UGC to exchange shares of its common stock for outstanding common stock of UGC Europe. Among the remedies demanded, the complaint seeks to enjoin the exchange offer and obtain declaratory relief, unspecified damages and rescission. On November 12, 2003, we and the plaintiff, through respective counsel, entered into a memorandum of understanding agreeing to settle the litigation and to pay up to $975,000 in attorney fees, subject to court approval of the settlement.

14. Minority Interests in Subsidiaries

	December 31,	
	2003	2002
	in thousands	
UPC convertible preference shares held by third parties(1)	$	$ 1,094,668
UPC convertible preference shares held by Liberty(2)		297,753
IDT United	20,858	7,986
Other	1,903	1,739
Total	$ 22,761	$ 1,402,146

(1) We acquired 99.4% of these convertible preference shares in February and April 2003. The remainder was exchanged for UGC Europe common stock in connection with UPC s restructuring.

(2) Acquired by us in April 2003.

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The minority interests share of results of operations is as follows:

	Year ended December 31,		
	2003	2002	2001
	in thousands		
Minority interest share of UGC Europe net loss	$ 181,046	$	$
Accrual of dividends on UPC s convertible preference shares held by third parties		(78,355)	(70,089)
Accrual of dividends on UPC s convertible preference shares held by Liberty		(18,728)	(19,113)
Minority interest share of UPC net loss			54,050
Subsidiaries of UGC Europe	(91)	28,080	484,780
Other	2,227	1,900	46,887
Total	$ 183,182	$ (67,103)	$ 496,515

15. Stockholders Equity (Deficit)

Description of Capital Stock

Our authorized capital stock currently consists of:

1,000,000,000 shares of Class A common stock;

1,000,000,000 shares of Class B common stock;

400,000,000 shares of Class C common stock; and

10,000,000 shares of preferred stock, all $0.01 par value per share.

Common Stock

Our Class A common stock, Class B common stock and Class C common stock have identical economic rights. They do, however, differ in the following respects:

Each share of Class A common stock, Class B common stock and Class C common stock entitles the holders thereof to one, ten and ten votes, respectively, on each matter to be voted on by our stockholders, excluding, until our next annual meeting of stockholders, the election of directors, at which time the holders of Class A common stock, Class B common stock and Class C common stock will vote together as a single class on each matter to be voted on by our stockholders, including the election of directors; and

Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock at any time. Each share of Class C common stock is convertible, at the option of the holder, into one share of Class A common stock or Class B common stock at any time.

Holders of our Class A, Class B and Class C common stock are entitled to receive any dividends that are declared by our board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding up, holders of our Class A, Class B and Class C common stock will be entitled to share in all assets available for distribution to holders of common stock. Holders of our Class A, Class B and Class C common stock have no preemptive right under our certificate of incorporation. Our certificate of incorporation provides that if there is any dividend, subdivision, combination or reclassification of any class of common stock, a proportionate dividend,

subdivision, combination or reclassification of one other class of common stock will be made at the same time.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Preferred Stock

We are authorized to issue 10 million shares of preferred stock. Our board of directors is authorized, without any further action by the stockholders, to determine the following for any unissued series of preferred stock:

voting rights;

dividend rights;

dividend rates;

liquidation preferences;

redemption provisions;

sinking fund terms;

conversion or exchange rights;

the number of shares in the series; and

other rights, preferences, privileges and restrictions.

In addition, the preferred stock could have other rights, including economic rights senior to common stock, so that the issuance of the preferred stock could adversely affect the market value of common stock. The issuance of preferred stock may also have the effect of delaying, deferring or preventing a change in control of us without any action by the stockholders.

UGC Equity Incentive Plan

On August 19, 2003, our Board of Directors adopted an Equity Incentive Plan (the Incentive Plan) effective September 1, 2003. Our stockholders approved the Incentive Plan on September 30, 2003. After such stockholder approval of the Incentive Plan, the Board of Directors recommended certain changes to the Incentive Plan that give us the ability to issue stock appreciation rights with a grant price at, above, or less than the fair market value of our common stock on the date the stock appreciation right is granted. Those changes, along with certain other technical changes, were incorporated into an amended UGC Equity Incentive Plan (the Amended Incentive Plan), which was approved by our stockholders on December 17, 2003. The Board of Directors have reserved 39,000,000 shares of common stock, plus an additional number of shares on January 1 of each year equal to 1% of the aggregate shares of Class A and Class B common stock outstanding, for the Amended Incentive Plan. No more than 5,000,000 shares of Class A or Class B common stock in the aggregate may be granted to a single participant during any calendar year, and no more than 3,000,000 shares may be issued under the Amended Incentive Plan as Class B common stock. The Amended Incentive Plan permits the grant of the following awards (the Awards): stock options (Options), restricted stock awards (Restricted Stock), SARs, stock bonuses (Stock Bonuses), stock units (Stock Units) and other grants of stock. Our employees, consultants and non-employee directors and affiliated entities designated by the Board of Directors are entitled to receive any Awards under the Amended Incentive Plan, provided, however, that only non-qualified Options may be granted to non-employee directors. In accordance with the provisions of the Plan, our compensation committee (the Committee) has the discretion to: select participants from among eligible employees and eligible consultants; determine the Awards to be made; determine the number of Stock Units, SARs or shares of stock to be issued and the time at which such Awards are to be made; fix the option price, period and manner in which an Option becomes exercisable; establish the duration and nature of Restricted Stock Award restrictions; establish the terms and conditions applicable to Stock Bonuses and Stock Units; and establish such other terms and requirements of

the various compensation incentives under the Amended Incentive Plan as the Committee may deem necessary or desirable and consistent with the terms of the Amended Incentive Plan. The Committee may,

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UNITEDGLOBALCOM, INC.
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under certain circumstances, delegate to our officers the authority to grant Awards to specified groups of employees and consultants. The Board has the sole authority to grant Options under the Amended Incentive Plan to non-employee directors. The maximum term of Options granted under the Amended Incentive Plan is ten years. The Committee shall determine, at the time of the award of SARs, the time period during which the SARs may be exercised and other terms that shall apply to the SARs. The Amended Incentive Plan terminates August 31, 2013. A summary of activity for the Amended Incentive Plan is as follows:

	Number of SARs	Weighted-average base price
Outstanding at beginning of year		$
Granted during the year	32,165,550	$ 4.69
Cancelled during the year	(78,280)	$ 4.59
Exercised during the year		$
Outstanding at end of year	32,087,270	$ 4.69
Exercisable at end of year		$

The weighted-average fair values and weighted average base prices of SARs granted under the Amended Incentive Plan are as follows:

Base price	Number	Fair value	Base price
Less than market price(1)	15,081,775	$ 5.44	$ 3.74
Equal to market price(2)	15,081,775	$ 6.88	$ 5.44
Equal to market price	2,002,000	$ 4.91	$ 6.13
Greater than market price		$	$
Total(3)	32,165,550	$ 4.33	$ 4.69

(1) We originally granted these SARs below fair market value on date of grant; however, upon exercise the holder will receive only the difference between the base price and the lesser of $5.44 or the fair market value of our Class A common stock on the date of exercise.

(2) We originally granted these SARs at fair market value on date of grant. As a result of the UGC Europe Exchange Offer and merger transaction in December 2003, we substituted UGC SARs for UGC Europe SARs.

(3) All the SARs granted during Fiscal 2003 vest in five equal annual increments. Vesting of the SARs granted would be accelerated upon a change of control of UGC as defined in the Amended Incentive Plan. The table does not reflect the adjustment to the base prices on all outstanding SARs in January 2004. As a result of the dilution

caused by our subscription rights offering that closed in February 2004, all base prices have since been reduced by $0.87.

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The following summarizes information about SARs outstanding and exercisable at December 31, 2003:

	Outstanding			Exercisable	
Base price range	Number	Weighted-average remaining contractual life (years)	Weighted-average base price	Number	Weighted-average base price
$3.74	15,042,635	9.97	$ 3.74		$
$5.44	15,042,635	9.97	$ 5.44		$
$6.13	1,997,000	9.75	$ 6.13		$
$7.20	5,000	9.90	$ 7.20		$
Total	32,087,270	9.95	$ 4.69		$

The Amended Incentive Plan is accounted for as a variable plan and accordingly, compensation expense is recognized at each financial statement date based on the difference between the grant price and the estimated fair value of our Class A common stock. Compensation expense of $8.8 million was recognized in the statement of operations for the year ended December 31, 2003.

UGC Stock Option Plans

During 1993, Old UGC adopted a stock option plan for certain of its employees, which was assumed by us on January 30, 2002 (the Employee Plan). The Employee Plan was construed, interpreted and administered by the Committee, consisting of all members of the Board of Directors who were not our employees. The Employee Plan provided for the grant of options to purchase up to 39,200,000 shares of Class A common stock, of which options for up to 3,000,000 shares of Class B common stock were available to be granted in lieu of options for shares of Class A common stock. The Committee had the discretion to determine the employees and consultants to whom options were granted, the number of shares subject to the options, the exercise price of the options, the period over which the options became exercisable, the term of the options (including the period after termination of employment during which an option was to be exercised) and certain other provisions relating to the options. The maximum number of shares subject to options that were allowed to be granted to any one participant under the Employee Plan during any calendar year was 5,000,000 shares. The maximum term of options granted under the Employee Plan was ten years. Options granted were either incentive stock options under the Internal Revenue Code of 1986, as amended, or non-qualified stock options. In general, for grants prior to December 1, 2000, options vested in equal monthly increments over 48 months, and for grants subsequent to December 1, 2000, options vested 12.5% six months from the date of grant and then in equal monthly increments over the next 42 months. Vesting would be accelerated upon a change of control of us as defined in the Employee Plan. At December 31, 2003, employees had options to purchase an aggregate of 10,745,692 shares of Class A common stock outstanding under The Employee Plan and options to purchase an aggregate of 3,000,000 shares of Class B common stock. The Employee Plan expired June 1, 2003. Options outstanding prior to the expiration date continue to be recognized, but no new grants of options will be made. Old UGC adopted a stock option plan for non-employee directors effective June 1, 1993, which was assumed by us on January 30, 2002 (the 1993 Director Plan). The 1993 Director Plan provided for the grant of an option to acquire 20,000 shares of our Class A common stock to each member of the Board of Directors who was not also an employee

of ours (a non-employee director) on June 1, 1993, and to each person who was newly elected to the Board of Directors as a non-employee director after June 1, 1993, on the date of their election. To allow for additional option grants to non-employee directors, Old UGC adopted a second stock option plan for non-employee directors effective March 20, 1998, which was assumed by us on January 30,

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2002 (the 1998 Director Plan , and together with the 1993 Director Plan, the Director Plans). Options under the 1998 Director Plan were granted at the discretion of our Board of Directors. The maximum term of options granted under the Director Plans was ten years. Under the 1993 Director Plan, options vested 25.0% on the first anniversary of the date of grant and then evenly over the next 36-month period. Under the 1998 Director Plan, options vested in equal monthly increments over the four-year period following the date of grant. Vesting under the Director Plans would be accelerated upon a change in control of us as defined in the respective Director Plans. Effective March 14, 2003, the Board of Directors terminated the 1993 Director Plan. At the time of termination, we had granted options for an aggregate of 860,000 shares of Class A common stock, of which 271,667 shares have been cancelled. Options outstanding prior to the date of termination continue to be recognized, but no new grants of options will be made.

Pro forma information regarding net income (loss) and net income (loss) per share is required to be determined as if we had accounted for our Employee Plan s and Director Plans options granted on or after March 1, 1995 under the fair value method prescribed by SFAS 123. The fair value of options granted for the years ended December 31, 2003, 2002 and 2001 reported below has been estimated at the date of grant using the Black-Scholes single-option pricing model and the following weighted-average assumptions:

	Year ended December 31,		
	2003	**2002**	**2001**
Risk-free interest rate	3.40%	4.62%	4.78%
Expected lives	6 years	6 years	6 years
Expected volatility	100%	100%	95.13%
Expected dividend yield	0%	0%	0%

Based on the above assumptions, the total fair value of options granted was nil, $47.6 million and $5.3 million for the years ended December 31, 2003, 2002 and 2001, respectively.

A summary of stock option activity for the Employee Plan is as follows:

	Year ended December 31,					
	2003		**2002**		**2001**	
	Number	**Weighted-average exercise price**	**Number**	**Weighted-average exercise price**	**Number**	**Weighted-average exercise price**
Outstanding at beginning of year	16,964,230	$ 7.88	5,141,807	$ 16.16	4,770,216	$ 16.95
Granted during the year		$	11,970,000	$ 4.43	543,107	$ 10.08
Cancelled during the year	(3,067,084)	$ 5.90	(147,577)	$ 16.66	(157,741)	$ 20.12
Exercised during the year	(151,454)	$ 3.92		$	(13,775)	$ 5.30
	13,745,692	$ 8.36	16,964,230	$ 7.88	5,141,807	$ 16.16

Outstanding at end of year						
Exercisable at end of year	8,977,124	$ 9.91	7,371,369	$ 10.28	3,125,596	$ 13.70

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A summary of stock option activity for the Director Plans is as follows:

	Year ended December 31,					
	2003		2002		2001	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price	Number	Weighted-average exercise price
Outstanding at beginning of year	1,080,000	$ 10.52	1,110,416	$ 11.24	630,000	$ 18.13
Granted during the year		$	200,000	$ 5.00	500,000	$ 5.00
Cancelled during the year		$	(230,416)	$ 9.20	(19,584)	$ 73.45
Exercised during the year	(160,000)	$ 4.75		$		$
Outstanding at end of year	920,000	$ 11.53	1,080,000	$ 10.52	1,110,416	$ 11.24
Exercisable at end of year	702,290	$ 13.48	569,999	$ 12.81	487,290	$ 12.99

The combined weighted-average fair values and weighted-average exercise prices of options granted under the Employee Plan and the Director Plans are as follows:

	Year ended December 31,					
	2002			2001		
Exercise price	Number	Fair value	Exercise price	Number	Fair value	Exercise price
Less than market price	2,900,000	$ 4.53	$ 2.64	3,149	$ 9.65	$ 5.96
Equal to market price		$	$	100,000	$ 13.71	$ 17.38
Greater than market price	9,270,000	$ 3.71	$ 5.00	939,958	$ 4.10	$ 6.62
Total	12,170,000	$ 3.91	$ 4.44	1,043,107	$ 5.03	$ 7.64

The following table summarizes information about employee and director stock options outstanding and exercisable at December 31, 2003:

	Options outstanding		Options exercisable

Exercise price range	Number	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Number	Weighted-average exercise price
$4.16 $4.75	407,000	3.75	$ 4.29	407,000	$ 4.29
$5.00 $5.00	10,977,808	8.09	$ 5.00	6,203,710	$ 5.00
$5.11 $7.13	996,182	3.89	$ 5.75	974,677	$ 5.77
$7.75 $86.50	2,284,702	5.84	$ 27.66	2,094,027	$ 28.68
Total	14,665,692	7.33	$ 8.56	9,679,414	$ 10.17

UPC Stock Option Plans

UPC adopted a stock option plan on June 13, 1996, as amended (the UPC Plan), for certain of its employees and those of its subsidiaries. Options under the UPC Plan were granted at fair market value at the time of the grant, unless determined otherwise by UPC s Supervisory Board. The maximum term that the options were exerciseable was five years from the date of the grant. In order to introduce the element of vesting of the options, the UPC Plan provided that even though the options were exercisable upon grant, the options were subject to repurchase rights reduced by equal monthly amounts over a vesting period of 36 months for options granted in 1996 and 48 months for all other options. Upon termination of an employee

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(except in the case of death, disability or the like), all unvested options previously exercised were resold to UPC at the exercise price and all vested options were exercised within 30 days of the termination date. UPC s Supervisory Board was allowed to alter these vesting schedules at its discretion. The UPC Plan also contained anti-dilution protection and provided that, in the case of a change of control, the acquiring company had the right to require UPC to acquire all of the options outstanding at the per share value determined in the transaction giving rise to the change of control. As a result of UPC s reorganization under Chapter 11 of the U.S. Bankruptcy Code, all of UPC s existing stock-based compensation plans were cancelled.

Pro forma information regarding net income (loss) and net income (loss) per share is presented below as if UPC had accounted for the UPC Plan under the fair value method of SFAS 123. The fair value of options granted for the years ended December 31, 2002 and 2001 reported below has been estimated at the date of grant using the Black-Scholes single-option pricing model and the following weighted-average assumptions:

	Year ended December 31,	
	2002	**2001**
Risk-free interest rate	3.16%	4.15%
Expected lives	5 years	5 years
Expected volatility	118.33%	112.19%
Expected dividend yield	0%	0%

Based on the above assumptions, the total fair value of options granted was approximately $0.1 million and $140.5 million for the years ended December 31, 2002 and 2001, respectively.

The UPC Plan was accounted for as a variable plan prior to UPC s initial public offering in February 1999. Accordingly, compensation expense was recognized at each financial statement date based on the difference between the grant price and the estimated fair value of UPC s common stock. Thereafter, the UPC Plan was accounted for as a fixed plan. Compensation expense of $29.2 million, $31.9 million and $30.6 million was recognized in the statement of operations for the years ended December 31, 2003, 2002 and 2001, respectively.

In March 1998, UPC adopted a phantom stock option plan (the UPC Phantom Plan) which permitted the grant of phantom stock rights in up to 7,200,000 shares of UPC s common stock. The UPC Phantom Plan gave the employee the right to receive payment equal to the difference between the fair value of a share of UPC common stock and the option base price for the portion of the rights vested. The rights were granted at fair value at the time of grant, and generally vested in equal monthly increments over the four-year period following the effective date of grant and were exerciseable for ten years following the effective date of grant. UPC had the option of payment in (i) cash, (ii) freely tradable shares of our Class A common stock or (iii) freely tradable shares of UPC s common stock. The UPC Phantom Plan contained anti-dilution protection and provided that, in certain cases of a change of control, all phantom options outstanding become fully exercisable. As a result of UPC s reorganization under Chapter 11 of the U.S. Bankruptcy Code, all of UPC s existing stock-based compensation plans were cancelled. The UPC Phantom Plan was accounted for as a variable plan in accordance with its terms, resulting in compensation expense for the difference between the grant price and the fair market value at each financial statement date. Compensation expense (credit) of nil and $(22.8) million was recognized in the statement of operations for the years ended December 31, 2002 and 2001, respectively.

16. Segment Information

Our European operations are currently organized into two principal divisions-UPC Broadband and chellomedia. UPC Broadband provides video services, telephone services and high-speed Internet access services to residential customers, and manages its business by country. chellomedia provides broadband Internet and interactive digital

products and services, operates a competitive local exchange carrier business providing telephone and data network solutions to the business market (Priority Telecom) and holds certain invest-

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ments. In Latin America we also have a Broadband division that provides video services, telephone services and high-speed Internet access services to residential and business customers, and manages its business by country. We evaluate performance and allocate resources based on the results of these segments. The key operating performance criteria used in this evaluation include revenue and Adjusted EBITDA . Adjusted EBITDA 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. EBITDA is an acronym for earnings before interest, taxes, depreciation and amortization. As we use the term, Adjusted EBITDA further removes the effects of cumulative effects of accounting changes, share in results of affiliates, minority interests in subsidiaries, reorganization expense, other income and expense, provision for loss on investments, gain (loss) on sale of investments in affiliates, gain on extinguishment of debt, foreign currency exchange gain (loss), impairment and restructuring charges, certain litigation expenses and stock-based compensation. We believe Adjusted EBITDA 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 Adjusted EBITDA 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 Adjusted EBITDA 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 Adjusted EBITDA is important because analysts and other investors use it to compare our performance to other companies in our industry. We reconcile the total of the reportable segments Adjusted EBITDA to our consolidated net income as presented in the accompanying 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 Adjusted EBITDA as a supplement to, and not a substitute for, other GAAP measures of income as a measure of operating performance. As discussed above, Adjusted EBITDA excludes, among other items, frequently occurring impairment, restructuring and other charges that would be included in GAAP measures of operating performance.

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Revenue

	Year ended December 31,		
	2003	**2002**	**2001**
	in thousands		
Europe:			
UPC Broadband			
The Netherlands	$ 592,223	$ 459,044	$ 365,988
Austria	260,162	198,189	163,073
Belgium	31,586	24,646	22,318
Czech Republic	63,348	44,337	38,588
Norway	95,284	76,430	59,707
Hungary	165,450	124,046	93,206
France	113,946	92,441	83,811
Poland	85,356	76,090	132,669
Sweden	75,057	52,560	40,493
Slovak Republic	25,467	18,852	17,607
Romania	20,189	16,119	12,710
Total	1,528,068	1,182,754	1,030,170
Germany		28,069	45,848
Corporate and other(1)	32,563	35,139	51,762
Total	1,560,631	1,245,962	1,127,780
chellomedia			
Priority Telecom(1)	121,330	112,637	206,149
Media(1)	98,463	69,372	75,676
Investments	528	465	
Total	220,321	182,474	281,825
Intercompany Eliminations	(127,055)	(108,695)	(176,417)
Total	1,653,897	1,319,741	1,233,188
Latin America:			
Broadband			
Chile	229,835	186,426	166,590
Brazil, Peru, Uruguay	7,798	7,054	6,044
Total	237,633	193,480	172,634
Australia			
Broadband			145,423

Content			9,973
Other			235
Total			155,631
Corporate and other (United States)		1,800	441
Total	$ 1,891,530	$ 1,515,021	$ 1,561,894

(1) Primarily The Netherlands.

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Adjusted EBITDA

	Year ended December 31,		
	2003	**2002**	**2001**
		in thousands	
Europe:			
UPC Broadband			
The Netherlands	$ 267,075	$ 119,329	$ 40,913
Austria	98,278	64,662	40,583
Belgium	12,306	8,340	4,367
Czech Republic	24,657	9,241	9,048
Norway	27,913	17,035	5,337
Hungary	63,357	41,487	26,555
France	13,920	(10,446)	(25,678)
Poland	24,886	15,794	(8,633)
Sweden	31,827	15,904	6,993
Slovak Republic	10,618	4,940	2,802
Romania	7,545	6,044	3,165
Other	386	535	1,434
Total	582,768	292,865	106,886
Germany		12,562	22,197
Corporate and other(1)	(46,091)	(25,727)	(93,781)
Total	536,677	279,700	35,302
chellomedia			
Priority Telecom(1)	14,530	(3,809)	(79,758)
Media(1)	22,874	(4,851)	(100,599)
Investments	(1,033)	(374)	
Total	36,371	(9,034)	(180,357)
Total	573,048	270,666	(145,055)
Latin America:			
Broadband			
Chile	69,951	41,959	26,860
Brazil, Peru, Uruguay	8	(3,475)	(4,016)
Total	69,959	38,484	22,844
Australia			
Broadband			(32,338)
Content			(6,849)
Other		(282)	(832)

Total		(282)	(40,019)
Corporate and other (United States)	(14,125)	(12,494)	(29,013)
Total	$ 628,882	$ 296,374	$ (191,243)

(1) Primarily The Netherlands.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Total segment Adjusted EBITDA reconciles to consolidated net income (loss) as follows:

	Year ended December 31,		
	2003	2002	2001
	in thousands		
Total segment Adjusted EBITDA	$ 628,882	$ 296,374	$ (191,243)
Depreciation and amortization	(808,663)	(730,001)	(1,147,176)
Impairment of long-lived assets	(402,239)	(436,153)	(1,320,942)
Restructuring charges and other	(35,970)	(1,274)	(204,127)
Stock-based compensation	(38,024)	(28,228)	(8,818)
Operating income (loss)	(656,014)	(899,282)	(2,872,306)
Interest expense, net	(314,078)	(641,786)	(966,134)
Foreign currency exchange gain (loss), net	121,612	739,794	(148,192)
Gain on extinguishment of debt	2,183,997	2,208,782	3,447
Gain (loss) on sale of investments in affiliates, net	279,442	117,262	(416,803)
Other expense, net	(14,884)	(120,832)	(265,512)
Income (loss) before income taxes and other items	1,600,075	1,403,938	(4,665,500)
Other, net	395,293	(415,670)	150,735
Income (loss) before cumulative effect of change in accounting principle	1,995,368	988,268	(4,514,765)
Cumulative effect of change in accounting principle		(1,344,722)	20,056
Net income (loss)	$ 1,995,368	$ (356,454)	$ (4,494,709)

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Investments in affiliates		Long-lived assets		Total assets	
	December 31,		December 31,		December 31,	
	2003	2002	2003	2002	2003	2002
			in thousands			
Europe:						
UPC Broadband						
The Netherlands	$ 222	$ 215	$ 1,334,294	$ 1,310,783	$ 2,493,134	$ 1,884,044
Austria			307,758	282,628	700,209	450,526
Belgium			22,596	22,395	88,725	44,444
Czech Republic			117,527	120,863	201,103	127,691
Norway			219,651	226,981	280,528	249,761
Hungary	1,708		249,515	251,120	541,139	343,287
France			246,307	573,167	274,180	608,650
Poland	15,049	3,277	118,586	124,088	302,216	245,122
Sweden			94,414	87,339	321,961	237,619
Slovak Republic			35,697	26,896	67,027	33,428
Romania			15,235	9,403	42,503	31,078
Total	16,979	3,492	2,761,580	3,035,663	5,312,725	4,255,650
Corporate and other(1)	65,279	112,507	14,154	39,455	374,876	576,568
Total	82,258	115,999	2,775,734	3,075,118	5,687,601	4,832,218
chellomedia						
Priority Telecom(1)	3,232		182,491	202,986	241,909	261,301
Media(1)	2,257	4,037	43,578	48,625	232,527	72,554
Total	5,489	4,037	226,069	251,611	474,436	333,855
Total	87,747	120,036	3,001,803	3,326,729	6,162,037	5,166,073
Latin America:						
Broadband						
Chile			322,606	293,941	602,762	509,376
Brazil, Peru, Uruguay	3,522	33,817	9,584	9,448	18,388	55,381
Total	3,522	33,817	332,190	303,389	621,150	564,757

Corporate and other (United States)	3,969		8,750	10,093	316,484	200,764
Total	$ 95,238	$ 153,853	$ 3,342,743	$ 3,640,211	$ 7,099,671	$ 5,931,594

(1) Primarily The Netherlands.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Depreciation and amortization			Capital expenditures		
	Year ended December 31,			Year ended December 31,		
	2003	2002	2001	2003	2002	2001
	in thousands					
Europe:						
UPC Broadband						
The Netherlands	$ (225,638)	$ (230,852)	$ (252,356)	$ (63,451)	$ (97,841)	$ (213,846)
Austria	(85,589)	(71,924)	(68,513)	(43,751)	(38,388)	(92,679)
Belgium	(6,877)	(5,952)	(7,531)	(3,473)	(2,884)	(8,367)
Czech Republic	(18,665)	(16,317)	(24,577)	(12,294)	(4,706)	(26,287)
Norway	(36,765)	(37,288)	(35,918)	(9,714)	(7,050)	(60,562)
Hungary	(39,102)	(34,889)	(35,202)	(23,004)	(16,659)	(31,599)
France	(99,913)	(85,940)	(78,732)	(48,810)	(19,688)	(114,596)
Poland	(28,487)	(28,517)	(126,855)	(8,476)	(4,464)	(35,628)
Sweden	(19,668)	(13,519)	(37,098)	(9,778)	(8,974)	(28,767)
Slovak Republic	(8,939)	(7,478)	(13,124)	(3,848)	(501)	(5,005)
Romania	(2,984)	(2,494)	(1,578)	(5,286)	(4,547)	(3,433)
Total	(572,627)	(535,170)	(681,484)	(231,885)	(205,702)	(620,769)
Germany		(9,240)	(107,799)		(3,357)	(12,788)
Corporate and other(1)	(86,939)	(61,543)	(74,420)	(35,666)	(6,491)	(47,773)
Total	(659,566)	(605,953)	(863,703)	(267,551)	(215,550)	(681,330)
chellomedia						
Priority Telecom(1)	(60,952)	(45,239)	(80,887)	(16,727)	(30,658)	(69,710)
UPC Media(1)	(17,706)	(20,565)	(37,305)	(5,779)	(6,241)	(50,051)
Total	(78,658)	(65,804)	(118,192)	(22,506)	(36,899)	(119,761)
Total	(738,224)	(671,757)	(981,895)	(290,057)	(252,449)	(801,091)
Latin America:						
Broadband						
Chile	(66,928)	(54,458)	(54,027)	(41,391)	(80,006)	(135,821)
Brazil, Peru, Uruguay	(2,206)	(2,371)	(7,824)	(1,582)	(2,679)	(10,418)
Total	(69,134)	(56,829)	(61,851)	(42,973)	(82,685)	(146,239)

Australia						
Broadband			(100,489)			(48,291)
Other			(1,282)			
Total			(101,771)			(48,291)
Corporate and other (United States)	(1,305)	(1,415)	(1,659)	(94)	(58)	(790)
Total	$ (808,663)	$ (730,001)	$ (1,147,176)	$ (333,124)	$ (335,192)	$ (996,411)

(1) Primarily The Netherlands.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Impairment of Long-Lived Assets

	Year ended December 31,		
	2003	2002	2001
	in thousands		
UPC Broadband	$ (402,239)	$ (75,305)	$ (682,633)
Priority Telecom		(359,237)	(418,413)
Swiss wireless license			(91,260)
Microsoft contract acquisition rights			(59,831)
Other		(1,611)	(68,805)
Total	$ (402,239)	$ (436,153)	$ (1,320,942)

2003

During the fourth quarter of 2003, various events took place that indicated the long-lived assets in our French asset group were potentially impaired: 1) We entered into preliminary discussions regarding the merger of our French assets into a new company, which indicated a potential decline in the fair value of these assets; 2) We made downward revisions to the revenue and Adjusted EBITDA projections for France in our long-range plan, due to actual results continuing to fall short of expectations; and 3) We performed a fair value analysis of all the assets of UGC Europe in connection with the UGC Europe Exchange Offer that confirmed a decrease in fair value of our French assets. As a result, we determined a triggering event had occurred in the fourth quarter of 2003. We performed a cash flow analysis, which indicated the carrying amount of our long-lived assets in France exceeded the sum of the undiscounted cash flows expected to result from the use of these assets. Accordingly, we performed a discounted cash flow analysis (supported by the independent valuation from the UGC Europe Exchange Offer), and recorded an impairment of $384.9 million and $8.4 million for the difference between the fair value and the carrying amount of property, plant and equipment and other long-lived assets, respectively. We also recorded a total of $8.9 million for other impairments in 2003.

2002

Based on our annual impairment test as of December 31, 2002 in accordance with SFAS 142, we recorded an impairment charge of $344.8 million and $18.0 million on goodwill related to Priority Telecom and UPC Romania, respectively. In addition, we wrote off other tangible assets in The Netherlands, Norway, France, Poland, Slovak Republic, Czech Republic and Priority Telecom amounting to $73.4 million for the year ended December 31, 2002.

2001

Due to the lack of financial resources to fully develop the triple play in Germany, and due to our inability to find a partner to help implement this strategy, the long range plans of UPC Germany were revised in 2001 to provide for a care and maintenance program, meaning that the business plan would be primarily focused on current customers and product offerings instead of a planned roll out of new service offerings. As a result of this revised business plan, we determined that a triggering event had occurred with respect to this investment in the fourth quarter of 2001, as defined in SFAS No. 121 *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of* (SFAS 121). After analyzing the projected undiscounted free cash flows (without interest), an impairment charge was deemed necessary. The amount of the charge was determined by evaluating the estimated fair value of our investment in UPC Germany using a discounted cash flow approach, resulting in an impairment charge of $682.6 million for the year ended December 31, 2001.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the second quarter of 2001, we identified indicators of possible impairment of long-lived assets, principally indefeasible rights of use and related goodwill within our subsidiary Priority Telecom. Such indicators included significant declines in the market value of publicly traded telecommunications providers and a change, subsequent to the acquisition of Cignal, in the way that certain assets from the Cignal acquisition were being used within Priority Telecom. We revised our strategic plans for using these assets because of reduced levels of private equity funding activity for these businesses and our decision to complete a public listing of Priority Telecom in the second half of 2001. The changes in strategic plans included a decision to phase out the legacy international wholesale voice operations of Cignal. When we and Priority Telecom reached agreement to acquire Cignal in the second quarter of 2000, the companies originally intended to continue the international wholesale voice operations of Cignal for the foreseeable future. This original plan for the international wholesale voice operations was considered in the determination of the consideration paid for Cignal. In 2001, using the strategic plan prepared in connection with the public listing of Priority Telecom, an impairment assessment test and measurement in accordance with SFAS 121 was completed, resulting in a write down of tangible assets, related goodwill and other impairment charges of $418.4 million for the year ended December 31, 2001.

In 2000 we acquired a license to operate a wireless telecommunications system in Switzerland. During the fourth quarter of 2001, in connection with our overall strategic review, we determined that we were not in a position to develop this asset as a result of both funding constraints and a change in strategic focus away from the wireless business, resulting in a write down of the value of this asset to nil and a charge of $91.3 million for the year ended December 31, 2001.

As a result of issuing warrants to acquire common stock of UPC during 1999 and 2000, we recorded 150.2 million in contract acquisition rights. These rights were being amortized over the three-year term of an interim technology agreement. During the fourth quarter of 2001, this interim technology agreement was terminated, and the remaining unamortized contract acquisition rights totaling $59.8 million were written off.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Restructuring Charges and Other

In 2001, UPC implemented a restructuring plan to both lower operating expenses and strengthen its competitive and financial position. This included eliminating certain employee positions, reducing office space and related overhead expenses, rationalization of certain corporate assets, recognizing losses related to excess capacity under certain contracts and canceling certain programming contracts. The total workforce reduction was effected through attrition, involuntary terminations and reorganization of UPC s operations to permanently eliminate open positions resulting from normal employee attrition. The following table summarizes these costs by type as of December 31, 2003:

	Employee severence and termination(2)	Office closures	Programming and lease contract termination	Asset disposal losses and other	Total
			in thousands		
Restructuring charges	$ 46,935	$ 16,304	$ 93,553	$ 47,335	$ 204,127
Cash paid and other releases	(13,497)	(6,386)	(14,814)	(3,294)	(37,991)
Foreign currency translation adjustments	127	38	12,468	(29,537)	(16,904)
Restructuring liability as of December 31, 2001	33,565	9,956	91,207	14,504	149,232
Restructuring charges (credits)	13,675	7,884	(32,035)	11,750	1,274
Cash paid and other releases	(30,944)	(4,622)	(32,231)	(24,449)	(92,246)
Foreign currency translation adjustments	3,133	978	9,920	2,590	16,621
Restructuring liability as of December 31, 2002	19,429	14,196	36,861	4,395	74,881
Restructuring charges (credits)(1)	177	7,506		(605)	7,078
Cash paid and other releases	(13,628)	(5,934)	(5,981)	(1,991)	(27,534)
Foreign currency translation adjustments	2,427	1,053	3,519	643	7,642
Restructuring liability as of December 31, 2003	$ 8,405	$ 16,821	$ 34,399	$ 2,442	$ 62,067
Short-term portion	$ 3,682	$ 6,002	$ 3,795	$ 794	$ 14,273
Long-term portion	4,723	10,819	30,604	1,648	47,794
Total	$ 8,405	$ 16,821	$ 34,399	$ 2,442	$ 62,067

(1) Restructuring charges and other in 2003 also includes other litigation settlements totaling $22.2 million and costs incurred by UGC Europe related to the UGC Europe Exchange Offer and merger of $6.7 million.

(2) Included nil and 45 employees scheduled for termination as of December 31, 2003 and 2002, respectively.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Income Taxes

The significant components of our consolidated deferred tax assets and liabilities are as follows:

	December 31,	
	2003	2002
	in thousands	
Deferred tax assets:		
Tax net operating loss carryforward of consolidated foreign subsidiaries	$ 1,017,895	$ 1,431,785
U.S. tax net operating loss carryforward	9,258	
Accrued interest expense	20,985	91,036
Investment valuation allowance and other	33,619	22,442
Property, plant and equipment, net	310,657	40,063
Intangible assets, net	20,701	
Other	48,743	38,213
Total deferred tax assets	1,461,858	1,623,539
Valuation allowance	(1,331,778)	(1,607,089)
Deferred tax assets, net of valuation allowance	130,080	16,450
Deferred tax liabilities:		
Cancellation of debt and other	(110,583)	(110,583)
Intangible assets	(82,679)	(12,056)
Other	(25,937)	(41)
Total deferred tax liabilities	(219,199)	(122,680)
Deferred tax liabilities, net	$ (89,119)	$ (106,230)

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The difference between income tax expense (benefit) provided in the accompanying consolidated financial statements and the expected income tax expense (benefit) at statutory rates is reconciled as follows:

	Year ended December 31,		
	2003	2002	2001
	in thousands		
Expected income tax expense (benefit) at the U.S. statutory rate of 35%	$ 560,026	$ 491,379	$ (1,632,925)
Tax effect of permanent and other differences:			
Change in valuation allowance	(516,810)	173,604	814,612
Gain on sale of investment in affiliate	(133,211)	(51,774)	
Tax ruling regarding UPC reorganization	107,922		
Enacted tax law changes, case law and rate changes	(92,584)		
Revenue for book not for tax	75,308		
Other	26,122	(11,415)	(5,063)
Financial instruments	15,280	95,178	
Non-deductible interest accretion	8,680	110,974	81,149
State tax, net of federal benefit	7,193	42,118	(139,965)
International rate differences	(5,857)	58,407	187,027
Non-deductible foreign currency exchange results	(3,595)	(104,598)	
Non-deductible expenses	1,870	12,024	14,740
Gain on extinguishment of debt		(728,754)	(1,310)
Goodwill impairment		114,039	559,028
Amortization of goodwill			84,020
Gain on issuance of common equity securities by subsidiaries			(1,974)
Total income tax expense (benefit)	$ 50,344	$ 201,182	$ (40,661)

Income tax expense (benefit) consists of:

	Year ended December 31,		
	2003	2002	2001
	in thousands		
Current:			
U.S. Federal	$ 1,008	$ 23,801	$
State and local	1,674	4,966	
Foreign jurisdiction	2,916	5,592	2,506
	5,598	34,359	2,506

Deferred:

U.S. Federal	$ 61,768	$ 138,746	$
State and local	8,519	19,136	
Foreign jurisdiction	(25,541)	8,941	(43,167)
	44,746	166,823	(43,167)
Income tax expense (benefit)	$ 50,344	$ 201,182	$ (40,661)

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The significant components of our foreign tax loss carryforwards are as follows:

Country	Tax loss carryforward	Tax asset	Expiration date
The Netherlands	$ 1,293,157	$ 446,139	Indefinite
France	786,516	278,662	Indefinite
Norway	302,860	84,801	2007-2012
Chile	273,619	45,147	Indefinite
Austria	226,173	76,899	Indefinite
Hungary	142,158	22,746	2004-2009
Poland	88,286	16,774	2004-2008
Other	163,602	46,727	Various
Total	$ 3,276,371	$ 1,017,895	

Foreign Tax Issues

Because we do business in foreign countries and have a controlling interest in most of our subsidiaries, such subsidiaries are considered to be controlled foreign corporations (CFC) under U.S. tax law (the Code). In general, a U.S. corporation that is a shareholder in a CFC may be required to include in its income the average adjusted tax basis of any investment in U.S. property held by a wholly or majority owned CFC to the extent that the CFC has positive current or accumulated earnings and profits. This is the case even though the U.S. corporation may not have received any actual cash distributions from the CFC. In addition, certain income earned by most of our foreign subsidiaries during a taxable year when our subsidiaries have positive earnings and profits will be included in our income to the extent of the earnings and profits when the income is earned, regardless of whether the income is distributed to us. The income, often referred to as Subpart F income, generally includes, but is not limited to, such items as interest, dividends, royalties, gains from the disposition of certain property, certain exchange gains in excess of exchange losses, and certain related party sales and services income. Since we and a majority of our subsidiaries are investors in, or are involved in, foreign businesses, we could have significant amounts of Subpart F income. Although we intend to take reasonable tax planning measures to limit our tax exposure, there can be no assurance we will be able to do so.

In general, a U.S. corporation may claim a foreign tax credit against its U.S. federal income tax expense for foreign income taxes paid or accrued. A U.S. corporation may also claim a credit for foreign income taxes paid or accrued on the earnings of a foreign corporation paid to the U.S. corporation as a dividend. Because we must calculate our foreign tax credit separately for dividends received from certain of our foreign subsidiaries from those of other foreign subsidiaries and because of certain other limitations, our ability to claim a foreign tax credit may be limited. Some of our operating companies are located in countries with which the U.S. does not have income tax treaties. Because we lack treaty protection in these countries, we may be subject to high rates of withholding taxes on distributions and other payments from these operating companies and may be subject to double taxation on our income. Limitations on the ability to claim a foreign tax credit, lack of treaty protection in some countries, and the inability to offset losses in one foreign jurisdiction against income earned in another foreign jurisdiction could result in a high effective U.S. federal tax rate on our earnings. Since substantially all of our revenue is generated abroad, including in jurisdictions that do not have tax treaties with the U.S., these risks are proportionately greater for us than for companies that generate most of their revenue in the U.S. or in jurisdictions that have these treaties.

We through our subsidiaries maintain a presence in 15 countries. Many of these countries maintain tax regimes that differ significantly from the system of income taxation used in the U.S., such as a value added tax

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

system. We have accounted for the effect of foreign taxes based on what we believe is reasonably expected to apply to us and our subsidiaries based on tax laws currently in effect and/or reasonable interpretations of these laws. Because some foreign jurisdictions do not have systems of taxation that are as well established as the system of income taxation used in the U.S. or tax regimes used in other major industrialized countries, it may be difficult to anticipate how foreign jurisdictions will tax our and our subsidiaries current and future operations.

UPC discharged a substantial amount of debt in connection with its reorganization. Under Dutch tax law, the discharge of UPC s indebtedness in connection with its reorganization would generally constitute taxable income to UPC in the period of discharge. UPC has reached an agreement with the Dutch tax authorities whereby UPC is able to utilize net operating loss carry forwards to offset any Dutch income taxes arising from the discharge of debt in 2003. UPC, together with its fiscal unity companies, expects that for the year ended December 31, 2003 it will have sufficient current year and carry forward losses to fully offset any income to be recognized on the discharge of the debt.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Earnings Per Share

	Year ended December 31,		
	2003	2002	2001
	in thousands		
Numerator (Basic):			
Income (loss) before cumulative effect of change in accounting principle	$ 1,995,368	$ 988,268	$ (4,514,765)
Gain on issuance of Class A common stock for UGC Europe preference shares	1,423,102		
Equity transactions of subsidiaries	6,555		
Accrual of dividends on Series B convertible preferred stock		(156)	(1,873)
Accrual of dividends on Series C convertible preferred stock		(2,397)	(29,750)
Accrual of dividends on Series D convertible preferred stock		(1,621)	(20,125)
Basic income (loss) attributable to common stockholders before cumulative effect of change in accounting principle	3,425,025	984,094	(4,566,513)
Cumulative effect of change in accounting principle		(1,344,722)	20,056
Basic net income (loss) attributable to common stockholders	$ 3,425,025	$ (360,628)	$ (4,546,457)
Denominator (Basic):			
Basic weighted-average number of common shares outstanding, before adjustment	418,874,941	390,087,623	99,834,387
Adjustment for rights offering in February 2004	43,149,291	40,183,842	10,284,175
Basic weighted-average number of common shares outstanding	462,024,232	430,271,465	110,118,562
Numerator (Diluted):			
Income (loss) before cumulative effect of change in accounting principle	$ 1,995,368	$ 988,268	$ (4,514,765)
Gain on issuance of Class A common stock for UGC Europe preference shares	1,423,102		
Equity transactions of subsidiaries	6,555		
Accrual of dividends on Series B convertible preferred stock			(1,873)

Accrual of dividends on Series C convertible preferred stock		(2,397)	(29,750)
Accrual of dividends on Series D convertible preferred stock		(1,621)	(20,125)
Diluted income (loss) attributable to common stockholders before cumulative effect of change in accounting principle	3,425,025	984,250	(4,566,513)
Cumulative effect of change in accounting principle		(1,344,722)	20,056
Diluted net income (loss) attributable to common stockholders	$ 3,425,025	$ (360,472)	$ (4,546,457)

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31,		
	2003	2002	2001
		in thousands	
Denominator (Diluted):			
Basic weighted-average number of common shares outstanding, as adjusted	462,024,232	430,271,465	110,118,562
Incremental shares attributable to the assumed exercise of outstanding stock appreciation rights	109,544		
Incremental shares attributable to the assumed exercise of contingently issuable shares	92,470		
Incremental shares attributable to the assumed exercise of outstanding options (treasury stock method)	220,115	9,701	
Incremental shares attributable to the assumed conversion of Series B convertible preferred stock		224,256	
Diluted weighted-average number of common shares outstanding	462,446,361	430,505,422	110,118,562

21. Related Party Transactions

Loans to Officers and Directors

In 2000 and 2001, Old UGC made loans through a subsidiary to Michael T. Fries, Mark L. Schneider and John F. Riordan, each of whom at the time was a director or an executive officer of Old UGC. The loans, totaling approximately $16.6 million, accrued interest at 90-day LIBOR plus 2.5% or 3.5%, as determined in accordance with the terms of each note. The purpose of the loans was to enable these individuals to repay margin debt secured by common stock of Old UGC or its subsidiaries without having to liquidate their stock ownership positions in Old UGC or its subsidiaries. Each loan was secured by certain outstanding stock options and phantom stock options issued by Old UGC and its subsidiaries to the borrower, and certain of the loans were also secured by common stock of Old UGC and its subsidiaries held by the borrower. Initially the loans were recourse to the borrower, however, in April 2001, the Old UGC board of directors revised the loans to be non-recourse to the borrower, except to the extent of any pledged collateral. Accordingly, such amounts have been reflected as a reduction of stockholders equity. The written documentation for these loans provided that they were payable on demand, or, if not paid sooner, on November 22, 2002. On January 22, 2003, we notified Mr. Fries and Mr. Schneider of foreclosure on all of the collateral securing the loans, which loans had an outstanding balance on such date, including interest, of approximately $8.8 million. Our board of directors authorized payment to Mr. Fries and Mr. Schneider a bonus in the aggregate amount of approximately $1.7 million to pay the taxes resulting from the foreclosure and the bonus. On January 6, 2004, we notified Mr. Riordan of foreclosure on all of the collateral securing his loans, which loans had an outstanding balance on such date, including interest, of approximately $10.1 million.

Merger Transaction Loans

When Old UGC issued shares of its Series E preferred stock in connection with the merger transaction with Liberty in January 2002, the Principal Founders delivered full-recourse promissory notes to Old UGC in the aggregate amount of $3.0 million in partial payment of their subscriptions for the Series E preferred stock. The loans evidenced by these promissory notes bear interest at 6.5% per annum and are due and payable on demand on or after January 30, 2003, or on January 30, 2007 if no demand has been made by then. Such amounts have been reflected as a reduction of stockholders equity, as such transactions are accounted for as variable option awards because the loans do not meet the criteria of recourse loans for accounting purposes.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Mark L. Schneider Transactions

In 1999, chello broadband loaned Mr. Schneider 2,268,901 so that he could acquire certificates evidencing the economic value of stock options granted to Mr. Schneider in 1999 for chello broadband ordinary shares B. This recourse loan, which is due and payable upon the sale of the certificates or the expiration of the stock options, bears no interest. Interest, however, is imputed and the tax payable on the imputed interest is added to the principal amount of the loan. In 2000, Mr. Schneider exercised chello broadband options through the sale of the certificates acquired with the loans proceeds. Of the funds received, 823,824 was withheld for payment of the portion of the loan associated with the options exercised. In addition, chello broadband cancelled the unvested options and related loan amount in May 2003. The outstanding loan balance was 380,197 at December 31, 2003.

Gene W. Schneider Employment Agreement

On January 5, 2004, we entered into a five-year employment agreement with Mr. Gene W. Schneider. Pursuant to the employment agreement, Mr. Schneider shall continue to serve as the non-executive chairman of our Board for so long as requested by our Board, and is subject to a five year non-competition obligation (regardless of when his employment under the employment agreement is terminated). In exchange, Mr. Schneider shall receive an annual base salary of not less than his current base salary, is eligible to participate in all welfare benefit plans or programs covering UGC s senior executives generally, and is entitled to receive certain additional fringe benefits. The employment agreement terminates upon Mr. Schneider s death. We may terminate him for certain disabilities and for cause. Mr. Schneider may terminate the employment agreement for any reason on thirty days notice to UGC. If the employment agreement is terminated for death or disability, we shall make certain payments to Mr. Schneider or his personal representatives, as appropriate, for his annual base salary accrued through the termination date, the amount of any annual base salary that would have accrued from the termination date through the end of the employment period had Mr. Schneider s employment continued through the end of the five year term, and compensation previously deferred by Mr. Schneider, if any, but not paid to him. Certain stock options and other equity-based incentives granted to Mr. Schneider shall remain exercisable until the third anniversary of the termination date (but not beyond the term of the award). Upon Mr. Schneider s election to terminate the employment agreement early, he is entitled to certain payments from us. If the employment agreement is terminated for cause by us, we have no further obligations to Mr. Schneider under the agreement, except with respect to certain compensation accrued through the date of termination and compensation previously deferred, if any, by Mr. Schneider.

Spinhalf Contract

In 2002, a subsidiary of UPC entered into a contract with Spinhalf Ltd for the provision of network services. This company is owned by a family member of John F. Riordan, a former director and former Chief Executive Officer of UPC. Amounts incurred with respect to such contracted services to date are approximately 7.8 million. We terminated the network support contract with Spinhalf during 2003.

Gene W. Schneider Life Insurance

In 2001, Old UGC s board of directors approved a split-dollar policy on the lives of Gene W. Schneider and his spouse for $30 million. Old UGC agreed to pay an annual premium of approximately $1.8 million for this policy, which has a roll-out period of approximately 15 years. Old UGC s board of directors believed that this policy was a reasonable addition to Mr. Schneider s compensation package in view of his many years of service to Old UGC. Following the enactment of the Sarbanes-Oxley Act of 2002, no additional premiums have been paid by Old UGC. The policy is being continued by payments made out of the cash surrender value of the policy. In the event the law is subsequently clarified to permit Old UGC to again make the premium payments

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

on the policy, Old UGC will pay the premiums annually until the first to occur of the death of both insureds, the lapse of the roll-out period, or at such time as The Gene W. Schneider Trust (the 2001 Trust) fails to make its contribution to Old UGC for the premiums due on the policy. The 2001 Trust is the sole owner and beneficiary of the policy, but has assigned to Old UGC policy benefits in the amount of premiums paid by Old UGC. The Trust will contribute to Old UGC an amount equal to the annual economic benefit provided by the policy. The trustees of the Trust are the children of Mr. Schneider. Upon termination of the policy, Old UGC will recoup the premiums that it has paid.

Programming Agreements

In the ordinary course of business, we acquire programming from various vendors, including Discovery Communications, Inc. (Discovery), Pramer S.C.A. (Pramer) and Torneos y Competencias, S.A. (TyC). Liberty has a 50% equity interest in Discovery and a 40% equity interest in TyC. Pramer is an indirect wholly-owned subsidiary of Liberty. VTR has programming agreements with Discovery, TyC and Pramer. The cost of these agreements with VTR is approximately $4.2 million per year. UGC Europe has programming agreements with Discovery and the cost of these agreements is approximately $9.8 million per year. All of the agreements have a fixed term with maturities ranging from August 2004 to year-end 2006, however, most of the agreements will automatically renew for an additional year unless terminated upon prior notice.

22. Subsequent Events

Liberty Acquisition of Controlling Interest

On January 5, 2004, Liberty acquired approximately 8.2 million shares of Class B common stock from our founding stockholders in exchange for securities of Liberty and cash (the Founders Transaction). Upon the completion of this exchange and subsequent acquisitions of our stock, Liberty owns approximately 55% of our common stock, representing approximately 92% of the voting power. Beginning with the next annual meeting of our stockholders, the holders of our Class A, Class B and Class C common stock will vote together as a single class in the election of our directors. Liberty now has the ability to elect our entire board of directors and otherwise to generally control us. The closing of the Founders Transaction resulted in a change of control of us.

Upon closing of the Founders Transaction, our existing standstill agreement with Liberty terminated, except for provisions of that agreement granting Liberty preemptive rights to acquire shares of our Class A common stock. These preemptive rights will survive indefinitely, as modified by an agreement dated November 12, 2003, between Liberty and us. The former standstill agreement restricted the amount of our stock that Liberty could acquire and restricted the way Liberty could vote our stock. On January 5, 2004, Liberty entered into a new standstill agreement with us that generally limits Liberty s ownership of our common stock to 90% or less, unless Liberty makes an offer or effects another transaction to acquire all of our common stock. Except in the case of a short-form merger in which our stockholders are entitled to statutory appraisal rights, such offer or transaction must be at a price at or above a fair value of our shares determined through an appraisal process if a majority of our independent directors has voted against approval or acceptance of such transaction.

Prior to January 5, 2004, we understand that Liberty accounted for its investment in us under the equity method of accounting, as certain voting and standstill agreements entered into between them and the Founders precluded Liberty s ability to control us. Liberty s acquisition of the Founders shares on January 5, 2004 caused those voting restrictions to terminate and allows Liberty to fully exercise their voting rights and control us. As a result, Liberty began consolidating us from the date of that transaction. Liberty has elected to push down its investment basis in us (and the related purchase accounting adjustments) as part of its consolidation process. The effects of this pushdown accounting will likely reduce our total assets and stockholders equity by a material amount and could have a material effect on our statement of operations.

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UNITEDGLOBALCOM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Liberty Exercise of Preemptive Right

Pursuant to the terms of a standstill agreement, if we propose to issue any of our Class A common stock or rights to acquire our Class A common stock, Liberty has the right, but not the obligation, to purchase a portion of such issuance sufficient to maintain its then existing equity percentage in us on terms at least as favorable as those given to any third party purchasers. This preemptive right does not apply to (i) the issuance of our Class A common stock or rights to acquire our Class A common stock in connection with the acquisition of a business from a third party not affiliated with us or any founder that is directly related to the existing business of us and our subsidiaries, (ii) the issuance of options to acquire our Class A common stock to employees pursuant to employee benefit plans approved by our board (such options and all shares issued pursuant thereto not to exceed 10% of our outstanding common stock), (iii) equity securities issued as a dividend on all equity securities or upon a subdivision or combination of all outstanding equity securities, or (iv) equity securities issued upon the exercise of rights outstanding as of the closing of the merger or as to the issuance of which Liberty had the right to exercise preemptive rights. Based on the foregoing provisions, in January 2004, Liberty exercised its preemptive right, based on shares of Class A common stock issued by us in the UGC Europe Exchange Offer. As a result, Liberty acquired approximately 18.3 million shares of our Class A common stock at $7.6929 per share. Liberty paid for the shares through the cancellation of $102.7 million of notes we owed Liberty, the cancellation of $1.7 million of accrued but unpaid interest on those notes and $36.3 million in cash.

Rights Offering

We distributed to our stockholders of record on January 21, 2004, transferable subscription rights to purchase shares of our Class A, Class B and Class C common stock at a per share subscription price of $6.00. The rights offering, which expired on February 12, 2004, was fully subscribed, resulting in gross proceeds to us of approximately $1.0 billion. We issued approximately 83.0 million shares of our Class A common stock, 2.3 million shares of Class B common stock and 84.9 million shares of our Class C common stock in the rights offering.

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Independent Auditors Report

To the Board of Directors and Shareholders of Suez Lyonnaise Telecom S.A

We have audited the accompanying consolidated balance sheets of Suez Lyonnaise Telecom S.A and subsidiaries (the Group), as of December 31, 2003, 2002 and 2001 and the related consolidated statements of income, shareholders equity, and cash flows for the years then ended. These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2003, 2002 and 2001 and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in France.

Accounting practices generally accepted in France vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 8 to the consolidated financial statements.

Barbier Frinault & Autres
Ernst & Young

/s/ Bruno Bizet

Bruno Bizet

Neuilly-sur-Seine,
July 16, 2004

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS)
CONSOLIDATED BALANCE SHEET
(In thousands of euros)

	December 31, 2001	December 31, 2002	December 31, 2003
ASSETS			
Non-current assets			
Intangible assets, net			
Goodwill	48,452	45,522	42,597
Concessions, patents and brands	19,844	20,585	10,375
Other intangible assets and in progress	694,471	654,403	163,187
	762,767	720,510	216,159
Tangible assets, net			
Land	253	147	147
Constructions, net	474,998	484,613	456,998
Technical fixtures, net	84,925	64,659	60,360
Other tangible assets, net	25,116	22,151	17,336
Fixed assets under construction	65,500	51,010	17,775
	650,792	622,580	552,616
Investments	4,405	880	782
Total non-current assets	1,417,964	1,343,970	769,557
Current assets			
Inventories, net	5,693	5,550	1,774
Advances and payment on account	12,713	9,651	14,297
Trade receivables	26,643	20,699	17,456
Other receivables	50,243	40,489	53,950
Marketable securities	23		1,215
Cash and cash equivalents	8,040	3,757	6,657
Prepaid expenses	9,611	9,045	2,695
Total current assets	112,966	89,191	98,044
TOTAL ASSETS	1,530,930	1,433,161	867,601
LIABILITIES AND SHAREHOLDERS EQUITY			
Shareholders equity			
Capital stock	470,371	470,371	470,371
Additional paid-in capital	378,287	378,287	378,287
Accumulated deficit	(17,254)	(152,589)	(463,668)
Net loss for the year	(135,335)	(311,079)	(622,713)
Total Shareholders equity	696,069	384,990	(237,723)

Contingencies and loss provisions	23,643	26,024	17,936
Liabilities			
Bank debt	232,034	214,489	210,558
Other debt	332,020	589,235	663,055
Customers deposits	34,734	40,520	43,548
Advanced payment received	1,407	173	1,146
Trade payables	115,542	109,035	114,814
Tax and social liabilities	11,619	24,721	22,859
Amounts due to suppliers of fixed assets	76,934	39,289	20,953
Other liabilities	4,706	2,775	7,046
Deferred income	2,222	1,910	3,409
Total liabilities	811,218	1,022,147	1,087,388
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,530,930	1,433,161	867,601

The accompanying notes are an integral part of the consolidated financial statements.

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS)
CONSOLIDATED STATEMENTS OF INCOME
(In thousands of euros except amounts per share)

	Year ended December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003
Net sales	140,864	276,333	299,039
Other operating revenues	3,126	14,493	15,444
Total revenues	143,990	290,826	314,483
Purchases of materials	2,456	7,160	10,388
Other external operating expenses	138,926	218,781	169,563
Taxes	2,647	7,301	7,866
Payroll expenses	32,558	67,014	46,641
Depreciation, amortization (excluding goodwill amortization)	80,786	162,663	166,112
Other operating expenses	4,284	8,841	9,386
Operating expenses	261,657	471,760	409,956
Operating loss	(117,667)	(180,934)	(95,473)
Financial income (expense), net	(15,405)	(48,132)	(62,656)
Loss before income tax and exceptional items	(133,072)	(229,066)	(158,129)
Exceptional items, net	(166)	(79,752)	(462,009)
Income taxes	(121)	(44)	(358)
Net loss before goodwill amortization	(133,359)	(308,862)	(620,496)
Goodwill amortization	(1,976)	(2,217)	(2,217)
Net loss	(135,335)	(311,079)	(622,713)
Basic loss per share (in euro)	(4.4)	(10.1)	(20.2)
Diluted loss per share (in euro)	(4.4)	(10.1)	(20.2)

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of euros)

	Year ended December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003
Cash flows from operating activities:			
Net loss	(135,335)	(311,079)	(622,713)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization, depreciation and allowances	79,547	207,908	593,703
Gains and losses from disposals, net of tax	(780)	81	9,362
Other	1,885	10,689	3,859
Cash flows from operating activities before changes in working capital	(54,683)	(92,401)	(15,789)
Net changes in working capital:			
Inventories	(5,593)	143	3,776
Receivables/ Payables	(60,481)	22,971	(6,170)
Cash flow from operating activities	(120,757)	(69,287)	(18,183)
Additions to intangible assets	(3,394)	(7,722)	(1,846)
Additions to property, plant and equipment	(102,121)	(166,685)	(45,235)
Additions to investments	1,535	1,023	317
Proceeds from disposals of fixed assets	5,147		
Proceeds from investments	141	881	
Net cash used in investing activities	(98,692)	(172,503)	(46,764)
Net change in customers deposits	4,957	5,786	2,313
Variance in loans and other financial liabilities	211,253	244,226	60,163
Net cash provided by financing activities	216,210	250,012	62,476
Net change in cash and cash equivalents	(3,239)	8,222	(2,471)
Cash and cash equivalents at the beginning of the period	(5,405)	(8,644)	(422)
Cash and cash equivalents at the end of the period	(8,644)	(422)	(2,893)

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS)

1. Highlights of 2001, 2002 and 2003.

The Group owns and operates cable telecommunication systems in France (digital and analogical) and provides cable television services and high-speed Internet access services. The Group is the first cable operator in France operating mainly in Paris.

1.1 Creation of Suez Lyonnaise Telecom (The Group)

On May 18, 2001, Suez, France Telecom, NTL Inc and Morgan Stanley Dean Witter (MSDW) entered into an agreement, the main terms of which were as follows:

A contribution of Suez s investments in Lyonnaise Communications and Auxipar to the Group.

A contribution of France Telecom s investments in Lyonnaise Communications, Paris Cable and Rapp 16 to the Group. Rapp 16 owns a right of use of civil engineering through cable network (owned by France Telecom) for a period of 20 years.

A 154 million capital increase.

A shareholder s loan.

Following these transactions, MSDW and NTL inc then acquired France Telecom s investment in the Group.
As a result of the aforementioned transactions, the ownership structure of the Group was the following:

Suez	50.1%
NTL Inc.	22.9%
MSDW	27.0%

1.2 Highlights of the Year 2001

1.2.1 Investment in NTL France

On November 23, 2001, the Group acquired 100% of NTL France Holding SAS and NTL France SAS. NTL France SAS s business is to manage 5 cable networks in the Paris area and in Toulon.

1.2.2 Launch of Subscriptions Under the SIPPEREC Agreement

On November 16, 1999, the SIPPEREC (Syndicat Intercommunal de la Périphérie de Paris pour l Electricité et les Réseaux de Communication) and the Group entered into a concession agreement for establishing a cable video communication network. The SIPPEREC project is composed of 3 zones: North, South and Plaque trois . The year 2000 was dedicated to companies bidding, construction of the network head-ends, the civil engineering and the optical network for municipalities included in the concession plan. Home-passed built in 2000 were proposed to customer in 2001 and the first subscriptions occurred in April 2001 mainly by collective customers (life line subscription undertaken at building level).

1.3 Highlights of the Year 2002

1.3.1 SIPPEREC Status

In 2002, Lyonnaise Communications invested 63 million in the North and South zones of the SIPPEREC project. At December 31, 2002, its cumulated capital expenditure amounted to 171 million. The Group recognized a write down of 32.3 million due to costs incurred above initial plans in constructing the networks. At this time, the Group and SIPPEREC entered into discussion and negotiations to determine what should be the planning for future construction and which amount of investment should be made. Discussions

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS) (Continued)

continued during the first half of 2003 and the 2 parties finally reached an agreement for a waiver at the end of June 2003.

1.3.2 Voluntary Departure Plan

The Group launched a downsizing procedure involving a voluntary departure plan. Discussions with employee representatives began in November 2002.

1.3.3 NTL Networks

In 2002, the six legal entities acquired in November 2001 accounted for an additional 15 million revenue and decided to change their firm s name in order to clear all reference to NTL.

1.4 Highlights of the Year 2003

1.4.1 Voluntary Departure Plan

The Group carried on with its voluntary departure plan initiated in 2002. Consultations with employee representatives began on January 30, 2003 and ended on March 20, 2003. The first departures took place on April 15, 2003 and most of the remaining occurred by June 30, 2003. A total of 534 employees left the Group in 2003. At December 31, 2003 the Group had 625 employees.

1.4.2 SIPPEREC

On June 30, 2003 SIPPEREC and Lyonnaise Communications, signed three compromise settlement agreements. These agreements were then officially put in force on September 3, 2003 for the North and South zones and on September 19, 2003 for the third zone.

Under these agreements, Lyonnaise Communications undertakes to:

Build 16,400 home-passed, for a total cost of 3.8 million, for the North zone within 24 months following the official announcement date.

Build 26,700 home-passed, for a total cost of 6 million, for the South zone within 24 months following the official announcement date.

Create a company called Plaque Trois , with a capital stock of 1.0 million. This wholly owned subsidiary of Lyonnaise Communications will be required to conduct engineering and financial studies for a total cost of 0.5 million (of which 0.2 million had already been incurred by SIPPEREC at December 31, 2003). In addition, Lyonnaise Communications undertakes to contribute to the new company all of its rights on fixed assets (such as network head-ends and other equipments) and intangible assets (studies) for a total amount of 3.3 million at December 31, 2003. Therefore, the Lyonnaise Communications total investment amounts to 4.8 million. Lyonnaise Communications undertakes to sell at a symbolic price its entire stake in this company to any buyer vetted by SIPPEREC. This agreement, signed for a period of 18 months, shall allow the parties to continue their contractual relations.

Negotiate, within a reasonable time frame, a formula for continuing capital expenditure that respects the economic balance of the concession.

In return, SIPPEREC undertakes to:

Waive its right to claim penalties relating to the period ranging from the implementation of the concession agreement to the expiration of the compromise settlement agreements,

Waive any other form of contractual claim.

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS) (Continued)

Penalties notified, invoiced or transferred to debt collection services at June 30, 2003 amounted to 13.3 million. This amount is disclosed in full as an off-balance sheet commitment at December 31, 2003.

In accordance with the agreement signed with SIPPEREC, the Group created in October 2003 a company called SAS SDP3 (formally named Plaque 3) with a share capital of 1.0 million.

1.4.3 Changes in the Group s Shareholding

On January 10, 2003, NTL Inc sold its 27% investment in the Group to France Telecom.

1.4.4 Long-lived Assets Impairment

As of December 31, 2003, the Group proceeded with an analysis of the recoverability of the carrying value of its long-lived assets. The fair value of the assets was determined based on expected future discounted cash flows, as per management s five year plan (2004-2008) updated in February 2004.

Based on the result of this analysis, the Group recorded an impairment charge of 450 million. Assuming the assets and the evolution of the business of the group, this write-down was fully allocated to the rights of use of civil engineering, which had an historical amount of 703 million and was the most significant Group s intangible assets.

1.5 Subsequent Events

On March 15, 2004, Suez and UnitedGlobalCom Inc. (UGC) announced that they had entered into an agreement in regards to the purchase of the Group s shares. This purchase had been carried out through the holding company of the UGC group in France (Mediareseaux).

In April 2004, bank borrowings as of December 31, 2003 were fully reimbursed by shareholder s loans. (See § 5.7 for further details).

The purchase was subject to suspensive conditions (including the clearance of the European Union Commission and the recapitalization of the Group), which were cleared.

On May 2004, an agreement was reached between NTL Inc, Suez and the Group, in order to finalize the price and the payment of the NTL network acquired in 2001. Obligations and earn out clauses originally included in the 2001 acquisition agreement have been withdrawn.

On May 25th, 2004, Suez fully subscribed to the Group s holding 549 million share capital increase, which was performed on June 16th, by debt compensation and shareholder s loan granted by Suez.

On July 2, 2004, Mediareseaux acquired the Group in accordance with the March 2004 agreement between Suez and UGC.

As a consequence of the sale agreement, Mediareseaux has undertaken the shareholder s loan and a new financing convention is currently being drafted between the Group and Mediareseaux.

2. Basis of Preparation

The consolidated financial statements of the Group and its subsidiaries have been prepared in accordance with French generally accepted accounting principles, and specifically standard 99-02 issued by the Comité de Réglementation Comptable (CRC 99-02) for the 3 years noted above.

Year 2001 Consolidated Financial Statement

As detailed in § 1.1, the Group was created on May 18, 2001. The 2001 fiscal year represents seven months of activity from June 1st 2001 to December 31, 2001.

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS) (Continued)

Change in the Presentation of the Consolidated Statement of Income

In 2003, Bank commissions and fees which are not VAT-liable were reclassified from Other purchases and external charges to interest expense. The amount reclassified at December 31, 2003 was 6.5 million. This change in presentation had no impact on the Group s net income.

3. Summary of Significant Accounting Policies

3.1 Basis of Consolidation

The accounts of all significant subsidiaries over which the Group directly or indirectly exercises exclusive legal or *de facto* control are fully consolidated. *De facto* control may result from contractual agreements or from the ability to exercise the majority of the voting rights at the subsidiary s shareholders meetings. Exclusive control may be deemed to exist where the direct or indirect shareholding exceeds 40% of voting rights.

Suez Lyonnaise Telecom exercises neither joint control nor significant influence on any entities other than entities listed in the scope of consolidation table (See note 4)

3.2 Goodwill

Goodwill represents the excess of the purchase price over the fair value of all assets and liabilities acquired in business combinations at the date of the acquisition. If the purchase price is more than the fair value of all assets and liabilities acquired, the positive goodwill is amortized using the straight-line method over 20 years.

If the purchase price is lower than the fair value of all assets and liabilities acquired, the negative goodwill is reversed into income according to the plan set up at the time of the acquisition, based on initial objectives and estimates for the related acquired business, or recorded against identified assets and liabilities.

However, business combination may be accounted under a pooling of interest method (méthode dérogatoire) when the four criteria of the section 215 of the standard CRC 99-02 are met. Under this method, assets acquired and liabilities assumed are recognized at their carrying amount of the business acquired and the excess of the purchase price over the net book value of the assets acquired and liabilities assumed is charged directly against equity upon acquisition.

The creation of the SLT Group on May 18, 2001 was accounted for using the pooling of interest method as described above.

3.3 Impairment of Assets

Tangible, intangible fixed assets and goodwill are subject to an impairment review when events or a change in circumstances, other than temporary, indicate that the carrying value is lower than the value in use.

The value in use is determined based on expected future discounted cash flows to be derived from the assets by considering management s expectations of future economic and operating conditions of the respective assets. For some of them, the value in use could be determined based on replacement cost for used equipment, cost of alternative technologies and recent transactions for similar businesses.

When an impairment exists, the difference between the carrying value of the asset and its book value is recognized through the income statement.

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SUEZ LYONNAISE TELECOM
(CONSOLIDATED FINANCIAL STATEMENTS) (Continued)

3.4 Other Intangible Assets

Other intangible assets are recorded at their acquisition cost (excluding financial expenses) and are amortized on a straight-line basis over their estimated useful lives. Intangible assets are depreciated over the following period:

Preliminary expenses	3 years
Acquired software	3 years
Internally developed software	4 years
Civil engineering rights of use (Rapp 16)(*)	20 years
Civil engineering rights of use (Other)(*)	30 years
Digital documentation	8 years

(*) Contract term

3.5 Tangible Assets

Tangible assets are recorded at acquisition cost and are depreciated on a straight-line basis over their estimate useful lives, which can be detailed as follows:

Buildings	30 years
Engineering design work	30 years
Civil engineering work	30 years
Active electronics	8 years
Cables and connectors	15 years
Fixtures and fittings	8 years
Wiring	15 years
Boxes and Modems(*)	5 years
Technical fixtures and tooling	5 years
Office equipment and computers	3 to 5 years
Furniture	8 years

(*) Boxes and Modems correspond to rent items. At the end of each contract, assets are reviewed for impairment or brought back into service after inspection if possible.

The Group has no tangible assets under finance lease. Tangible assets in progress at the balance sheet date are recorded based on capital expenditure realized and are written down if needed.

3.6 Investments

Investments in and advances to non-consolidated companies and other investments are recorded at acquisition costs (excluding incidental expenses). A provision for impairment is recorded when the value in use to the Group as of the balance sheet date is less than acquisition cost.

3.7 Inventories

Inventories are valued according to the weighted average cost method (excluding incidental expenses). Inventories mainly include modems and installation equipments. Modems remain in stock until their sale or their transfer to assets when they are rented. These modems can be written down following a physical count that takes into account their condition and obsolescence.

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3.8 Receivables

Receivables are stated at nominal value, which is assumed to approximate their fair value because of their short maturity. At year-end, receivables are reviewed and an allowance for bad debt is recorded based on the aging of the accounts receivables and/ or the liquidity of the related customer for professional and the level reached in the collection process, for residential. Other receivables consist primarily of tax receivables.

3.9 Retirement Obligation

The obligations of the Group relate principally to lump sum indemnities payable to employees upon retirement. The amounts of these obligations are valued based on actuarial assessments. These calculations incorporate assumptions relating to mortality, turnover of personnel and salary projections and consider the economic conditions specific to each subsidiary of the Group. The discount rate is calculated in accordance with the yield, as of the date of valuation, of the bonds issued by highly rated companies in Europe.

3.10 Income Tax

Current taxes are based on the results of the Group companies.

The Group recognizes deferred tax assets and liabilities for temporary differences arising between the tax basis of assets and liabilities and their carrying values for consolidated financial statements purposes. In addition, deferred tax assets relating to carry forward of unused tax losses are recognized if there is a reasonable assurance of recovering them in the next few years.

Gains and losses resulting from changes in the French tax rate are recognized through the income in accordance with the liability method on temporary difference and are subject to standard rate or a lower rate according to the estimated expiry date.

Deferred tax liabilities and deferred tax assets are compensated and the net deferred income tax obtained is recognized through the Balance Sheet if there is a reasonable assurance of recovering them in the next few years.

3.11 Revenue Recognition

TV and Internet subscriptions as well as rental of boxes and modems are recognized in the period in which services are delivered.

The impact of free subscriptions is recognized as a deduction of sales while other marketing investments (i.e. distributor commissions and promotional offers) are charged to income statement in the year in which they are incurred.

3.12 Foreign Currency Transactions

Sales are made in France and denominated in Euro s.

3.13 Exceptional Items

Exceptional items include non-recurring items, which do not occur as a result of the general day-to-day operations of the business, either because their amount or their impact is unusual or because they rarely occur and therefore shall not be deemed to pertain to the operational income of the Group.

3.14 Earnings Per Share

Basic earnings per share is computed by dividing the Group s net income by the weighted average number of shares outstanding during the period.

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Diluted earnings per share include the dilutive effects of options and other dilutive instruments as if they had been exercised (unless they are anti-dilutive).

There are no differences between basic and dilutive net loss per share for the Company for the years ended December 31, 2001, 2002 and 2003.

3.15 Marketable Securities

Marketable securities are stated at acquisition cost and a provision is recorded when the market value of the securities or, if not applicable, their estimated net realizable value, is lower than their acquisition cost.

3.16 Cash Flow Statement

The consolidated cash flow statement has been prepared using the indirect method showing the reconciliation of the net income to the cash and cash equivalent. In addition, in the cash flow statement, cash and cash equivalents are cash in bank including bank overdrafts and marketable securities.

3.17 Others

Treasury Share:

None

Derivative Instrument:

None

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4. Scope of Consolidation

The financial statements of companies controlled by the Group are fully consolidated. Intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. All companies have a December 31 year-end.

The scope of consolidation that includes all controlled companies, was as follows:

Parent company: Suez Lyonnaise Telecom Siren: 402.986.707, 20 place des vins de France 75012 Paris	Legal structure	% of voting rights	Financial interests	Consolidation method
From the constitution of the Group:				
ALPINE DE VIDEOCOMMUNICATION	SA	100	100	IG
Siren: 348 804 923, 20 place des Vins de France 75012 PARIS				
AUXIPAR	SA	100	100	IG
Siren: 390 263 069, 20 place des Vins de France 75012 PARIS				
COMTOISE DE VIDEOCOMMUNICATION	SA	100	100	IG
Siren: 348 313 412, 20 place des Vins de France 75012 PARIS				
CLERMONTOISE DE VIDEOCOMMUNICATION	SA	100	100	IG
Siren: 345 193 791, 20 place des Vins de France 75012 PARIS				
LYONNAISE COMMUNICATIONS	SA	100	100	IG
Siren: 335 354 379, 20 place des Vins de France 75012 PARIS				
CABLE ET VIDEOCOMMUNICATION DE L OUEST	SA	100	100	IG
Siren: 348 487 042,20 place des Vins de France 75012 PARIS				
ARTESIENNE DE VIDEOCOMMUNICATION	SA	100	100	IG
Siren: 348 075 227, 20 place des Vins de France 75012 PARIS				
SNERC (MENTON)	SNC	100	100	IG
Siren: 378 442 255, 20 place des Vins de France 75012 PARIS				
ORLEANAISE DE VIDEOCOMMUNICATION	SA	100	100	IG
Siren: 347 859 274, 20 place des Vins de France 75012 PARIS				
PARIS CABLE	SA	100	100	IG
Siren: 329 108 278, 20 place des Vins de France 75012 PARIS				
RAPP 16	SA	100	100	IG
Siren: 428 748 081, 20 place des Vins de France 75012 PARIS				
SARCELLES TV CABLE	SA	100	100	IG
Siren: 350 145 348, 20 place des Vins de France 75012 PARIS				
STRASBOURG TV CABLE	SNC	100	100	IG
Siren: 351 309 695, 20 place des Vins de France 75012 PARIS				
VIDEOCOMMUNICATION DE SUD OUEST	SA	100	100	IG
Siren: 351 541 537, 20 place des Vins de France 75012 PARIS				

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Parent company: Suez Lyonnaise Telecom Siren: 402.986.707, 20 place des vins de France 75012 Paris	Legal structure	% of voting rights	Financial interests	Consolidation method
From Nov 2001:				
REGION PARISIENNE COMMUNICATIONS	SNC	100	100	IG
Siren: 387 879 737, 7-9 rue de la Croix-Martre 91120 Palaiseau				
COMMUNICATIONS 91	SNC	100	100	IG
Siren: 351 746 664, 7-9 rue de la Croix-Martre 91120 Palaiseau				
PACA COMMUNICATIONS	SNC	100	100	IG
Siren: 341 724 474, Centre Mayol, Place Pompidou 83000 Toulon				
IDF COMMUNICATIONS Holding SAS	SAS	100	100	IG
Siren: 423 375 542, 7-9 rue de la Croix-Martre 91120 Palaiseau				
IDF COMMUNICATIONS SAS	SAS	100	100	IG
Siren: 423 557 925, 7-9 rue de la Croix-Martre 91120 Palaiseau				
ESSONNE COMMUNICATIONS	SNC	100	100	IG
Siren: 342 159 613, 7-9 rue de la Croix-Martre 91120 Palaiseau				
From its incorporation in October 2003:				
SDP3 (Société de Développement de la Plaque 3)	SAS	100	100	IG
Siren: 450 406 418, 20 place des Vins de France 75012 PARIS				

IG integration globale : Fully consolidated
The balance sheets of NTL France were consolidated as of December 31, 2001.
Under the agreement signed with the SIPPEREC, Lyonnaise Communications created in October 2003 the company called SAS SDP3 (formally named Plaque 3) with a capital stock of 1.0 million.
In addition, the Group owns or owned minority sharing. These non-consolidated companies were not significant as regards of the following criteria: total balance sheet, revenue, shareholder s equity, net income and debt and had no impact on the true and fair view provided by the group s consolidated financial statements.

5. Detailed Notes to the Financial Statements

5.1 Assets

5.1.1 Goodwill and Intangible Assets

	December 31, 2001	December 31, 2002	December 31, 2003
		in million of euros	
Goodwill (Gross)	58.5	58.5	58.5
Concessions, patents and brands	40.2	50.0	55.3
Fonds commerciaux	0.8	0.9	0.9
Other intangible assets and in-progress*	728.0	724.0	715.4
Other intangible assets and in progress (Gross)	769.0	774.9	771.6

Additions	4.2	5.9	1.3
Disposals			(4.6)

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* Mainly include civil engineering and networks rights of use.

5.1.2 Tangible Assets

	December 31, 2001	December 31, 2002	December 31, 2003
		in million of euros	
Land	0.2	0.1	0.1
Constructions	707.0	804.7	828.9
Technical fixtures	171.0	211.2	226.1
Other tangible assets	46.3	52.2	52.2
Fixed assets under construction	73.2	55.0	35.3
Tangible assets (Gross)	997.7	1,123.2	1,142.6
Additions	126.6	128.2	30.2
Disposals	(0.9)	(2.7)	(10.8)

5.1.3 Depreciation and Amortization

	December 31, 2001	December 31, 2002	December 31, 2003
		in million of euros	
Goodwill	**10.1**	**13.0**	**15.9**
Depreciation in the period	1.7	2.9	2.9
Disposal and reversal			
Concessions, patents and brands	20.8	29.8	45.1
Fonds commerciaux	0.3	0.5	0.7
Other intangible assets and in-progress	33.5	69.6	552.3
Total other Intangible assets	54.6	99.9	598.1
Depreciation in the period	51.0	45.4	498.2
Disposal and reversal		(0.1)	
Constructions	232.0	320.1	371.9
Technical fixtures	86.1	146.5	165.7
Other tangible assets	21.1	30.1	34.9
Fixed assets under construction	7.7	4.0	17.5
Total Tangible assets	346.9	500.7	590.0
Depreciation in the period	26.5	157.3	100.0
Disposal and reversal		(3.5)	(10.7)

5.1.4 *Explanatory Note*

1) The creation of the SLT Group on May 18, 2001 generated goodwill of 1,449 million, which was recognized in the consolidated financial statements as a reduction of the share premium using the pooling of interest method (*méthode dérogatoire*) in accordance with section 215 of the appendix to CRC 99-02.D. (See § 3.2)

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2) The 58.5 million goodwill recorded in the balance sheet arose from Lyonnaise Communications acquisition of Paris Cable shares in 1997. This goodwill is being amortized over twenty years. Annual amortization expense amounts to 2.9 million and its net book value was 42.6 million at December 31, 2003.

3) The acquisition of IDF Communications Holding SAS (previously NTL France Holding SAS) and IDF Communications SAS (previously NTL France SAS) on November 23, 2001 generated negative goodwill of 9.3 million, which was allocated as follows:

	Allocation December 31, 2001	Impact net income 2002	Impact net income 2003	At December 31, 2003
		in millions of euros		
Network Operating Center (NOC)	(1.5)	0.1	0.1	(1.3)
Networks	(5.6)	0.6	0.6	(4.4)
Voluntary Departure Plan (Exceptional items)	(1.0)	1.0		
Rental and relocation costs (Other operating expenses)	(0.7)	0.7		
Rental (reversal included in operating income)	(0.5)		0.5	
TOTAL	(9.3)	2.4	1.2	(5.7)

A plan has been set up to recover through the income statement (goodwill amortization caption) the negative goodwill allocated to NOC and networks (1.5 million + 5.6 million) over a period of ten years. Amounts reversed for the years 2002 and 2003 were 0.7 million. As of December 31, 2003, the net negative goodwill allocated to NOC and networks amounted to 5.7 million.

Total amounts reversed over the years 2002 and 2003 were respectively 2.4 million and 1.2 million.

4) Intangible assets mainly include civil engineering and networks rights of use granted by France Telecom for a total amount of 703 million, amortized over the term of the contracts. An impairment charge of 450 million was recorded on these assets in 2003. (See above §1.4.4)

5.2 Investments

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Investments in non-consolidated companies(1)	0.3	0.1	0.1
Loans to non-consolidated companies	0.5		
Loans(2)	2.7		
Other investments(3)	0.9	0.8	0.7
Investments (net)	4.4	0.9	0.8

(1) In 2002, Lyonnaise Communications sold its 8.8% investment in the company Chaîne Histoire , which the Group continues to broadcast.

(2) Refers to salary loans reimbursed during the year 2002.

(3) Other investments are mainly rent deposits.

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The investments in non-consolidated companies which total cost amounts to 71,163 are as follows:

Companies	Activity	% held as of December 2003	Cost
SAEM Mantes TV Cable	Local TV channel	36.72%	13,995
SAEM Vidéocâble 91	Local TV Channel	18.30%	53,357
		35% until 2002	
SEM Le Palace Epinal	Movie complex	2.78%	3,811

5.3 Inventories

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Inventories (Gross)	7.7	7.6	4.0
Allowance	(2.0)	(2.0)	(2.2)
Inventories (net)	5.7	5.6	1.8

The decrease in inventories gross value is partly explained by the improvement in the delivery lead-time of modems. Allowances mainly relate to the obsolescence of installation equipments (fully depreciated as of December 31, 2003).

5.4 Receivables

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Advances and payment on account	12.7	9.7	14.3
Trade receivables (Gross)	36.5	37.5	40.2
Allowance for bad debt	(9.9)	(16.8)	(22.8)
Trade receivables (Net)	26.6	20.7	17.4
Other receivables	50.2	40.5	54.0

Other receivables mainly relate to VAT. All receivables are due within a year.

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5.5 Shareholder s Equity

Changes in shareholders equity are presented below:

	Capital stock	Share premium	Accumulated deficit	Net loss for the year	Total
			in millions of euros		
Opening balance	1.6	10.7	(17.3)		(5.0)
Issuance of shares	31.6	122.3			153.9
Contribution May 18, 2001	437.2	1,694.8			2,132.0
Goodwill allocation		(1,449.5)			(1,449.5)
Net loss for the year				(135.3)	(135.3)
December 31, 2001	470.4	378.3	(17.3)	(135.3)	696.1
Change in capital Net income for the prior year				(135.3)	135.3
Net loss for the year				(311.1)	(311.1)
December 31, 2002	470.4	378.3	(152.6)	(311.1)	385.0
Change in capital Net income for the prior year				(311.1)	311.1
Net loss for the year				(622.7)	(622.7)
December 31, 2003	470.4	378.3	(463.7)	(622.7)	(237.7)

At December 31, 2003, Suez Lyonnaise Telecom capital stock is divided into 30,844,000 shares having a par value of 15.25.

Convertible bonds (616 880 BSA) granted during the fiscal year 2002 were not subscribed at maturity in 2003 and will therefore have no effect on the Group shareholders equity. The Group owns 100% of all the companies listed in the scope of consolidation table. There is therefore no minority interest.

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5.6 Contingencies and Loss Provisions

Reserves for contingencies and losses as of December 31, 2001 and as of December 31, 2002 include:

	2001	Allowances	Uses	Others	At December 31, 2002
			in millions of euros		
Employee litigation	1.1	0.3	(0.2)		1.2
Restructuring	0	10.1			10.1
Boxes not returned	2.5	0.4		(2.5)	0.4
VAT Gap on boxes	1.4	0.7			2.1
Contracts break-up fees	2.4	0.2	(0.2)	(0.9)	1.5
Tax risk provision	0.5		(0.1)		0.4
Project telephone abandon	5.1	0.6			5.7
Provision for retirement	1.4	0.4			1.8
NTL badwill impact	2.2		(1.7)		0.5
Miscellaneous	7.0	0.7	(4.8)	(0.6)	2.3
Contingencies and loss provisions	23.6	13.4	(7.0)	(4.0)	26.0

Reserves for contingencies and losses as of December 31, 2003 include:

	2002	Allowances	Uses	Others	At December 31, 2002
			in millions of euros		
Employee litigation	1.2	0.8	(1.1)		0.9
Restructuring	10.1	3.3	(13.0)		0.4
Boxes not returned	0.4			(0.4)	0.0
VAT Gap on boxes	2.1	0.5	(0.5)		2.1
Contracts break-up fees	1.5	7.0		(1.1)	7.4
Tax risk provision	0.4	1.2	(0.4)		1.2
Project telephone abandon	5.7		(2.5)		3.2
Provision for retirement	1.8	0.1	(1.4)		0.5
NTL negative goodwill impact	0.5		(0.5)		0.0
Miscellaneous	2.3	1.0	(0.5)	(0.5)	2.3
Contingencies and loss provisions	26.0	13.9	(19.9)	(2.0)	18.0

The measurement of the Group s obligations relating to lump sum indemnities payable to employees upon retirement are based on the following assumptions as of December 31, 2003:

Assumptions

Discount rate	5%
Rate of inflation	1.7%
Future salary increases	3.2%
Social security threshold upgrade	Inflation +0.5%
Mortality rate	INSEE tables

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5.7 Financial Debt

The Group has been financed since its creation in 2001 by bank borrowings and a shareholder s loan. SLT received a loan from the seller on the behalf of NTL Inc. as a result of the purchase of NTL France. All this debt is at variable rates.

Over the 3 years, debt and maturities have evolved as follows:

	As of December 31, 2001 in millions of euros
Bank borrowings	215.3
Bank overdrafts	16.7
Total bank debt	232.0
Shareholder s loan	291.5
Deferred price on NTL shares(1)	37.8
Other	2.7
Total other debt	332.0

(1) Portion of the NTL purchase price due in 2006 with interests due in fine calculated each month at a Euribor +4% rate. As of December 31, 2001, this debt includes a principal amount of 37.5 million and interests for 0.3 million.

	As of December 31, 2002 in millions of euros
Bank borrowings	210.3
Bank overdrafts	4.2
Total bank debt	214.5
Shareholder s loan	548.6
Deferred price on NTL shares(1)	40.6
Total other debt	589.2

(1) Portion of the NTL purchase price due in 2006 with interests due in fine calculated each month at a Euribor +4% rate. As of December 31, 2002, this debt includes a principal amount of 37.5 million and interests for 3.1 million.

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	At December 31, 2003	Maturity	
		<1 year	1-5 years
		in millions of euros	
Bank borrowings(1)	199.8	122.6	77.2
Bank overdrafts	10.8	10.8	
Total bank debt	210.6	133.4	77.2
Shareholder s loan(3)	619.9	619.9	
Deferred price on NTL shares(2)	43.2		43.2
Total other debt	663.1	619.9	43.2

(1) These borrowings, guaranteed by Suez, were immediately repayable in the event of a change in the ownership structure of Suez Lyonnaise Telecom. Moreover, the Group renegotiated in December 2003 this debt to postpone the maturity date by six months. Over the years 2001-2003, interest rates were based on Euribor + margin and these bank borrowings as of December 31, 2003 were fully reimbursed in April 2004.

(2) Portion of the NTL purchase price due in 2006 with interests due in fine calculated each month at a Euribor +4% rate. As of December 31, 2003, this debt includes a principal amount of 37.5 million and interests for 5.7 million.

(3) Shareholder s loan:

	2001	2002	2003
		in millions of euros	
Principal	287.5	536.8	607.0
Interests	4.0	11.8	12.9
TOTAL	291.5	548.6	619.9

The interest rate used over the years 2001-2003 were based on Eonia plus margin.

5.8 Deferred Tax

As a result of experienced losses, and based on the business plans, it was determined that deferred tax assets were less than likely to be recovered, therefore, no deferred tax assets have been recognized. Deferred tax assets not recognized are as follows:

	December 31, 2003

	in millions of euros
Ordinary losses	251.0
Ever green losses	101.4
Non deductible provision	160.3
TOTAL	512.7
Tax proof	
Net income before tax	(620.1)
Theoretical tax	
Effective tax	(0.4)

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Current income taxes consist of a minimum tax lump sum paid under French tax law (Impôt Forfaitaire Annuel).

5.9 Revenue

The main sources of revenue for the Group are the sales of TV and Internet subscriptions to residential and professional customers, as well as proceeds from the rental of boxes and modems. Sales are made in France in euros. The Group s management has determined that its operation is currently organized into one segment (broadband services) and operates in only one geographical area, France.

5.10 Other External Operating Expenses

These expenses mainly include broadcasting rights, customer acquisition costs, customer management costs, network costs and central costs.

5.11 Payroll Expenses and Number of Employees

Personnel costs for period ended December 31, 2001, 2002 and 2003 could be detailed as follows:

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Wages and salaries	21.7	44.4	32.3
Payroll taxes and benefits	10.9	22.6	14.4
Payroll and expenses	32.6	67.0	46.7

Headcount as of December 31, 2002 and 2003 were 966 and 625, respectively.

	2001	2002	2003
Managers	361	392	332
Employees	304	314	256
Workers	390	358	213
Average number of employees	1055	1064	801

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5.12 Depreciation, Amortization and Allowances

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
INTANGIBLE ASSETS Depreciation	51.0	45.4	48.3
Impairment losses			449.9
TANGIBLE ASSETS Depreciation	26.5	108.4	100.0
Impairment losses		48.9	
INVESTMENTS: Valuation allowances			
Allowances on current assets	3.3	8.9	11.4
Prepaid expenses			6.4
Total	80.8	211.6	616.0
Including in operating expenses	80.8	162.7	166.1
Including in exceptional items		48.9	449.9

5.13 Financial Income (Loss) Net

Net interest expense primarily includes interest on the shareholder s loan and on bank borrowings. Bank commissions and fees which are not VAT-liable were reclassified from Other purchases and external charges to interest expense. The amount reclassified at December 31, 2003 was 6.5 million.

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Shareholders	(8.7)	(36.9)	(47.4)
Interests on banks loans	(5.7)	(8.4)	(6.2)
Interests on deferred price on NTL shares	(0.3)	(2.8)	(2.6)
Others	(1.0)		
Financial income	0.3		
Bank commissions and borrowing fees			(6.5)
Financial expense (net)	(15.4)	(48.1)	(62.7)

5.14 Exceptional Items, Net

	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Impairment of long-lived assets(1)		(32.3)	(449.9)
	(2.9)	(16.6)	(0.7)

Costs related to project abandonment, net of allowances variances(2)			
SIPPEREC penalties(3)		(6.0)	6.0
Supply contract break-up fees(4)		(11.4)	(5.9)
Restructuring-net of reversals(5)	0.2	(10.1)	(10.1)
Provision for retirement-net of reversals(6)	(0.5)	(0.3)	1.2
Other	3.0	(3.1)	(2.6)
Exceptional items (net)	(0.2)	(79.8)	(462.0)

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(1) Impairment of tangible assets (SIPPEREC) for the year 2002 and of Civil engineering rights of use in 2003.

(2) The projects abandoned are mainly related to telephony and network development.

(3) Penalties due to SIPPEREC recognized in 2002 were reversed in 2003 in accordance with the agreement reached in 2003. (See §1.4.2) (4) The Group broke-up several contracts with contractors and suppliers, in particular, in relation with the evolution in networks development plans.

(5) Expenses related to the restructuring plan initiated in 2000 and to the voluntary departure plan initiated in 2002.

(6) The decrease in number of employees in 2003 induced a reduction in pension obligations.

6. Off Balance Sheet Commitments at December 31, 2003

6.1 Commitments Provided in the Usual Course of Business

The Group s off-balance sheet commitments are as follows:

Beneficiaries	Object	Amounts	Comments
		in millions of euros	
SIPPERREC	Penalties	13.3	See §1.3
SIPPERREC	Commitment to perform construction works and produce engineering studies	10.2	
SIPPERREC	Payment warranty	3.0	
SSIMI & Ville de PARIS	Rent payment warranty	1.2	
NTL Inc.	Earn-out clause provision for NTL shares	100.0	See below(1)
SAGEM	Commitment to buy terminals	1.2	
France TELECOM	Commitment to purchase the Cannes and Epinal networks from France Telecom:	12.3	See below(2)
Villes Franciliennes	Restructuring of the 5 NTL networks	26.7	See below(3)
BNP-Paribas	Joint guarantee	10.2	See below(4)
TOTAL		178.1	

(1) The earn-out clause provision is subject to certain conditions up to a maximum of 100 million. This earn-out provision represented as of December 31, 2003 the main off balance sheet liability but has expired in 2004 due to the final agreement signed with NTL on May 2004.

(2) Commitment amounting to 12.3 million, related to the purchase of the Cannes and Epinal networks from France Telecom, related to the operation of May 18, 2001. The commitment was called in by its beneficiary in October

2003 even though conditions were not fully met. As a consequence, this commitment was kept in off balance sheet liability as of December 31, 2003 until the payment, funded by a shareholder loan increase, which occurred in June 2004.

(3) Restructuring of the 5 NTL networks: The company had undertaken to renovate a certain number of home-passed per year and per network. To date, part of the work has been performed and 31% of the home-passed have been renovated. The initial commitment of 38.1 million was scaled back to 26.7 million

(4) Joint guarantee of 10.2 million, given by Lyonnaise Communications to BNP-Paribas in relation with the credit facility granted to Paris Cable. This guarantee has expired in 2004 as a consequence of the repayment.

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In addition to the commitments described above, the Group has undertaken to sell for one its investment in SDP 3 to any potential buyer agreed by the SIPPEREC. (See § 1.3 and § 1.4)

6.2 Commitments Received

Commitment provided by	Object	Amounts	Comments
		in millions of euros	
SUEZ	Comfort letter (on the behalf of LCO) to the CCF	76.2	See below(1)
SUEZ	Comfort letter (on the behalf of LCO) to Natexis	61.0	See below(1)
SUEZ	Comfort letter (on the behalf of Paris Cable) to BNP-Paribas	10.2	See below(1)
SUEZ	Comfort letter (on the behalf of Auxipar) to Natexis	45.7	See below(1)
SUEZ	Undrawn portion of the credit facility	98.0	
SUEZ	Commitment provided under the SIPPEREC agreement	11.2	See § 1.4.2
SSIMI	Compensation commitment for rent variation	8.9	See below(2)
TOTAL		311.2	

(1) As a consequence of the early repayment of bank borrowings in 2004 and of the purchase of the Group by Mediareseaux, all commitments received from Suez have come to an end.

(2) The commitment received from SSIMI is amortized over the remaining period of the lease.

In addition to these commitments received, a protocol of agreement dated June 2003 was reached with SIPPEREC. It states that during this protocol all penalties are suspended.

To the best of the Suez Lyonnaise Telecom Group s knowledge, this presentation of off-balance sheet commitments does not omit any material off-balance sheet commitment based on applicable accounting standards.

7. Additional Data

7.1 Related Party Transactions in Accordance with the Standard CRC 99.02

Several suppliers of the Group are related parties of its previous parent company Suez. The related amounts are as follows:

Companies	Object	December 31, 2001	December 31, 2002	December 31, 2003
			in millions of euros	
M6 Thématiques	Broadcasting rights	4.1	2.6	2.4
Paris Première	Broadcasting rights	4.1	3.0	2.9
Sub-total	Broadcasting rights	8.2	5.6	5.3

SSIMI	Rental	3.2	4.1	(1.8)
ZEUS	Rental	1.8	0	
TOTAL		13.2	9.7	3.5

M6 Thématiques includes M6 Music, Teva, Série Club, Fun TV and TF6.
By the end of 2002, SSIMI sold its building rented to the Group to a third party, and the company SSIMI compensated the increase in the rental cost due to this operation for the Group.
In addition, the amounts disclosed in the financial expense note should be considered.

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The trade payables balances of the related parties indicated below are as follows:

Related party	December 31, 2001	December 31, 2002	December 31, 2003
		in millions of euros	
Groupe M6			0.2
Paris Première			
SSIMI	1.1	0.2	0.1
ZEUS	0.7		
TOTAL	1.8	0.2	0.3

In addition to the companies listed above, the Group bought services from France Telecom, on the basis of its public tariffs.

7.2 Management Compensation

The total compensation paid by the Group and received to the members of the SLT s Board of directors were 282,000, 743,000 and 862,000, for the years ended on December 31, 2001, 2002, 2003, respectively.

The Group doesn t allow specific pension plan and post-retirement benefits for its members of the board of directors and the management.

7.3 Miscellaneous

Tax reviews were in progress at December 31, 2003 (SLT, Lyonnaise communications, Paris Cable and IDF Communication SAS). The Tax Authorities have issued tax deficiency notices concerning the year 2000. The total amount involved is 1.1 million, for which a reserve has been booked.

For these companies the tax reviews on 2001 and 2002 will be conducted in 2004. Tax reviews are also in progress at Rapp 16, SNC 91, SNC Essonne, Clermontoise de Vidéocommunication, and Strasbourg TV Câble for 2000 to 2003.

The business of the Group does not cause any environmental risks.

8. Summary of Differences Between Accounting Policies Generally Accepted in the United States of America and France.

The consolidated financial statements of the Group have been prepared and presented in accordance with accounting principles generally accepted in France (French GAAP). French GAAP, as applied by the Group differ in certain significant respects from accounting principles generally accepted in the United States of America (U.S. GAAP). The application of U.S. GAAP would have affected the Company s consoli-

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dated net income (loss) for the fiscal year ended December 31, 2003 and 2002 and its consolidated shareholders equity as of December 31, 2003 and 2002 as follows:

a) Reconciliation of Consolidated Net (Loss)/ Income from French GAAP to U.S. GAAP

	Year ended December 31, 2003	Year ended December 31, 2002
	in millions of euros	
Consolidated net income (loss) as determined in accordance with French GAAP	(622.7)	(311.1)
U.S. GAAP reconciling adjustments:		
Business combinations:		
Goodwill impairment and cancellation of amortization	2.9	(254.5)
Amortization of other intangible assets	(10.0)	(10.0)
Auxipar acquisition	4.2	4.2
Long term assets impairment	(105.1)	32.3
Restructuring provision (Voluntary	(10.1)	10.1
Redundancy Plan) Logistical costs	3.7	(1.1)
Equipment depreciation	(4.6)	(6.4)
Deferred tax effects of above adjustments		
Total U.S. GAAP adjustments, net	(119.0)	(225.4)
Consolidated net income (loss) as determined in accordance with U.S. GAAP	(741.7)	(536.5)

b) Reconciliation of Consolidated Shareholders Equity (Deficit) from French GAAP to U.S. GAAP

	December 31, 2003	December 31, 2002
	in million of euros	
Consolidated shareholders equity (deficit) as determined in accordance with French GAAP	(237.7)	384.9
U.S. GAAP reconciling adjustments:		
Business combinations:		
Goodwill impairment and cancellation of amortization	(251.6)	(254.5)
Auxipar acquisition	(50.2)	(54.4)
Paris Cable acquisition	332.3	342.3
Other acquisitions	37.7	37.7
Long term assets impairment	(72.8)	32.3
Restructuring provision (Voluntary		10.1
Redundancy Plan) Logistical costs		(3.7)
Equipment depreciation	2.5	7.1
Deferred tax effects of above adjustments		
Total U.S. GAAP adjustments, net	(2.1)	116.9

Consolidated shareholders equity (deficit) as determined in accordance with U.S. GAAP	(239.8)	501.8

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(CONSOLIDATED FINANCIAL STATEMENTS) (Continued)

c) Description of the Differences Between French GAAP, as Applied By the Group and U.S. GAAP

Business Combinations and Accounting for Intangible Assets, Including Goodwill

Under French and US GAAP, business combinations are generally accounted for as purchases. The cost of an acquired company is assigned to the tangible and intangible assets acquired and liabilities assumed on the basis of their estimated fair values at the date of acquisition. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill. However, in certain circumstances, there may be differences with respect to when and how the purchase method of accounting is applied between French and US GAAP that affect the allocation of purchase price, including the amounts assigned to identifiable intangible assets, deferred income taxes and goodwill. Information with respect to the specific differences between French and US GAAP for the Group s significant business combination is provided below.

Auxipar acquisition

On May 18, 2001, the Group acquired 100% of the outstanding shares of Auxipar in exchange for common shares of the Group. Prior to the transaction, all of the shares of Auxipar were owned by the Group s parent company.

Under French GAAP, the acquisition of Auxipar was accounted for in a manner similar to a pooling of interests. The assets acquired and liabilities assumed were recognized at their historical carrying amounts in the financial statements of Auxipar prepared in accordance with French GAAP.

Under US GAAP, the transfer of shares of Auxipar from the Group s parent company was considered as a reorganization of entities under common control. Accordingly, the assets acquired and liabilities assumed were recognized at their historical carrying amounts in the financial statements of the Group s parent company, which resulted in a lower value assigned to the long-lived assets of Auxipar and consequently, in a lower depreciation expense.

Paris Cable acquisition

On May 18, 2001, the Group acquired 100% of the outstanding shares of Paris Cable in exchange for common shares of the Group. Prior to the transaction, approximately 76% of the shares of Paris Cable were owned by the Group s parent company. The remaining 24% of the outstanding shares of Paris Cable were owned by France Telecom.

Under French GAAP, the acquisition of Paris Cable was accounted for in a manner similar to a pooling of interests. The assets acquired and liabilities assumed were recognized at their carrying amounts. The excess of the purchase price over the net book value of the assets acquired and liabilities assumed, which amounted to 367.4 million was charged directly against equity upon acquisition.

Under US GAAP, the transfer of 76% of Paris Cable from Group s parent company was considered as a reorganization of entities under common control. The acquisition from France Telecom of the remaining 24% interest was accounted for under the purchase method of accounting. Accordingly, 76% of the assets acquired and liabilities assumed were recognized at their historical carrying amounts in the financial statements of the Group s parent company and 24% of the assets acquired and liabilities assumed were recognized at their fair values at the date of the acquisition. The application of the purchase method to the acquisition of the minority interest (24%) resulted in the recognition of customer relationships for 49.9 million and goodwill for 317.5 million.

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Amortization of other intangible assets

Under U.S. GAAP, identifiable intangible assets, including customer relationships, are recognized and amortized over their estimated useful lives. The amortization adjustment for other intangible assets reflects the U.S. GAAP amortization of customer relationships over their estimated useful lives of 5 years.

Goodwill impairment and cancellation of amortization

Under French GAAP, the Group amortizes goodwill on a straight-line basis over its estimated useful life of twenty years.

Under US GAAP, in accordance with SFAS 142, the Group ceased amortizing goodwill beginning January 1, 2002. Goodwill is required to be tested for impairment at least annually (or more frequently if impairment indicators arise). A two-step impairment test is used. The first step is a screen for potential impairment, while the second step measures the amount of the impairment, if any. For the year ended December 31, 2002, under US GAAP, an impairment loss of 257.4 million was recorded related to goodwill.

Long-Term Assets Impairment

As required by both French and US GAAP, the Group reviews the carrying value of long lived assets, including goodwill and other intangible assets, for impairment at least annually, or whenever facts, events or changes in circumstances, either internally and externally, indicate that the carrying amount may not be recoverable.

Under French GAAP, impairment losses are measured by comparing the net book value with the current value of the related asset where the current value depends on the underlying nature of its market value or value in use. The Group recorded an impairment charge of 32.3 and 449.9 million for each of the years ended December 31, 2002 and 2003, respectively, related to long-lived assets.

Under US GAAP, a two-step process is used to test long-lived assets for impairment and, if applicable, to measure the amount of the impairment loss to be recognized. An impairment loss is recognized only if the carrying amount of a long-lived asset (or asset group) is higher than the sum of the undiscounted cash flows expected to be generated from the operation and eventual disposition of the asset (asset group). If the carrying amount is higher, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset (asset group). Any impairment is allocated on a pro rata basis to the individual assets (other than goodwill) comprising the asset group. Under US GAAP, an impairment loss was recognized for a total amount of 555 million in the year ended December 31, 2003.

Restructuring Provision (Voluntary Redundancy Plan)

Under French GAAP, restructuring charges are recorded when management expects that the related costs will be incurred. The Group recorded restructuring liabilities, which were incurred principally in connection with a voluntary plan, during the period when a decision for the restructuring had been approved by management of the Group.

Under US GAAP, certain criteria must be met in order to allow recognition of contingent loss. Criteria related to recognition of voluntary plan restructuring provisions are provided by SFAS No 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits (SFAS No 88). SFAS No 88 requires that certain specific conditions be satisfied prior to accruing for termination-related costs. Specifically, SFAS No 88 requires that an employer that offers special termination benefits to employees shall recognize a liability and a loss when the employees accept the offer and the amount can be reasonably estimated.

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Logistical Costs

Under French GAAP, through December 31, 2002, logistical costs were capitalized and amortized over five years. Under US GAAP, these costs are expensed as incurred.

Equipment Depreciation

Under French GAAP, equipment such as digital terminals, cards and modems acquired prior to 2001 are subject to accelerated depreciation over a period of five years. Equipment bought after 2001, is depreciated over five years on a straight-line basis.

Under US GAAP, equipment is depreciated using the straight-line method.

Exceptional Items

Certain amounts presented as exceptional income and expense (non-operating) in the consolidated statement of income under French GAAP do not qualify as non-operating items under U.S. GAAP.

Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. In consolidated financial statements under French GAAP, the concept of comprehensive income does not exist because French accounting principles do not allow any change in equity corresponding to this definition other than net income, changes in the cumulative translation adjustments related to consolidated foreign subsidiaries and changes in accounting principles.

In consolidated financial statements under US GAAP, comprehensive income and its components must be displayed in a statement of comprehensive income. For each of the years ended December 31, 2003 and 2002, the Group s only component of comprehensive income is net income.

Statement of Cash Flows

Bank Overdrafts

Under French GAAP, bank overdrafts are netted against cash and cash equivalents for purposes of the statement of cash flows. Under US GAAP, bank overdrafts, which amount to 11 million and 4 million at December 31, 2003 and 2002, respectively, would be presented as a financing activity. Under US GAAP, cash and cash equivalent are 3.7 million and 7.8 million as of December 31, 2002 and 2003, respectively.

Gross Versus Net Presentation

Under French GAAP, some items are presented on a net basis in the statement of cash flows. Under US GAAP these items are required to be presented on a gross basis (e.g. borrowings and repayment of debt).

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. In December 2003, the FASB issued a revision to Interpretation No. 46 (Collectively, FIN 46, as revised, is referred to as FIN 46). FIN 46, as revised, requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries, as defined by FIN 46. As a non-public Group, the Group should apply the provisions of FIN 46, as revised, to variable interest entities created after December 31, 2003 upon initial involvement with the entity. The Group is required to apply the provisions of FIN 46, as revised, to

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variable interest entities created prior to December 31, 2003 as of December 31, 2004. The adoption is not expected to have a material effect on the Group s results of operations or financial condition when adopted.

In November 2002, the EITF reached a consensus on issue No. 00-21 Accounting for Revenue Arrangements with Multiple Deliverables (EITF 00-21) on a model to be used to determine when a revenue arrangement involving the delivery or performance of multiple products, services and/or rights to use assets should be divided into separate units of accounting. Additionally, EITF 00-21 addresses if separation is appropriate, how the arrangements consideration should be allocated to the identified accounting units. EITF 00-21 will be applicable beginning in 2004. The Group will adopt EITF 00-21 as of January 1, 2004 and is currently assessing its impact on its consolidated financial statements.

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APPENDIX A: INFORMATION CONCERNING LIBERTY MEDIA INTERNATIONAL, INC.

PART 5: LIBERTY MEDIA INTERNATIONAL, INC.

2004 INCENTIVE PLAN

(As Amended and Restated Effective March 9, 2005)

ARTICLE I

Purpose of Plan

1.1 *Purpose.* The purpose of the Plan is to promote the success of the Company by providing a method whereby (i) eligible employees of the Company and its Subsidiaries and (ii) independent contractors providing services to the Company and its Subsidiaries may be awarded additional remuneration for services rendered and encouraged to invest in capital stock of the Company, thereby increasing their proprietary interest in the Company s businesses, encouraging them to remain in the employ of the Company or its Subsidiaries, and increasing their personal interest in the continued success and progress of the Company and its Subsidiaries. The Plan is also intended to aid in (i) attracting Persons of exceptional ability to become officers and employees of the Company and its Subsidiaries and (ii) inducing independent contractors to agree to provide services to the Company and its Subsidiaries.

1.2 *Effective Date.* The Plan was originally effective May 11, 2004 (the Effective Date). Subject to its approval by the stockholders of the Company at the Company s 2005 annual meeting of stockholders, the Plan, as amended and restated, shall be effective as of March 9, 2005, with respect to Awards made after that date.

ARTICLE II

Definitions

2.1 *Certain Defined Terms.* Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

Affiliate of the Company means any corporation, partnership or other business association that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

Agreement means a stock option agreement, stock appreciation rights agreement, restricted shares agreement, stock units agreement, cash award agreement or an agreement evidencing more than one type of Award, specified in Section 11.5, as any such Agreement may be supplemented or amended from time to time.

Approved Transaction means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

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Award means a grant of Options, SARs, Restricted Shares, Stock Units, Performance Awards, Cash Awards and/or cash amounts under the Plan.

Board means the Board of Directors of the Company.

Board Change means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

Cash Award means an Award made pursuant to Section 10.1 of the Plan to a Holder that is paid solely on account of the attainment of one or more Performance Objectives that have been preestablished by the Committee.

Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

Committee means the committee of the Board appointed pursuant to Section 3.1 to administer the Plan.

Common Stock means each or any (as the context may require) series of the Company s common stock.

Company means Liberty Media International, Inc., a Delaware corporation, provided, however that contingent upon and immediately following the consummation of the Mergers, Company means Liberty Global, Inc., a Delaware corporation.

Control Purchase means any transaction (or series of related transactions) in which (i) any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any Subsidiary of the Company or any employee benefit plan sponsored by the Company or any Subsidiary of the Company) shall purchase any Common Stock of the Company (or securities convertible into Common Stock of the Company) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, without the prior consent of the Board, or (ii) any person (as such term is so defined), corporation or other entity (other than the Company, any Subsidiary of the Company, any employee benefit plan sponsored by the Company or any Subsidiary of the Company or any Exempt Person (as defined below)) shall become the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company s securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, Exempt Person means each of (a) the Chairman of the Board, the President and each of the directors of Liberty Media International, Inc. as of the Distribution Date, and (b) the respective family members, estates and heirs of each of the Persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such Persons or their respective family members or heirs. As used with respect to any Person, the term family member means the spouse, siblings and lineal descendants of such Person.

Disability means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Distribution Date means the date on which Liberty Media International, Inc. ceased to be a wholly owned subsidiary of Liberty Media Corporation, a Delaware corporation.

Dividend Equivalents means, with respect to Restricted Shares to be issued at the end of the Restriction Period, to the extent specified by the Committee only, an amount equal to all dividends and

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other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock.

Domestic Relations Order means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder.

Effective Date has the meaning ascribed thereto in Section 1.2.

Equity Security shall have the meaning ascribed to such term in Section 3(a)(11) of the Exchange Act, and an equity security of an issuer shall have the meaning ascribed thereto in Rule 16a-1 promulgated under the Exchange Act, or any successor Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

Fair Market Value of a share of any series of Common Stock on any day means the last sale price (or, if no last sale price is reported, the average of the high bid and low asked prices) for a share of such series of Common Stock on such day (or, if such day is not a trading day, on the next preceding trading day) as reported on the consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as reported on Nasdaq. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, then the Fair Market Value for such day shall be determined in good faith by the Committee on the basis of such quotations and other considerations as the Committee deems appropriate.

Free Standing SAR has the meaning ascribed thereto in Section 7.1.

Holder means a Person who has received an Award under the Plan.

Mergers means the merger of a transitory merger subsidiary of Liberty Global, Inc., a subsidiary of Liberty Media International, Inc., with and into Liberty Media International, Inc. and the merger of a transitory merger subsidiary of Liberty Global, Inc. with and into UnitedGlobalCom, Inc. pursuant to an Agreement and Plan of Merger dated as of January 17, 2005 by and among Liberty Media International, Inc., UnitedGlobalCom, Inc., Liberty Global, Inc. and other parties thereto.

Nasdaq means The Nasdaq Stock Market.

Nonqualified Stock Option means a stock option granted under Article VI.

Option means a Nonqualified Stock Option.

Performance Award means an Award made pursuant to Article X of the Plan to a Holder that is subject to the attainment of one or more Performance Objectives.

Performance Objective means a standard established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

Person means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

Plan means this Liberty Media International, Inc. 2004 Incentive Plan, as amended and restated herein, provided however, that contingent upon and immediately following the consummation of the Mergers, the name of the Plan shall become the Liberty Global, Inc. 2005 Incentive Plan .

Restricted Shares means shares of any series of Common Stock or the right to receive shares of any specified series of Common Stock, as the case may be, awarded pursuant to Article VIII.

Restriction Period means a period of time beginning on the date of each Award of Restricted Shares and ending on the Vesting Date with respect to such Award.

Retained Distribution has the meaning ascribed thereto in Section 8.3.

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SARs means stock appreciation rights, awarded pursuant to Article VII, with respect to shares of any specified series of Common Stock.

Stock Unit Awards has the meaning ascribed thereto in Section 9.1.

Subsidiary of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital or profits interests. An entity shall be deemed a subsidiary of a Person for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

Tandem SARs has the meaning ascribed thereto in Section 7.1.

Vesting Date, with respect to any Restricted Shares awarded hereunder, means the date on which such Restricted Shares cease to be subject to a risk of forfeiture, as designated in or determined in accordance with the Agreement with respect to such Award of Restricted Shares pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part.

ARTICLE III

Administration

3.1 *Committee.* The Plan shall be administered by the Compensation Committee of the Board unless a different committee is subsequently appointed by the Board. The Committee shall be comprised of not less than two Persons. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may remove members of the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held.

3.2 *Powers.* The Committee shall have full power and authority to grant to eligible Persons Options under Article VI of the Plan, SARs under Article VII of the Plan, Restricted Shares under Article VIII of the Plan, Stock Units under Article IX of the Plan, Cash Awards under Article X of the Plan and/or Performance Awards under Article X of the Plan, to determine the terms and conditions (which need not be identical) of all Awards so granted, to interpret the provisions of the Plan and any Agreements relating to Awards granted under the Plan and to supervise the administration of the Plan. The Committee in making an Award may provide for the granting or issuance of additional, replacement or alternative Awards upon the occurrence of specified events, including the exercise of the original Award. The Committee shall have sole authority in the selection of Persons to whom Awards may be granted under the Plan and in the determination of the timing, pricing and amount of any such Award, subject only to the express provisions of the Plan. In making determinations hereunder, the Committee may take into account the nature of the services rendered by the respective employees and independent contractors, their present and potential contributions to the success of the Company and its Subsidiaries, and such other factors as the Committee in its discretion deems relevant.

3.3 *Interpretation.* The Committee is authorized, subject to the provisions of the Plan, to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Plan and to take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Committee, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all Persons. No member of the Committee shall be liable for any action or determination made or taken by him or the Committee in good faith with respect to the Plan.

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ARTICLE IV

Shares Subject to the Plan

4.1 *Number of Shares; Award Limits.* Subject to the provisions of this Article IV, the maximum number of shares of Common Stock with respect to which Awards may be granted during the term of the Plan shall be 20 million shares; provided, however, that contingent upon and immediately following the consummation of the Mergers, the maximum number of shares of Common Stock with respect to which Awards may be granted during the term of the Plan shall be 25 million shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. The shares of Common Stock subject to (i) any Award granted under the Plan that shall expire, terminate or be annulled for any reason without having been exercised (or considered to have been exercised as provided in Section 7.2), (ii) any Award of any SARs granted under the Plan that shall be exercised for cash, and (iii) any Award of Restricted Shares or Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or Stock Units other than voting rights and the accumulation of Retained Distributions and unpaid Dividend Equivalents that are likewise forfeited) shall again be available for purposes of the Plan. Except for Awards described in Section 11.1, no Person may be granted in any calendar year Awards covering more than 2 million shares of Common Stock (as such amount may be adjusted from time to time as provided in Section 4.2). No Person shall receive payment for Cash Awards during any calendar year aggregating in excess of $10,000,000.

4.2 *Adjustments.* If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of Common Stock (by reverse stock split, reclassification, or otherwise) or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be governed by Section 11.1(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee, in its sole discretion and in such manner as the Committee may deem equitable and appropriate, may make such adjustments to any or all of (i) the number and kind of shares of stock which thereafter may be awarded, optioned or otherwise made subject to the benefits contemplated by the Plan, (ii) the number and kind of shares of stock subject to outstanding Awards, and (iii) the purchase or exercise price and the relevant appreciation base with respect to any of the foregoing, *provided, however,* that the number of shares subject to any Award shall always be a whole number. Notwithstanding the foregoing, if all shares of any series of Common Stock are redeemed, then each outstanding Award shall be adjusted to substitute for the shares of such series of Common Stock subject thereto the kind and amount of cash, securities or other assets issued or paid in the redemption of the equivalent number of shares of such series of Common Stock and otherwise the terms of such Award, including, in the case of Options or similar rights, the aggregate exercise price, and, in the case of Free Standing SARs, the aggregate base price, shall remain constant before and after the substitution (unless otherwise determined by the Committee and provided in the applicable Agreement). The Committee may, if deemed appropriate, provide for a cash payment to any Holder of an Award in connection with any adjustment made pursuant to this Section 4.2.

ARTICLE V

Eligibility

5.1 *General.* The Persons who shall be eligible to participate in the Plan and to receive Awards under the Plan shall, subject to Section 5.2, be such Persons who are employees (including officers and directors) of or independent contractors providing services to the Company or its Subsidiaries as the Committee shall select.

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Awards may be made to employees or independent contractors who hold or have held Awards under the Plan or any similar or other awards under any other plan of the Company or any of its Affiliates.

5.2 *Ineligibility.* No member of the Committee, while serving as such, shall be eligible to receive an Award.

ARTICLE VI

Stock Options

6.1 *Grant of Options.* Subject to the limitations of the Plan, the Committee shall designate from time to time those eligible Persons to be granted Options, the time when each Option shall be granted to such eligible Persons, the series and number of shares of Common Stock subject to such Option, and, subject to Section 6.2, the purchase price of the shares of Common Stock subject to such Option.

6.2 *Option Price.* The price at which shares may be purchased upon exercise of an Option shall be fixed by the Committee and may be no less than the Fair Market Value of the shares of the applicable series of Common Stock subject to the Option as of the date the Option is granted.

6.3 *Term of Options.* Subject to the provisions of the Plan with respect to death, retirement and termination of employment, the term of each Option shall be for such period as the Committee shall determine as set forth in the applicable Agreement.

6.4 *Exercise of Options.* An Option granted under the Plan shall become (and remain) exercisable during the term of the Option to the extent provided in the applicable Agreement and the Plan and, unless the Agreement otherwise provides, may be exercised to the extent exercisable, in whole or in part, at any time and from time to time during such term; *provided, however,* that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part (without reducing the term of such Option).

6.5 *Manner of Exercise.*

(a) *Form of Payment.* An Option shall be exercised by written notice to the Company upon such terms and conditions as the Agreement may provide and in accordance with such other procedures for the exercise of Options as the Committee may establish from time to time. The method or methods of payment of the purchase price for the shares to be purchased upon exercise of an Option and of any amounts required by Section 11.9 shall be determined by the Committee and may consist of (i) cash, (ii) check, (iii) promissory note (subject to applicable law), (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issuable upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods of payment of the amounts payable upon exercise of an Option, if other than in cash, shall be set forth in the applicable Agreement and may be subject to such conditions as the Committee deems appropriate.

(b) *Value of Shares.* Unless otherwise determined by the Committee and provided in the applicable Agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(c) *Issuance of Shares.* The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 11.9, and within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. Unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Holder or other Person exercising an

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Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

6.6 *Nontransferability*. Unless otherwise determined by the Committee and provided in the applicable Agreement, Options shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and, except as otherwise required pursuant to a Domestic Relations Order, Options may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

ARTICLE VII

SARs

7.1 *Grant of SARs*. Subject to the limitations of the Plan, SARs may be granted by the Committee to such eligible Persons in such numbers, with respect to any specified series of Common Stock, and at such times during the term of the Plan as the Committee shall determine. A SAR may be granted to a Holder of an Option (hereinafter called a related Option) with respect to all or a portion of the shares of Common Stock subject to the related Option (a Tandem SAR) or may be granted separately to an eligible employee (a Free Standing SAR). Subject to the limitations of the Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the Agreement.

7.2 *Tandem SARs*. A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable (and may be subject to such additional limitations on exercisability as the Agreement may provide) and in no event after the complete termination or full exercise of the related Option. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated. Subject to the limitations of the Plan, upon the exercise of a Tandem SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Tandem SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Tandem SAR was granted on the date of exercise over the related Option purchase price per share, and (ii) the related Option with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the Tandem SAR was so exercised.

7.3 *Free Standing SARs*. Free Standing SARs shall be exercisable at the time, to the extent and upon the terms and conditions set forth in the applicable Agreement. The base price of a Free Standing SAR may be no less than the Fair Market Value of the applicable series of Common Stock with respect to which the Free Standing SAR was granted as of the date the Free Standing SAR is granted. Subject to the limitations of the Plan, upon the exercise of a Free Standing SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Free Standing SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Free Standing SAR was granted on the date of exercise over the base price per share of such Free Standing SAR.

7.4 *Consideration*. The consideration to be received upon the exercise of a SAR by the Holder shall be paid in the applicable series of Common Stock with respect to which the SAR was granted (valued at Fair Market Value on the date of exercise of such SAR); provided, however, that the Committee may permit the Holder of an SAR who is not subject to United States federal income tax to be paid consideration in the form

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of cash, or a combination of cash and the applicable series of Common Stock with respect to which the SAR was granted. No fractional shares of Common Stock shall be issuable upon exercise of a SAR, and unless otherwise provided in the applicable Agreement, the Holder will receive cash in lieu of fractional shares. Unless the Committee shall otherwise determine, to the extent a Free Standing SAR is exercisable, it will be exercised automatically on its expiration date.

7.5 *Limitations*. The applicable Agreement may provide for a limit on the amount payable to a Holder upon exercise of SARs at any time or in the aggregate, for a limit on the time periods during which a Holder may exercise SARs, and for such other limits on the rights of the Holder and such other terms and conditions of the SAR, including a condition that the SAR may be exercised only in accordance with rules and regulations adopted from time to time, as the Committee may determine. Unless otherwise so provided in the applicable Agreement, any such limit relating to a Tandem SAR shall not restrict the exercisability of the related Option. Such rules and regulations may govern the right to exercise SARs granted prior to the adoption or amendment of such rules and regulations as well as SARs granted thereafter.

7.6 *Exercise*. For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the SAR of the exercise of such SAR (unless otherwise determined by the Committee and provided in the applicable Agreement).

7.7 *Nontransferability*. Unless otherwise determined by the Committee and provided in the applicable Agreement, (i) SARs shall not be transferable other than by will or the laws of descent and distribution or pursuant to a Domestic Relations Order, and (ii) except as otherwise required pursuant to a Domestic Relations Order, SARs may be exercised during the lifetime of the Holder thereof only by such Holder (or his or her court-appointed legal representative).

ARTICLE VIII
Restricted Shares

8.1 *Grant*. Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Shares, shall determine the time when each such Award shall be granted, shall determine whether shares of Common Stock covered by Awards of Restricted Shares will be issued at the beginning or the end of the Restriction Period and whether Dividend Equivalents will be paid during the Restriction Period in the event shares of the applicable series of Common Stock are to be issued at the end of the Restriction Period, and shall designate (or set forth the basis for determining) the Vesting Date or Vesting Dates for each Award of Restricted Shares, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Shares in addition to those provided in the Plan. The Committee shall determine the price, if any, to be paid by the Holder for the Restricted Shares; *provided, however,* that the issuance of Restricted Shares shall be made for at least the minimum consideration necessary to permit such Restricted Shares to be deemed fully paid and nonassessable. All determinations made by the Committee pursuant to this Section 8.1 shall be specified in the Agreement.

8.2 *Issuance of Restricted Shares at Beginning of the Restriction Period*. If shares of the applicable series of Common Stock are issued at the beginning of the Restriction Period, the stock certificate or certificates representing such Restricted Shares shall be registered in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, certificates representing the Restricted Shares and any securities constituting Retained Distributions shall bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and the applicable Agreement. Such certificates shall remain in the custody of the Company or its designee, and the Holder shall deposit with the custodian stock powers or other instruments of assignment, each endorsed in blank, so as to permit retransfer to the Company of all or any portion of the Restricted Shares and any securities constituting Retained Distributions that shall be forfeited or otherwise not become vested in accordance with the Plan and the applicable Agreement.

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8.3 *Restrictions.* Restricted Shares issued at the beginning of the Restriction Period shall constitute issued and outstanding shares of the applicable series of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Committee may designate, paid or distributed on such Restricted Shares, and to exercise all other rights, powers and privileges of a Holder of shares of the applicable series of Common Stock with respect to such Restricted Shares; *except, that,* unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder will not be entitled to delivery of the stock certificate or certificates representing such Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (ii) the Company or its designee will retain custody of the stock certificate or certificates representing the Restricted Shares during the Restriction Period as provided in Section 8.2; (iii) other than such dividends and distributions as the Committee may designate, the Company or its designee will retain custody of all distributions (Retained Distributions) made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting, and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in a separate account; (iv) the Holder may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or his interest in any of them during the Restriction Period; and (v) a breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

8.4 *Issuance of Stock at End of the Restriction Period.* Restricted Shares issued at the end of the Restriction Period shall not constitute issued and outstanding shares of the applicable series of Common Stock, and the Holder shall not have any of the rights of a stockholder with respect to the shares of Common Stock covered by such an Award of Restricted Shares, in each case until such shares shall have been transferred to the Holder at the end of the Restriction Period. If and to the extent that shares of Common Stock are to be issued at the end of the Restriction Period, the Holder shall be entitled to receive Dividend Equivalents with respect to the shares of Common Stock covered thereby either (i) during the Restriction Period or (ii) in accordance with the rules applicable to Retained Distributions, as the Committee may specify in the Agreement.

8.5 *Cash Payments.* In connection with any Award of Restricted Shares, an Agreement may provide for the payment of a cash amount to the Holder of such Restricted Shares after such Restricted Shares shall have become vested. Such cash amounts shall be payable in accordance with such additional restrictions, terms and conditions as shall be prescribed by the Committee in the Agreement and shall be in addition to any other salary, incentive, bonus or other compensation payments which such Holder shall be otherwise entitled or eligible to receive from the Company.

8.6 *Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares and the satisfaction of any other applicable restrictions, terms and conditions, (i) all or the applicable portion of such Restricted Shares shall become vested, (ii) any Retained Distributions and any unpaid Dividend Equivalents with respect to such Restricted Shares shall become vested to the extent that the Restricted Shares related thereto shall have become vested, and (iii) any cash amount to be received by the Holder with respect to such Restricted Shares shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, Retained Distributions and any unpaid Dividend Equivalents that shall not become vested shall be forfeited to the Company, and the Holder shall not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares, Retained Distributions and any unpaid Dividend Equivalents that shall have been so forfeited. The Committee may, in its discretion, provide that the delivery of any Restricted Shares, Retained Distributions and unpaid Dividend Equivalents that shall have become vested, and payment of any related cash amounts that shall have become payable under this Article VIII, shall be deferred until such date or dates as the recipient may elect. Any election of a recipient pursuant to the preceding sentence shall be filed in writing with the Committee in

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accordance with such rules and regulations, including any deadline for the making of such an election, as the Committee may provide, and shall be made in compliance with Section 409A of the Code.

ARTICLE IX

Stock Units

9.1 *Grant.* In addition to granting Awards of Options, SARs and Restricted Shares, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Awards of Stock Units which may be in the form of shares of any specified series of Common Stock or units, the value of which is based, in whole or in part, on the Fair Market Value of the shares of any specified series of Common Stock. Subject to the provisions of the Plan, including any rules established pursuant to Section 9.2, Awards of Stock Units shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Committee may determine in its discretion, which need not be identical for each Award. The determinations made by the Committee pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Rules.* The Committee may, in its discretion, establish any or all of the following rules for application to an Award of Stock Units:

(a) Any shares of Common Stock which are part of an Award of Stock Units may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award.

(b) Such Awards may provide for the payment of cash consideration by the Person to whom such Award is granted or provide that the Award, and any shares of Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration; *provided, however,* that the issuance of any shares of Common Stock in connection with an Award of Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable.

(c) Awards of Stock Units may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts with respect to the number of shares of Common Stock covered by the Award, and elections by the employee to defer payment of the Award or the lifting of restrictions on the Award, if any, provided that any such deferrals shall comply with the requirements of Section 409A of the Code.

(d) In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restrictions or limitations to which a Stock Unit Award was made subject at the time of grant.

ARTICLE X

Cash Awards and Performance Awards

10.1 *Cash Awards.* In addition to granting Options, SARs, Restricted Shares and Stock Units, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Cash Awards. Each Cash Award shall be subject to such terms and conditions, restrictions and contingencies as the Committee shall determine. Restrictions and contingencies limiting the right to receive a cash payment pursuant to a Cash Award shall be based upon the achievement of single or multiple Performance Objectives over a performance period established by the Committee. The determinations made by the Committee pursuant to this Section 10.1 shall be specified in the applicable Agreement.

10.2 *Designation as a Performance Award.* The Committee shall have the right to designate any Award of Options, SARs, Restricted Shares or Stock Units as a Performance Award. All Cash Awards shall be designated as Performance Awards.

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10.3 *Performance Objectives*. The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives over a performance period established by the Committee based upon one or more of the following business criteria that apply to the Holder, one or more business units, divisions or Subsidiaries of the Company or the applicable sector of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies: increased revenue; net income measures (including income after capital costs and income before or after taxes); stock price measures (including growth measures and total stockholder return); price per share of Common Stock; market share; earnings per share (actual or targeted growth); earnings before interest, taxes, depreciation, and amortization (EBITDA); economic value added (or an equivalent metric); market value added; debt to equity ratio; cash flow measures (including cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities); return measures (including return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors capital and return on average equity); operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); expense measures (including overhead cost and general and administrative expense); margins; stockholder value; total stockholder return; proceeds from dispositions; total market value and corporate values measures (including ethics compliance, environmental and safety). Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Committee shall have the authority to determine whether the Performance Objectives and other terms and conditions of the Award are satisfied, and the Committee s determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing.

10.4 *Section 162(m) of the Code*. Notwithstanding the foregoing provisions, if the Committee intends for a Performance Award to be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such Award in accordance with Section 162(m) of the Code, then the Performance Objectives for such particular Performance Award relative to the particular period of service to which the Performance Objectives relate shall be established by the Committee in writing (i) no later than 90 days after the beginning of such period and (ii) prior to the completion of 25% of such period.

10.5 *Waiver of Performance Objectives*. The Committee shall have no discretion to modify or waive the Performance Objectives or conditions to the grant or vesting of a Performance Award unless such Award is not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and the relevant Agreement provides for such discretion.

ARTICLE XI
General Provisions

11.1 *Acceleration of Awards*.

(a) *Death or Disability*. If a Holder s employment shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares, any related Retained Distributions and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full.

(b) *Approved Transactions; Board Change; Control Purchase*. In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement

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provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares, any related Retained Distributions and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Stock Units, each such Award of Stock Units shall become vested in full, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. The effect, if any, on a Cash Award of an Approved Transaction, Board Change or Control Purchase shall be prescribed in the applicable Agreement. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Committee may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Committee, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the applicable series of Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

11.2 *Termination of Employment.*

(a) *General.* If a Holder s employment shall terminate prior to an Option or SAR becoming exercisable or being exercised (or deemed exercised, as provided in Section 7.2) in full, or during the Restriction Period with respect to any Restricted Shares or prior to the vesting or complete exercise of any Stock Units, then such Option or SAR shall thereafter become or be exercisable, such Stock Units to the extent vested shall thereafter be exercisable, and the Holder s rights to any unvested Restricted Shares, Retained Distributions, unpaid Dividend Equivalents and related cash amounts and any such unvested Stock Units shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; *provided, however,* that, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder s employment terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder s employment for cause will be treated in accordance with the provisions of Section 11.2(b). The effect on a Cash Award of the termination of a Holder s employment for any reason, other than for cause, shall be prescribed in the applicable Agreement.

(b) *Termination for Cause.* If a Holder s employment with the Company or a Subsidiary of the Company shall be terminated by the Company or such Subsidiary for cause during the Restriction Period with respect to any Restricted Shares or prior to any Option or SAR becoming exercisable or being exercised in full or prior to the vesting or complete exercise of any Stock Unit or the payment in full of any Cash Award (for these purposes, cause shall have the meaning ascribed thereto in any employment agreement to which such Holder is a party or, in the absence thereof, shall include insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform his duties and responsibilities for any reason other than illness or incapacity; *provided, however,* that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for cause shall mean only a felony conviction for fraud, misappropriation, or embezzlement), then, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) all Options and SARs and all unvested or unexercised Stock Units and all unpaid Cash Awards held by such Holder shall immediately terminate, and (ii) such Holder s rights to all Restricted Shares, Retained Distributions, any unpaid Dividend Equivalents and any related cash amounts shall be forfeited immediately.

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(c) *Miscellaneous.* The Committee may determine whether any given leave of absence constitutes a termination of employment; *provided, however,* that for purposes of the Plan, (i) a leave of absence, duly authorized in writing by the Company for military service or sickness, or for any other purpose approved by the Company if the period of such leave does not exceed 90 days, and (ii) a leave of absence in excess of 90 days, duly authorized in writing by the Company provided the employee s right to reemployment is guaranteed either by statute or contract, shall not be deemed a termination of employment. Unless otherwise determined by the Committee and provided in the applicable Agreement, Awards made under the Plan shall not be affected by any change of employment so long as the Holder continues to be an employee of the Company.

11.3 *Right of Company to Terminate Employment.* Nothing contained in the Plan or in any Award, and no action of the Company or the Committee with respect thereto, shall confer or be construed to confer on any Holder any right to continue in the employ of the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any Subsidiary of the Company to terminate the employment of the Holder at any time, with or without cause, subject, however, to the provisions of any employment agreement between the Holder and the Company or any Subsidiary of the Company.

11.4 *Nonalienation of Benefits.* Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Person entitled to such benefits.

11.5 *Written Agreement.* Each Award of Options shall be evidenced by a stock option agreement; each Award of SARs shall be evidenced by a stock appreciation rights agreement; each Award of Restricted Shares shall be evidenced by a restricted shares agreement; each Award of Stock Units shall be evidenced by a stock units agreement; and each Performance Award shall be evidenced by a performance award agreement (including a cash award agreement evidencing a Cash Award), each in such form and containing such terms and provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve; *provided, however,* that if more than one type of Award is made to the same Holder, such Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares, Stock Units or Performance Award (including a Cash Award) shall be notified promptly of such grant, and a written Agreement shall be promptly executed and delivered by the Company. Any such written Agreement may contain (but shall not be required to contain) such provisions as the Committee deems appropriate (i) to insure that the penalty provisions of Section 4999 of the Code will not apply to any stock or cash received by the Holder from the Company or (ii) to provide cash payments to the Holder to mitigate the impact of such penalty provisions upon the Holder. Any such Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 11.7(b).

11.6 *Designation of Beneficiaries.* Each Person who shall be granted an Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiary or beneficiaries with the Committee on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of such Person.

11.7 *Termination and Amendment.*

(a) *General.* Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the tenth anniversary of the Effective Date. The Plan may be terminated at any time prior to the tenth anniversary of the Effective Date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Committee.

(b) *Modification.* No termination, modification or amendment of the Plan may, without the consent of the Person to whom any Award shall theretofore have been granted, adversely affect the rights of such Person with respect to such Award. No modification, extension, renewal or other change in any Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with

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the provisions of the Plan. With the consent of the Holder and subject to the terms and conditions of the Plan (including Section 11.7(a)), the Committee may amend outstanding Agreements with any Holder, including any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the foregoing, the Committee may, but solely with the Holder s consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 11.7(b) shall be construed to prevent the Committee from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Committee may, subject to the express provisions of the Plan, adopt from time to time or impair the enforceability of any such provision.

11.8 *Government and Other Regulations.* The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issued to Holders under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act.

11.9 *Withholding.* The Company s obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state and local tax withholding requirements. Federal, state and local withholding tax due at the time of an Award, upon the exercise of any Option or SAR or upon the vesting of, or expiration of restrictions with respect to, Restricted Shares or Stock Units or the satisfaction of the Performance Objectives applicable to a Performance Award, as appropriate, may, in the discretion of the Committee, be paid in shares of the applicable series of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including the conditions referenced in Section 6.5) as the Committee shall determine. If the Holder shall fail to pay, or make arrangements satisfactory to the Committee for the payment to the Company of, all such federal, state and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any federal, state or local taxes of any kind required to be withheld by the Company with respect to such Award.

11.10 *Nonexclusivity of the Plan.* The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

11.11 *Exclusion from Pension and Profit-Sharing Computation.* By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan, program or policy of the Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan covering employees of the Company or any Subsidiary of the Company.

11.12 *Unfunded Plan.* Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an unfunded plan of the Company. Except as provided in Article VIII with respect to

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Awards of Restricted Shares and except as expressly set forth in an Agreement, no employee shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the liabilities of the Company and any Subsidiary of the Company to any employee pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of any employee, former employee or beneficiary under the Plan shall be limited to those of a general creditor of the Company or the applicable Subsidiary of the Company, as the case may be. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, *provided, however,* that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

11.13 *Governing Law.* The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

11.14 *Accounts.* The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable Subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory arrangements for the payment of any applicable withholding taxes as provided in Section 11.9.

11.15 *Legends.* Each certificate evidencing shares of Common Stock subject to an Award shall bear such legends as the Committee deems necessary or appropriate to reflect or refer to any terms, conditions or restrictions of the Award applicable to such shares, including any to the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

11.16 *Company s Rights.* The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell or otherwise dispose of all or any part of its business or assets.

11.17 *Interpretation.* The words include, includes, included and including to the extent used in the Plan shall be deemed in each case to be followed by the words without limitation.

11.18 *Section 409A.* Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under the Plan would result in the imposition of an additional tax under Code Section 409A and related regulations and United States Department of the Treasury pronouncements (Section 409A), that Plan provision or Award will be reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Holder s rights to an Award.

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APPENDIX A: INFORMATION CONCERNING LIBERTY MEDIA INTERNATIONAL
PART 6: AUDIT COMMITTEE CHARTER OF AUDIT COMMITTEE OF
LMI BOARD OF DIRECTORS
LIBERTY MEDIA INTERNATIONAL, INC.
AUDIT COMMITTEE CHARTER

There will be a committee of the Board of Directors (the Board) of Liberty Media International, Inc. (the Corporation) which will be called the Audit Committee.

1. Statement of Purpose.

The purpose of the Audit Committee is to provide assistance to the Board in fulfilling the Board s responsibilities to the Corporation and its shareholders relating to the accounting and financial reporting process and the audit of the Corporation s financial statements. To that end, the Audit Committee will oversee management s processes and activities relating to:

maintaining the reliability and integrity of the Corporation s accounting policies, financial reporting practices and financial statements;

the independent auditor s qualifications and independence;

the performance of the Corporation s internal audit function and independent auditor; and

confirming compliance with U.S. Federal laws and regulations, and the requirements of any stock exchange or quotation system on which the Corporation s securities may be listed.

The Audit Committee will prepare the report required by the rules of the Securities and Exchange Commission (the Commission) to be included in the Corporation s annual proxy statement.

2. Committee Membership.

The Audit Committee will consist of no fewer than three members. The Audit Committee will be composed of directors who satisfy the independence, experience and financial expertise requirements set forth in the Corporate Governance Rules of The Nasdaq Stock Market, Inc. and Section 10A of the Securities Exchange Act of 1934, as amended (the Exchange Act), including the rules and regulations promulgated thereunder. In addition, at least one member of the Audit Committee will have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual s financial sophistication, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight responsibilities. The Board may, in its discretion, determine that one or more members of the Audit Committee are financial experts as defined by the Commission.

The members of the Audit Committee will be appointed, and may from time to time be removed, by the Board. The Board will take into account any recommendations of the Nominating and Corporate Governance Committee in making such appointments.

3. Executive Sessions.

The Audit Committee will meet periodically with management, the internal auditors (or other personnel responsible for the internal audit) and the independent auditor in separate executive sessions in furtherance of its purposes.

4. Functions and Responsibilities.

In furtherance of the purposes set forth above, the Audit Committee will perform the functions and responsibilities described in this Charter as appropriate and will have all powers of the Board necessary or

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desirable to perform such functions and responsibilities as may be delegated to a committee of the Board under Delaware law. Notwithstanding the enumeration of specific functions and responsibilities herein, the Audit Committee believes that its policies and procedures should remain flexible, in order to best respond to changing circumstances and conditions in fulfilling its responsibilities to the Corporation and its shareholders. The Audit Committee will by resolution establish its own rules and regulations, including notice and quorum requirements for all meetings. In the absence of such rules and regulations, the provisions of the Corporation s bylaws generally applicable to committees of the Board will apply.

The Audit Committee will have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification), and will approve all audit engagement fees and terms and significant non-audit engagements with the independent auditor. The Audit Committee will be directly responsible for the oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services. The independent auditor will report directly to the Audit Committee. All auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Corporation by its independent auditor must be approved by the Audit Committee in advance, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(l)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members or may delegate authority to one or more members, including the authority to grant preapprovals of audit and permitted non-audit services, provided that all decisions to grant preapprovals pursuant to such delegated authority will be presented to the entire Audit Committee at its next scheduled meeting.

The Audit Committee will have the authority, to the extent it deems necessary or appropriate to carry out its functions and responsibilities, to retain independent legal, accounting or other advisors. The Corporation will provide for appropriate funding, as determined by the Audit Committee, for the payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services and to any advisors employed by the Audit Committee.

The Audit Committee will make regular reports to the Board. The Audit Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee will annually review the Audit Committee s own performance.

In addition, the Audit Committee will:

(a) Financial Statement and Disclosure Matters.

(i) Review and discuss with management and the independent auditor the Corporation s annual audited financial statements, including disclosures made in Management s Discussion and Analysis of Financial Condition and Results of Operations, and recommend to the Board whether the audited financial statements should be included in the Corporation s Form 10-K.

(ii) Review and discuss with management and the independent auditor the Corporation s quarterly financial statements, including disclosures made in Management s Discussion and Analysis of Financial Condition and Results of Operations, prior to the filing of its Form 10-Q, including the results of the independent auditor s review of the quarterly financial statements.

(iii) Review and discuss with management and the independent auditor, as applicable, (A) significant issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation s selection or application of accounting principles, major issues as to the adequacy of the Corporation s internal controls and any special audit steps adopted in light of material control deficiencies; (B) analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles (GAAP) methods on the financial state-

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ments; (C) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation; and (D) earnings press releases (paying particular attention to any use of pro forma or adjusted non-GAAP information) as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.

(iv) Hold meetings on a quarterly basis to review and discuss quarterly reports from the independent auditor on (A) all critical accounting policies and practice to be used; (B) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and treatments preferred by the independent auditor; and (C) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.

(v) Discuss with management the Corporation s major financial risk exposures and the steps management has taken to monitor and control such risk exposures, including the Corporation s risk assessment and risk management policies or guidelines.

(vi) Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit or any review services, including any difficulties encountered in the course of the audit or review work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

(vii) Review disclosures made to the Audit Committee by the Corporation s CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation s internal controls.

(b) Oversight of the Corporation s Relationship with the Independent Auditor.

(i) (1) Obtain and review a formal written statement from the independent auditor at least annually regarding (A) the audit firm s internal quality-control procedures, (B) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by an inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (C) any steps taken to deal with such issues, and (D) all relationships between the independent auditor and the Corporation (consistent with Independence Standards Board Standard 1); (2) evaluate the qualifications, performance and independence of the independent auditor, including a review and evaluation of the lead partner of the independent auditor, considering whether the auditor s internal quality-controls are adequate, considering whether the provision of permitted non-audit services is compatible with maintaining the auditor s independence and actively engaging in a dialogue with the auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the independent auditor, taking into account the opinions of management and the Corporation s internal auditors; and (3) present its conclusions and consequent recommendations with respect to the independent auditor to the Board.

(ii) Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.

(iii) Recommend to the Board policies for the Corporation s hiring of employees or former employees of the independent auditor who were engaged on the Corporation s account or otherwise participated in any audit of the Corporation.

(iv) Discuss with the independent auditor any accounting or auditing issues with respect to which the Corporation s audit team consulted with the independent auditor s national office.

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(v) Review with the independent auditor any audit problems or difficulties and management s response.

(vi) Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

(c) Oversight of the Corporation s Internal Audit Function.

(i) Ensure the Corporation maintains an internal audit function.

(ii) Discuss with the independent auditor and management the internal auditor function s responsibilities, budget and staffing and any recommendations or suggested changes in the planned scope of the internal audit.

(iii) Review with the internal auditor, on a periodic basis as appropriate, the results of specified projects assigned to the internal auditor, and coordinate with management to ensure that any significant findings or control weaknesses are addressed and resolved.

(d) Compliance Oversight Responsibilities.

(i) Review any reports of the independent auditor mandated by Section 10A of the Exchange Act and obtain from the independent auditor any information with respect to illegal acts in accordance with Section 10A.

(ii) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(iii) Take actions necessary to enforce the Code of Business Conduct and Ethics adopted by the Board, including the establishment of procedures to consider alleged violations of such code and reporting and disclosure of such violations and any waivers granted by the Board under such code.

5. Limitation on Audit Committee s Role.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to, and the Audit Committee will not, (a) plan or conduct audits, (b) prepare the Corporation s financial statements, or (c) determine or certify that the Corporation s financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

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ADOPTED this 11th day of May, 2004.

/s/ Donne F. Fisher

Donne F. Fisher

/s/ David E. Rapley

David E. Rapley

/s/ J. David Wargo

J. David Wargo

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Appendix B
EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER
By and Among
NEW CHEETAH, INC.
LIBERTY MEDIA INTERNATIONAL, INC.
UNITEDGLOBALCOM, INC.
CHEETAH ACQUISITION CORP.
TIGER GLOBAL ACQUISITION CORP.
Dated as of January 17, 2005

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this "Agreement") is made as of this 17th day of January, 2005, by and among New Cheetah, Inc., a Delaware corporation ("HoldCo"), Liberty Media International, Inc., a Delaware corporation ("LMI"), UnitedGlobalCom, Inc., a Delaware corporation ("UGC"), Cheetah Acquisition Corp., a Delaware corporation ("LMI Merger Sub"), and Tiger Global Acquisition Corp., a Delaware corporation ("UGC Merger Sub").

RECITALS

WHEREAS, on the date hereof LMI beneficially owns approximately 7.6% of the shares of Class A common stock, par value $.01 per share, of UGC (the "UGC Class A Stock") issued and outstanding on December 31, 2004, 100% of the shares of Class B common stock, par value $.01 per share, of UGC (the "UGC Class B Stock") issued and outstanding on December 31, 2004 and approximately 97.8% of the shares of Class C common stock, par value $.01 per share, of UGC (the "UGC Class C Stock" and, together with the UGC Class A Stock and the UGC Class B Stock, the "UGC Common Stock") issued and outstanding on December 31, 2004; and

WHEREAS, the Boards of Directors of each of LMI and UGC deem it advisable and in the best interests of each corporation and its stockholders that LMI and UGC engage in a business combination on the terms and subject to the conditions hereof by means of the Mergers (as defined below). A special committee of the Board of Directors of UGC (the "Special Committee") has determined that the UGC Merger (as defined below) is fair to, and is in the best interests of, UGC and the holders of UGC Common Stock, other than LMI and its Affiliates, and has recommended to the Board of Directors of UGC that it approve the terms and conditions of this Agreement, including the UGC Merger;

WHEREAS, UGC and Stockholder are parties to the Voting Agreement, of even date herewith, pursuant to which Stockholder has agreed, among other things, to vote the Subject Shares (as defined therein) in favor of the adoption of this Agreement and the transactions contemplated hereby at any meeting of stockholders of LMI or any adjournment thereof called to vote upon this Agreement or any of the transactions contemplated hereby; and

WHEREAS, for U.S. federal income tax purposes, it is intended that the LMI Merger (as defined below) shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder, and that the conversion of the UGC Common Stock into shares of HoldCo Series A Stock (as defined below) which is effected pursuant to the UGC Merger shall qualify as an exchange within the meaning of Section 351(a) of the Code and the regulations promulgated thereunder;

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual covenants, representations, warranties and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS AND CONSTRUCTION

1.1 *Certain Definitions*. As used in this Agreement, the following terms will have the following meanings unless the context otherwise requires:

"Acquisition Proposal" means any offer or proposal by any Person or group of Persons concerning (a) any tender or exchange offer for shares of any class or series of UGC Stock, (b) any merger, share exchange, recapitalization, consolidation or other business combination involving UGC or (c) an acquisition in any manner, directly or indirectly, of a significant equity interest in, or a substantial portion of the assets of, UGC, other than pursuant to the transactions contemplated by this Agreement.

"Affiliate" of any Person has the meaning ascribed to such term in Rule 12b-2 under the Exchange Act. For purposes of this Agreement (other than Section 4.3), unless otherwise specified, (a) neither UGC nor any of

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its Subsidiaries will be deemed to be Affiliates of LMI or any of LMI s Subsidiaries; (b) neither LMI nor any of its Subsidiaries will be deemed to be Affiliates of UGC or any of UGC s Subsidiaries; (c) none of the Affiliates of UGC or any of its Subsidiaries (the UGC Affiliates) will be deemed to be an Affiliate of LMI or any of LMI s Subsidiaries, unless such UGC Affiliate would be such an Affiliate if neither LMI nor any of its Subsidiaries (1) owned any capital stock of UGC, (2) designated or nominated, or possessed any contractual right to designate or nominate, any directors of UGC or any of its Subsidiaries or (3) otherwise possessed, directly or indirectly, the power to direct or cause the direction of the management or policies of UGC or any of its Subsidiaries; and (d) none of the Affiliates of LMI or any of LMI s Subsidiaries (LMI Affiliates) will be deemed to be an Affiliate of UGC or any of UGC s Subsidiaries, unless such LMI Affiliate would be such an Affiliate if neither LMI nor any of its Subsidiaries (1) owned any capital stock of UGC, (2) designated or nominated, or possessed any contractual right to designate or nominate, any directors of UGC or any of its Subsidiaries or (3) otherwise possessed, directly or indirectly, the power to direct or cause the direction of the management or policies of UGC or any of its Subsidiaries.

Agreement has the meaning specified in the preamble.

Approved Matter means any matter expressly approved by (i) the UGC Board, provided that all of the directors of UGC who are also executive officers of LMI did not cast their votes against the approval of such matter, or (ii) the Executive Committee of the UGC Board, provided that at least one member of the Executive Committee of the UGC Board is also an executive officer of LMI and all members of such committee who are also executive officers of LMI did not vote against such matter.

Book-Entry Shares has the meaning specified in Section 3.4(a).

Cash Consideration means, for each share of UGC Common Stock in respect of which a Cash Election is validly made and subject to the provisions of Section 3.4(f), $9.58, without interest.

Cash Election has the meaning set forth in Section 3.3(b).

Certificates has the meaning specified in Section 3.4(a).

Certificates of Merger means the LMI Certificate of Merger and the UGC Certificate of Merger.

Claim has the meaning specified in Section 7.5(c).

Closing has the meaning specified in Section 3.2.

Closing Date means the date on which the Closing occurs pursuant to Section 3.2.

Code has the meaning specified in the recitals.

Contract has the meaning specified in Section 5.5(iv).

Contract Consent has the meaning specified in Section 5.5(iii).

Contract Notice has the meaning specified in Section 5.5(iii).

Control means, with respect to any Person, the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Controlled Affiliates means, with respect to any Person, any Affiliates of such Person that such Person Controls.

Converted LMI Option has the meaning specified in Section 3.6(a).

Converted LMI SAR has the meaning specified in Section 3.6(b).

Converted UGC Option has the meaning specified in Section 3.7(a).

Converted UGC SAR has the meaning specified in Section 3.7(b).

Convertible Securities has the meaning specified in Section 5.3(e).

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DGCL means the General Corporation Law of the State of Delaware.
Deemed Stock Election has the meaning specified in Section 3.3(b).
Deemed Stock Election Holder has the meaning specified in Section 3.5(b).
Distribution means the distribution effected on June 7, 2004 by LMC to its Series A common stockholders of all of its LMI Series A common stock and to its Series B common stockholders of all of its LMI Series B common stock.
Drop Dead Date has the meaning specified in Section 9.1(c).
Effective Time means the time when the Mergers become effective under applicable law as provided in Section 3.1(a).
Election Time has the meaning specified in Section 3.4(d).
ERISA means the Employee Retirement Income Security Act of 1974, as amended, and all regulations promulgated thereunder, as in effect from time to time.
Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.
Exchange Agent has the meaning specified in Section 3.4(a).
Exchange Fund has the meaning specified in Section 3.5(a)(i).
Exchange Ratio means a fraction equal to 0.2155.
Excluded Shares means shares of UGC Common Stock which are to be exchanged pursuant to Section 3.3(b)(iv) or which are to be cancelled pursuant to Section 3.3(b)(v).
Executive means Michael T. Fries.
Filing Termination Date has the meaning specified in Section 9.1(b).
Form of Election has the meaning specified in Section 3.4(c).
Former LMI Holders has the meaning specified in Section 3.5(b).
Former LMI Shares has the meaning specified in Section 3.5(b).
GAAP means generally accepted accounting principles as accepted by the accounting profession in the United States as in effect from time to time.
Government Consent has the meaning specified in Section 5.5(ii).
Governmental Entity means any court, arbitrator, administrative or other governmental department, agency, commission, authority or instrumentality, domestic or foreign.
Governmental Filing has the meaning specified in Section 5.5(ii).
HoldCo has the meaning specified in the preamble.
HoldCo Board has the meaning specified in Section 2.2(a).
HoldCo Bylaws has the meaning specified in Section 2.1.
HoldCo Charter has the meaning specified in Section 2.1.
HoldCo Common Stock has the meaning specified in Section 2.1.
HoldCo Original Series A Stock has the meaning specified in Section 2.1.
HoldCo Original Stock has the meaning specified in Section 2.1.
HoldCo Preferred Stock has the meaning specified in Section 2.1.

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HoldCo Series A Stock has the meaning specified in Section 2.1.
HoldCo Series B Stock has the meaning specified in Section 2.1.
HoldCo Series C Stock has the meaning specified in Section 2.1.
HoldCo Stock has the meaning specified in Section 2.1.
Indebtedness means, with respect to any Person, without duplication (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (i) every liability of such Person (excluding intercompany accounts between UGC and any wholly-owned Subsidiary of UGC or between wholly-owned Subsidiaries of UGC) (A) for borrowed money, (B) evidenced by notes, bonds, debentures or other similar instruments (whether or not negotiable), (C) for reimbursement of amounts drawn under letters of credit, bankers acceptances or similar facilities issued for the account of such Person, (D) issued or assumed as the deferred purchase price of property or services (excluding accounts payable) or (E) relating to a capitalized lease obligation and all debt attributable to sale/leaseback transactions of such Person; and (ii) every liability of others of the kind described in the preceding clause (i) that such Person has guaranteed or that is otherwise its legal liability.
Initial HoldCo Board has the meaning specified in Section 2.2(c).
Injunction has the meaning specified in Section 4.4.
Insiders has the meaning specified in Section 7.9.
Japanese Businesses means those Subsidiaries of LMI and those Persons in which LMI (directly or indirectly through one or more Subsidiaries) owns an investment accounted for by the equity method within the meaning of GAAP whose businesses are primarily conducted in Japan (including Jupiter Telecommunications Co., Ltd. and Jupiter Programming Co., Ltd.)
Joint Proxy Statement/ Prospectus has the meaning specified in Section 4.2(a).
License means any license, franchise, ordinance, authorization, permit, certificate, variance, exemption, concession, lease, right of way, easement, instrument, order and approval, domestic or foreign.
Lien means any security interest, mortgage, pledge, hypothecation, charge, claim, option, right to acquire, adverse interest, assignment, deposit arrangement, encumbrance, restriction, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease involving substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).
LMC means Liberty Media Corporation, a Delaware corporation.
LMI has the meaning set forth in the preamble.
LMI Board means the Board of Directors of LMI.
LMI Book-Entry Shares has the meaning specified in Section 3.4(a).
LMI Certificate of Merger means the certificate of merger with respect to the LMI Merger, containing the provisions required by, and executed in accordance with, Section 251 of the DGCL.
LMI Certificates has the meaning specified in Section 3.4(a).
LMI Charter means the Restated Certificate of Incorporation of LMI, as amended and as in effect on the date hereof.
LMI Common Stock means the LMI Series A Stock, the LMI Series B Stock and the LMI Series C Stock.
LMI Consideration has the meaning specified in Section 3.3(a).

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"LMI ERISA Affiliate" has the meaning specified in the definition of the term "LMI Plan".
"LMI Fairness Opinion" has the meaning specified in Section 6.13.
"LMI Indemnified Liabilities" has the meaning specified in Section 7.5(b).
"LMI Indemnified Parties" has the meaning specified in Section 7.5(b).
"LMI Indemnified Party" has the meaning specified in Section 7.5(b).
"LMI Material Adverse Effect" means a Material Adverse Effect with respect to LMI or a material adverse effect on the ability of LMI to consummate the Mergers and the other transactions contemplated by this Agreement.
"LMI Merger" means the merger of LMI Merger Sub with and into LMI as set forth in Section 3.1(a).
"LMI Merger Sub" has the meaning specified in the preamble.
"LMI Merger Sub Board" has the meaning specified in Section 2.4(a).
"LMI Option" has the meaning specified in Section 3.6(a).
"LMI Plan" means each bonus, deferred compensation, incentive compensation, stock purchase, stock option, severance or termination pay, hospitalization, medical, life or other insurance, supplemental unemployment benefits, profit-sharing, pension or retirement plan, program, agreement or arrangement, and each other employee benefit plan, program, agreement or arrangement, sponsored, maintained or contributed to or required to be contributed to at any time since June 1, 2004 by LMI or by any trade or business, whether or not incorporated ("LMI ERISA Affiliate"), that together with LMI would be deemed a "controlled group" within the meaning of Section 4001(a)(14) of ERISA, for the benefit of any employee, director or former employee or director of LMI or any LMI ERISA Affiliate including any such type of plan established, maintained or contributed to under the laws of any foreign country; provided, however, that LMI Plan will not include any such plan or arrangement maintained by UGC.
"LMI Preferred Stock" means the preferred stock, $.01 par value per share, of LMI.
"LMI Preferred Stock Consideration" has the meaning specified in Section 3.3(a).
"LMI Restricted Stock" has the meaning specified in Section 3.6(c).
"LMI SAR" has the meaning specified in Section 3.6(b).
"LMI SEC Filings" has the meaning specified in Section 6.4.
"LMI Series A Consideration" has the meaning specified in Section 3.3(a).
"LMI Series B Consideration" has the meaning specified in Section 3.3(a).
"LMI Series C Consideration" has the meaning specified in Section 3.3(a).
"LMI Series A Stock" means the Series A common stock, $.01 par value per share, of LMI.
"LMI Series B Stock" means the Series B common stock, $.01 par value per share, of LMI.
"LMI Series C Stock" means the Series C common stock, $.01 par value per share, of LMI.
"LMI Special Meeting" has the meaning specified in Section 4.1.
"LMI Stock" means the LMI Common Stock and the LMI Preferred Stock.
"LMI Stockholder Approval" has the meaning specified in Section 6.14.
"Material Adverse Effect" means (A) with respect to LMI, a material adverse effect on the business, properties, operations or financial condition of LMI and its Subsidiaries (for these purposes including UGC and its Subsidiaries) taken as a whole, other than any such effect arising out of or resulting from (i) any change in the trading prices of LMI Series A Stock between the date hereof and the Effective Time, (ii) any

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changes in GAAP that affect generally entities such as LMI, (iii) general business or economic conditions or from general changes in or affecting the industries in which LMI operates in areas where LMI does business directly or through its Subsidiaries (for these purposes including UGC and its Subsidiaries), or (iv) the announcement of this Agreement or the consummation of the transactions contemplated hereby, except, in the case of clause (iii), to the extent that any such change has a disproportionate impact on LMI and its Subsidiaries (for these purposes including UGC and its Subsidiaries), taken as a whole, and (B) with respect to UGC, a material adverse effect on the business, properties, operations or financial condition of UGC and its Subsidiaries taken as a whole, other than any such effect arising out of or resulting from (i) any change in the trading prices of UGC Class A Stock between the date hereof and the Effective Time, (ii) any changes in GAAP that affect generally entities such as UGC, (iii) general business or economic conditions or general changes in or affecting the industries in which UGC operates in areas where UGC does business directly or through its Subsidiaries or (iv) the announcement of this Agreement or the consummation of the transactions contemplated hereby or any Approved Matter approved following the date hereof, except, in the case of clause (iii), to the extent that any such change has a disproportionate impact on UGC and its Subsidiaries. Neither a LMI Material Adverse Effect nor a UGC Material Adverse Effect shall be deemed to occur as the result of the consummation or failure to consummate the combination of Metrópolis Intercom S.A. and VTR GlobalCom S.A.

Merger Consideration has the meaning specified in Section 3.3(b).

Mergers means the LMI Merger and the UGC Merger.

Minority Approval has the meaning specified in Section 5.14.

NASD means the National Association of Securities Dealers, Inc.

Nasdaq means The Nasdaq National Market.

Person means an individual, partnership, corporation, limited liability company, trust, unincorporated organization, association, joint venture or other entity or a government, agency, political subdivision, or instrumentality thereof.

Registration Statement has the meaning specified in Section 4.2(a).

Restriction , with respect to any capital stock or other security, means any voting or other trust or agreement, option, warrant, escrow arrangement, proxy, buy-sell agreement, power of attorney or other Contract, or any law, rule, regulation, order, judgment or decree which, conditionally or unconditionally: (i) grants to any Person the right to purchase or otherwise acquire, or obligates any Person to purchase or sell or otherwise acquire, dispose of or issue, or otherwise results in or, whether upon the occurrence of any event or with notice or lapse of time or both or otherwise, may result in, any Person acquiring, (A) any of such capital stock or other security; (B) any of the proceeds of, or any distributions paid or which are or may become payable with respect to, any of such capital stock or other security; or (C) any interest in such capital stock or other security or any such proceeds or distributions; (ii) restricts or, whether upon the occurrence of any event or with notice or lapse of time or both or otherwise, may restrict the transfer or voting of, or the exercise of any rights or the enjoyment of any benefits arising by reason of ownership of, any such capital stock or other security or any such proceeds or distributions; or (iii) creates or, whether upon the occurrence of any event or with notice or lapse of time or both or otherwise, may create a Lien or purported Lien affecting such capital stock or other security, proceeds or distributions.

Schedule 13E-3 has the meaning specified in Section 4.2(a).

SEC means the Securities and Exchange Commission.

Section 16 Information has the meaning specified in Section 7.9.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations thereunder.

Significant LMI Subsidiary has the meaning specified in Section 6.1.

Significant UGC Subsidiary has the meaning specified in Section 5.1.

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Special Committee has the meaning set forth in the recitals.
Special Meetings has the meaning specified in Section 4.1.
Stock Consideration has the meaning specified in Section 3.3(b).
Stock Election has the meaning set forth in Section 3.3(b).
Stockholder means John C. Malone.
Subsidiary when used with respect to any Person, means any other Person (1) of which (x) in the case of a corporation, at least (A) a majority of the equity and (B) a majority of the voting interests are owned or Controlled, directly or indirectly, by such first Person, by any one or more of its Subsidiaries, or by such first Person and one or more of its Subsidiaries or (y) in the case of any Person other than a corporation, such first Person, one or more of its Subsidiaries, or such first Person and one or more of its Subsidiaries (A) owns a majority of the equity interests thereof and (B) has the power to elect or direct the election of a majority of the members of the governing body thereof or otherwise has Control over such organization or entity; or (2) that is required to be consolidated with such first Person for financial reporting purposes under GAAP; provided that, for purposes of the agreements set forth in Article III and Article VI, references to Subsidiaries will not include any Person as to which such first Person s voting interests are subject to a voting agreement, proxy, management contract or other arrangement as a result of which such first Person does not Control such other Person. For purposes of this Agreement, unless otherwise specified, neither UGC nor any of its Subsidiaries will be deemed to be Subsidiaries of LMI or any of LMI s Subsidiaries, whether or not they otherwise would be Subsidiaries of LMI or any of LMI s Subsidiaries under the foregoing definition.
Surviving LMI Corporation means LMI as the surviving corporation after the LMI Merger as provided in Section 3.1(a).
Surviving UGC Corporation means UGC as the surviving corporation after the UGC Merger as provided in Section 3.1(a).
Tax or Taxes means (i) any and all federal, state, local and foreign taxes and other assessments, governmental charges, duties, fees, levies, impositions and liabilities in the nature of a tax, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes and (ii) all interest, penalties and additions imposed with respect to such amounts in clause (i).
Tax Return means a report, return or other information required to be supplied to or filed with a Governmental Entity with respect to any Tax including an information return, claim for refund, amended Tax return or declaration of estimated Tax.
Treasury Regulations means the regulations promulgated under the Code in effect on the date hereof and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.
Total Cash Election Number has the meaning specified in Section 3.4(f).
UGC has the meaning specified in the preamble.
UGC Board means the Board of Directors of UGC.
UGC Book-Entry Shares has the meaning specified in Section 3.4(a).
UGC Certificates has the meaning specified in Section 3.4(a).
UGC Certificate of Merger means the certificate of merger with respect to the UGC Merger, containing the provisions required by, and executed in accordance with, Section 251 of the DGCL.
UGC Charter means the Restated Certificate of Incorporation of UGC as amended to the date hereof.
UGC Class A Stock has the meaning set forth in the recitals.
UGC Class B Stock has the meaning set forth in the recitals.

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"UGC Class C Stock" has the meaning set forth in the recitals.
"UGC Common Stock" has the meaning set forth in the recitals.
"UGC Convertible Notes" means the $500,000,000 principal amount of 3¼% Convertible Senior Notes due April 15, 2024 issued by UGC.
"UGC Disclosure Letter" means the disclosure letter, dated as of the date hereof, delivered by UGC to LMI.
"UGC ERISA Affiliate" has the meaning specified in the term "UGC Plan".
"UGC Fairness Opinion" has the meaning specified in Section 5.13.
"UGC Indemnified Liabilities" has the meaning specified in Section 7.5(a).
"UGC Indemnified Parties" has the meaning specified in Section 7.5(a).
"UGC Indemnified Party" has the meaning specified in Section 7.5(a).
"UGC Indenture" means the Indenture, dated as of April 6, 2004, by and between UGC and The Bank of New York, as Trustee, relating to the UGC Convertible Notes.
"UGC Material Adverse Effect" means a Material Adverse Effect with respect to UGC or a material adverse effect on the ability of UGC to consummate the Mergers and the other transactions contemplated by this Agreement.
"UGC Merger" means the merger of UGC Merger Sub with and into UGC as set forth in Section 3.1(a).
"UGC Merger Sub" has the meaning specified in the preamble.
"UGC Merger Sub Board" has the meaning specified in Section 2.4(b).
"UGC Option" has the meaning specified in Section 3.7(a).
"UGC Plan" means each bonus, deferred compensation, incentive compensation, stock purchase, stock option, severance or termination pay, hospitalization, medical, life or other insurance, supplemental unemployment benefits, profit-sharing, pension or retirement plan, program, agreement or arrangement, and each other employee benefit plan, program, agreement or arrangement, sponsored, maintained or contributed to or required to be contributed to at any time since December 31, 1999 by UGC or by any trade or business, whether or not incorporated ("UGC ERISA Affiliate"), that together with UGC would be deemed a "controlled group" within the meaning of Section 4001(a)(14) of ERISA, for the benefit of any employee, director or former employee or director of the UGC or any UGC ERISA Affiliate including any such type of plan established, maintained or contributed to under the laws of any foreign country; provided, however, that UGC Plan will not include any such plan or arrangement maintained by LMI or any Subsidiary of LMI.
"UGC Preferred Stock" means the preferred stock, par value $.01 per share, of UGC.
"UGC Restricted Stock" has the meaning specified in Section 3.7(c).
"UGC SAR" has the meaning specified in Section 3.7(b).
"UGC SEC Filings" has the meaning specified in Section 5.4.
"UGC Share Threshold Number" means the quotient (rounded down to the nearest whole number) equal to (i) the product of (x) the last sales price of a share of LMI Series A Stock on the Nasdaq on the last trading day immediately preceding the Effective Time (the "LMI Closing Day Market Price"), (y) the Exchange Ratio and (z) the number of shares of UGC Class A Stock (other than shares of UGC Class A Stock beneficially owned by Permitted Holders (as defined in the UGC Indenture) issued and outstanding immediately prior to the Effective Time, divided by (ii) the sum of (x) 38.32 and (y) the product of the LMI Closing Day Market Price and the Exchange Ratio.
"UGC Special Meeting" has the meaning specified in Section 4.1(a).
"UGC Stock" means the UGC Common Stock and the UGC Preferred Stock.

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UGC Stockholder Approval has the meaning specified in Section 5.14.

UGC 10-K means an Annual Report of UGC on Form 10-K for the fiscal year ended December 31, 2004 which includes (i) audited financial statements of UGC and its consolidated subsidiaries meeting the requirements of Regulation S-X, (ii) an unqualified audit report of UGC s auditors on such financial statements and (iii) the statements, reports, attestations and other disclosures required by, and that comply with, Item 308 of Regulation S-K concerning UGC s internal control over financial reporting.

Violation has the meaning specified in Section 5.5(iv).

Voting Debt has the meaning specified in Section 5.3(d).

Wholly-Owned Subsidiary means, as to any Person, a Subsidiary of such Person, 100% of the equity and voting interest in which is owned beneficially or of record, directly and/or indirectly, by such Person.

1.2 *Terms Generally*. The definitions in Section 1.1 will apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun will include the corresponding masculine, feminine and neuter forms. The words include , includes and including will be deemed to be followed by the phrase without limitation . The words herein , hereof and hereunder and words of similar import refer to this Agreement (including th Exhibits and Schedules) in its entirety and not to any part hereof unless the context otherwise requires. As used herein, the term to the knowledge of UGC or any similar term relating to UGC s knowledge means the actual knowledge, after due inquiry, of any of the executive officers of UGC, and the term to the knowledge of LMI or any similar term relating to LMI s knowledge means the actual knowledge, after due inquiry, of any of the executive officers of LMI. All references herein to Articles, Sections, Exhibits and Schedules will be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context otherwise requires. Unless the context otherwise requires, any references to any agreement, other instrument, statute or regulation are to such agreement, instrument, statute or regulation as amended and supplemented from time to time (and, in the case of a statute or regulation, to any successor provisions). Any reference in this Agreement to a day or number of days (without the explicit qualification of business) will be interpreted as a reference to a calendar day or number of calendar days, as the case may be. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a business day, then such action or notice will be deferred until, or may be taken or given on, the next business day. As used herein, the phrase made available means that the information referred to has been made available if requested by the party to whom such information is to be made available.

ARTICLE II
HOLDING COMPANY AND MERGER SUBSIDIARIES

2.1 *Organization of HoldCo*. LMI has caused HoldCo to be organized under the laws of the State of Delaware. The authorized capital stock of HoldCo on the date hereof consists of 100 shares of common stock, par value $0.01 per share (the HoldCo Original Stock), of which one share has been issued to LMI and no other shares are issued and outstanding. LMI shall take, and shall cause HoldCo to take, all requisite action to cause the certificate of incorporation of HoldCo to be in the form of Exhibit A hereto (the HoldCo Charter) and the bylaws of HoldCo to be in the form of Exhibit B hereto (the HoldCo Bylaws), in each case, at the Effective Time. Pursuant to the HoldCo Charter, the authorized capital stock of HoldCo at the Effective Time will consist solely of 500,000,000 shares of Series A common stock, par value $.01 per share (the HoldCo Series A Stock), 50,000,000 shares of Series B common stock, par value $.01 per share (the HoldCo Series B Stock), 500,000,000 shares of Series C common stock, par value $.01 per share (the HoldCo Series C Stock and, collectively with the HoldCo Series A Stock and the HoldCo Series B Stock, the HoldCo Common Stock), and 50,000,000 shares of preferred stock, par value $.01 per share (the HoldCo Preferred Stock and, together with the HoldCo Common Stock, the HoldCo Stock). Effective upon the filing of the HoldCo Charter, the HoldCo Original Stock shall be reclassified as one share of HoldCo Series A Stock (the HoldCo Original Series A Stock). At the Effective Time, each issued and outstanding

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share of HoldCo Original Series A Stock shall be cancelled without conversion into any other security or other consideration therefor.

2.2 *Directors and Officers of HoldCo.*

(a) Immediately prior to the Effective Time, the directors of HoldCo shall be solely those persons identified on Schedule 2.2(a) (the "HoldCo Board"). HoldCo shall have a staggered board of directors, and each person identified on Schedule 2.2(a) shall serve in the class and for the term set forth opposite his or her name on Schedule 2.2(a). Each director shall remain in office until the expiration of the term of the class in which such person serves or until his or her successor is duly elected or appointed and qualified in accordance with the HoldCo Charter, the HoldCo Bylaws and the DGCL or until such person's earlier death, resignation or removal.

(b) Immediately prior to the Effective Time, the officers of HoldCo shall be solely those persons identified on Schedule 2.2(b), and such additional persons as may be approved by the HoldCo Board. Each such officer shall remain in office until his or her successor is duly elected or appointed and qualified in accordance with the HoldCo Charter, the HoldCo Bylaws and the DGCL or until such person's earlier death, resignation or removal.

(c) The members of the board of directors of HoldCo as of the date of this agreement are John C. Malone and Robert R. Bennett (the "Initial HoldCo Board"); additional directors may be elected or appointed to such board in accordance with the certificate of incorporation and bylaws of HoldCo and the DGCL. Each member of the Initial HoldCo Board shall serve until his or her successor is elected to the HoldCo Board as contemplated by Section 2.2(a), or until his or her earlier death, resignation or removal. The initial officers of HoldCo shall be those persons approved by the Initial HoldCo Board, each of whom shall serve until his or her respective successor is elected as contemplated by Section 2.2(b) or until his or her earlier death, resignation or removal.

2.3 *Organization of Merger Subsidiaries.* HoldCo has caused LMI Merger Sub and UGC Merger Sub to be organized for the sole purpose of effecting the Mergers contemplated herein. The authorized capital stock of LMI Merger Sub consists of 100 shares of common stock, par value $0.01 per share, of which one share has been issued to HoldCo at a price of $0.01 per share and no other shares are issued or outstanding. The authorized capital stock of UGC Merger Sub consists of 100 shares of common stock, par value $0.01 per share, of which one share has been issued to HoldCo at a price of $0.01 per share and no other shares are issued or outstanding.

2.4 *Directors and Officers of LMI Merger Sub and UGC Merger Sub.*

(a) Immediately prior to the Effective Time, the directors of LMI Merger Sub shall be Stockholder and Executive (the "LMI Merger Sub Board"), and the officers of LMI Merger Sub shall be those persons duly elected by the LMI Merger Sub Board. Each such director and officer shall remain in office until his or her successor is duly elected or appointed and qualified in accordance with the Certificate of Incorporation and Bylaws of LMI Merger Sub and the DGCL or until such person's earlier death, resignation or removal.

(b) Immediately prior to the Effective Time, the directors of UGC Merger Sub shall be Stockholder and Executive (the "UGC Merger Sub Board"), and the officers of UGC Merger Sub shall be those persons duly elected by the UGC Merger Sub Board. Each such director and officer shall remain in office until his or her successor is duly elected or appointed and qualified in accordance with the Certificate of Incorporation and Bylaws of UGC Merger Sub and the DGCL or until such person's earlier death, resignation or removal.

2.5 *Certain Actions of LMI.* LMI, in its capacity as the sole stockholder of HoldCo, has adopted and approved this Agreement by all action required by the DGCL, the HoldCo Charter and the HoldCo Bylaws to be taken and shall cause HoldCo, as the sole stockholder of each of LMI Merger Sub and UGC Merger Sub, to take all action required by the DGCL and the respective charters and bylaws of LMI Merger Sub and UGC Merger Sub to adopt and approve this Agreement. Subject to the terms and conditions of this Agreement, LMI shall cause HoldCo to perform, and shall cause HoldCo to cause each of LMI Merger Sub and UGC Merger Sub to perform, their respective obligations under this Agreement.

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ARTICLE III
THE MERGERS AND RELATED MATTERS

3.1 *The Mergers.*

(a) *Mergers; Effective Time.* At the Effective Time and subject to and upon the terms and conditions of this Agreement, (i) LMI Merger Sub will merge with and into LMI in accordance with the provisions of the DGCL, the separate corporate existence of LMI Merger Sub will cease and LMI will continue as the Surviving LMI Corporation and (ii) UGC Merger Sub will merge with and into UGC in accordance with the provisions of the DGCL, the separate corporate existence of UGC Merger Sub will cease and UGC will continue as the Surviving UGC Corporation. The Effective Time shall be on the date and at the time that both of the Certificates of Merger have been accepted for filing by the Delaware Secretary of State, and all other documents required by the DGCL to effectuate the Mergers shall have been properly executed and filed (or such later date and time as may be agreed to by LMI and UGC and specified in the Certificates of Merger, provided that both Mergers shall become effective at the same time). The parties will cause the Certificates of Merger to be filed with the Delaware Secretary of State as soon as practicable after the Closing.

(b) *Effects of the Mergers.* From and after the Effective Time, the Mergers will each have the effects set forth in the DGCL (including Sections 259, 260 and 261 thereof). Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, (i) all the properties, rights, privileges, powers and franchises of LMI and LMI Merger Sub will vest in the Surviving LMI Corporation, and all debts, liabilities and duties of LMI and LMI Merger Sub will, by operation of law, become the debts, liabilities and duties of the Surviving LMI Corporation and (ii) all the properties, rights, privileges, powers and franchises of UGC and UGC Merger Sub will vest in the Surviving UGC Corporation, and all debts, liabilities and duties of UGC and UGC Merger Sub will, by operation of law, become the debts, liabilities and duties of the Surviving UGC Corporation.

(c) *Certificate of Incorporation of the Surviving Corporations.* At the Effective Time, (i) the LMI Charter will be amended and restated pursuant to the LMI Certificate of Merger to be identical to the certificate of incorporation of LMI Merger Sub in effect immediately prior to the Effective Time, except that Article FIRST thereof shall read as follows: The name of the Corporation (which is hereinafter called the Corporation) is Liberty Media International, Inc. and (ii) the UGC Charter in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving UGC Corporation. The LMI Charter, as so amended, and the UGC Charter shall remain as the certificate of incorporation of the Surviving LMI Corporation or the Surviving UGC Corporation, as applicable, until thereafter amended in accordance with the terms thereof and the DGCL.

(d) *Bylaws of the Surviving Corporations.* The Bylaws of LMI Merger Sub will be the Bylaws of the Surviving LMI Corporation until thereafter amended in accordance with the terms thereof, the certificate of incorporation of the Surviving LMI Corporation and the DGCL. The Bylaws of UGC Merger Sub will be the Bylaws of the Surviving UGC Corporation until thereafter amended in accordance with the terms thereof, the certificate of incorporation of the Surviving UGC Corporation and the DGCL.

(e) *Directors and Officers of the Surviving Corporations.* HoldCo, LMI and the Surviving LMI Corporation will take such action as is necessary to ensure that the directors and officers of LMI Merger Sub at the Effective Time will, from and after the Effective Time, be the directors and officers of the Surviving LMI Corporation until their respective successors are duly elected or appointed and qualified in accordance with the certificate of incorporation and Bylaws of the Surviving LMI Corporation, and the DGCL, or until such person s earlier death, resignation or removal. HoldCo, UGC and the Surviving UGC Corporation will take such action as is necessary to ensure that the directors and officers of UGC Merger Sub at the Effective Time will, from and after the Effective Time, be the directors and officers of the Surviving UGC Corporation until their respective successors are duly elected or appointed and qualified in accordance with the certificate of incorporation and Bylaws of the Surviving UGC Corporation, and the DGCL, or until such person s earlier death, resignation or removal.

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3.2 *Closing*. Unless this Agreement has been terminated pursuant to Section 9.1 and subject to the satisfaction or, when permissible, waiver of the conditions set forth in Article VIII, the closing of the Mergers (the "Closing") will take place (i) at 10:00 a.m. (New York City time) at the offices of Baker Botts L.L.P., 30 Rockefeller Plaza, New York, New York 10112, on the second business day after the date on which the last of the conditions set forth in Article VIII (other than the filing of the Certificates of Merger and other than any such conditions that by their terms are not capable of being satisfied until the Closing Date or thereafter) is satisfied or, when permissible, waived, or (ii) on such other date and/or at such other time and/or place as the parties may mutually agree.

3.3 *Conversion of Securities*.

(a) *Conversion of LMI Securities*. At the Effective Time, by virtue of the LMI Merger and without any action on the part of any party hereto or any holder of shares of LMI Stock:

(i) each share of LMI Series A Stock issued and outstanding immediately prior to the Effective Time (other than any shares cancelled pursuant to Section 3.3(a)(v)) will be converted into and represent the right to receive, and will be exchangeable for, one validly issued, fully paid and nonassessable share of HoldCo Series A Stock (the "LMI Series A Consideration");

(ii) each share of LMI Series B Stock issued and outstanding immediately prior to the Effective Time (other than any shares cancelled pursuant to Section 3.3(a)(v)) will be converted into and represent the right to receive, and will be exchangeable for, one validly issued, fully paid and nonassessable share of HoldCo Series B Stock (the "LMI Series B Consideration");

(iii) each share of LMI Series C Stock, if any, issued and outstanding immediately prior to the Effective Time (other than any shares cancelled pursuant to Section 3.3(a)(v)) will be converted into and represent the right to receive, and will be exchangeable for, one validly issued, fully paid and nonassessable share of HoldCo Series C Stock (the "LMI Series C Consideration");

(iv) each share of LMI Preferred Stock, if any, issued and outstanding immediately prior to the Effective Time (other than any shares cancelled pursuant to Section 3.3(a)(v)) will be converted into and represent the right to receive, and will be exchangeable for, one validly issued, fully paid and nonassessable share of a corresponding series of HoldCo Preferred Stock having a substantially equivalent designation of rights and preferences as such series of LMI Preferred Stock (the "LMI Preferred Stock Consideration" and, together with the LMI Series A Consideration, the LMI Series B Consideration and the LMI Series C Consideration, the "LMI Consideration"); and

(v) each share of LMI Stock held in treasury of LMI immediately prior to the Effective Time shall automatically be cancelled, retired and cease to exist without payment of any consideration therefor and without any conversion thereof.

LMI will cause HoldCo to make any filings or other designations required to comply with the provisions of Section 3.3(a)(iv). At the Effective Time, all shares of LMI Stock issued and outstanding immediately prior to the Effective Time will no longer be outstanding and will automatically be canceled and retired and will cease to exist, and each holder of a certificate representing any such shares will cease to have any rights with respect thereto, except the right to receive the shares of HoldCo Stock with respect thereto upon the surrender of such certificate in accordance with Section 3.5.

(b) *Conversion of UGC Securities*. At the Effective Time, by virtue of the UGC Merger and without any action on the part of any party hereto or the holders of shares of UGC Stock:

(i) subject to the provisions of Section 3.4(f), each share of UGC Common Stock with respect to which an election to receive the Cash Consideration has been validly made and not validly revoked pursuant to Section 3.4 (a "Cash Election") shall be converted into and represent the right to receive, and be exchangeable for, the Cash Consideration;

(ii) each share of UGC Common Stock with respect to which an election to receive the Stock Consideration has been validly made and not validly revoked pursuant to Section 3.4 (a Stock

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Election) shall be converted into and represent the right to receive, and will be exchangeable for, a fraction of a validly issued, fully paid and nonassessable share of HoldCo Series A Stock equal to the Exchange Ratio (together with cash in lieu of the issuance of any fractional share of HoldCo Series A Stock to any holder thereof to be paid in accordance with Section 3.5(d)) (the Stock Consideration and, together with the Cash Consideration and the LMI Consideration, the Merger Consideration);

(iii) each share of UGC Common Stock other than shares of UGC Common Stock with respect to which a Cash Election or a Stock Election is validly made and not validly revoked pursuant to Section 3.4 (and other than Excluded Shares) (each a Deemed Stock Election) shall be converted into and represent the right to receive, and will be exchangeable for, the Stock Consideration;

(iv) each share of UGC Common Stock held immediately prior to the Effective Time by LMI or any of its Wholly Owned Subsidiaries shall be converted into and represent the right to receive, and will be exchangeable for, one validly issued, fully paid and nonassessable share of the corresponding class of common stock of the Surviving UGC Corporation; and

(v) each share of UGC Common Stock held in treasury of UGC immediately prior to the Effective Time shall automatically be cancelled, retired and cease to exist without payment of any consideration thereof and without any conversion thereof.

(c) *Conversion of LMI Merger Sub Stock.* At the Effective Time, by virtue of the LMI Merger and without any action on the part of any party hereto or any holder of shares of stock of LMI Merger Sub, each share of common stock of LMI Merger Sub outstanding immediately prior to the Effective Time will be converted into and become one validly issued, fully paid and nonassessable share of common stock of the Surviving LMI Corporation. Such shares will constitute the only outstanding shares of capital stock of the Surviving LMI Corporation.

(d) *Conversion of UGC Merger Sub Stock.* At the Effective Time, by virtue of the UGC Merger and without any action on the part of any party hereto or the holders of share(s) of stock of UGC Merger Sub, the outstanding share(s) of common stock of UGC Merger Sub immediately prior to the Effective Time will be converted into and become a number of validly issued, fully paid and nonassessable shares of each class of common stock of the Surviving UGC Corporation that is identical to the number of shares of the corresponding class of UGC Common Stock (other than the Excluded Shares) outstanding immediately prior to the Effective Time. Such shares (together with the shares issued pursuant to Section 3.3(b)(iv)) will constitute the only outstanding shares of capital stock of the Surviving UGC Corporation.

(e) *Certain Changes.* If, between the date of this Agreement and the Effective Time, the outstanding shares of LMI Common Stock or the outstanding shares of UGC Common Stock shall have been increased, decreased, changed into or exchanged for a different number of shares or different class of shares, in each case, by reason of any reclassification, recapitalization, stock split, split-up, combination or exchange of shares or a stock dividend or dividend payable in any other securities shall be declared with a record date within such period, or any similar event shall have occurred, the applicable Merger Consideration shall be appropriately adjusted to provide to the holders of LMI Common Stock and UGC Common Stock the same economic effect as contemplated by this Agreement prior to such event.

3.4 *UGC Election Procedures; Proration.*

(a) Not less than three business days prior to the mailing of the Joint Proxy Statement/ Prospectus, LMI shall designate a bank or trust company to act as exchange agent hereunder (the Exchange Agent) for the purpose of exchanging (x) certificates that immediately prior to the Effective Time represented shares of UGC Common Stock (the UGC Certificates) and shares of UGC Common Stock represented by book-entry (UGC Book-Entry Shares) and (y) certificates that immediately prior to the Effective Time represented shares of LMI Common Stock (the LMI Certificates and, together with the UGC Certificates, the Certificates) and shares of LMI Common Stock represented by book-entry (LMI Book-Entry Shares and, together with UGC Book-Entry Shares, the Book-Entry Shares).

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(b) Each Person who, on or prior to the Election Time (as defined below), is a record holder of shares of UGC Common Stock (other than a holder of Excluded Shares and other than a Wholly-Owned Subsidiary of UGC) shall be entitled to specify the number of such holder s shares of UGC Common Stock (and, if such shares to which the election relates are represented by UGC Certificates, such particular shares) with respect to which such holder makes a Cash Election or Stock Election.

(c) HoldCo shall prepare and file as an exhibit to the Registration Statement a form of election (the Form of Election). The Form of Election shall specify that delivery shall be effected, and risk of loss and title to any UGC Certificates shall pass, only upon proper delivery of the Form of Election and any UGC Certificates to the Exchange Agent. UGC shall mail the Form of Election with the Joint Proxy Statement/ Prospectus to all Persons who are record holders of shares of UGC Common Stock (other than holders of Excluded Shares) as of the record date for the UGC Special Meeting. The Form of Election shall be used by each record holder of shares of UGC Common Stock (other than holders of Excluded Shares), or, in the case of nominee record holders, the beneficial owner through proper instructions and documentation, who wishes to make a Cash Election or a Stock Election or a combination of both for any and all shares of UGC Common Stock held by such holder. UGC shall use its commercially reasonable efforts to make the Form of Election available to all Persons who become holders of shares of UGC Common Stock during the period between the record date for the UGC Special Meeting and the date of the UGC Special Meeting.

(d) Any holder s election shall have been properly made only if the Exchange Agent shall have received at its designated office, by 5:00 p.m., New York City time, on (i) the date of the later of the two Special Meetings or (ii) if the Closing Date is more than four business days following the later of the two Special Meetings, the second business day preceding the Closing Date (the Election Time), a Form of Election properly completed and signed and accompanied by (i) certificates representing the shares of UGC Common Stock to which such Form of Election relates, duly endorsed in blank or otherwise in form acceptable for transfer on the books of UGC or (ii) in the case of UGC Book-Entry Shares, any additional documents required by the procedures set forth in the Form of Election. After a Cash Election or a Stock Election is validly made with respect to any shares of UGC Common Stock, no further registration of transfers of such shares shall be made on the stock transfer books of UGC unless and until such Cash Election or Stock Election is properly revoked. If the Closing Date is anticipated to be more than four business days following the later of the two Special Meetings, then as soon as reasonably practicable, but in no event later than 9:00 a.m., New York City time, on the business day immediately following the date of the later of the two Special Meetings, LMI and UGC shall so notify the holders of UGC Common Stock by issuing a release to the Dow Jones News Service specifying the anticipated Closing Date, which shall not be earlier than the fourth business day after the date of the release. Any Cash Election or Stock Election may be revoked with respect to all or a portion of the shares of UGC Common Stock subject thereto by the holder who submitted the applicable Form of Election by written notice received by the Exchange Agent prior to the Election Time. In addition, all Cash Elections and Stock Elections shall automatically be revoked if this Agreement is terminated in accordance with Article IX. If a Cash Election or Stock Election is properly revoked (x) the UGC Certificates representing such shares shall be returned to the record owner thereof or such other Person as such record owner shall have set forth in such owner s Form of Election, and (y) all UGC Book-Entry Shares representing such shares shall be credited to such book-entry account as shall have been set forth in the Form of Election relating thereto.

(e) The determination of the Exchange Agent (or the joint determination of LMI and UGC, in the event that the Exchange Agent declines to make any such determination) shall be conclusive and binding as to whether or not Cash Elections, Stock Elections or revocations shall have been properly made or revoked pursuant to this Section 3.4 and as to when Cash Elections, Stock Elections and revocations were received by the Exchange Agent. The Exchange Agent (or LMI and UGC jointly, in the event that the Exchange Agent declines to make the following computation) shall also make all computations as to the proration contemplated by Section 3.4(f), and absent manifest error this computation shall be conclusive and binding. The Exchange Agent may, with the written agreement of each of LMI and UGC, make any rules as are consistent with this Section 3.4 for the implementation of the Cash Elections and Stock Elections provided for in this Agreement as shall be necessary or desirable to effect the Cash Elections and Stock Elections in accordance with the terms of this Agreement.

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(f) Notwithstanding anything in this Agreement to the contrary, the number of shares of UGC Common Stock converted into the Cash Consideration may not exceed the UGC Share Threshold Number. If the aggregate number of shares of UGC Common Stock with respect to which the Cash Election is validly made and not validly revoked (the "Total Cash Election Number") exceeds the UGC Share Threshold Number, then (i) all shares of UGC Common Stock as to which a Stock Election or Deemed Stock Election is made shall be converted into and represent the right to receive, and will be exchangeable for, the Stock Consideration and (ii) the number of shares of UGC Common Stock as to which a Cash Election is validly made and not validly revoked by a UGC stockholder pursuant to Section 3.4 that shall be converted into and represent the right to receive, and will be exchangeable for, the Cash Consideration, shall be equal to the product (rounded down to the nearest whole number) obtained by multiplying (A) the number of shares of UGC Common Stock held by such stockholder as to which such stockholder has validly made and not validly revoked a Cash Election by (B) a fraction, the numerator of which is the UGC Share Threshold Number and the denominator of which is the Total Cash Election Number, with the remaining number of such stockholder's shares of UGC Common Stock as to which such stockholder has validly made and not validly revoked a Cash Election being converted into and representing the right to receive, and being exchangeable for, the Stock Consideration.

3.5 *Exchange of Certificates*.

(a) *Deposit of Merger Consideration*.

(i) Promptly after the Effective Time, HoldCo shall deposit with the Exchange Agent, for the benefit of the stockholders of LMI and UGC, (A) certificates or, at HoldCo's option, evidence of shares in book entry form, representing shares of HoldCo Stock in such denominations as the Exchange Agent may reasonably specify and (B) cash, in each case as are issuable or payable, respectively, pursuant to this Article III in respect of shares of UGC Common Stock or shares of LMI Stock, as applicable, for which Certificates or Book-Entry Shares have been properly delivered to the Exchange Agent and cash to be paid in lieu of fractional shares. Such certificates (or evidence of book-entry form, as the case may be) for shares of HoldCo Stock and such cash so deposited, together with any dividends or distributions with respect thereto, are hereinafter referred to as the "Exchange Fund".

(ii) The Exchange Agent shall invest any cash deposited with the Exchange Agent by HoldCo as directed by HoldCo, provided that no such investment or losses thereon shall affect the Cash Consideration payable to holders of shares of UGC Common Stock entitled to receive such consideration or cash in lieu of fractional interests, and HoldCo and LMI shall promptly provide additional funds to the Exchange Agent for the benefit of holders of shares of UGC Common Stock entitled to receive such consideration in the net amount of any such losses. Any interest or income produced by such investments shall not be deemed part of the Exchange Fund and shall be payable to HoldCo or LMI, as HoldCo directs.

(b) *Exchange Procedures*.

(i) As soon as reasonably practicable after the Effective Time, HoldCo shall cause to be mailed to (x) each record holder, as of the Effective Time, of shares of UGC Common Stock as to which a Deemed Stock Election is made (each holder a "Deemed Stock Election Holder") and (y) each record holder, as of the Effective Time, of shares of LMI Stock (such holders, "Former LMI Holders" and such shares, "Former LMI Shares")): (A) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates held by such holder representing such shares of UGC Common Stock to which a Deemed Stock Election is made or Former LMI Shares, as the case may be, shall pass, only upon proper delivery of the Certificates to the Exchange Agent or, in the case of Book-Entry Shares, upon adherence to the procedures set forth in the letter of transmittal) and (B) instructions for use in effecting the surrender of the Certificates or, in the case of Book-Entry Shares, the surrender of such shares, for payment of the Merger Consideration therefor. Such letter of transmittal shall be in such form and have such other reasonable provisions as HoldCo may specify.

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(ii) (x) Each former stockholder of UGC who properly made a Cash Election or Stock Election shall be entitled to receive in exchange for such stockholder s shares subject to the Cash Election or Stock Election: (A) the number of whole shares of HoldCo Series A Stock, if any, into which such holder s shares of UGC Common Stock represented by such holder s properly surrendered Certificates or Book-Entry Shares, as applicable, were converted in accordance with this Article III, and such Certificates or Book-Entry Shares so surrendered shall be forthwith cancelled, and (B) a check in an amount of U.S. dollars (after giving effect to any required withholdings pursuant to Section 3.5(g)) equal to (I) the aggregate amount of cash (including the Cash Consideration plus cash in lieu of fractional interests in shares of HoldCo Series A Stock to be paid pursuant to Section 3.5(d)), if any, into which such holder s shares of UGC Common Stock represented by such holder s properly surrendered Certificates or Book-Entry Shares, as applicable, were converted in accordance with this Article III, plus (II) any cash dividends or other distributions that such holder has the right to receive pursuant to Section 3.5(c); and (y) upon surrender by a Deemed Stock Election Holder to the Exchange Agent of a Certificate or Book-Entry Shares, as applicable, together with a letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, each Deemed Stock Election Holder shall be entitled to receive in exchange therefor: (A) the number of whole shares of HoldCo Series A Stock, if any, into which such holder s shares of UGC Common Stock represented by such holder s properly surrendered Certificates or Book-Entry Shares, as applicable, were converted in accordance with this Article III, and such Certificates or Book-Entry Shares so surrendered shall be forthwith cancelled, and (B) a check in an amount of U.S. dollars (after giving effect to any required withholdings pursuant to Section 3.5(g)) equal to (I) the amount of cash in lieu of fractional interests in shares of HoldCo Series A Stock to be paid pursuant to Section 3.5(d), if any, into which such holder s shares of UGC Common Stock represented by such holder s properly surrendered Certificates or Book-Entry Shares, as applicable, were converted in accordance with this Article III, plus (II) any cash dividends or other distributions that such holder has the right to receive pursuant to Section 3.5(c).

(iii) Upon surrender by a Former LMI Holder to the Exchange Agent of a Certificate or Book-Entry Shares, as applicable, together with a letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, each Former LMI Holder shall be entitled to receive in exchange therefor: (A) the number of whole shares of HoldCo Stock into which such holder s shares of LMI Stock represented by such holder s properly surrendered Certificates or Book-Entry Shares, as applicable, were converted in accordance with this Article III, and such Certificates or Book-Entry Shares so surrendered shall be forthwith cancelled, and (B) a check in an amount of U.S. dollars (after giving effect to any required withholdings pursuant to Section 3.5(g)) equal to any cash dividends or other distributions that such holder has the right to receive pursuant to Section 3.5(c).

(iv) If payment or issuance of the Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificate is registered, it shall be a condition of payment or issuance that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the Person requesting such payment or issuance shall have paid to the Exchange Agent any transfer and other taxes required by reason of the payment or issuance of the Merger Consideration to a Person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Exchange Agent that such tax either has been paid or is not applicable. In the event that any Certificate shall have been lost, stolen or destroyed, upon the holder s compliance with the replacement requirements established by the Exchange Agent, including, if necessary, the posting by the holder of a bond in customary amount as indemnity against any claim that may be made against it with respect to the Certificate, the Exchange Agent shall deliver in exchange for the lost, stolen or destroyed Certificate the applicable Merger Consideration payable in respect of the shares of UGC Common Stock or LMI Stock, as the case may be, represented by the Certificate pursuant to this Article III.

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(v) No interest shall be paid or accrued for the benefit of holders of the Certificates or Book-Entry Shares on the Merger Consideration payable in respect of the Certificates or Book-Entry Shares. Until surrendered as contemplated hereby, each Certificate or Book-Entry Share shall, after the Effective Time, represent for all purposes only the right to receive upon such surrender the applicable Merger Consideration as contemplated by this Article III, the issuance or payment of which (including any cash in lieu of fractional shares) shall be deemed to be the satisfaction in full of all rights pertaining to shares of UGC Common Stock converted in the UGC Merger and shares of LMI Stock converted in the LMI Merger.

(vi) At the Effective Time, the stock transfer books of UGC and LMI shall be closed, and thereafter there shall be no further registration of transfers of shares of UGC Common Stock or LMI Stock, respectively, that were outstanding prior to the Effective Time. After the Effective Time, Certificates or Book-Entry Shares presented to UGC or LMI for transfer shall be canceled and exchanged for the consideration provided for, and in accordance with the procedures set forth, in this Article III.

(c) *Distributions With Respect to Unexchanged Shares.* No dividends or other distributions with respect to shares of HoldCo Stock issuable with respect to the shares of UGC Common Stock or LMI Stock shall be paid to the holder of any unsurrendered Certificates or Book-Entry Shares until those Certificates or Book-Entry Shares are surrendered as provided in this Article III. Upon surrender, there shall be issued and/or paid to the holder of the shares of HoldCo Stock issued in exchange therefor, without interest, (i) at the time of surrender, the dividends or other distributions payable with respect to those shares of HoldCo Stock with a record date on or after the date of the Effective Time and a payment date on or prior to the date of this surrender and not previously paid and (ii) at the appropriate payment date, the dividends or other distributions payable with respect to those shares of HoldCo Stock with a record date on or after the date of the Effective Time but with a payment date subsequent to surrender.

(d) *No Fractional Shares.* No certificates or scrip representing fractional shares of HoldCo Series A Stock shall be issued upon the surrender for exchange of Certificates or Book-Entry Shares evidencing UGC Common Stock, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of HoldCo. In lieu thereof, upon surrender of the applicable Certificates or Book-Entry Shares, HoldCo shall pay each holder of UGC Common Stock an amount in cash equal to the product obtained by multiplying (i) the fractional share interest to which such holder (after taking into account all shares of UGC Common Stock held at the Effective Time by such holder that have been converted into the Stock Consideration) would otherwise be entitled, by (ii) the closing price on the Nasdaq for a share of LMI Series A Stock on the last trading day immediately preceding the Effective Time.

(e) *Termination of Exchange Fund.* Any portion of the Exchange Fund that remains undistributed to the stockholders of UGC and LMI on the first anniversary of the Effective Time shall be delivered to HoldCo, upon demand by HoldCo, and any stockholders of UGC or LMI who have not theretofore complied with this Article III shall thereafter look only to HoldCo for payment of their claim for any part of the Merger Consideration, any cash in lieu of fractional shares of HoldCo Series A Stock and any dividends or distributions with respect to HoldCo Stock.

(f) *No Liability.* None of LMI, UGC or HoldCo shall be liable to any holder of shares of UGC Common Stock or LMI Stock for cash or shares of HoldCo Stock (or dividends or distributions with respect thereto) from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(g) *Withholding.* HoldCo and the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of UGC Common Stock or shares of LMI Stock such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by HoldCo or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the

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shares of UGC Common Stock or shares of LMI Stock in respect of which such deduction and withholding was made by HoldCo or the Exchange Agent.

3.6 *LMI Stock Options, Stock Appreciation Rights and Restricted Stock.*

(a) *LMI Stock Options.* Each of the then outstanding stock options, if any, to purchase shares of any series of LMI Common Stock (each, a "LMI Option") issued by LMI pursuant to any LMI Plan, and any non-plan options to acquire shares of any series of LMI Common Stock issued by LMI pursuant to an option agreement or otherwise issued by LMI, will, by virtue of the LMI Merger, and without any further action on the part of any holder thereof, be converted into an option (a "Converted LMI Option") to purchase a number of shares of the same series of HoldCo Common Stock equal to the number of shares of such series of LMI Common Stock subject to such LMI Option at the Effective Time, at an exercise price per share of the applicable series of HoldCo Common Stock equal to the exercise price per share of such LMI Option immediately prior to the Effective Time. The terms and conditions of each Converted LMI Option will otherwise remain as set forth in the LMI Option converted into such Converted LMI Option. Notwithstanding anything herein to the contrary, the adjustment provided for in this Section 3.6(a) with respect to all options will be and is intended to be effected in a manner that is consistent with Section 424(a) of the Code and, to the extent applicable, Q&A-18(d) of Notice 2005-1.

(b) *LMI Stock Appreciation Rights.* Each of the then outstanding stock appreciation rights, if any, with respect to shares of any series of LMI Common Stock (each, a "LMI SAR") issued by LMI pursuant to any LMI Plan, and any non-plan stock appreciation rights with respect to shares of any series of LMI Common Stock issued by LMI, will, by virtue of the LMI Merger, and without any further action on the part of any holder thereof, be converted into a stock appreciation right (a "Converted LMI SAR") with respect to that number of shares of the same series of HoldCo Common Stock equal to the number of shares of the same series of LMI Common Stock that were subject to such LMI SAR at the Effective Time, at an exercise or base price per stock appreciation right equal to the exercise or base price of such Converted LMI SAR immediately prior to the Effective Time. The terms and conditions of each Converted LMI SAR will otherwise remain as set forth in the LMI SAR converted into such Converted LMI SAR. Notwithstanding anything herein to the contrary, the adjustment provided for in this Section 3.6(b) with respect to all stock appreciation rights will be and is intended to be effected in a manner that is consistent with Section 424(a) of the Code and, to the extent applicable, Q&A-18(d) of Notice 2005-1.

(c) *LMI Restricted Stock.* Each restricted share of LMI Common Stock ("LMI Restricted Stock") granted pursuant to any LMI Plan and each restricted share of LMI Common Stock issued pursuant to individual awards not granted pursuant to any LMI Plan will, by virtue of the LMI Merger, and without any further action on the part of any holder thereof, be converted into one restricted share of the same series of HoldCo Common Stock, and will remain subject to the same restrictions applicable to such restricted share of LMI Common Stock immediately prior to the Effective Time.

3.7 *UGC Stock Options, Stock Appreciation Rights and Restricted Stock.*

(a) *UGC Stock Options.* Each of the then outstanding stock options, if any, to purchase shares of UGC Common Stock (each, a "UGC Option") issued by UGC pursuant to any UGC Plan, and any non-plan options to acquire shares of UGC Common Stock set forth in Section 3.7 of the UGC Disclosure Letter issued by UGC pursuant to an option agreement or otherwise issued by UGC, will, by virtue of the UGC Merger, and without any further action on the part of any holder thereof, be converted into an option (a "Converted UGC Option") to purchase that number of shares of HoldCo Series A Stock determined by multiplying the number of shares of UGC Common Stock subject to such UGC Option at the Effective Time by the Exchange Ratio, at an exercise price per share of HoldCo Series A Stock equal to the exercise price per share of such UGC Option immediately prior to the Effective Time divided by the Exchange Ratio, rounded up to the nearest whole cent. If the foregoing calculation results in a Converted UGC Option being exercisable for a fraction of a share of HoldCo Series A Stock, then the number of shares of HoldCo Series A Stock subject to such option will be rounded down to the nearest whole number of shares, with no cash being payable for such fractional share. The terms and conditions of each Converted UGC Option will otherwise remain as set forth in the UGC Option converted into such Converted UGC Option. Notwithstanding anything herein to the

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contrary, the adjustment provided for in this Section 3.7(a) with respect to all options will be and is intended to be effected in a manner that is consistent with Section 424(a) of the Code and, to the extent applicable, Q&A-18(d) of Notice 2005-1.

(b) *UGC Stock Appreciation Rights*. Each of the then outstanding stock appreciation rights, if any, with respect to shares of UGC Common Stock (each, a UGC SAR) issued by UGC pursuant to any UGC Plan, and any non-plan stock appreciation rights with respect to shares of UGC Common Stock set forth in Section 3.7 of the UGC Disclosure Letter or otherwise issued by UGC, will, by virtue of the UGC Merger, and without any further action on the part of any holder thereof, be converted into a stock appreciation right (a Converted UGC SAR) with respect to that number of shares of HoldCo Series A Stock equal to the number of shares of UGC Common Stock that were subject to such UGC SAR at the Effective Time multiplied by the Exchange Ratio, at an exercise or base price per stock appreciation right equal to (i) in the case of a UGC SAR issued in tandem with, and at the same base or exercise price as, UGC Options, the exercise price per share of the related Converted UGC Option as determined above and (ii) in the case of a free standing UGC SAR or a UGC SAR issued in tandem with, and at a different base or exercise price as, UGC Options, the amount determined by dividing the base or exercise price per share of such UGC SAR immediately prior to the Effective Time by the Exchange Ratio, rounded up to the nearest whole cent. If the foregoing calculation results in a Converted UGC SAR being exercisable with respect to a fraction of a share of HoldCo Series A Stock, then the number of shares of HoldCo Series A Stock in respect of such stock appreciation right will be rounded down to the nearest whole number of shares, with no cash being payable for such fractional share. The terms and conditions of each Converted UGC SAR will otherwise remain as set forth in the UGC SAR converted into such Converted UGC SAR. Notwithstanding anything herein to the contrary, the adjustment provided for in this Section 3.7(b) with respect to all stock appreciation rights will be and is intended to be effected in a manner that is consistent with Section 424(a) of the Code and, to the extent applicable, Q&A-18(d) of Notice 2005-1.

(c) *UGC Restricted Stock*. Each restricted share of UGC Common Stock (UGC Restricted Stock) granted pursuant to any UGC Plan and each restricted share of UGC Common Stock issued pursuant to individual awards not granted pursuant to any UGC Plan will, by virtue of the UGC Merger, and without any further action on the part of any holder thereof, be converted into a number of restricted shares of HoldCo Series A Stock at the Exchange Ratio, and will remain subject to the same restrictions applicable to such restricted share of UGC Common Stock immediately prior to the Effective Time. If the foregoing calculation results in a restricted share of UGC Common Stock being convertible for a fraction of a share of HoldCo Series A Stock, then the number of shares of HoldCo Series A Stock to be issued will be rounded down to the nearest whole number of shares, with no cash being payable for such fractional share.

ARTICLE IV
CERTAIN ACTIONS

4.1 *Stockholder Meetings*.

(a) UGC, acting through the UGC Board, will, in accordance with applicable law, the UGC Charter and UGC s Bylaws, duly call, give notice of, convene and hold, as soon as reasonably practicable after the date hereof, a meeting of UGC s stockholders for the purpose of considering and voting upon this Agreement (the UGC Special Meeting). Except as otherwise required by the fiduciary duties of the UGC Board, at the UGC Special Meeting the UGC Board (with the approval of the Special Committee) will recommend to its stockholders the adoption of this Agreement; provided, that the inability or any refusal of the UGC Board to make such recommendation shall not relieve UGC of its obligation pursuant to the first sentence of this Section 4.1(a)

(b) LMI, acting through the LMI Board, will, in accordance with applicable law, the LMI Charter and LMI s Bylaws, duly call, give notice of, convene and hold, as soon as reasonably practicable after the date hereof, a meeting of LMI s stockholders (the LMI Special Meeting and together with the UGC Special Meeting, the Special Meetings) for the purpose of considering and voting upon this Agreement. Except as

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otherwise required by the fiduciary duties of the LMI Board, at the LMI Special Meeting the LMI Board will recommend to its stockholders the adoption of this Agreement; provided, that the inability or refusal of the LMI Board to make such recommendation shall not relieve LMI of its obligation pursuant to the first sentence of this Section 4.1(b). LMI may take the actions contemplated by this Section 4.1(b) at either an annual or special meeting.

4.2 *Registration Statement and Other SEC Filings.*

(a) *Joint Proxy Statement/ Prospectus and Registration Statement.* As soon as reasonably practicable after the execution of this Agreement, (i) UGC and LMI will prepare and file with the SEC a preliminary joint proxy statement relating to the Special Meetings, (ii) UGC and LMI will prepare and file a joint Rule 13e-3 Transaction Statement on Schedule 13E-3 (the Schedule 13E-3), and (iii) HoldCo will prepare and file with the SEC a Registration Statement on Form S-4 (the Registration Statement) in connection with the registration under the Securities Act of the HoldCo Common Stock issuable in the Mergers and of the HoldCo Common Stock issuable upon exercise of the Converted LMI Options and the Converted UGC Options. The joint proxy statement furnished to UGC s stockholders in connection with the UGC Special Meeting and the joint proxy statement furnished to LMI s stockholders in connection with the LMI Special Meeting will be included as part of the prospectus (the Joint Proxy Statement/ Prospectus) forming part of the Registration Statement. Each party hereto agrees to use commercially reasonable efforts to cooperate with each other party in connection with the preparation and filing of the preliminary joint proxy statement, the Joint Proxy Statement/ Prospectus, the Schedule 13E-3 and the Registration Statement, including providing information to the other parties with respect to itself as may be reasonably required in connection therewith. Each party hereto will use commercially reasonable efforts to respond to any comments of the SEC, to cause the Registration Statement to be declared effective under the Securities Act as soon as reasonably practicable after such filing and to continue to be effective as of the Effective Time and to cause the Joint Proxy Statement/ Prospectus approved by the SEC to be mailed to UGC s and LMI s stockholders at the earliest practicable time.

(b) *SEC Comments; Amendments and Supplements.* Each party will notify the other parties promptly of the receipt of any comments of the SEC or its staff and of any request by the SEC or its staff or any other governmental officials for amendments or supplements to the preliminary joint proxy statement, the Joint Proxy Statement/ Prospectus, the Schedule 13E-3, the Registration Statement or any other related filing or for additional information related thereto, and will supply the others with copies of all correspondence between it and any of its representatives, on the one hand, and the SEC or its staff or any other governmental officials, on the other hand, with respect to the preliminary joint proxy statement, the Joint Proxy Statement/ Prospectus, the Schedule 13E-3, the Registration Statement, the Mergers or any other filing relating thereto. The Joint Proxy Statement/ Prospectus, the Schedule 13E-3, the Registration Statement and such other filings will comply in all material respects with all applicable requirements of law. If at any time prior to the Effective Time, any event occurs relating to a party or its Subsidiaries or any of their respective officers, directors, partners or Affiliates that should be described in an amendment or supplement to the Joint Proxy Statement/ Prospectus, the Schedule 13E-3, the Registration Statement or any other related filing, the applicable party will inform the other parties promptly after becoming aware of such event and cooperate in filing with the SEC or its staff or any other government officials, and/or mailing to stockholders of UGC or LMI, as applicable, such amendment or supplement. The parties shall cooperate and provide each other and the Special Committee with a reasonable opportunity to review and comment on any amendment or supplement to the preliminary joint proxy statement, the Joint Proxy Statement/ Prospectus, the Schedule 13E-3, the Registration Statement and any related filings.

(c) Each of the preliminary joint proxy statement, the Joint Proxy Statement/ Prospectus, the Registration Statement, the Schedule 13E-3 and any amendments thereto shall be reasonably acceptable to the Special Committee.

(d) *Nasdaq Quotation.* LMI and UGC shall use their respective commercially reasonable efforts to cause the shares of HoldCo Common Stock issuable to the UGC and LMI stockholders as Merger Consideration (including the shares of HoldCo Common Stock reserved for issuance with respect to Converted LMI

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Options, Converted LMI SARs, each share of LMI Restricted Stock converted pursuant to Section 3.6(c), Converted UGC Options, Converted UGC SARs and each share of UGC Restricted Stock converted pursuant to Section 3.7(c)) to be eligible for quotation on Nasdaq prior to the Effective Time.

4.3 *Identification of Affiliates*. Promptly after the Special Meetings and before the Closing Date, each of UGC and LMI will deliver to HoldCo a letter identifying all Persons who, to such deliverer s knowledge, at the time of the Special Meetings or at the Effective Time, may be deemed to be affiliates of UGC or LMI, as the case may be, for purposes of Rule 145 under the Securities Act. Each of UGC and LMI will use commercially reasonable efforts to cause each Person who is identified as an affiliate in the letter referred to above to deliver to HoldCo, on or prior to the Closing Date, a written agreement, in substantially the form annexed hereto as Exhibit 4.3, that such Person will not offer to sell or otherwise dispose of any shares of HoldCo Common Stock issued to such Person pursuant to the UGC Merger or LMI Merger, as the case may be, in violation of the Securities Act and the rules and regulations thereunder.

4.4 *Commercially Reasonable Efforts*. Subject to the terms and conditions of this Agreement and applicable law, each of the parties hereto will use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations or otherwise to consummate and make effective the Mergers and the other transactions contemplated by this Agreement as soon as reasonably practicable, including such actions or things as any other party hereto may reasonably request in order to cause any of the conditions to such other party s obligation to consummate such transactions specified in Article VIII to be fully satisfied. Without limiting the generality of the foregoing, the parties will, and will cause their respective directors, officers and Subsidiaries, and use commercially reasonable efforts to cause their respective Affiliates, employees, agents, attorneys, accountants and representatives, to consult and fully cooperate with and provide assistance to each other in (i) obtaining all necessary consents, approvals, waivers, licenses, permits, authorizations, registrations, qualifications, or other permission or action by, and giving all necessary notices to and making all necessary filings with and applications and submissions to, any Governmental Entity or other Person; (ii) lifting any permanent or preliminary injunction or restraining order or other similar order issued or entered by any court or Governmental Entity (an Injunction) of any type referred to in Section 8.1(d); (iii) taking such actions as may reasonably be required under applicable federal securities laws in connection with the issuance of the HoldCo Common Stock to be covered by the Registration Statement; and (iv) in general, consummating and making effective the transactions contemplated hereby; provided, however, that in order to obtain any consent, approval, waiver, license, permit, authorization, registration, qualification, or other permission or action or the lifting of any Injunction referred to in clause (i) or (ii) of this sentence, no party will be required to pay any consideration (other than filing fees for any Governmental Filings), to divest itself of any of, or otherwise rearrange the composition of, its assets or to agree to any of the foregoing or to any conditions or requirements that are materially adverse to its interests or materially burdensome. Prior to making any application to or filing with any Governmental Entity or other Person in connection with this Agreement, each party will provide the other party with drafts thereof and afford the other party a reasonable opportunity to comment on such drafts.

4.5 *No Solicitations; Other Offers*.

(a) UGC shall not, nor shall it knowingly permit any of its officers, directors, representatives or agents to, directly or indirectly, (i) take any action to solicit, initiate or knowingly encourage the submission of any Acquisition Proposal or (ii) engage in discussions or negotiations with any other Person to facilitate an Acquisition Proposal. From and after the date hereof, UGC and all of its officers, directors, employees, agents and advisors shall cease doing any of the foregoing. Nothing contained in this Agreement shall prevent the UGC Board from complying with Rule 14d-9 or Rule 14e-2 under the Exchange Act with respect to any Acquisition Proposal.

(b) Notwithstanding the foregoing, UGC may, subject to a confidentiality agreement containing customary terms, engage in discussions or negotiations with, and furnish nonpublic information or access to, any Person in response to an unsolicited Acquisition Proposal or a request for information or access made incident to an unsolicited Acquisition Proposal if (i) UGC has prior to such response complied with the terms of

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Section 4.5(a) hereof and (ii) the UGC Board determines in good faith, after consultation with outside legal counsel, that the taking of such action is necessary to discharge its fiduciary duties under applicable law.

(c) UGC will promptly (but in no event later than 24 hours) notify LMI if any Acquisition Proposal is made, indicating the identity of the offeror and the terms and conditions of such Acquisition Proposal. UGC shall keep LMI fully informed of all material developments regarding such Acquisition Proposal.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF UGC

UGC hereby represents and warrants to HoldCo and to LMI as follows:

5.1 *Organization and Qualification.* UGC and each Significant UGC Subsidiary (as defined below) is a corporation, partnership, limited liability company or other business association duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization. UGC and each Significant UGC Subsidiary has all requisite corporate, partnership, limited liability company or other business association power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to have such power and authority, individually or in the aggregate, has not had and would not reasonably be expected to have a UGC Material Adverse Effect. UGC and each Significant UGC Subsidiary is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or license necessary, except in such jurisdictions where the failure to be so duly qualified or licensed or in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a UGC Material Adverse Effect. A Significant UGC Subsidiary means any Subsidiary of UGC that constitutes a significant subsidiary within the meaning of Rule 1-02 of Regulation S-X of the SEC.

5.2 *Authorization and Validity of Agreement.*

(a) UGC has all requisite corporate power and authority to enter into this Agreement and, subject to obtaining the UGC Stockholder Approval, to perform its obligations hereunder and consummate the transactions contemplated hereby. The execution, delivery and performance by UGC of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the UGC Board (with the approval of the Special Committee) and by all other necessary corporate action on the part of UGC, subject, in the case of the consummation by it of the UGC Merger, to obtaining the UGC Stockholder Approval. This Agreement has been duly executed and delivered by UGC and (assuming the due execution and delivery of this Agreement by the other parties hereto) constitutes a valid and binding agreement of UGC, enforceable against UGC in accordance with its terms (except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors rights generally, or by principles governing the availability of equitable remedies).

(b) The Special Committee and the UGC Board, based on the recommendation of the Special Committee, has (i) approved this Agreement and the UGC Merger and, (ii) determined that the UGC Merger is fair to and in the best interests of UGC s stockholders (other than LMI and its Affiliates), and the UGC Board, based on the recommendation of the Special Committee, recommended that the stockholders of UGC adopt this Agreement and approve the UGC Merger.

5.3 *Capitalization; Stock Option Vesting Acceleration.* Except as set forth in Section 5.3 of the UGC Disclosure Letter:

(a) The authorized capital stock of UGC consists of (i) 1,000,000,000 shares of UGC Class A Stock, (ii) 1,000,000,000 shares of UGC Class B Stock, (iii) 400,000,000 shares of UGC Class C Stock and (iv) 10,000,000 shares of UGC Preferred Stock, issuable in series.

(b) As of the close of business on December 31, 2004, (i) 413,206,357 shares of UGC Class A Stock were issued and outstanding, (ii) 10,493,461 shares of UGC Class B Stock were issued and

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outstanding, (iii) 379,603,223 shares of UGC Class C Stock were issued and outstanding, (iv) no shares of UGC Preferred Stock were issued and outstanding and no action had been taken by the UGC Board with respect to the designation of the rights and preferences of any series of UGC Preferred Stock and (v) 13,174,660 shares of UGC Class A Stock were held in treasury or by Wholly Owned Subsidiaries of UGC and no other shares of UGC Common Stock or UGC Preferred Stock were held in the treasury of UGC or held by Subsidiaries of UGC. Except as set forth in the preceding sentence or in clause (e) below, at the close of business on December 31, 2004, no shares of capital stock or other securities or other equity interests of UGC and no phantom shares, phantom equity interests, or stock or equity appreciation rights relating to UGC were issued, reserved for issuance or outstanding. Except as set forth in the UGC SEC Filings filed with the SEC and publicly available prior to the date of this Agreement or in clause (e) below, at the close of business on December 31, 2004, no shares of capital stock or other securities or other equity interests of any Significant UGC Subsidiary and no phantom shares, phantom equity interests, or stock or equity appreciation rights relating to any Significant UGC Subsidiary were issued, reserved for issuance or outstanding. Since the close of business on December 31, 2004, no shares of capital stock or other securities or other equity interests of UGC and no phantom shares, phantom equity interests, or stock or equity appreciation rights relating to UGC or any Significant UGC Subsidiary have been issued other than shares of UGC Common Stock issued (A) upon exercise of the options or rights referred to in clause (e)(ii) below in accordance with their terms or (B) upon conversion of UGC Convertible Notes outstanding at the close of business on December 31, 2004 in accordance with their terms.

(c) All outstanding shares of UGC Common Stock are duly authorized, validly issued, fully paid and nonassessable, and no class of capital stock of UGC is entitled to preemptive rights with respect to the issuance thereof, except that LMI and its Affiliates are entitled to certain contractual preemptive rights with respect to the issuance of shares of UGC Class A Stock and certain rights to acquire shares of UGC Class A Stock.

(d) There are no issued or outstanding bonds, debentures, notes or other Indebtedness of UGC or any of its Subsidiaries that have the right to vote (or that are convertible into other securities having the right to vote, other than the UGC Convertible Notes) on any matters on which stockholders of UGC may vote (the Voting Debt).

(e) There are no, and immediately after the Effective Time there will be no, outstanding or authorized subscriptions, options, warrants, securities, calls, rights, commitments or any other Contracts of any character to or by which UGC or any Significant UGC Subsidiary is a party or is bound that, directly or indirectly, obligate, or after the Effective Time will obligate, UGC or any Significant UGC Subsidiary or HoldCo (contingently or otherwise) to issue, deliver or sell or cause to be issued, delivered or sold any shares of UGC Common Stock or any UGC Preferred Stock or other capital stock, securities, equity interests or Voting Debt of UGC or any Significant UGC Subsidiary or HoldCo, any securities convertible into, or exercisable or exchangeable for, or evidencing the right (contingent or otherwise) to subscribe for any such shares, securities, interests or Voting Debt, or any phantom shares, phantom equity interests or stock or equity appreciation rights, or obligating UGC or any Significant UGC Subsidiary or HoldCo to grant, extend or enter into any such subscription, option, warrant, security, call, right or Contract (collectively, Convertible Securities), other than (i) the UGC Convertible Notes, (ii) options or other rights representing in the aggregate the right to purchase or otherwise acquire on the date of this Agreement up to 45,594,482 shares of UGC Class A Stock and 3,000,000 shares of UGC Class B Stock and (iii) Convertible Securities relating to Significant UGC Subsidiaries that were outstanding on January 1, 2002. Neither UGC nor any Significant UGC Subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock.

(f) Except as disclosed in the UGC SEC Filings filed with the SEC and publicly available prior to the date of this Agreement, neither UGC nor any of the Significant UGC Subsidiaries has adopted, authorized or assumed any plans, arrangements or practices for the benefit of its officers, employees or directors that require or permit the issuance, sale, purchase or grant of any capital stock, securities or

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other equity interests or Voting Debt of UGC or any Significant UGC Subsidiary, or any phantom shares, phantom equity interests or stock or equity appreciation rights or any Convertible Securities of UGC or any Significant UGC Subsidiary.

(g) The UGC Board has adopted a resolution stating that the transactions contemplated by this Agreement do not constitute a change of control or any comparable event which would permit or result in an acceleration of vesting or exercisability of any outstanding awards (including UGC Options, UGC SARs and UGC Restricted Stock) under any UGC Plan.

5.4 *Reports and Financial Statements*. Except as set forth in Section 5.4 of the UGC Disclosure Letter, UGC has filed on a timely basis all forms, reports and documents with the SEC required to be filed by it under the Securities Act or the Exchange Act since January 1, 2002 (collectively, other than preliminary material, the UGC SEC Filings). As of their respective dates, each of the UGC SEC Filings complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act and the rules and regulations thereunder, and none of the UGC SEC Filings contained as of such date any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. When filed with the SEC, the financial statements (including the related notes) included in the UGC SEC Filings complied as to form in all material respects with the applicable requirements of the Securities Act or the Exchange Act and the applicable rules and regulations thereunder and were prepared in accordance with GAAP applied on a consistent basis (except as may be indicated therein or in the schedules thereto), and such financial statements fairly present, in all material respects, the consolidated financial position of UGC and its consolidated Subsidiaries as of the respective dates thereof and the consolidated results of their operations and their consolidated cash flows for the respective periods then ended, subject, in the case of the unaudited interim financial statements, to normal, recurring year-end audit adjustments. Except as disclosed in the UGC SEC Filings filed and publicly available prior to the date hereof, UGC and its Subsidiaries have not incurred any liabilities that are of a nature that would be required to be disclosed on a balance sheet of UGC and its Subsidiaries or the footnotes thereto prepared in conformity with GAAP, other than (a) liabilities incurred in the ordinary course of business, (b) liabilities incurred in accordance with Section 7.3, (c) liabilities for Taxes or (d) liabilities that, individually or in the aggregate, would not reasonably be expected to have a UGC Material Adverse Effect. For purposes of this section, the term timely shall have the meaning set forth in General Instruction I.A.3(b) to Form S-3.

5.5 *No Approvals or Notices Required; No Conflict with Instruments*. Except as set forth in Section 5.5 of the UGC Disclosure Letter, the execution and delivery by UGC of this Agreement do not, and the performance by UGC of its obligations hereunder and the consummation of the transactions contemplated hereby will not:

(i) assuming the UGC Stockholder Approval is obtained, conflict with or violate the UGC Charter or UGC s Bylaws, or the charter or bylaws of any Significant UGC Subsidiary, or any other instrument or document governing any Significant UGC Subsidiary that is not a corporation;

(ii) require any consent, approval, order or authorization of or other action by any Governmental Entity (a Government Consent) or any registration, qualification, declaration or filing with or notice to any Governmental Entity (a Governmental Filing), in each case on the part of or with respect to UGC or any Subsidiary of UGC, except for (A) the filing with the SEC of the Registration Statement, the Schedule 13E-3 and the Joint Proxy Statement/ Prospectus and such reports under Sections 13(a) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby, (B) the filing of the UGC Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities of other states in which UGC is qualified to do business, (C) such Government Consents and Governmental Filings as will have been obtained or made prior to the Effective Time and (D) such Government Consents and Governmental Filings the absence or omission of which will not, either individually or in the aggregate, have a UGC Material Adverse Effect;

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(iii) assuming the UGC Stockholder Approval is obtained, require, on the part of UGC or any Subsidiary of UGC, any consent by or approval or authorization of (a "Contract Consent") or notice to (a "Contract Notice") any other Person (other than a Governmental Entity), whether under any License or other Contract or otherwise, except where the failure to obtain such Contract Consent or to give such Contract Notice will not, either individually or in the aggregate, have a UGC Material Adverse Effect;

(iv) conflict with or result in any violation or breach of or default (with or without notice or lapse of time, or both) under, or give rise to a "put" or "call" right or a right of termination, cancellation, suspension, modification or acceleration of any obligation or any increase in any payment required by or the impairment, loss or forfeiture of any material benefit, rights or privileges under or the creation of a Lien, Restriction or other encumbrance on any assets pursuant to (any such conflict, violation, breach, default, right of termination, cancellation, suspension, modification or acceleration, loss or creation, a "Violation") any contract (including any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument, employee benefit plan or practice, or other agreement, obligation, commitment or concession of any nature (each, a "Contract")) to which UGC or any Subsidiary of UGC is a party, by which UGC or any Subsidiary of UGC or any of their respective assets or properties is bound or affected or pursuant to which UGC or any Subsidiary of UGC is entitled to any rights or benefits (including any Licenses), except for such Violations (other than Violations in respect of the UGC Indenture) which would not, individually or in the aggregate, have a UGC Material Adverse Effect; or

(v) assuming the UGC Stockholder Approval is obtained and assuming that the Government Consents and Governmental Filings specified in clause (ii) of this Section 5.5 are obtained, made and given, result in a Violation of, under or pursuant to any law, rule, regulation, order, judgment or decree applicable to UGC, any Subsidiary of UGC or by which any of their respective properties or assets are bound or affected, except for such Violations which would not, individually or in the aggregate, have a UGC Material Adverse Effect.

5.6 *Absence of Certain Changes or Events.* Except as set forth in Section 5.6 of the UGC Disclosure Letter and as otherwise disclosed in the UGC SEC Filings filed with the SEC and publicly available prior to the date hereof, since September 30, 2004, (a) there has not been any material adverse change in the business, properties, operations or financial condition of UGC and its Subsidiaries taken as a whole, and no event has occurred and no condition exists that, individually or together with other events or conditions, has had or is reasonably likely to have a UGC Material Adverse Effect and (b) no action has been taken by UGC or any Subsidiary of UGC that, if Section 7.3 of this Agreement had then been in effect, would have been prohibited by such Section without the consent or approval of LMI, and no Contract to take any such action was entered into during such period.

5.7 *Registration Statement; Schedule 13E-3; Joint Proxy Statement/ Prospectus.* None of the information supplied or to be supplied by UGC in writing specifically for inclusion or incorporation by reference in, and which is included or incorporated by reference in, (i) the Registration Statement or the Schedule 13E-3 or any amendment or supplement thereto will, at the respective times such documents are filed, and, in the case of the Registration Statement or any amendment or supplement thereto, when the same becomes effective, at the time of the Special Meetings or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) the Joint Proxy Statement/ Prospectus or any other documents filed or to be filed with the SEC or any other Governmental Entity in connection with the transactions contemplated hereby, will, at the respective times such documents are filed and, in the case of the Joint Proxy Statement/ Prospectus or any amendment or supplement thereto, at the time of mailing to stockholders of UGC and LMI and at the times of the Special Meetings, be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or necessary to correct any statement in any earlier communication. For this purpose, any such information included or incorporated by reference in any such document relating to UGC will be deemed to have been so supplied in writing specifically for inclusion or incorporation therein if such document was available for review by UGC or its counsel a reasonable time before such document was filed (but the

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foregoing will not be the exclusive manner in which it may be established that such information was so supplied). The Registration Statement, the Schedule 13E-3 and the Joint Proxy Statement/ Prospectus will comply as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder.

5.8 *Legal Proceedings*. Except as otherwise disclosed in the UGC SEC Filings filed with the SEC and publicly available prior to the date hereof, there are no claims, actions, suits, investigations or proceedings pending, or, to the knowledge of UGC, threatened against UGC or any of its Subsidiaries before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would, or would reasonably be anticipated to, have a UGC Material Adverse Effect.

5.9 *Compliance with Laws*. Except as otherwise disclosed in the UGC SEC Filings filed with the SEC and publicly available prior to the date hereof, neither UGC nor any of its Subsidiaries is in violation of, and UGC and its Subsidiaries have not received any notices of violations with respect to, any Licenses, laws, ordinances or regulations of any Governmental Entity, except for violations which, in the aggregate, would not reasonably be expected to have a UGC Material Adverse Effect.

5.10 *Tax Matters*.

(a) To the knowledge of UGC, neither UGC nor any of its Subsidiaries has taken or agreed to take any action that would prevent the UGC Merger from constituting an exchange qualifying under Section 351 of the Code. UGC is not aware of any agreement, plan or other circumstance that would prevent the UGC Merger from qualifying under Section 351 of the Code.

(b) UGC and each of its Subsidiaries have timely filed all Tax Returns that they were required to file, other than any Tax Returns the failure to file would not, individually or in the aggregate, have a UGC Material Adverse Effect. UGC and each of its Subsidiaries have paid all Taxes due, other than Taxes adequate reserves for which have been made in UGC s financial statements and Taxes the failure to pay would not, individually or in the aggregate, have a UGC Material Adverse Effect.

(c) There are no claims or assessments pending against UGC or any of its Subsidiaries for any alleged deficiency in any Tax, and UGC has not been notified in writing of any proposed Tax claims or assessments against UGC or any of its Subsidiaries (other than, in each case, claims or assessments for which adequate reserves in the UGC financial statements have been established and claims or assessments which would not, individually or in the aggregate, have a UGC Material Adverse Effect).

(d) There are no Liens or Restrictions on any of the assets or properties of UGC or any of its Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax, except for statutory liens for current Taxes not yet due and payable (and except for Liens or Restrictions which would not, individually or in the aggregate, have a UGC Material Adverse Effect).

(e) Neither UGC nor any of its Subsidiaries (x) except as set forth in Section 5.10(e) of the UGC Disclosure Letter, is bound by any Tax allocation or Tax sharing agreement which applies to U.S. federal or state income Taxes, or (y) has any liabilities under any Tax allocation or Tax sharing agreement (except for any liabilities which would not, individually or in the aggregate, have a UGC Material Adverse Effect).

(f) Neither UGC nor any of its Subsidiaries has participated in a listed transaction within the meaning of Treasury Regulations Section 1.6011-4(b)(2).

5.11 *Employee Matters*.

(a) To the knowledge of UGC, each UGC Plan intended to be qualified under Section 401(a) of the Code continues to satisfy the requirements for such qualification.

(b) Each UGC Plan has been maintained and administered in compliance with its terms and with ERISA and the Code to the extent applicable thereto, except for such non-compliance which individually or in the aggregate would not have a UGC Material Adverse Effect.

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(c) There has been no event or circumstance that has resulted in any material liability being asserted by any UGC Plan, the Pension Benefit Guaranty Corporation or any other Person or entity under Title IV of ERISA or Section 412 of the Code against UGC or any UGC ERISA Affiliate and there has not been any event or circumstance that could reasonably be expected to result in any liability which individually or in the aggregate would have a UGC Material Adverse Effect.

(d) There is no contract, agreement, plan or arrangement to which UGC or any of its Subsidiaries is a party covering any employee, former employee, officer, director, shareholder or contract worker of UGC or any of its Subsidiaries, which, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to Section 280G of the Code solely as a result of the transactions contemplated hereby.

5.12 *Brokers or Finders.* No investment banker, broker, finder, consultant or intermediary is entitled to any brokerage, finder s or other fee or commission in connection with this Agreement, the Mergers and the other transactions contemplated hereby based upon arrangements made by or on behalf of UGC other than Morgan Stanley & Co. Incorporated (Morgan Stanley).

5.13 *Fairness Opinion.* The Special Committee has received the opinion, dated January 17, 2005, of Morgan Stanley to the effect that the consideration to be received by the holders of shares of UGC Class A Stock (other than LMI or its Affiliates) as contemplated by Section 3.3(b) for the conversion of UGC Common Stock into HoldCo Series A Stock and/or cash pursuant to the UGC Merger is fair as of the date of the opinion, from a financial point of view, to such holders (other than LMI or its Affiliates) (the UGC Fairness Opinion). A true and complete copy of the UGC Fairness Opinion (which includes a consent to the inclusion in its entirety of a copy of the UGC Fairness Opinion in any documents required to be filed by UGC with the SEC with respect to the Mergers, which consent has not been withdrawn) has been delivered to LMI.

5.14 *Vote Required.* The only vote of stockholders of UGC required under the DGCL, the UGC Charter, UGC s Bylaws and the rules and regulations of the NASD in order for UGC to validly perform its obligations under this Agreement is the affirmative vote of a majority of the aggregate voting power of the issued and outstanding shares of UGC Common Stock voting together as a single class (the UGC Stockholder Approval). This Agreement also requires, as a condition to the Closing, that the holders of more than fifty percent (50%) of the voting power of the outstanding shares of UGC Common Stock entitled to be voted at the UGC Special Meeting, other than any shares of UGC Common Stock beneficially owned by LMI, LMC or any of their respective Subsidiaries or any of the executive officers or directors of LMI, LMC or UGC, shall have voted in favor of the UGC Merger (the Minority Approval).

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF LMI

LMI hereby represents and warrants to UGC as follows:

6.1 *Organization and Qualification.* Each of LMI, each Significant LMI Subsidiary (as defined below), HoldCo, LMI Merger Sub and UGC Merger Sub is a corporation, partnership, limited liability company or other business association duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization. LMI and each Significant LMI Subsidiary has all requisite corporate, partnership, limited liability company or other business association power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted, except where such failure, individually or in the aggregate, has not had and would not reasonably be expected to have a LMI Material Adverse Effect. LMI and each Significant LMI Subsidiary is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or license necessary, except in such jurisdictions where the failure to be so duly qualified or licensed or in good standing has not had and would not reasonably be expected to have, individually or in the aggregate, a LMI Material Adverse Effect. A Significant LMI Subsidiary means any Subsidiary of LMI that constitutes a significant subsidiary within the meaning of Rule 1-02 of Regulation S-X of the SEC.

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6.2 *Authorization and Validity of Agreement.*
(a) Each of LMI, HoldCo, LMI Merger Sub and UGC Merger Sub has all requisite corporate power and authority to enter into this Agreement and, in the case of LMI subject to obtaining the LMI Stockholder Approval, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by each of LMI, HoldCo, LMI Merger Sub and UGC Merger Sub of this Agreement and the consummation by each of LMI, HoldCo, LMI Merger Sub and UGC Merger Sub of the transactions contemplated hereby have been duly authorized by each of their respective board of directors, and by all other necessary corporate action on the part of LMI, HoldCo, LMI Merger Sub and UGC Merger Sub subject, in the case of the consummation by LMI of the LMI Merger, to the LMI Stockholder Approval. This Agreement has been duly executed and delivered by each of LMI, HoldCo, LMI Merger Sub and UGC Merger Sub and (assuming the due execution and delivery of this Agreement by the other parties hereto) constitutes a valid and binding agreement of each of LMI, HoldCo, LMI Merger Sub and UGC Merger Sub, enforceable against each such party in accordance with its terms (except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors rights generally, or by principles governing the availability of equitable remedies).
(b) The LMI Board has (i) approved this Agreement and the LMI Merger, (ii) determined that the LMI Merger is fair to and in the best interests of LMI s stockholders and (iii) recommended that the stockholders of LMI adopt this Agreement and approve the LMI Merger.
6.3 *Capitalization of LMI; Stock Option Vesting Acceleration.*
(a) The authorized capital stock of LMI consists of (i) 1,050,000,000 shares of common stock, $.01 par value, of which 500,000,000 shares are designated LMI Series A Stock, 50,000,000 shares are designated LMI Series B Stock and 500,000,000 shares are designated as LMI Series C Stock and (ii) 50,000,000 shares of LMI Preferred Stock.
(b) As of the close of business on December 31, 2004, (i) 165,514,962 shares of LMI Series A Stock, 7,264,300 shares of LMI Series B Stock and no shares of LMI Series C Stock (in each case net of shares held in treasury and shares held by Subsidiaries of LMI all of the common stock of which is beneficially owned by LMI) were issued and outstanding, and (ii) no shares of LMI Preferred Stock were issued and outstanding.
(c) All outstanding shares of LMI Series A Stock and LMI Series B Stock are duly authorized, validly issued, fully paid and nonassessable, and no class of capital stock of LMI is entitled to preemptive rights.
(d) As of the close of business on December 31, 2004, there were no options, warrants or other rights to acquire LMI Series A Stock (or securities convertible into or exercisable or exchangeable for LMI Series A Stock) from LMI, other than (i) the right of the holders of LMI Series B Stock to convert shares of LMI Series B Stock into LMI Series A Stock, pursuant to the LMI Charter, and (ii) options or other rights representing in the aggregate the right to purchase or otherwise acquire up to 1,761,123 shares of LMI Series A Stock (which excludes 1,498,154 options to acquire LMI Series B Stock that can be exercised for LMI Series A Stock, on a one-for-one basis, at the option of the holder) and 3,066,716 shares of LMI Series B Stock (which includes 1,498,154 options to acquire LMI Series B Stock that can be exercised for LMI Series A Stock, on a one-for-one basis, at the option of the holder), pursuant to a LMI employee benefit plan or otherwise. All other material information about the capitalization of LMI has been disclosed in the LMI SEC Filings.
(e) The LMI Board has adopted a resolution stating that the transactions contemplated by this Agreement do not constitute a change of control or any comparable event which would permit or result in an acceleration of vesting or exercisability of any outstanding awards (including LMI Options, LMI SARs and LMI Restricted Stock) under any LMI Plan.
6.4 *LMI Reports and Financial Statements.* LMI has filed on a timely basis all forms, reports and documents with the SEC required to be filed by it under the Securities Act or the Exchange Act since June 1, 2004 (collectively, together with the Form 10, dated May 28, 2004, filed by LMI and other than preliminary material, the LMI SEC Filings). As of their respective dates, each of the LMI SEC Filings complied in all

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material respects with the applicable requirements of the Securities Act or the Exchange Act and the rules and regulations thereunder, and none of the LMI SEC Filings contained as of such date any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no representation or warranty is made with respect to any information regarding UGC included in the LMI SEC Filings which was furnished by UGC expressly for use therein). When filed with the SEC, the financial statements (including the related notes) included in the LMI SEC Filings complied as to form in all material respects with the applicable requirements of the Securities Act or the Exchange Act and the applicable rules and regulations thereunder and were prepared in accordance with GAAP applied on a consistent basis (except as may be indicated therein or in the schedules thereto), and such financial statements fairly present, in all material respects, the consolidated financial position of LMI and its consolidated Subsidiaries as of the respective dates thereof and the consolidated results of their operations and their consolidated cash flows for the respective periods then ended, subject, in the case of the unaudited interim financial statements, to normal, recurring year-end audit adjustments. Except as disclosed in the LMI SEC Filings filed with the SEC and publicly available prior to the date hereof, from September 30, 2004 to the date of this Agreement, LMI and its Subsidiaries have not incurred any liabilities that are of a nature that would be required to be disclosed on a balance sheet of LMI and its Subsidiaries or the footnotes thereto prepared in conformity with GAAP, other than (a) liabilities incurred in the ordinary course of business, (b) liabilities for Taxes or (c) liabilities that, individually or in the aggregate, would not reasonably be expected to have a LMI Material Adverse Effect. For purposes of this section, the term timely shall have the meaning set forth in General Instruction I.A.3(b) to Form S-3. A form, report or document filed or that should have been filed by LMI shall not in any event be considered untimely if the delay in such filing arose as a result of actions by UGC or any of its Subsidiaries.

6.5 *No Approvals or Notices Required; No Conflict with Instruments.* The execution and delivery by LMI of this Agreement do not, and the performance by LMI of its obligations hereunder and the consummation of the transactions contemplated hereby will not:

(i) assuming the LMI Stockholder Approval is obtained, conflict with or violate the LMI Charter or LMI s Bylaws, or the charter or bylaws of any Significant LMI Subsidiary, or any other instrument or document governing any Significant LMI Subsidiary that is not a corporation;

(ii) require any Government Consent or Governmental Filing on the part of or with respect to LMI or any Subsidiary of LMI, except for (A) the filing with the SEC of the Registration Statement, the Schedule 13E-3 and the Joint Proxy Statement/ Prospectus and such reports under Sections 12(g), 13(a), 13(d) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby, (B) the filing of the LMI Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities or other states in which LMI is qualified to do business, (C) appropriate filings with and consents or approvals of the Federal Communications Commission and the Puerto Rico Telecommunications Regulatory Board, or (D) such Government Consents and Governmental Filings the absence or omission of which will not, either individually or in the aggregate, have a LMI Material Adverse Effect;

(iii) require on the part of LMI or any Subsidiary of LMI any Contract Consent or Contract Notice to any other Person (other than a Governmental Entity), whether under any License or other Contract or otherwise, except where the failure to obtain such Contract Consent or to give such Contract Notice will not, either individually or in the aggregate, have a LMI Material Adverse Effect or prevent or materially delay the consummation of the Mergers;

(iv) result in a Violation of any Contract to which LMI or any Subsidiary of LMI is a party, by which LMI or any Subsidiary of LMI or any of their respective assets or properties is bound or affected or pursuant to which LMI or any Subsidiary of LMI is entitled to any rights or benefits (including any Licenses), except for such Violations which would not, individually or in the aggregate, have a LMI Material Adverse Effect; or

(v) assuming adoption of this Agreement at the LMI Special Meeting by the requisite vote of LMI s stockholders, and assuming that the Government Consents and Governmental Filings specified in

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clause (ii) of this Section 6.5 are obtained, made and given, result in a Violation of, under or pursuant to any law, rule, regulation, order, judgment or decree applicable to LMI, any Subsidiary of LMI or by which any of their respective properties or assets are bound or affected, except for such Violations which would not, individually or in the aggregate, have a LMI Material Adverse Effect.

6.6 *Absence of Certain Changes or Events.*

(a) Except as otherwise disclosed in the LMI SEC Filings filed with the SEC and publicly available prior to the date hereof and subject to the accuracy of the representation and warranty made by UGC in Section 5.6, since September 30, 2004 (a) there has not been any material adverse change in the business, properties, operations or financial condition of LMI and its Subsidiaries (for this purpose including UGC and its Subsidiaries) taken as a whole, and no event has occurred and no condition exists that, individually or together with other events or conditions, has had or is reasonably likely to have, a LMI Material Adverse Effect and (b) no action has been taken by LMI that, if Section 7.12 of this Agreement had then been in effect, would have been prohibited by such Section without the consent or approval of UGC, and no Contract to take any such action was entered into during such period.

(b) Except as otherwise disclosed in the LMI SEC Filings filed with the SEC prior to the date hereof, since September 30, 2004 there has not been a material adverse change in the business, properties, operations or financial condition of the Japanese Businesses, taken as a whole, other than any such change arising out of or resulting from (i) general business or economic conditions in Japan or from general changes in or affecting the industries in which the Japanese Businesses operate (except to the extent any such change has a disproportionate impact on the Japanese Businesses), (ii) any changes in applicable generally accepted accounting principals that affect generally entities such as the Japanese Businesses or (iii) the conduct of, or failure to conduct or successfully complete, any public offering of shares by any of the Japanese Businesses

6.7 *Registration Statement; Schedule 13E-3; Joint Proxy Statement/ Prospectus.* None of the information supplied or to be supplied by LMI in writing specifically for inclusion or incorporation by reference in, and which is included or incorporated by reference in, (i) the Registration Statement or the Schedule 13E-3 or any amendment or supplement thereto will, at the respective times such documents are filed, and, in the case of the Registration Statement or any amendment or supplement thereto, when the same becomes effective, at the time of the Special Meetings or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) the Joint Proxy Statement/ Prospectus or any other documents filed or to be filed with the SEC or any other Governmental Entity in connection with the transactions contemplated hereby, will, at the respective times such documents are filed and, in the case of the Joint Proxy Statement/ Prospectus or any amendment or supplement thereto, at the time of mailing to stockholders of UGC and LMI and at the times of the Special Meetings, be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading or necessary to correct any statement in any earlier communication. For this purpose, any such information included or incorporated by reference in any such document relating to LMI will be deemed to have been so supplied in writing specifically for inclusion or incorporation therein if such document was available for review by LMI or its counsel a reasonable time before such document was filed (but the foregoing will not be the exclusive manner in which it may be established that such information was so supplied). The Registration Statement, the Schedule 13E-3 and the Joint Proxy Statement/ Prospectus and the furnishing thereof by LMI will comply as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder.

6.8 *Legal Proceedings.* Except as otherwise disclosed in the LMI SEC Filings filed with the SEC and publicly available prior to the date hereof, there are no claims, actions, suits, investigations or proceedings pending, or, to the knowledge of LMI, threatened against LMI or any of its Subsidiaries before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would, or would reasonably be anticipated to, have a LMI Material Adverse Effect.

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6.9 *Compliance with Laws*. Except as otherwise disclosed in the LMI SEC Filings filed with the SEC and publicly available prior to the date hereof, neither LMI nor any of its Subsidiaries is in violation of, and LMI and its Subsidiaries have not received any notices of violations with respect to, any Licenses, laws, ordinances or regulations of any Governmental Entity, except for violations which, in the aggregate, would not reasonably be expected to have a LMI Material Adverse Effect.

6.10 *Tax Matters*.

(a) To the knowledge of LMI, neither LMI nor any of its Subsidiaries has taken or agreed to take any action that would prevent the LMI Merger from constituting a reorganization qualifying under Section 368(a) of the Code. LMI is not aware of any agreement, plan or other circumstance that would prevent the LMI Merger from qualifying under Section 368(a) of the Code.

(b) LMI and its Subsidiaries have not taken or failed to take any action, and LMI and its Subsidiaries have no plan or intention to take any action or fail to take any action, in each case, which would reasonably be expected to give rise to an indemnity claim against LMI pursuant to Section 2.5 or Section 9.2 of the Tax Sharing Agreement, dated June 1, 2004, between LMI and LMC (other than, in each case, indemnity claims which would not, individually or in the aggregate, have a LMI Material Adverse Effect).

(c) LMI and each of its Subsidiaries have timely filed all Tax Returns that they were required to file, other than any Tax Returns the failure to file would not, individually or in the aggregate, have a LMI Material Adverse Effect. LMI and each of its Subsidiaries have paid all Taxes due, other than Taxes adequate reserves for which have been made in LMI s financial statements and Taxes the failure to pay would not, individually or in the aggregate, have a LMI Material Adverse Effect.

(d) There are no claims or assessments pending against LMI or any of its Subsidiaries for any alleged deficiency in any Tax, and LMI has not been notified in writing of any proposed Tax claims or assessments against LMI or any of its Subsidiaries (other than, in each case, claims or assessments for which adequate reserves in the LMI financial statements have been established and claims or assessments which would not, individually or in the aggregate, have a LMI Material Adverse Effect.)

(e) There are no Liens or Restrictions on any of the assets or properties of LMI or any of its Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax, except for statutory liens for current Taxes not yet due and payable (and except for Liens or Restrictions which would not, individually or in the aggregate, have a LMI Material Adverse Effect).

(f) Neither LMI nor any of its Subsidiaries has participated in a listed transaction within the meaning of Treasury Regulations Section 1.6011-4(b)(2).

6.11 *Employee Matters*.

(a) To the knowledge of LMI, each LMI Plan intended to be qualified under Section 401(a) of the Code continues to satisfy the requirements for such qualification.

(b) Each LMI Plan has been maintained and administered in compliance with its terms and with ERISA and the Code to the extent applicable thereto, except for such non-compliance which individually or in the aggregate would not have a LMI Material Adverse Effect.

(c) There has been no event or circumstance that has resulted in any material liability being asserted by any LMI Plan, the Pension Benefit Guaranty Corporation or any other Person or entity under Title IV of ERISA or Section 412 of the Code against LMI or any LMI ERISA Affiliate and there has not been any event or circumstance that could reasonably be expected to result in any liability which individually or in the aggregate would have a LMI Material Adverse Effect.

(d) There is no contract, agreement, plan or arrangement to which LMI or any of its Subsidiaries is a party covering any employee, former employee, officer, director, shareholder or contract worker of LMI or any of its Subsidiaries, which, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to Section 280G of the Code solely as a result of the transactions contemplated hereby.

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6.12 *Brokers or Finders*. No investment banker, broker, finder, consultant or intermediary is entitled to any brokerage, finder s or other fee or commission in connection with this Agreement, the LMI Merger and the other transactions contemplated hereby based upon arrangements made by or on behalf of LMI or LMI Merger Sub other than Banc of America Securities LLC.

6.13 *Fairness Opinion*. The CMI Board has received the opinion, dated January 17, 2005, of Banc of America Securities LLC to the effect that the consideration to be received by the holders of LMI Common Stock, other than any affiliates of LMI, pursuant to the transactions contemplated by the Mergers is fair as of the date of the opinion, from a financial point of view, to the holders of LMI Common Stock, other than any affiliates of LMI (the LMI Fairness Opinion). A true and complete copy of the LMI Fairness Opinion (which includes a consent to the inclusion in its entirety of a copy of the LMI Fairness Opinion in any documents required to be filed by LMI with the SEC with respect to the Mergers, which consent has not been withdrawn) has been delivered to UGC.

6.14 *Vote Required*. The only vote of stockholders of LMI required under the DGCL, the LMI Charter, LMI s Bylaws and the rules and regulations of the NASD in order for LMI to validly perform its obligations under this Agreement is the affirmative vote of a majority of the aggregate voting power of the issued and outstanding shares of LMI Common Stock voting together as a single class, and no other vote or approval of or other action by the holders of any capital stock or other securities of LMI is required thereby (the LMI Stockholder Approval).

6.15 *Merger Subsidiaries*. Each of HoldCo, UGC Merger Sub and LMI Merger Sub was formed solely for the purpose of engaging in the transactions contemplated hereby and has not engaged in any business activities, conducted operations other than in connection with the transactions contemplated hereby, incurred any liabilities other than in connection with the transactions contemplated hereby or owned any assets or property (other than, in the case of HoldCo, owning all of the outstanding capital stock of UGC Merger Sub and LMI Merger Sub).

ARTICLE VII
TRANSACTIONS PRIOR TO CLOSING

7.1 *Information and Access*.

(a) From the date hereof to the Effective Time, upon reasonable notice, each of UGC and LMI will (and will cause its Subsidiaries, and use commercially reasonable efforts to cause its accountants and Affiliates, to) afford to the officers, employees, counsel, bankers, accountants and other authorized representatives of the other reasonable access during normal business hours and upon reasonable prior notice to all its properties, personnel, books and records and furnish promptly to such Persons such information concerning its business, properties, personnel and affairs as such Persons will from time to time reasonably request consistent with its rights and obligations under this Agreement. No investigation pursuant to this Section 7.1 shall affect or otherwise obviate or diminish any representations or warranties of any party or conditions to the obligations of any party.

(b) Each of UGC and LMI will hold all information furnished by or behalf of the other party or its representatives pursuant to Section 7.1(a) in confidence in accordance with the provisions of the nondisclosure agreement, dated January 12, 2005, between UGC and LMI.

7.2 *Public Announcements*. No party will or will permit any of its Subsidiaries to (and each party will use commercially reasonable efforts to cause its Affiliates, directors, officers, employees, agents and representatives not to) issue any press release, make any public announcement or furnish any written statement to its employees or stockholders generally concerning the transactions contemplated by this Agreement without the consent of the other parties (which consent will not be unreasonably withheld or delayed), except to the extent required by applicable law or the applicable requirements of the NASD (and in either such case such party will, to the extent consistent with timely compliance with such requirement, consult with the other party prior to making the required release, announcement or statement).

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7.3 *Conduct of UGC s Business Pending the Effective Time.* UGC will, and will cause each of its Subsidiaries to, except (x) as to Approved Matters, (y) any matters contemplated in the most recent budget adopted by the UGC Board (provided such budget itself is an Approved Matter) and (z) as permitted, required or specifically contemplated by this Agreement or Section 7.3 of the UGC Disclosure Letter, required by any change in applicable law or consented to or approved in writing by LMI (which consent or approval will not be unreasonably withheld or delayed) during the period commencing on the date hereof and ending at the Effective Time:

(a) conduct its business only in, and not take any action except in, the ordinary and usual course of its business and consistent with past practices;

(b) submit to a vote of its board of directors (or executive committee thereof) or other governing body any matter of a nature or in any amount that, consistent with past practices or existing board or other governing body resolutions or policies, would have been required, or would have been expected, to be submitted to such a vote prior to the date hereof;

(c) not (i) make any change or amendments in its charter, bylaws or partnership agreement or other governing instrument or document (as the case may be); (ii) authorize for issuance, issue, grant, sell, deliver, dispose of, pledge or otherwise encumber any shares of its capital stock or any securities or rights convertible into, exchangeable for, or evidencing the right to subscribe for any shares of its capital stock or other equity or voting interests, or any rights, options, warrants, calls, commitments or other agreements of any character to purchase or acquire any shares of its capital stock or other equity or voting interests, or any securities or rights convertible into, exchangeable for, or evidencing the right to subscribe for, any shares of its capital stock or other equity or voting interests, other than shares of UGC Common Stock issued upon exercise of UGC Options, conversion of UGC Convertible Notes or upon the exercise of other rights outstanding as of the date hereof under UGC Plans or otherwise disclosed pursuant to this Agreement, in accordance with the terms thereof; (iii) split, combine, subdivide or reclassify the outstanding shares of its capital stock or other equity or voting interests, or declare, set aside for payment or pay any dividend, or make any other actual, constructive or deemed distribution in respect of any shares of its capital stock or other equity or voting interests, or otherwise make any payments to stockholders or owners of equity or voting interests in their capacity as such (other than dividends or distributions paid by any Wholly-Owned Subsidiary of UGC to UGC or another Wholly-Owned Subsidiary of UGC); (iv) redeem, purchase or otherwise acquire, directly or indirectly, any outstanding shares of capital stock or other securities or equity or voting interests of UGC or any Subsidiary of UGC; (v) make any other changes in its capital or ownership structure; (vi) sell or grant a Lien or Restriction with respect to any stock, equity or partnership interest owned by it in any Subsidiary of UGC; or (vii) enter into or assume any contract, agreement, obligation, commitment or arrangement with respect to any of the foregoing;

(d) not (i) enter into any new employment agreements with or increase the compensation of (x) any officer or director of UGC or (y) any member of senior executive management of any Subsidiary whose annual income exceeds $100,000 per annum, other than as required by written agreements in effect on the date hereof, (ii) establish, amend or modify any UGC Plan or any other employee benefit plan, except in the ordinary course of business, consistent with past practice and to the extent not material and except to the extent required by any applicable law or the existing terms of such UGC Plan or by the provisions of this Agreement; (iii) make any capital expenditures which individually or in the aggregate are in excess of the amount provided for capital expenditures in the most recent capital budget for UGC and its Subsidiaries approved by the UGC Board (provided such budget itself is an Approved Matter) or (iv) enter into or assume any contract, agreement, obligation, commitment or arrangement with respect to any of the foregoing;

(e) not incur (which will not be deemed to include entering into credit agreements, lines of credit or similar arrangements until borrowings are made under such arrangements) any material amount of Indebtedness for

borrowed money or guarantee any such Indebtedness other than in the ordinary course of business; provided, however, that the foregoing will not prohibit any renewal, extension, amendment or

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refinancing of existing Indebtedness (provided there is no increase in the interest rate or the principal amount of such Indebtedness);

(f) not acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to otherwise acquire any assets that are material, individually or in the aggregate, to UGC and its Subsidiaries taken as a whole, other than in the ordinary course of business;

(g) not make any material change in any accounting, financial reporting or Tax practice or policy;

(h) not take any action that would reasonably be expected to result in any of the conditions to the Mergers set forth in Article VIII not being fulfilled; and

(i) not authorize or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

7.4 *Expenses*. Whether or not the Merger is consummated, all costs and expenses incurred or to be incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such cost or expense, except that the costs and expenses incurred in connection with the printing and mailing of each of the Joint Proxy Statement/ Prospectus, the Registration Statement (and any amendment or supplement thereto) and the prospectus included in the Registration Statement (and any amendment or supplement thereto) will be borne equally by LMI and UGC.

7.5 *Indemnification*.

(a) *Indemnification of UGC Directors and Officers*. From and after the Effective Time, the UGC Surviving Corporation will indemnify, defend and hold harmless the present and former directors and officers of UGC (when acting in such capacity) and any of its Subsidiaries, and any Person who is or was serving at the request of UGC as a director or officer of another Person (when acting in such capacity) (individually a UGC Indemnified Party and, collectively, the UGC Indemnified Parties) against all losses, claims, damages, costs, expenses (including fees and expenses of counsel properly retained by a UGC Indemnified Party under this Section 7.5), liabilities or judgments or amounts that are paid in settlement with the approval of the UGC Surviving Corporation (which approval will not be unreasonably withheld or delayed) of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such Person was at any time prior to the Effective Time a director or officer of UGC, pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, at or after the Effective Time (UGC Indemnified Liabilities), to the same extent such persons are indemnified or have the right to advancement of expenses as of the date hereof by UGC pursuant to the UGC Charter, the UGC Bylaws and indemnification agreements, if any, in existence on the date hereof with any directors, officers and employees of UGC and its Subsidiaries.

(b) *Indemnification of LMI Directors and Officers*. From and after the Effective Time, the LMI Surviving Corporation will indemnify, defend and hold harmless the present and former directors and officers of LMI (when acting in such capacity) and any of its Subsidiaries, and any Person who is or was serving at the request of LMI as a director or officer of another Person (when acting in such capacity) (individually a LMI Indemnified Party and, collectively, the LMI Indemnified Parties) against all losses, claims, damages, costs, expenses (including fees and expenses of counsel properly retained by a LMI Indemnified Party under this Section 7.5), liabilities or judgments or amounts that are paid in settlement with the approval of the LMI Surviving Corporation (which approval will not be unreasonably withheld or delayed) of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such Person was at any time prior to the Effective Time a director or officer of LMI, pertaining to any matter existing or occurring at or prior to the Effective Time and whether asserted or claimed prior to, at or after the Effective Time (LMI Indemnified Liabilities), to the same extent such persons are indemnified or have the right to advancement of expenses as of the date hereof by LMI pursuant to the LMI Charter and LMI s Bylaws and indemnification agreements, if any, in existence on the date hereof with any directors, officers

and employees of LMI and its Subsidiaries.

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(c) *Survival of Existing Indemnification Rights.* The parties agree that all rights to indemnification, including provisions relating to advances of expenses incurred in defense of any action, suit or proceeding, whether civil, criminal, administrative or investigative (each, a Claim), existing in favor of the Indemnified Parties as provided in the UGC Charter or UGC s Bylaws or LMI Charter or LMI s Bylaws or pursuant to other agreements, or certificates of incorporation or bylaws or similar documents of any of UGC s or LMI s Subsidiaries, as in effect as of the date hereof, will survive the Mergers and will continue in full force and effect for a period of not less than six years from the Effective Time; provided, however, that all rights to indemnification in respect of any Claim asserted, made or commenced within such period will continue until the final disposition of such Claim.

(d) *Survival.* This Section 7.5 will survive the consummation of the Mergers. The provisions of this Section 7.5 are intended to be for the benefit of and will be enforceable by each of the UGC Indemnified Parties and the LMI Indemnified Parties, and their respective heirs and legal representatives, and will be binding on UGC Surviving Corporation and LMI Surviving Corporation, as applicable, and each of their respective successors and assigns.

7.6 *Notification of Certain Matters.* Between the date hereof and the Effective Time, each party will give prompt notice in writing to the other party of: (i) any information that indicates that any of its representations or warranties contained herein was not true and correct in any material respect as of the date hereof or will be untrue and incorrect in any material respect at and as of the Effective Time (except for changes permitted or contemplated by this Agreement), (ii) the occurrence or non-occurrence of any event which will result, or is reasonably likely to result, in the failure of any condition set forth in Article VIII, any covenant or agreement contained in this Agreement to be complied with or satisfied, (iii) any failure of UGC or LMI, as the case may be, to satisfy any condition or comply with, in any material respect, any covenant or agreement to be satisfied or complied with by it hereunder, (iv) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement or that such transactions otherwise may violate the rights of or confer remedies upon such third party and (v) any notice of, or other communication relating to, any litigation referred to in Section 7.7 or any order or judgment entered or rendered therein; provided, however, that the delivery of any notice pursuant to this Section 7.6 will not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

7.7 *Defense of Litigation.* Each of the parties agrees to vigorously defend against all actions, suits or proceedings in which such party is named as a defendant which seek to enjoin, restrain or prohibit the transactions contemplated hereby or seek damages with respect to such transactions. No party will settle any such action, suit or proceeding or fail to perfect on a timely basis any right to appeal any judgment rendered or order entered against such party therein without the written consent of the other parties (which consent will not be unreasonably withheld or delayed). Each of the parties further agrees to use commercially reasonable efforts to cause each of its Affiliates, directors and officers to vigorously defend any action, suit or proceeding in which such Affiliate, director or officer is named as a defendant and which seeks any such relief to comply with this Section to the same extent as if such Person were a party hereto.

7.8 *Actions by LMI.* Subject to the terms and conditions of this Agreement, LMI shall cause shares of UGC Common Stock beneficially owned by it to be voted in favor of the adoption of this Agreement at the UGC Special Meeting.

7.9 *Section 16 Matters.* Assuming that UGC and LMI deliver to HoldCo the Section 16 Information (as defined below) reasonably in advance of the Effective Time, the Board of Directors of HoldCo, or a committee of Non-Employee Directors thereof (as such term is defined for purposes of Rule 16b-3(d) under the Exchange Act), shall reasonably promptly thereafter and in any event prior to the Effective Time adopt a resolution providing that the receipt by the Insiders (as defined below) of UGC and LMI of HoldCo Common Stock in exchange for shares of UGC Common Stock or shares of LMI Common Stock, as the case may be, or shares of HoldCo Common Stock upon exercise of stock option or stock appreciation rights or vesting of restricted stock, as the case may be, in each case pursuant to the transactions contemplated hereby and to the extent such securities are listed in the Section 16 Information provided by UGC and LMI to HoldCo prior to

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the Effective Times, are intended to be exempt from liability pursuant to Section 16(b) under the Exchange Act such that any such receipt shall be so exempt. Section 16 Information shall mean information accurate in all material respects regarding the Insiders of a Person, the number of shares of the capital stock held by each such Insider, and the number and description of options, stock appreciate rights, restricted shares and other stock-based awards held by each such Insider. Insiders, with respect to a Person, shall mean those officers and directors of such Person who are subject to the reporting requirements of Section 16(a) of the Exchange Act and who are listed in the Section 16 Information.

7.10 *Tax Treatment of Transactions*. Each of the parties (a) shall use their commercially reasonable efforts to cause the LMI Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code and, when viewed as a collective whole with the LMI Merger, the conversion of shares of UGC Common Stock into shares of HoldCo Series A Stock that is effected pursuant to the UGC Merger to qualify as an exchange within the meaning of Section 351 of the Code, (b) will not take any action, and will not permit any of its Controlled Affiliates to take any action, that would cause the LMI Merger not to qualify as a reorganization within the meaning of Section 368(a) of the Code or the conversion of shares of UGC Common Stock into shares of HoldCo Series A Stock that is effected pursuant to the UGC Merger not to qualify as an exchange within the meaning of Section 351 of the Code, and (c) will cooperate with the law firms that are to render the opinions referred to in Sections 8.1(e), 8.2(e) and 8.3(d) by providing appropriate certifications as to factual matters.

7.11 *State Takeover Laws*. If any fair price, business combination or control share acquisition statute or other similar statute or regulation is or may become applicable to the Mergers, LMI and UGC shall each take such actions as are necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of any such statute or regulation on the Mergers.

7.12 *Conduct of LMI*. LMI will not declare, make or pay any dividend or distribution on or in respect of its capital stock (other than in shares of LMI Common Stock) or take any action that would reasonably be expected to result in any of the conditions to the Mergers set forth in Article VIII not being fulfilled.

ARTICLE VIII
CONDITIONS PRECEDENT

8.1 *Conditions Precedent to the Obligations of Each Party*. The respective obligations of the parties to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Effective Time of each of the following conditions, any or all of which (other than the conditions set forth in Sections 8.1(b) and 8.1(e), which shall be non-waivable), to the extent permitted by applicable law, may be waived by LMI, for itself, HoldCo, LMI Merger Sub and UGC Merger Sub (but not for UGC), or by UGC for itself (with the approval of the Special Committee) (but not for LMI, HoldCo, LMI Merger Sub or UGC Merger Sub):

(a) *Stockholder Approvals*. The LMI Stockholder Approval and the UGC Stockholder Approval shall have been obtained.

(b) *Minority Approval*. The Minority Approval shall have been obtained.

(c) *Registration*. The Registration Statement (as amended or supplemented) will have been declared effective and will be effective under the Securities Act at the Effective Time, and no stop order suspending effectiveness will have been issued, and no action, suit, proceeding or investigation seeking a stop order or to suspend the effectiveness of the Registration Statement will be pending before or threatened by the SEC.

(d) *Absence of Injunctions*. No permanent or preliminary Injunction or restraining order or other order by any court or other Governmental Entity of competent jurisdiction, or other legal restraint or prohibition, preventing consummation of the transactions contemplated hereby as provided herein, or permitting such consummation only subject to any condition or restriction that has or would have a UGC

Material Adverse Effect or a LMI Material Adverse Effect, will be in effect; and there shall not be any action taken, or any statute, rule, regulation or order (whether temporary, preliminary or permanent) enacted, entered or enforced which makes the consummation of the Mergers illegal or prevents or prohibits the Mergers.

(e) *Tax Opinion Relating to the Effect of the LMI Merger and the UGC Merger on the Distribution.* LMI and HoldCo shall have received the opinion of Skadden, Arps, Slate, Meagher & Flom LLP or another nationally recognized law firm reasonably acceptable to UGC (acting with the approval of the Special Committee), dated the Closing Date, to the effect that, for U.S. federal income tax purposes, provided that the Distribution would otherwise have qualified as a tax-free distribution under Section 355 of the Code to LMC and the LMC shareholders, the transactions contemplated by this Agreement should not cause the Distribution to fail to qualify as a tax-free distribution to LMC under Section 355(e) of the Code. In rendering such opinion, Skadden, Arps, Slate, Meagher & Flom LLP or such other alternate firm may require and rely upon (and may incorporate by reference) representations and covenants made in certificates provided by the parties hereto and upon such other documents and data as Skadden, Arps, Slate, Meagher & Flom LLP or such other alternate firm deems appropriate as a basis for such opinion.

(f) *Governmental Entity Approvals.* All authorizations, consents, orders or approvals of, or declarations or filings with, or expiration of waiting periods imposed by, any Governmental Entity, if any, necessary for the consummation of the Mergers shall have been filed, expired or been obtained, other than those that, individually or in the aggregate, the failure of which to be filed, expired or obtained would not be reasonably likely to have a UGC Material Adverse Effect or a LMI Material Adverse Effect.

(g) *Nasdaq Listing.* The shares of HoldCo Common Stock to be issued pursuant to this Agreement will have been approved for listing on the Nasdaq, subject only to official notice of issuance.

8.2 *Conditions Precedent to the Obligations of LMI.* The obligations of LMI to consummate the transactions contemplated by this Agreement are also subject to the satisfaction at or prior to the Closing Date of each of the following conditions, unless waived by LMI (other than the condition set forth in Section 8.2(e), which shall be non-waivable):

(a) *Accuracy of Representations and Warranties.* All representations and warranties of UGC contained in this Agreement will, if specifically qualified by reference to a UGC Material Adverse Effect, be true and correct and, if not so qualified, be true and correct except where the failure to be so true and correct would not have a UGC Material Adverse Effect, except for the representations and warranties set forth in Section 5.3, which will be true and correct in all material respects, in each case as of the date of this Agreement and (except to the extent such representations and warranties speak as of a specified earlier date) on and as of the Closing Date as though made on and as of the Closing Date, except for changes permitted or contemplated by this Agreement.

(b) *Performance of Agreements.* UGC will have performed in all material respects all obligations and agreements, and complied in all material respects with all covenants and conditions, contained in this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) *Officers Certificates.* LMI will have received such certificates of UGC, dated the Closing Date, in each case signed by an executive officer of UGC (but without personal liability thereto), to evidence satisfaction of the conditions set forth in Sections 8.1(a), 8.1(b), 8.2(a) and 8.2(b) (insofar as each relates to UGC), as may be reasonably requested by LMI.

(d) *No Adverse Enactments.* There will not have been any action taken, or any statute, rule, regulation, order, judgment or decree proposed, enacted, promulgated, entered, issued, enforced or deemed applicable by any foreign or United States federal, state or local Governmental Entity that imposes or is reasonably likely to result in imposition of material limitations on the ability of HoldCo effectively to exercise full rights of ownership of shares

of capital stock of the Surviving LMI Corporation or the Surviving UGC Corporation (including the right to vote such shares on all matters properly

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presented to the stockholders of the relevant entity) or makes the holding by HoldCo of any such shares illegal.

(e) *Tax Opinion*. LMI shall have received the opinion of Baker Botts L.L.P. or another nationally recognized law firm, dated the Closing Date, to the effect that, for United States federal income tax purposes, (i) the LMI Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, (ii) no gain or loss will be recognized by HoldCo, LMI, any Wholly-Owned Subsidiary of LMI that owns shares of UGC Common Stock, or UGC as a result of the LMI Merger or the UGC Merger, and (iii) no gain or loss will be recognized by the shareholders of LMI with respect to shares of LMI Stock converted solely into HoldCo Stock as a result of the LMI Merger. In rendering such opinion, Baker Botts L.L.P. or such alternate firm may require and rely upon (and may incorporate by reference) representations and covenants made in certificates provided by the parties hereto and upon such other documents and data as such counsel deems appropriate as a basis for such opinion.

8.3 *Conditions Precedent to the Obligations of UGC*. The obligation of UGC to consummate the transactions contemplated by this Agreement is also subject to the satisfaction at or prior to the Closing Date of each of the following conditions, unless waived by UGC (with the approval of the Special Committee) (other than the condition set forth in Section 8.3(d), which shall be non-waivable):

(a) *Accuracy of Representations and Warranties*. All representations and warranties of LMI contained in this Agreement will, if specifically qualified by reference to a LMI Material Adverse Effect, be true and correct, and, if not so qualified, be true and correct except where the failure to be so true and correct would not have a LMI Material Adverse Effect, except for (i) the representations and warranties set forth in Section 6.3, which shall be true and correct in all material respects, and (ii) the representations and warranties set forth in Section 6.6(b), which shall be true and correct, in each case as of the date of this Agreement and (except to the extent such representations and warranties speak of a specified earlier date) on and as of the Closing Date as though made on and as of the Closing Date, except for changes permitted or contemplated by this Agreement.

(b) *Performance of Agreements*. Each of HoldCo and LMI will have performed in all material respects all obligations and agreements, and complied in all material respects with all covenants and conditions, contained in this Agreement to be performed or complied with by it prior to or on the Closing Date.

(c) *Officers Certificates*. UGC will have received such certificates of HoldCo and LMI, dated the Closing Date, in each case signed by an executive officer of HoldCo or LMI (but without personal liability thereto) to evidence satisfaction of the conditions set forth in Sections 8.1(a), 8.3(a) and 8.3(b) (insofar as each relates to HoldCo or LMI), as may be reasonably requested by UGC.

(d) *Tax Opinion*. UGC shall have received the opinion of Debevoise & Plimpton LLP or another nationally recognized law firm, dated the Closing Date, to the effect that, for United States federal income tax purposes, (i) when viewed as a collective whole with the LMI Merger, the conversion of shares of UGC Common Stock into shares of HoldCo Series A Stock that is effected pursuant to the UGC Merger will qualify as an exchange within the meaning of Section 351 of the Code, (ii) no gain or loss will be recognized by HoldCo or UGC as a result of the UGC Merger, and (iii) no gain or loss will be recognized by the shareholders of UGC with respect to shares of UGC Common Stock converted solely into HoldCo Series A Stock pursuant to the UGC Merger. In rendering such opinion, Debevoise & Plimpton LLP or such alternate firm may require and rely upon (and may incorporate by reference) representations and covenants made in certificates provided by the parties hereto and upon such other documents and data as Debevoise & Plimpton LLP or such alternate firm deems appropriate as a basis for such opinion.

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ARTICLE IX
TERMINATION

9.1 *Termination and Abandonment.* This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Effective Time, whether before or after adoption of this Agreement by the stockholders of LMI and/or UGC:

(a) by mutual consent of LMI and UGC authorized by their respective Boards of Directors (with the approval of the Special Committee in the case of UGC);

(b) by LMI if UGC has not filed the UGC 10-K with the SEC by May 15, 2005 (the Filing Termination Date). LMI may terminate this Agreement within five business days after the Filing Termination Date; provided, that LMI may extend the Filing Termination Date to June 15, 2005, if it determines not to terminate this Agreement during the five business day period following the initial Filing Termination Date;

(c) by either UGC (with the approval of the Special Committee) or LMI if either of the Mergers has not been consummated before September 30, 2005 (the Drop Dead Date); provided, that the right to terminate this Agreement pursuant to this Section 9.1(c) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of either of the Mergers to occur on or before the Drop Dead Date and such action or failure to act constitutes a breach of this Agreement.

(d) by either UGC (with the approval of the Special Committee), on the one hand, or LMI, on the other hand: (A) if there has been a breach of any representation, warranty, covenant or agreement on the part of the other party contained in this Agreement such that the conditions set forth in Sections 8.2(a) or (b) or Section 8.3(a) or (b), as the case may be, shall have become incapable of fulfillment, or (B) if any court of competent jurisdiction or other competent governmental authority will have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the Mergers and such order, decree, ruling or other action will have become final and nonappealable;

(e) by LMI if the UGC Board (with the approval of the Special Committee) has withdrawn or modified in any manner adverse to LMI its recommendation to the UGC stockholders referred to in Section 5.2(b); or

(f) By either LMI or UGC (with the approval of the Special Committee) if (x) the UGC Stockholder Approval and the Minority Approval or (y) the LMI Stockholder Approval has not been obtained at the UGC Special Meeting or the LMI Special Meeting as contemplated by Section 8.1.

9.2 *Effect of Termination.* In the event of any termination of this Agreement by UGC or LMI pursuant to Section 9.1, this Agreement (other than as set forth in Sections 7.1, 7.4, 9.2 and Article 10, each of which will survive the termination of this Agreement) immediately will become void and there will be no liability or obligation on the part of any party or their respective Affiliates, stockholders, directors, officers, agents or representatives; provided, that no such termination will relieve any party of any liability or damages resulting from any willful or intentional breach of any of its representations, warranties, covenants or agreements contained in this Agreement.

ARTICLE X
MISCELLANEOUS

10.1 *Effectiveness of Representations, Warranties and Agreements.* Except as set forth in the next sentence, the respective representations, warranties and agreements of the parties contained herein or in any certificate or other instrument delivered pursuant hereto prior to or at the Closing will remain operative and in full force and effect, regardless of any investigation made by or on behalf of the other parties hereto, after the execution of this Agreement. The representations, warranties, covenants or agreements contained in this Agreement or in any certificate or other instrument delivered pursuant to this Agreement will terminate at the Effective Time, except for (i) the agreements contained in Article III, Sections 7.4 and 7.5, and in this

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Article X, (ii) the agreements of the affiliates of UGC and LMI delivered pursuant to Section 4.3 and (iii) any certificates delivered in connection with the opinions described in Sections 8.1(e), 8.2(e) and 8.3(d).

10.2 *Notices.* All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement will be in writing and will be deemed to have been duly given if delivered personally or mailed, certified or registered mail with postage prepaid, or sent by telegram, overnight courier or confirmed telex or telecopier, as follows:

(a) if to HoldCo, LMI, LMI Merger Sub or UGC Merger Sub, to:

Liberty Media International, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Elizabeth M. Markowski, Esq.
Telecopier: (720) 875-5858
and with a copy to:

Baker Botts L.L.P.
30 Rockefeller Plaza
New York, New York 10112
Attn: Robert W. Murray Jr., Esq.
Telecopier: (212) 259-2540

(b) if to UGC, to:

UnitedGlobalCom, Inc.
4643 South Ulster Street
Denver, Colorado 80237
Attn: Ellen Spangler, Esq.
Telecopier: (303) 770-4207

and with a copy to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attn: Franci J. Blassberg
Paul S. Bird
Telecopier: (212) 909-6836

and

Holme Roberts & Owen LLP
1700 Lincoln Street, Suite 4100
Denver, Colorado 80203-4541
Telecopier: (303) 866-0200
Attention: W. Dean Salter, Esq.

or to such other Person or address as any party will specify by notice in writing to the other party. All such notices, requests, demands, waivers and communications will be deemed to have been received on the date of delivery or on the third business day after the mailing thereof, except that any notice of a change of address will be effective only upon actual receipt thereof.

10.3 *Entire Agreement.* This Agreement (including the Schedules, Exhibits and other documents delivered in connection herewith) constitutes the entire agreement of the parties and supersedes all prior agreements and understandings, oral and written, between the parties with respect to the subject matter hereof.

10.4 *Assignment; Binding Effect; Benefit.* Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned by any party (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permitted

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assigns. Nothing in this Agreement, expressed or implied, is intended to confer on, or to make enforceable by, any Person other than the parties or their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, other than rights conferred upon persons indemnified under Section 7.5 and upon stockholders, directors, officers, Affiliates, agents and representatives of the parties under Section 10.14. Notwithstanding anything to the contrary contained in this Agreement, the provisions of Section 7.5 of this Agreement may not be amended or altered in any manner with respect to any person indemnified thereunder without the written consent of such person. No assignment of this Agreement will relieve HoldCo, or the Surviving UGC Corporation or the Surviving LMI Corporation from its obligations to any person indemnified under Section 7.5 of this Agreement.

10.5 *Amendment.* Before or after the UGC Stockholder Approval or the LMI Stockholder Approval, this Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors and, in the case of UGC, with the approval of the Special Committee, at any time prior to the Effective Time; *provided,* however, that after the UGC Stockholder Approval or the LMI Stockholder Approval, no amendment may be made without the further requisite approval of such stockholders as contemplated in Section 8.1(a) and Section 8.1(b) if such amendment by law requires the further approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

10.6 *Extension; Waiver.* At any time prior to the Effective Time, UGC (with the approval of the Special Committee) or LMI (on behalf of HoldCo, LMI, LMI Merger Sub and UGC Merger Sub), by action taken or authorized by such party s Board of Directors, may, to the extent legally allowed, (i) extend the time specified herein for the performance of any of the obligations of the other party, (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto, (iii) waive compliance by the other party with any of the agreements or covenants of such other party contained herein or (iv) waive any condition to such waiving party s obligation to consummate the transactions contemplated hereby or to any of such waiving party s other obligations hereunder (other than in the case of the conditions set forth in Sections 8.1(b), 8.1(e), 8.2(e) and 8.3(d), each of which shall be non-waivable). Any such extension or waiver will be valid only if set forth in a written instrument signed by the party or parties to be bound thereby. Any such extension or waiver by any party will be binding on such party but not on the other party entitled to the benefits of the provision of this Agreement affected unless such other party also has agreed to such extension or waiver. No such waiver will constitute a waiver of, or estoppel with respect to, any subsequent or other breach or failure to strictly comply with the provisions of this Agreement. The failure of any party to exercise any of its rights, powers or remedies hereunder or with respect hereto or to insist on strict compliance with this Agreement will not constitute a waiver by such party of its right to exercise any such or other rights, powers or remedies or to demand such compliance. Whenever this Agreement requires or permits consent or approval by any party, such consent or approval will be effective if given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 10.6.

10.7 *Headings.* The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

10.8 *Counterparts.* This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

10.9 *Applicable Law.* This Agreement and the legal relations between the parties will be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflict of laws rules thereof.

10.10 *Jurisdiction.* Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement, the Mergers or the transactions contemplated hereby will be brought exclusively in the Delaware Chancery Courts, or, if the Delaware Chancery Courts do not have subject matter jurisdiction, in the state courts of the State of Delaware located in Wilmington, Delaware or in the federal courts located in the State of Delaware. Each of the parties hereby consents to personal jurisdiction in any such action, suit or proceeding brought in any such court (and of the appropriate

appellate courts therefrom) and irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient form. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 10.2 shall be deemed effective service of process on such party.

10.11 *Waiver of Jury Trial.* EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.11.

10.12 *Joint Participation in Drafting this Agreement.* The parties acknowledge and confirm that each of their respective attorneys have participated jointly in the drafting, review and revision of this Agreement and that it has not been written solely by counsel for one party and that each party has had the benefit of its independent legal counsel s advice with respect to the terms and provisions hereof and its rights and obligations hereunder. Each party hereto, therefore, stipulates and agrees that the rule of construction to the effect that any ambiguities are to be or may be resolved against the drafting party shall not be employed in the interpretation of this Agreement to favor any party against another and that no party shall have the benefit of any legal presumption or the detriment of any burden of proof by reason of any ambiguity or uncertain meaning contained in this Agreement.

10.13 *Enforcement of this Agreement.* The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity.

10.14 *Limited Liability.* Notwithstanding any other provision of this Agreement, no stockholder, director, officer, Affiliate, agent or representative of any party (other than LMI as the sole stockholder of HoldCo) will have any liability in respect of or relating to the covenants, obligations, representations or warranties of such party hereunder or in respect of any certificate delivered with respect thereto and, to the fullest extent legally permissible, each party, for itself and its stockholders, directors, officers and Affiliates, waives and agrees not to seek to assert or enforce any such liability which any such Person otherwise might have pursuant to applicable law.

10.15 *Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

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[Signature Pages Follow]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement and Plan of Merger as of the date first above written.

NEW CHEETAH, INC.
By: /s/ Elizabeth M. Markowski

Name: Elizabeth M. Markowski
Title: Secretary
LIBERTY MEDIA INTERNATIONAL, INC.
By: /s/ Elizabeth M. Markowski

Name: Elizabeth M. Markowski
Title: Senior Vice President
UNITEDGLOBALCOM, INC.
By: /s/ Michael T. Fries

Name: Michael T. Fries
Title: President and CEO
CHEETAH ACQUISITION CORP.
By: /s/ Elizabeth M. Markowski

Name: Elizabeth M. Markowski
Title: Secretary
TIGER GLOBAL ACQUISITION CORP.
By: /s/ Elizabeth M. Markowski

Name: Elizabeth M. Markowski
Title: Secretary

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Appendix C

VOTING AGREEMENT

This VOTING AGREEMENT (this Agreement), dated as of January 17, 2005, between John C. Malone (Stockholder) and UnitedGlobalCom, Inc., a Delaware corporation (UGC),

WITNESSETH:

WHEREAS, as of December 31, 2004, Stockholder owned 815,474 shares of Series A common stock, par value $0.01 per share, of Liberty Media International, Inc. (LMI) and 5,186,254 shares of Series B common stock, par value $0.01 per share, of LMI (together with any other shares of capital stock of LMI acquired by Stockholder in his individual capacity (and not in any Representative Capacity (as defined below)) after the date hereof and during the term of this Agreement, the Subject Shares);

WHEREAS, in addition to the Subject Shares, Stockholder is the sole trustee of two irrevocable trusts holding, as of December 31, 2004, in the aggregate, 198 shares of LMI Series A Stock and 1,036,028 shares of LMI Series B Stock (together with any other shares of capital stock of LMI acquired by Stockholder in any Representative Capacity after the date hereof and during the term of this Agreement (including any Subject Shares transferred pursuant to Section 3.2 which are then owned or held by Stockholder in any Representative Capacity), the Trust Shares) and, in such Representative Capacity, has the power, subject to his fiduciary duties in such Representative Capacity, directly or indirectly, to vote or direct the voting of such Trust Shares;

WHEREAS, as of December 31, 2004, the Subject Shares and the Trust Shares represented approximately 22.1% and 4.4%, respectively, of the voting power of LMI s issued and outstanding capital stock;

WHEREAS, concurrently with the execution and delivery of this Agreement, UGC, LMI, New Cheetah, Inc., a Delaware corporation (HoldCo), Cheetah Acquisition Corp., a Delaware corporation (Cheetah Merger Sub), and Tiger Global Acquisition Corp., a Delaware corporation (Tiger Merger Sub), are entering into an agreement (as the same may from time to time be modified, supplemented or restated, the Merger Agreement) pursuant to which, on the terms and subject to the conditions set forth therein, LMI will merge with Cheetah Merger Sub and UGC will merge with Tiger Merger Sub, whereupon each of UGC and LMI will become a wholly-owned subsidiary of HoldCo (the Mergers). Capitalized terms used but not defined herein shall have the meanings set forth in the Merger Agreement; and

WHEREAS, the Special Committee has made it a condition to the Special Committee s approval of the Merger Agreement and UGC s willingness to enter into the Merger Agreement, that Stockholder enter into this Agreement, pursuant to which Stockholder, among other things, is agreeing to vote the Subject Shares in favor of the adoption by LMI of the Merger Agreement and the approval of the merger of LMI and Cheetah Merger Sub (the LMI Merger), and the Stockholder, at the request of the LMI Board, is willing to enter into this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements set forth in this Agreement, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES

OF STOCKHOLDER AND UGC

Section 1.1. *Representations and Warranties of Stockholder.* Stockholder represents and warrants to UGC as of the date hereof as follows:

(a) *Authority.* Stockholder has all requisite power and authority to enter into this Agreement. This Agreement has been duly executed and delivered by Stockholder and constitutes a valid and binding obligation of Stockholder enforceable in accordance with its terms.

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(b) *No Conflicts; Required Filings and Consents.*

(i) Neither the execution and delivery of this Agreement by Stockholder, nor compliance by Stockholder with the terms hereof will violate any law, rule or regulation applicable to Stockholder or conflict with or result in a breach, or constitute a default (with or without due notice, lapse of time or both) under any provision of, any trust agreement, loan or credit agreement, note, bond, mortgage, indenture or other agreement, to which Stockholder is a party or by which Stockholder is bound, other than such violations, conflicts, breaches or defaults which would not, individually or in the aggregate, prevent or materially delay the performance by Stockholder of his obligations under this Agreement.

(ii) The execution and delivery of this Agreement by Stockholder does not, and the performance by Stockholder of his obligations under this Agreement will not, require any Government Consent or Governmental Filing, except (x) Governmental Filings to be made pursuant to the federal securities laws and (y) where the failure to obtain such Government Consent or make such Governmental Filing would not, individually or in the aggregate, prevent or materially delay the performance by Stockholder of his obligations under this Agreement.

(c) *The Subject Shares.* Stockholder is the record and beneficial owner of, and has good and valid title to, the Subject Shares, free and clear of any Restriction, other than as set forth on Schedule 1.1(c) and other than this Agreement. Other than (i) the Trust Shares, (ii) Stockholder s interest in LMI Series A Stock held in LMI s 401(k) Plan and (iii) shares with respect to which Stockholder does not possess sole voting or dispositive power, Stockholder does not own of record or beneficially, any shares of capital stock of LMI other than the Subject Shares. Stockholder has the sole right to vote the Subject Shares.

(d) *The Trust Shares.* Stockholder is the sole trustee of each of the trusts owning the Trust Shares and, subject to any fiduciary and similar duties owed to the beneficiaries of such trusts, has the sole right to vote the Trust Shares.

(e) *Reliance by UGC.* Stockholder understands and acknowledges that UGC is entering into the Merger Agreement in reliance upon his execution and delivery of this Agreement.

(f) *Litigation.* There is no action or proceeding pending or, to the actual knowledge of Stockholder, threatened, against Stockholder that questions the validity of this Agreement or any action taken or to be taken by Stockholder in connection with this Agreement.

Section 1.2. *Representations and Warranties of UGC.* UGC represents and warrants to Stockholder as of the date hereof as follows: Each of this Agreement and the Merger Agreement has been approved by the UGC Board and by the Special Committee; such approval represents all necessary corporate action on the part of UGC, except for the approval of UGC s stockholders contemplated by the Merger Agreement. Each of this Agreement and the Merger Agreement has been duly executed and delivered by a duly authorized officer of UGC. Each of this Agreement and the Merger Agreement constitutes a valid and binding agreement of UGC enforceable against UGC in accordance with their respective terms.

ARTICLE II
VOTING OF SUBJECT SHARES AND TRUST SHARES

Section 2.1. *Agreement to Vote.* Stockholder agrees that at any meeting of stockholders of LMI called to vote upon the LMI Merger and the Merger Agreement or at any adjournment thereof or in connection with any consent solicitation engaged in by LMI, at or in connection with which a vote, consent or other approval (including by written consent) with respect to the LMI Merger and the Merger Agreement is sought, in each case held or occurring prior to the termination of this Agreement, Stockholder will vote (or cause to be voted or execute a written consent in respect of) the Subject Shares, and, to the extent consistent with Stockholder s fiduciary and other duties in his Representative Capacity, the Trust Shares, in favor of the adoption by LMI of the Merger Agreement and the approval of the LMI Merger and any actions reasonably required in

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furtherance thereof. The term Representative Capacity means as a proxy, an executor or administrator of any estate, a trustee of any trust or in any other fiduciary or representative capacity.

Section 2.2. *Not Applicable to Stockholder in Other Capacities*. Nothing herein contained shall (a) restrict, limit or prohibit Stockholder from exercising (in his capacity as a director or officer) his fiduciary duties to the stockholders of LMI under applicable law, or (ii) require Stockholder, in his capacity as an officer of LMI, to take any action in contravention of, or omit to take any action pursuant to, or otherwise take or refrain from taking any actions which are inconsistent with, instructions or directions of the LMI Board undertaken in the exercise of its fiduciary duties, provided that nothing in this Section 2.2 shall relieve or be deemed to relieve Stockholder from his obligations under Section 2.1 of this Agreement.

ARTICLE III
ADDITIONAL AGREEMENTS

Section 3.1. *Conditions of Transfers*. Except (x) as permitted pursuant to Section 3.2 hereof and (y) for pledges to banks and other financial institutions to secure indebtedness (which pledges and loans will be on customary terms and conditions and will not (prior to any default or foreclosure thereunder) interfere with the ability of Stockholder to vote or otherwise comply with his obligations hereunder in any material respect), Stockholder agrees not to:

(a) Sell, assign, transfer, grant a participation interest in, option, pledge, hypothecate or otherwise dispose of or encumber (each a Transfer) any Subject Shares or options to acquire additional shares of LMI capital stock (Options), or any interest therein, unless (i) Stockholder provides prior notice to the Special Committee of such Transfer; (ii) the transferee executes a voting agreement in the form of this Agreement, and (iii) Stockholder remains liable for any breach of such voting agreement by such transferee;

(b) grant any proxies or power of attorney or enter into a voting agreement or other arrangement relating to the matters covered by Section 2.1 with respect to any Subject Shares or Options; or

(c) deposit any Subject Shares or Options into a voting trust.

Section 3.2. *Exempt Transfers*. Notwithstanding the restrictions set forth in Section 3.1, Stockholder will be entitled to Transfer Subject Shares or Options to (a) his wife, children, grandchildren and other members of his family, (b) trusts, foundations, limited and general partnerships, limited liability companies and other entities in connection with good faith estate planning and similar wealth management programs and arrangements and (c) foundations charitable organizations and similar entities in connection with Stockholder s charitable giving, in each case so long as Stockholder has the right (including where such right is subject to Stockholder s fiduciary and similar obligations in a Representative Capacity) to vote such shares (including shares issued upon exercise of Options) in accordance with this Agreement.

Section 3.3. *Disclosure*. Stockholder agrees to the publication and disclosure in the Joint Proxy Statement/ Prospectus with respect to the Mergers and all documents and schedules filed with the Securities and Exchange Commission, of Stockholder s identity and ownership of the Subject Shares and the Trust Shares and the nature of Stockholder s material commitments, arrangements and understandings under this Agreement.

Section 3.4. *Cooperation*. Stockholder will cooperate in all reasonable respects with the law firms that are to render the opinions referred to in each of Sections 8.1, 8.2 and 8.3 of the Merger Agreement by providing reasonable assurances as to factual matters, including as to the absence of any plan or intention of Stockholder to dispose (or to cause the trusts to dispose) of any of the HoldCo stock received by Stockholder or the trusts in respect of the Subject Shares or the Trust Shares, as the case may be, pursuant to the transactions contemplated by the Merger Agreement.

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ARTICLE IV
TERMINATION

Section 4.1. *Termination*. This Agreement shall terminate upon the earliest of (x) the closing of the Mergers and (y) the termination of the Merger Agreement in accordance with its terms. No party hereto shall be relieved from any liability for breach of this Agreement by reason of any such termination.

ARTICLE V
MISCELLANEOUS

Section 5.1. *Additional Shares*. In the event Stockholder becomes the legal or beneficial owner of any additional shares of capital stock or other securities of LMI (other than where such beneficial ownership is disclaimed), including pursuant to the exercise of Options, any securities into which such shares or securities may be converted or exchanged and any securities issued in replacement of, or as a dividend or distribution on, or otherwise in respect of, such shares or securities, then the terms of this Agreement shall apply to such additional securities; provided, however, that to the extent Stockholder becomes such legal or beneficial owner in a Representative Capacity or such shares or securities of LMI are acquired as a dividend or distribution on, or otherwise in respect of, Trust Shares, then such additional shares or other securities will be deemed to be Trust Shares for purposes of this Agreement.

Section 5.2. *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles or rules of conflicts of laws to the extent that such principles or rules would require or permit the application of the law of another jurisdiction.

Section 5.3. *Jurisdiction*. Each of the parties hereto irrevocably and unconditionally agrees that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement will be brought exclusively in the Delaware Chancery Courts, or, if the Delaware Chancery Courts do not have subject matter jurisdiction, in the state courts of the State of Delaware located in Wilmington, Delaware or, in the federal courts located in the State of Delaware. Each of the parties hereto consents to personal jurisdiction in any such action, suit or proceeding brought in any such court (and of the appropriate appellate courts therefrom) and irrevocably waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 5.9 shall be deemed effective service of process on such party.

Section 5.4. *WAIVER OF JURY TRIAL*. EACH OF THE PARTIES AGREES AND ACKNOWLEDGES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT.

Section 5.5. *Specific Performance*. Stockholder acknowledges and agrees that (i) the obligations and agreements of Stockholder contained in this Agreement relate to special, unique and extraordinary matters, (ii) UGC and the Special Committee is and will be relying on such covenants in connection with entering into, and, the performance of its obligations under, the Merger Agreement, and (iii) a violation of any of the obligations or agreements of Stockholder in this Agreement will cause UGC irreparable injury for which adequate remedies are not available at law. Therefore, Stockholder agrees that UGC shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a Delaware Court of competent jurisdiction may deem necessary or appropriate to restrain Stockholder from

committing any violation of its covenants, obligations or agreements set forth herein. These injunctive remedies are cumulative and in addition to any other rights and remedies UGC may have.

Section 5.6. *Amendment, Waivers, etc.* Neither this Agreement nor any term hereof may be amended or otherwise modified other than by an instrument in writing signed by UGC (and approved by the Special Committee) and signed by Stockholder. No provision of this Agreement may be waived, discharged or terminated other than by an instrument in writing signed by the party against whom the enforcement of such waiver, discharge or termination is sought, and, in the case of UGC, approved by the Special Committee.

Section 5.7. *Assignment; No Third Party Beneficiaries.* This Agreement shall not be assignable or otherwise transferable by a party without the prior consent of the other party, and any attempt to so assign or otherwise transfer this Agreement without such consent shall be void and of no effect. This Agreement shall be binding upon the parties and their respective successors and permitted assigns, including in the case of Stockholder, any trustee, executor, heir, legatee or personal representative succeeding to the ownership of the Subject Shares (including upon the death, disability or incapacity of Stockholder). Nothing in this Agreement shall be construed as giving any person, other than the parties hereto and their respective heirs, successors, legal representatives and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof. Notwithstanding the foregoing, to the extent Stockholder ceases to act in a Representative Capacity with respect to any Trust Shares or such Representative Capacity is terminated with respect to any such Trust Shares, no person succeeding to Stockholder s duties in such Representative Capacity or otherwise acquiring legal or beneficial ownership of such Trust Shares will be considered a successor or assign of Stockholder for purposes of this Agreement.

Section 5.8. *Expenses.* Except as otherwise provided herein, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs and expenses.

Section 5.9. *Notices.* All notices, consents, requests, instructions, approvals and other communications provided for in this Agreement shall be in writing and shall be deemed validly given upon personal delivery or one day after being sent by overnight courier service or by telecopy (so long as for notices or other communications sent by telecopy, the transmitting telecopy machine records electronic confirmation of the due transmission of the notice), at the following address or telecopy number, or at such other address or telecopy number as a party may designate to the other parties:

(a) if to UGC to:

UnitedGlobalCom, Inc.
4643 South Ulster Street
Denver, Colorado 80237
Attn: Ellen Spangler, Esq.
Fax: (303) 770-4207

with copies to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attn.: Franci J. Blassberg, Esq.
Paul S. Bird, Esq.
Fax: (212) 909-6836

and

Holme Roberts & Owen LLP
1700 Lincoln, Suite 4100
Denver, Colorado 80203
Attn.: W. Dean Salter, Esq.
Fax: (303) 866-0200

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(b) if to Stockholder to:

John C. Malone
12300 Liberty Boulevard
Englewood, CO 80112
Fax: (720) 875-5394

with copies to:
Elizabeth M. Markowski
Senior Vice President and
General Counsel
Liberty Media International, Inc.
12300 Liberty Boulevard
Englewood, CO 80112
Fax: (720) 875-5858

and

Robert W. Murray Jr.
Baker Botts L.L.P.
30 Rockefeller Plaza
New York, New York 10112
Fax: (212) 259-2540

Section 5.10. *Remedies*. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided herein shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 5.11. *Severability*. If any term or provision of this Agreement is held to be invalid, illegal, incapable of being enforced by any rule of law, or public policy, or unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties hereto to the maximum extent possible. In any event, the invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

Section 5.12. *Integration*. This Agreement constitutes the full and entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes any and all prior understandings or agreements relating to the subject matter hereof.

Section 5.13. *Section Headings*. The article and section headings of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

Section 5.14. *Further Assurances*. From time to time at the request of UGC, and without further consideration, Stockholder shall execute and deliver or cause to be executed and delivered such additional documents and instruments and shall take all such further action as may be reasonably necessary or desirable to effect the matters contemplated by this Agreement.

Section 5.15. *Stop Transfer*. Stockholder agrees that he shall not request that LMI register the Transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any Subject Shares, unless such Transfer is made in compliance with this Agreement.

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Section 5.16. *Counterparts; Effectiveness*. This Agreement may be executed in two or more counterparts, all of which shall be considered the same agreement. Signature pages from separate identical counterparts may be combined with the same effect as if the parties signing such signature page had signed the same counterpart. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

UNITEDGLOBALCOM, INC.
By: /s/ Michael T. Fries

Name: Michael T. Fries
Title: President and Chief Executive Officer
/s/ John C. Malone

John C. Malone

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Schedule 1.1(c)

1. Restrictions created by or arising under the federal securities laws.

2. Restrictions that do not (in the case of a bona fide pledge, prior to any default or foreclosure) interfere with the ability of Stockholder to vote the Subject Shares in accordance with his obligations under this Agreement.

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Appendix D

[Letterhead of Morgan & Stanley Co. Incorporated]

January 17, 2005

Mr. John P. Cole, Jr.
Mr. John W. Dick
Mr. Paul A. Gould
Directors
Special Committee of the
Board of Directors
UnitedGlobalCom, Inc.

Members of the Special Committee:

We understand that UnitedGlobalCom, Inc. (UGC or the Company), Liberty Media International, Inc. (LMI), New Cheetah, Inc., a wholly owned subsidiary of LMI (HoldCo), and Cheetah Acquisition Corp. (LMI Merger Sub) and Tiger Global Acquisition Corp. (Tiger Merger Sub), each of which are wholly owned subsidiaries of HoldCo, propose to enter into an Agreement and Plan of Merger, dated as of January 17, 2005 (the Merger Agreement), which provides, among other things, for the simultaneous mergers of LMI Merger Sub with and into LMI (the LMI Merger) and Tiger Merger Sub with and into UGC (the UGC Merger , and together with the LMI Merger, the Mergers). As a result of the Mergers, each of LMI and UGC will survive as a wholly owned subsidiary of HoldCo. Pursuant to the UGC Merger, each outstanding share of Class A Common Stock of UGC, par value $0.01 per share (the UGC Class A Common Stock), Class B Common Stock of UGC, par value $0.01 per share (the UGC Class B Common Stock), and Class C Common Stock of UGC, par value $0.01 per share (the UGC Class C Common Stock and together with the UGC Class A Common Stock and the UGC Class B Common Stock, the Company Common Stock), other than shares held in treasury or held by LMI or any of its wholly owned subsidiaries, will be converted into the right to receive 0.2155 shares (the Exchange Ratio) of Series A Common Stock of HoldCo, par value $0.01 per share (the HoldCo Series A Common Stock) (the Stock Consideration), or, at the holder s election, $9.58 per share in cash (the Cash Consideration , and together with the Stock Consideration, the Merger Consideration), provided that the amount of cash to be received by a holder making a cash election is subject to proration, based on formulas set forth in the Merger Agreement, such that the total Cash Consideration will not exceed 20% of the Merger Consideration. In addition, we note that pursuant to the LMI Merger, holders of LMI equity will receive securities of HoldCo with comparable rights to their LMI securities. We understand that LMI presently owns approximately 9% of UGC Class A Common Stock, 100% of UGC Class B Common Stock, and approximately 99% of UGC Class C Common Stock and that an affiliate of LMI holds the remaining approximate 1% of UGC Class C Common Stock, with the result that LMI owns approximately 53% of the economic interests in UGC and approximately 91% of the voting power of UGC. The terms and conditions of the Merger are more fully set forth in the Merger Agreement.

You have asked for our opinion as to whether the Merger Consideration pursuant to the Merger Agreement is fair from a financial point of view to the holders of shares of UGC Class A Common Stock (other than LMI and its affiliates).

For purposes of the opinion set forth herein, we have:

a) reviewed certain publicly available financial statements and other information of UGC and LMI;

b) reviewed certain internal financial statements and other financial and operating data concerning UGC and LMI prepared by the managements of UGC and LMI, respectively;

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c) reviewed certain financial projections prepared by the respective managements of UGC and LMI;

d) discussed the past and current operations and financial condition and prospects of UGC and LMI with senior executives of UGC and LMI, respectively;

e) considered information relating to certain strategic, financial and operational benefits anticipated from the Merger, discussed with the management of UGC;

f) discussed the strategic rationale for the UGC Merger with the senior executives of UGC;

g) reviewed the reported prices and trading activity for the UGC Class A Common Stock and the Series A common stock of LMI, $.01 par value per share (the LMI Series A Stock);

h) compared the financial performance of UGC and LMI, as well as the prices and trading activity of the UGC Class A Common Stock and the LMI Series A Stock with that of certain other comparable publicly-traded companies and their securities;

i) reviewed the financial terms, to the extent publicly available, of selected minority buy-back transactions;

j) participated in discussions and negotiations among representatives of UGC and LMI and their respective financial and legal advisors;

k) reviewed the proposed Merger Agreement and certain related documents; and

l) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon without independent verification the accuracy and completeness of the information reviewed by us for the purposes of this opinion. With respect to the internal financial statements, other financial and operating data, and financial forecasts, including information relating to certain strategic, financial and operational benefits anticipated from the UGC Merger, we have assumed that they have been reasonably prepared on bases reflecting best available estimates and judgments of the future financial performance of the Company and LMI.

We have also relied without independent investigation on the assessment by the executives of UGC regarding the strategic rationale for the UGC Merger. In addition, we have assumed that the Mergers will be consummated in accordance with the terms set forth in the proposed Merger Agreement, including among other things, that the LMI Merger and UGC Merger will be treated as a tax-free reorganization and exchange, respectively, each pursuant to the Internal Revenue Code of 1986, as amended, without material modification, delay or waiver. We have not made any independent valuation or appraisal of the assets or liabilities or technologies of the Company or LMI, nor have we been furnished with any such appraisals. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof.

In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to an acquisition, business combination or other extraordinary transaction involving the Company or its assets.

We have acted as financial advisor to the Special Committee of the Board of Directors of the Company (the Special Committee) in connection with the UGC Merger and will receive a fee for our services. In the past, Morgan Stanley & Co. Incorporated (Morgan Stanley) and its affiliates have provided financial advisory and financing services for UGC and have received fees for the rendering of these services.

In addition, Morgan Stanley is a full service securities firm engaged in securities trading, investment management and brokerage services. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may actively trade the debt and equity of the securities of UGC and LMI for its own accounts or for the accounts or its customers and, accordingly, may at any time hold long or short positions in such securities.

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It is understood that this letter is for the information of the Special Committee in connection with the UGC Merger and may not be used for any other purpose without our prior written consent, except that this opinion may be included in its entirety in any filing made by the Company with the Securities and Exchange Commission with respect to the Mergers. This opinion expresses no opinion or recommendation as to how holders of Company Common Stock should vote at the shareholders meeting held in connection with the UGC Merger or what form of consideration holders of Company Common Stock should elect. In addition, this opinion does not in any manner address the prices at which the HoldCo Series A Common Stock, the LMI Series A Stock or the Company Common Stock will actually trade at any time.

Based upon and subject to the foregoing, we are of the opinion on the date hereof that the Merger Consideration pursuant to the Merger Agreement is fair from a financial point of view to the holders of shares of UGC Class A Common Stock (other than LMI and its affiliates).

Very truly yours,
MORGAN STANLEY & CO. INCORPORATED
By: /s/ Richard S. Brail

Richard S. Brail
Managing Director

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Appendix E

[Letterhead of Banc of America Securities LLC]

January 17, 2005
Board of Directors
Liberty Media International, Inc.
123000 Liberty Boulevard
Englewood, Colorado 80112
Members of the Board of Directors:

You have requested our opinion as to the fairness from a financial point of view to the holders of common stock of Liberty Media International, Inc. (the Merger Partner), other than any affiliates of the Merger Partner, of the consideration proposed to be received by such stockholders provided for in connection with the proposed transaction with UnitedGlobalCom, Inc. (the Company) as more fully described below (the Transaction). Pursuant to the terms of the Agreement and Plan of Merger to be dated as of January 17, 2005 (the Agreement) to be entered into among the Company, the Merger Partner, New Cheetah, Inc. (the HoldCo), Cheetah Acquisition Corp. and Tiger Global Acquisition Corp., Cheetah Acquisition Corp., a wholly owned subsidiary of Holdco, will merge with and into the Merger Partner (the LMI Merger), and Tiger Global Acquisition Corp., a wholly owned subsidiary of Holdco, will merge with and into the Company (the UGC Merger), whereupon each of the Company and the Merger Partner will become a wholly owned subsidiary of HoldCo. Upon the completion of the LMI Merger, each outstanding share of the Merger Partner s Series A Common Stock, Series B Common Stock, Series C Common Stock and Preferred Stock (other than any such share held in treasury of the Merger Partner) will be converted into one validly issued, fully paid and nonassessable share of HoldCo s Series A Common Stock, Series B Common Stock, Series C Common Stock, and Preferred Stock, respectively. Upon the completion of the UGC Merger, each outstanding share of the Company s Common Stock (other than any such share held in treasury of the Company or by the Merger Partner or any of its wholly owned subsidiaries) will be converted into 0.2155 shares of HoldCo s Series A Common Stock or, at the election of the holder thereof, $9.58 in cash; provided that the election of holders will be adjusted as provided in Section 3.4(f) of the Agreement so as to limit the number of shares with respect to which the cash consideration is payable to the UGC Share Threshold Number (as defined in the Agreement). The terms and conditions of the Transaction are more fully set out in the Agreement.

For purposes of the opinion set forth herein, we have:

(i) reviewed certain publicly available financial statements and other business and financial information of the Company and the Merger Partner, respectively;

(ii) reviewed certain internal financial statements and other financial and operating data concerning the Company and the Merger Partner, respectively;

(iii) analyzed certain financial forecasts to which we were directed by the management of the Merger Partner;

(iv) reviewed and discussed with senior executives of the Merger Partner information relating to certain benefits anticipated from the Transaction;

(v) discussed the past and current operations, financial condition and prospects of the Company with senior executives of the Company and discussed the past and current operations, financial condition and prospects of the Merger Partner with senior executives of the Merger Partner;

(vi) reviewed the reported prices and trading activity for the Company common stock and the Merger Partner common stock;

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(vii) compared the financial performance of the Company and the prices and trading activity of the Company common stock with that of certain other publicly traded companies we deemed relevant;

(viii) compared certain financial terms of the Transaction to financial terms, to the extent publicly available, of certain other business combination transactions we deemed relevant;

(ix) participated in discussions and negotiations among representatives of the Company and the Merger Partner and their financial and legal advisors;

(x) reviewed the January 16, 2005 draft of the Agreement (the Draft Agreement) and certain related documents; and

(xi) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information reviewed by us for the purposes of this opinion. With respect to the financial forecasts, we have been directed by the management of the Merger Partner to rely on certain publicly available financial forecasts in performing our analyses and we have assumed that, in the good faith belief of the management of the Merger Partner, such forecasts reflect the best currently available estimates of the future financial performance of the Company and the Merger Partner. We have not assumed any responsibility for the independent verification of any such information, and we have further relied upon the assurances of the senior management of the Merger Partner that it is unaware of any facts that would make the information and estimates provided to us, or to which we were directed, incomplete or misleading. We have not made any independent valuation or appraisal of the assets or liabilities of the Company or the Merger Partner nor have we been furnished with any such appraisals.

In arriving at our opinion, we have assumed that the LMI Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code) and the regulations promulgated thereunder, and that the conversion of the UGC common stock into shares of HoldCo Class A Common Stock pursuant to the UGC Merger, will qualify as an exchange within the meaning of Section 351(a) of the Code and the regulations promulgated thereunder. We have relied as to all legal matters relevant to rendering our opinion upon the advice of counsel. We have also assumed that the final executed Agreement will not differ in any material respect from the Draft Agreement reviewed by us, and that the Transaction will be consummated as provided in the Draft Agreement, with full satisfaction of all covenants and conditions set forth in the Draft Agreement and without any waivers thereof and that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Merger Partner or the Company or the contemplated benefits of the Transaction.

We have assumed that the terms of the Agreement and the transactions are the most beneficial terms from the Merger Partner s perspective that could under the circumstances be negotiated among the parties to the Agreement and the transactions contemplated thereby.

We have acted as a sole financial advisor to the Board of Directors of the Merger Partner in connection with the Transaction and have received a fee for our services, and will receive additional fees for our services, which are contingent upon the rendering of this opinion and the consummation of the Transaction. We or our affiliates have provided and may in the future provide financial advisory and financing services to the Merger Partner, the Company and certain of their affiliates and have received or may in the future receive fees for the rendering of these services. Bank of America, N.A., an affiliate of ours, serves as an agent and a lender under certain senior credit facilities of the Merger Partner s affiliates and has received fees for the rendering of such services. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities or loans of the Company, the Merger Partner and their affiliates for our own account or for the accounts of customers, and accordingly, we or our affiliates may at any time hold long or short positions in such securities or loans.

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It is understood that this letter is for the benefit and use of the Board of Directors of the Merger Partner in connection with and for the purposes of its evaluation of the Transaction. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written consent in each instance. However, this opinion may be included in its entirety in any filing made by the Merger Partner in respect of the Transaction with the Securities and Exchange Commission, so long as this opinion is reproduced in such filing in full and any description of or reference to us or summary of this opinion and the related analysis in such filing is in a form acceptable to us and our counsel. In furnishing this opinion, we do not admit that we are experts within the meaning of the term experts as used in the Securities Act of 1933, as amended (the Securities Act) and the rules and regulations promulgated thereunder, nor do we admit that this opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act. Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and we do not have any obligation to update, revise or reaffirm this opinion. We have not been requested to opine as to, and our opinion does not in any manner address (i) the Merger Partner s underlying business decision to proceed with or effect the Transaction or (ii) whether any alternative transaction might be more favorable to the common stockholders of the Merger Partner. This opinion does not in any manner address the prices at which any of the HoldCo s securities will trade following consummation of the Transaction. In addition, we express no opinion or recommendation as to how the stockholders of the Merger Partner and the Company should vote at the stockholders meetings held in connection with the Transaction.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the consideration to be received by the holders of the Merger Partner s common stock, other than any affiliates of the Merger Partner, in the proposed Transaction is fair from a financial point of view to the holders of the Merger Partner s common stock, other than any affiliates of the Merger Partner.

Very truly yours,

/s/ Banc of America Securities LLC
BANC OF AMERICA SECURITIES LLC

Appendix F

FORM OF
RESTATED CERTIFICATE OF INCORPORATION
OF
LIBERTY GLOBAL, INC.

LIBERTY GLOBAL, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

(1) The name of the Corporation is Liberty Global, Inc. The original Certificate of Incorporation of the Corporation was filed on January 13, 2005. The name under which the Corporation was originally incorporated is Liberty Global, Inc. A Certificate of Amendment to Certificate of Incorporation was filed on January 18, 2005, changing the name of the Corporation to Liberty Global, Inc.

(2) This Restated Certificate of Incorporation restates and amends the Certificate of Incorporation of the Corporation, as amended prior to the date hereof.

(3) This Restated Certificate of Incorporation has been duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

(4) This Restated Certificate of Incorporation shall become effective upon its filing with the Secretary of State of the State of Delaware.

(5) Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, the text of the Certificate of Incorporation is hereby restated to read in its entirety as follows:

ARTICLE I

NAME

The name of the corporation is Liberty Global, Inc. (the Corporation).

ARTICLE II

REGISTERED OFFICE

The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, 19808. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware (as the same may be amended from time to time, DGCL).

ARTICLE IV

AUTHORIZED STOCK

The total number of shares of capital stock which the Corporation shall have authority to issue is one billion one hundred million (1,100,000,000) shares, which shall be divided into the following classes:

(a) One billion fifty million (1,050,000,000) shares shall be of a class designated Common Stock, par value $0.01 per share (Common Stock), such class to be divided into series as provided in Section A of this Article IV; and

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(b) Fifty million (50,000,000) shares shall be of a class designated Preferred Stock, par value $0.01 per share (Preferred Stock), such class to be issuable in series as provided in Section B of this Article IV.

The description of the Common Stock and the Preferred Stock of the Corporation, and the relative rights, preferences and limitations thereof, or the method of fixing and establishing the same, are as hereinafter in this Article IV set forth:

SECTION A
SERIES A COMMON STOCK, SERIES B COMMON STOCK
AND SERIES C COMMON STOCK

Five hundred million (500,000,000) shares of Common Stock shall be of a series designated as Series A Common Stock (the Series A Common Stock), fifty million (50,000,000) shares of Common Stock shall be of a series designated as Series B Common Stock (the Series B Common Stock) and five hundred million (500,000,000) shares of Common Stock shall be of a series designated as Series C Common Stock (the Series C Common Stock).

Each share of common stock, par value $0.01 per share (Old Common Stock), of the Corporation issued and outstanding immediately prior to the effectiveness of this Restated Certificate of Incorporation (the Effective Time) shall be reclassified as and converted into one fully paid and non-assessable share of Series A Common Stock such that at the Effective Time each holder of record of one share of Old Common Stock shall, without further action, be and become the holder of record of one share of Series A Common Stock. Any certificate that previously represented a share of Old Common Stock shall represent, from and following the Effective Time, a share of Series A Common Stock without the necessity for any exchange of certificates.

Each share of Series A Common Stock, each share of Series B Common Stock and each share of Series C Common Stock shall, except as otherwise provided in this Section A, be identical in all respects and shall have equal rights, powers and privileges.

1. Voting Rights.

Holders of Series A Common Stock shall be entitled to one vote for each share of such stock held, and holders of Series B Common Stock shall be entitled to ten votes for each share of such stock held, on all matters that may be submitted to a vote of stockholders at any annual or special meeting thereof (regardless of whether such holders are voting together with the holders of all series of Common Stock that are Voting Securities (as defined in Article V, Section C), or as a separate class with the holders of one or more series of Common Stock or as a separate series of Common Stock). Holders of Series C Common Stock shall not be entitled to any voting powers, except as otherwise required by the laws of the State of Delaware. When the vote or consent of the holders of Series C Common Stock is required by the laws of the State of Delaware, the holders of Series C Common Stock shall be entitled to $^{1}/_{100^{th}}$ of a vote per share. Except as may otherwise be required by the laws of the State of Delaware or, with respect to any series of Preferred Stock, in any resolution or resolutions providing for the establishment of such series pursuant to authority vested in the Board of Directors by Article IV, Section B, of this Restated Certificate of Incorporation (as it may from time to time hereafter be amended or restated, the Certificate), the holders of outstanding shares of Series A Common Stock, the holders of outstanding shares of Series B Common Stock and the holders of outstanding shares of each series of Preferred Stock entitled to vote thereon, if any, shall vote as one class with respect to the election of directors and with respect to all other matters to be voted on by stockholders of the Corporation (including, without limitation, any proposed amendment to this Certificate that would increase the number of authorized shares of Common Stock or any series thereof, the number of authorized shares of Preferred Stock or any series thereof or the number of authorized shares of any other class or series of capital stock or decrease the number of authorized shares of Common Stock or any series thereof, the number of authorized shares of Preferred Stock or any series thereof or the number of authorized shares of any other class or series of capital stock (but not below the number of shares of Common Stock or any series thereof, Preferred Stock or any series thereof or any other class or series of capital stock then outstanding)), and except as required by law no separate vote or consent of the holders of

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shares of any series of Common Stock or any series of Preferred Stock shall be required for the approval of any such matter.

2. Conversion Rights.

Each share of Series B Common Stock shall be convertible, at the option of the holder thereof, into one fully paid and non-assessable share of Series A Common Stock. Any such conversion may be effected by any holder of Series B Common Stock by surrendering such holder s certificate or certificates for the Series B Common Stock to be converted, duly endorsed, at the office of the Corporation or any transfer agent for the Series B Common Stock, together with a written notice to the Corporation at such office that such holder elects to convert all or a specified number of shares of Series B Common Stock represented by such certificate and stating the name or names in which such holder desires the certificate or certificates representing shares of Series A Common Stock to be issued and, if less than all of the shares of Series B Common Stock represented by one certificate are to be converted, the name or names in which such holder desires the certificate representing shares of Series B Common Stock to be issued. If so required by the Corporation, any certificate representing shares surrendered for conversion in accordance with this paragraph shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder of such shares or the duly authorized representative of such holder, and shall, if required by this Section A.2., be accompanied by payment, or evidence of payment, of applicable issue or transfer taxes. Promptly thereafter, the Corporation shall issue and deliver to such holder or such holder s nominee or nominees, a certificate or certificates representing the number of shares of Series A Common Stock to which such holder shall be entitled as herein provided. If less than all of the shares of Series B Common Stock represented by any one certificate are to be converted, the Corporation shall issue and deliver to such holder or such holder s nominee or nominees a new certificate representing the shares of Series B Common Stock not converted. Such conversion shall be deemed to have been made at the close of business on the date of receipt by the Corporation or any such transfer agent of the certificate or certificates, notice and, if required, instruments of transfer and payment or evidence of payment of taxes referred to above, and the person or persons entitled to receive the Series A Common Stock issuable on such conversion shall be treated for all purposes as the record holder or holders of such Series A Common Stock on that date. A number of shares of Series A Common Stock equal to the number of shares of Series B Common Stock outstanding from time to time shall be set aside and reserved for issuance upon conversion of shares of Series B Common Stock. Shares of Series B Common Stock that have been converted hereunder shall become treasury shares that may be issued or retired by resolution of the Board of Directors. Shares of Series A Common Stock and shares of Series C Common Stock shall not be convertible into shares of any other series of Common Stock.

The Corporation shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of certificates representing shares of Common Stock on conversion of shares of Series B Common Stock pursuant to this Section A.2. The Corporation shall not, however, be required to pay any tax that may be payable in respect of any issue or delivery of certificates representing any shares of Common Stock in a name other than that in which the shares of Series B Common Stock so converted were registered and no such issue or delivery shall be made unless and until the person requesting the same has paid to the Corporation the amount of any such tax or has established to the satisfaction of the Corporation that such tax has been paid.

3. Dividends Generally.

Whenever a dividend, other than a dividend that consists of a Share Distribution, is paid to the holders of one or more series of Common Stock, the Corporation also shall pay to the holders of each other series of Common Stock a dividend per share equal to the dividend per share paid to the holders of such first one or more series of Common Stock, such that the dividend paid on each share of Common Stock, regardless of series, is the same. Dividends shall be payable only as and when declared by the Board of Directors of the Corporation out of assets of the Corporation legally available therefor. Whenever a dividend that consists of a Share Distribution is paid to the holders of one or more series of Common Stock, the Corporation shall also pay a dividend that consists of a Share Distribution to the holders of each other series of Common Stock as provided in Section A.4. below. For purposes of this Section A.3. and Section A.4. below, a Share

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Distribution shall mean a dividend payable in shares of any class or series of capital stock, Convertible Securities (as defined in Section A.4.) or other equity securities of the Corporation or any other corporation, partnership, limited liability company, joint venture, trust, unincorporated association or other legal entity (all of the foregoing and any natural person, a Person).

4. Share Distributions.

If at any time a Share Distribution is to be made with respect to the Series A Common Stock, Series B Common Stock or Series C Common Stock, such Share Distribution may be declared and paid only as follows:

(a) a Share Distribution (i) consisting of shares of Series A Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series A Common Stock) may be declared and paid to holders of Series A Common Stock, Series B Common Stock and Series C Common Stock, on an equal per share basis; or (ii) consisting of shares of Series B Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series B Common Stock) may be declared and paid to holders of Series A Common Stock, Series B Common Stock and Series C Common Stock, on an equal per share basis; or (iii) consisting of shares of Series C Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series C Common Stock) may be declared and paid to holders of Series A Common Stock, Series B Common Stock and Series C Common Stock, on an equal per share basis; or (iv) consisting of shares of Series A Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series A Common Stock) may be declared and paid to holders of Series A Common Stock, shares of Series B Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series B Common Stock) may be declared and paid to holders of Series B Common Stock and shares of Series C Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series C Common Stock) may be declared and paid to holders of Series C Common Stock, in each case on an equal per share basis; and

(b) a Share Distribution consisting of shares of any class or series of securities of the Corporation or any other Person other than Series A Common Stock, Series B Common Stock or Series C Common Stock (or Convertible Securities that are convertible into, exchangeable for or evidence the right to purchase shares of Series A Common Stock, Series B Common Stock or Series C Common Stock), may be declared and paid either on the basis of a distribution of (i) identical securities, on an equal per share basis, to holders of Series A Common Stock, Series B Common Stock and Series C Common Stock, (ii) separate classes or series of securities, on an equal per share basis to the holders of each series of Common Stock or (iii) a separate class or series of securities to the holders of one or more series of Common Stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of Common Stock; provided, that, in the case of clauses (ii) and (iii), (x) such separate classes or series of securities (and, if the distribution consists of Convertible Securities, the securities into which such Convertible Securities are convertible or for which they are exchangeable or which they evidence the right to purchase) do not differ in any respect other than their relative voting rights (and related differences in designation, conversion and Share Distribution provisions), with holders of shares of Series B Common Stock receiving securities of the class or series having (or convertible into, exchangeable for or evidencing the right to purchase securities having) the highest relative voting rights and the holders of shares of each other series of Common Stock receiving securities of a class or series having (or convertible into, exchangeable for or evidencing the right to purchase securities having) lesser relative voting rights, in each case without regard to whether such rights differ to a greater or lesser extent than the corresponding differences in voting rights (and related differences in designation, conversion and Share Distribution provisions) among the Series A Common Stock, the Series B Common Stock and the Series C Common Stock, and (y) in the event the securities to be received by the holders of shares of Common Stock other than the Series B Common Stock consist of different classes or series of securities, with each such class or series of securities (or the securities into which such class or series is convertible or for which such class or series is exchangeable or which such class or series evidences the right to

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purchase) differing only with respect to the relative voting rights of such class or series (and the related differences in designation, conversion, redemption and Share Distribution provisions), then such classes or series of securities shall be distributed to the holders of each series of Common Stock (other than the Series B Common Stock) (A) as the Board of Directors determines or (B) such that the relative voting rights (and related differences in designation, conversion, redemption and Share Distribution provisions) of the class or series of securities (or the securities into which such class or series is convertible or for which such class or series is exchangeable or which such class or series evidences the right to purchase) to be received by the holders of each series of Common Stock (other than the Series B Common Stock) corresponds to the extent practicable to the relative voting rights (and related differences in designation, conversion, redemption and Share Distribution provisions) of such series of Common Stock, as compared to the other series of Common Stock (other than the Series B Common Stock).

As used herein, the term Convertible Securities means (x) any securities of the Corporation (other than any series of Common Stock) that are convertible into, exchangeable for or evidence the right to purchase any shares of any series of Common Stock, whether upon conversion, exercise, exchange, pursuant to anti-dilution provisions of such securities or otherwise, and (y) any securities of any other Person that are convertible into, exchangeable for or evidence the right to purchase, securities of such Person or any other Person, whether upon conversion exercise, exchange, pursuant to antidilution provisions of such securities or otherwise.

5. Reclassification.

The Corporation shall not reclassify, subdivide or combine one series of Common Stock without reclassifying, subdividing or combining each other series of Common Stock on an equal per share basis.

6. Liquidation and Dissolution.

In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and liabilities of the Corporation and subject to the prior payment in full of the preferential amounts to which any series of Preferred Stock is entitled, the holders of shares of Series A Common Stock, the holders of shares of Series B Common Stock and the holders of shares of Series C Common Stock shall share equally, on a share for share basis, in the assets of the Corporation remaining for distribution to its common stockholders. Neither the consolidation or merger of the Corporation with or into any other Person or Persons nor the sale, transfer or lease of all or substantially all of the assets of the Corporation shall itself be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph 6.

SECTION B

PREFERRED STOCK

The Preferred Stock may be divided and issued in one or more series from time to time, with such powers, designations, preferences and relative, participating, optional or other rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of each such series adopted by the Board of Directors (a Preferred Stock Designation). The Board of Directors, in the Preferred Stock Designation with respect to a series of Preferred Stock (a copy of which shall be filed as required by law), shall, without limitation of the foregoing, fix the following with respect to such series of Preferred Stock:

(i) the distinctive serial designations and the number of authorized shares of such series, which may be increased or decreased, but not below the number of shares thereof then outstanding, by a certificate made, signed and filed as required by law (except where otherwise provided in a Preferred Stock Designation);

(ii) the dividend rate or amounts, if any, for such series, the date or dates from which dividends on all shares of such series shall be cumulative, if dividends on stock of such series shall be cumulative, and the relative preferences or rights of priority, if any, or participation, if any, with respect to payment of dividends on shares of such series;

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(iii) the rights of the shares of such series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, if any, and the relative preferences or rights of priority, if any, of payment of shares of such series;

(iv) the right, if any, of the holders of such series to convert or exchange such stock into or for other classes or series of a class of stock or indebtedness of the Corporation or of another Person, and the terms and conditions of such conversion or exchange, including provision for the adjustment of the conversion or exchange rate in such events as the Board of Directors may determine;

(v) the voting powers, if any, of the holders of such series;

(vi) the terms and conditions, if any, for the Corporation to purchase or redeem shares of such series; and

(vii) any other relative rights, powers, preferences and limitations, if any, of such series.

The Board of Directors is hereby expressly authorized to exercise its authority with respect to fixing and designating various series of the Preferred Stock and determining the relative rights, powers and preferences, if any, thereof to the full extent permitted by applicable law, subject to any stockholder vote that may be required by this Certificate. All shares of any one series of the Preferred Stock shall be alike in every particular. Except to the extent otherwise expressly provided in the Preferred Stock Designation for a series of Preferred Stock, the holders of shares of such series shall have no voting rights except as may be required by the laws of the State of Delaware. Further, unless otherwise expressly provided in the Preferred Stock Designation for a series of Preferred Stock, no consent or vote of the holders of shares of Preferred Stock or any series thereof shall be required for any amendment to this Certificate that would increase the number of authorized shares of Preferred Stock or the number of authorized shares of any series thereof or decrease the number of authorized shares of Preferred Stock or the number of authorized shares of any series thereof (but not below the number of authorized shares of Preferred Stock or such series, as the case may be, then outstanding).

Except as may be provided by the Board of Directors in a Preferred Stock Designation or by law, shares of any series of Preferred Stock that have been redeemed (whether through the operation of a sinking fund or otherwise) or purchased by the Corporation, or which, if convertible or exchangeable, have been converted into or exchanged for shares of stock of any other class or classes shall have the status of authorized and unissued shares of Preferred Stock and may be reissued as a part of the series of which they were originally a part or may be reissued as part of a new series of Preferred Stock to be created by a Preferred Stock Designation or as part of any other series of Preferred Stock.

ARTICLE V

DIRECTORS

SECTION A

NUMBER OF DIRECTORS

The governing body of the Corporation shall be a Board of Directors. Subject to any rights of the holders of any series of Preferred Stock to elect additional directors, the number of directors shall not be less than three (3) and the exact number of directors shall be fixed by the Board of Directors by resolution adopted by the vote of 75% of the members then in office. Election of directors need not be by written ballot.

SECTION B

CLASSIFICATION OF THE BOARD

Except as otherwise fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of any series of Preferred Stock to separately elect additional directors, which additional directors are not required to be classified pursuant to the terms of such series of Preferred Stock, the Board of Directors of the Corporation shall be divided into three classes: Class I, Class II and Class III. Each class shall consist, as

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nearly as possible, of a number of directors equal to one-third (1/3) of the number of members of the Board of Directors authorized as provided in Section A of this Article V. The term of office of the initial Class I directors shall expire at the annual meeting of stockholders in 2006; the term of office of the initial Class II directors shall expire at the annual meeting of stockholders in 2007; and the term of office of the initial Class III directors shall expire at the annual meeting of stockholders in 2008. At each annual meeting of stockholders of the Corporation the successors of that class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. The directors of each class will hold office until their respective successors are elected and qualified or until such director s earlier death, resignation or removal.

SECTION C
REMOVAL OF DIRECTORS

Subject to the rights of the holders of any series of Preferred Stock, directors may be removed from office only for cause upon the affirmative vote of the holders of at least a majority of the total voting power of the then outstanding shares of Series A Common Stock, Series B Common Stock and any series of Preferred Stock entitled to vote with the holders of the Series A Common Stock and the Series B Common Stock generally upon all matters that may be submitted to a vote of stockholders at any annual or special meeting thereof (collectively, Voting Securities).

SECTION D
NEWLY CREATED DIRECTORSHIPS AND VACANCIES

Subject to the rights of holders of any series of Preferred Stock, vacancies on the Board of Directors resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on the Board of Directors, shall be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is apportioned, and until such director s successor shall have been elected and qualified or until such director s earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director, except as may be provided in a Preferred Stock Designation with respect to any additional director elected by the holders of the applicable series of Preferred Stock.

SECTION E
LIMITATION ON LIABILITY AND INDEMNIFICATION

1. Limitation On Liability.

To the fullest extent permitted by the DGCL as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this paragraph 1 shall be prospective only and shall not adversely affect any limitation, right or protection of a director of the Corporation existing at the time of such repeal or modification.

2. Indemnification.

(a) *Right to Indemnification.* The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a proceeding) by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the Corporation or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of

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another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys fees) incurred by such person. Such right of indemnification shall inure whether or not the claim asserted is based on matters which antedate the adoption of this Section E. The Corporation shall be required to indemnify or make advances to a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

(b) *Prepayment of Expenses.* The Corporation shall pay the expenses (including attorneys fees) incurred by a director or officer in defending any proceeding in advance of its final disposition, provided, however, that the payment of expenses incurred by a director or officer in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to be indemnified under this paragraph or otherwise.

(c) *Claims.* If a claim for indemnification or payment of expenses under this paragraph is not paid in full within 30 days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

(d) *Non-Exclusivity of Rights.* The rights conferred on any person by this paragraph shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of this Certificate, the Bylaws, agreement, vote of stockholders or resolution of disinterested directors or otherwise.

(e) *Insurance.* The Board of Directors may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation s expense insurance: (i) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors and officers under the provisions of this Section E; and (ii) to indemnify or insure directors and officers against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Section E.

(f) *Other Indemnification.* The Corporation s obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity.

3. Amendment or Repeal.

Any amendment, modification or repeal of the foregoing provisions of this Section E shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

SECTION F

AMENDMENT OF BYLAWS

In furtherance and not in limitation of the powers conferred by the DGCL, the Board of Directors, by action taken by the affirmative vote of not less than 75% of the members of the Board of Directors then in office, is hereby expressly authorized and empowered to adopt, amend or repeal any provision of the Bylaws of this Corporation.

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ARTICLE VI
MEETINGS OF STOCKHOLDERS
SECTION A
ANNUAL AND SPECIAL MEETINGS

Subject to the rights of the holders of any series of Preferred Stock, stockholder action may be taken only at an annual or special meeting. Except as otherwise provided in a Preferred Stock Designation with respect to any series of Preferred Stock or unless otherwise prescribed by law or by another provision of this Certificate, special meetings of the stockholders of the Corporation, for any purpose or purposes, shall be called by the Secretary of the Corporation at the request of at least 75% of the members of the Board of Directors then in office.

SECTION B
ACTION WITHOUT A MEETING

Except as otherwise provided in a Preferred Stock Designation with respect to any series of Preferred Stock, no action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

ARTICLE VII
ACTIONS REQUIRING SUPERMAJORITY STOCKHOLDER VOTE

Subject to the rights of the holders of any series of Preferred Stock, the affirmative vote of the holders of at least 80% of the total voting power of the then outstanding Voting Securities, voting together as a single class at a meeting specifically called for such purpose, shall be required in order for the Corporation to take any action to authorize:

(a) the amendment, alteration or repeal of any provision of this Certificate or the addition or insertion of other provisions herein; provided, however, that this clause (a) shall not apply to any such amendment, alteration, repeal, addition or insertion (i) as to which the laws of the State of Delaware, as then in effect, do not require the consent of this Corporation s stockholders, or (ii) that at least 75% of the members of the Board of Directors then in office have approved;

(b) the adoption, amendment or repeal of any provision of the Bylaws of the Corporation; provided, however, that this clause (b) shall not apply to, and no vote of the stockholders of the Corporation shall be required to authorize, the adoption, amendment or repeal of any provision of the Bylaws of the Corporation by the Board of Directors in accordance with the power conferred upon it pursuant to Section F of Article V of this Certificate;

(c) the merger or consolidation of this Corporation with or into any other corporation; provided, however, that this clause (c) shall not apply to any such merger or consolidation (i) as to which the laws of the State of Delaware, as then in effect, do not require the consent of this Corporation s stockholders, or (ii) that at least 75% of the members of the Board of Directors then in office have approved;

(d) the sale, lease or exchange of all, or substantially all, of the assets of the Corporation; provided, however, that this clause (d) shall not apply to any such sale, lease or exchange that at least 75% of the members of the Board of Directors then in office have approved; or

(e) the dissolution of the Corporation; provided, however, that this clause (e) shall not apply to such dissolution if at least 75% of the members of the Board of Directors then in office have approved such dissolution.

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Subject to the foregoing provisions of this Article VII, the Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other Persons whomsoever by and pursuant to this Certificate in its present form or as hereafter amended are granted subject to the rights reserved in this Article VII.

ARTICLE VIII

SECTION 203 OF THE DGCL

The Corporation expressly elects not to be governed by Section 203 of the DGCL.

IN WITNESS WHEREOF, the undersigned has signed this Restated Certificate of Incorporation this day of , 2005.

LIBERTY GLOBAL, INC.

By:

Name:
Title:

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Appendix G

FORM OF
LIBERTY GLOBAL, INC.
A Delaware Corporation
BYLAWS

ARTICLE I
STOCKHOLDERS

Section 1.1 *Annual Meeting*.
An annual meeting of stockholders for the purpose of electing directors and of transacting any other business properly brought before the meeting pursuant to these Bylaws shall be held each year at such date, time and place, either within or without the State of Delaware or, if so determined by the Board of Directors in its sole discretion, at no place (but rather by means of remote communication), as may be specified by the Board of Directors in the notice of meeting.
Section 1.2 *Special Meetings*.
Except as otherwise provided in the terms of any series of preferred stock or unless otherwise provided by law or by the Corporation s Restated Certificate of Incorporation, special meetings of stockholders of the Corporation, for the transaction of such business as may properly come before the meeting, may be called by the Secretary of the Corporation only at the request of not less than 75% of the members of the Board of Directors then in office. Only such business may be transacted as is specified in the notice of the special meeting. The Board of Directors shall have the sole power to determine the time, date and place, either within or without the State of Delaware, for any special meeting of stockholders. Following such determination, it shall be the duty of the Secretary to cause notice to be given to the stockholders entitled to vote at such meeting that a meeting will be held at the time, date and place and in accordance with the record date determined by the Board of Directors.
Section 1.3 *Record Date*.
In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (i) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by the laws of the State of Delaware, not be more than sixty (60) nor less than ten (10) days before the date of such meeting, and (ii) in the case of any other lawful action, shall not be more than sixty (60) days prior to such other action. If no record date is fixed by the Board of Directors: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.
Section 1.4 *Notice of Meetings*.
Notice of all stockholders meetings, stating the place, if any, date and hour thereof; the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting; the place within the city, other municipality or community or electronic network at

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which the list of stockholders may be examined; and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered in accordance with applicable law and applicable stock exchange rules and regulations by the Chairman of the Board, the President, any Vice President, the Secretary or an Assistant Secretary, to each stockholder entitled to vote thereat at least ten (10) days but not more than sixty (60) days before the date of the meeting, unless a different period is prescribed by law, or the lapse of the prescribed period of time shall have been waived. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to such stockholder s address as it appears on the records of the Corporation.

Section 1.5 *Notice of Stockholder Business and Nominations.*

(a) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only (i) pursuant to the Corporation s notice of meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 1.5 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.5.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 1.5, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business other than the nominations of persons for election to the Board of Directors must constitute a proper matter for stockholder action. To be timely, a stockholder s notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year s annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder s notice as described above. For purposes of the first annual meeting of stockholders to be held in 2006, the first anniversary date shall be deemed to be [ ], 2006. Such stockholder s notice shall set forth: (i) as to each person whom the stockholder proposes to nominate for election as a director (x) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act) and (y) such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (w) the name and address of such stockholder, as they appear on the Corporation s books, and of such beneficial owner, (x) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (y) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (z) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation s outstanding capital stock required to

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approve or adopt the proposal or elect the nominee and/or (B) otherwise to solicit proxies from stockholders in support of such proposal or nomination. The foregoing notice requirements of clauses (a)(2)(ii) and (iii) of this Section 1.5 shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) promulgated under the Exchange Act and such stockholder s proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 1.5 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least one hundred (100) days prior to the first anniversary of the preceding year s annual meeting, a stockholder s notice required by this Section 1.5 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation s notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation s notice of meeting (1) by or at the direction of the Board of Directors or (2) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 1.5 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 1.5. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation s notice of meeting, if the stockholder s notice required by paragraph (a)(2) of this Section 1.5 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder s notice as described above.

(c) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.5 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.5. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (i) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.5 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder s nominee or proposal in compliance with such stockholder s representation as required by clause (a)(2)(iii)(z) of this Section 1.5) and (ii) if any proposed nomination or business was not made or proposed in compliance with this Section 1.5, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 1.5, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be

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disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 1.5, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(2) For purposes of this Section 1.5, public announcement shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.5, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.5. Nothing in this Section 1.5 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation s proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of preferred stock to elect directors pursuant to any applicable provisions of the Corporation s Restated Certificate of Incorporation.

Section 1.6 *Quorum*.

Subject to the rights of the holders of any series of preferred stock and except as otherwise provided by law or in the Corporation s Restated Certificate of Incorporation or these Bylaws, at any meeting of stockholders, the holders of a majority in total voting power of the outstanding shares of stock entitled to vote at the meeting shall be present or represented by proxy in order to constitute a quorum for the transaction of any business. The chairman of the meeting shall have the power and duty to determine whether a quorum is present at any meeting of the stockholders. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any subsidiary of the Corporation to vote stock, including, but not limited to, its own stock, held by it in a fiduciary capacity. In the absence of a quorum, the chairman of the meeting may adjourn the meeting from time to time in the manner provided in Section 1.7 hereof until a quorum shall be present.

Section 1.7 *Adjournment*.

Any meeting of stockholders, annual or special, may adjourn from time to time solely by the chairman of the meeting because of the absence of a quorum or for any other reason and to reconvene at the same or some other time, date and place, if any. Notice need not be given of any such adjourned meeting if the time, date and place thereof are announced at the meeting at which the adjournment is taken. The chairman of the meeting shall have full power and authority to adjourn a stockholder meeting in his sole discretion even over stockholder opposition to such adjournment. The stockholders present at a meeting shall not have the authority to adjourn the meeting. If the time, date and place, if any, thereof, and the means of remote communication, if any, by which the stockholders and the proxy holders may be deemed to be present and in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken and the adjournment is for less than thirty (30) days, no notice need be given of any such adjourned meeting. If the adjournment is for more than thirty (30) days and the time, date and place, if any, and the means of remote communication, if any, by which the stockholders and the proxy holders may be deemed to be present and in person are not announced at the meeting at which the adjournment is taken, or if after the adjournment a new record date is fixed for the adjourned meeting, then notice shall be given by the Secretary as required for the original meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting.

Section 1.8 *Organization*.

The Chairman of the Board, or in his absence the Vice-Chairman of the Board, or in their absence the President, or in their absence any Vice President, shall call to order meetings of stockholders and preside over

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and act as chairman of such meetings. The Board of Directors or, if the Board fails to act, the stockholders, may appoint any stockholder, director or officer of the Corporation to act as chairman of any meeting in the absence of the Chairman of the Board, the Vice-Chairman of the Board, the President and all Vice Presidents. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be determined by the chairman of the meeting and announced at the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Unless otherwise determined by the Board of Directors, the chairman of the meeting shall have the exclusive right to determine the order of business and to prescribe other such rules, regulations and procedures and shall have the authority in his discretion to regulate the conduct of any such meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) rules and procedures for maintaining order at the meeting and the safety of those present; (ii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iii) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (iv) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

The Secretary shall act as secretary of all meetings of stockholders, but, in the absence of the Secretary, the chairman of the meeting may appoint any other person to act as secretary of the meeting.

Section 1.9 *Postponement or Cancellation of Meeting*.

Any previously scheduled annual or special meeting of the stockholders may be postponed or canceled by resolution of the Board of Directors upon public notice given prior to the time previously scheduled for such meeting of stockholders.

Section 1.10 *Voting*.

Subject to the rights of the holders of any series of preferred stock and except as otherwise provided by law, the Corporation s Restated Certificate of Incorporation or these Bylaws and except for the election of directors, at any meeting duly called and held at which a quorum is present, the affirmative vote of a majority of the combined voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Subject to the rights of the holders of any series of preferred stock, at any meeting duly called and held for the election of directors at which a quorum is present, directors shall be elected by a plurality of the combined voting power of the outstanding shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

ARTICLE II
BOARD OF DIRECTORS

Section 2.1 *Number and Term of Office*.

(a) The governing body of this Corporation shall be a Board of Directors. Subject to any rights of the holders of any series of preferred stock to elect additional directors, the Board of Directors shall be comprised of not less than three (3) members, or such other number as may be fixed from time to time by the Board of Directors by resolution adopted by the affirmative vote of 75% of the members of the Board of Directors then in office. Directors need not be stockholders of the Corporation. The Corporation shall nominate the person(s) holding the offices of Chairman of the Board and President for election as directors at any meeting at which such person(s) are subject to election as directors. The Board of Directors shall appoint from its own members at its first meeting after each annual meeting of stockholders a Vice-Chairman of the Board who, in the absence of the Chairman of the Board, will preside at all meetings of the stockholders and the Board of Directors.

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(b) Except as otherwise fixed by the Corporation s Restated Certificate of Incorporation relating to the rights of the holders of any series of preferred stock to separately elect additional directors, which additional directors are not required to be classified pursuant to the terms of such series of preferred stock, the Board of Directors shall be divided into three classes: Class I, Class II and Class III. Each class shall consist, as nearly as possible, of a number of directors equal to one-third (33[1]/3%) of the then authorized number of members of the Board of Directors. The term of office of the initial Class I directors shall expire at the annual meeting of stockholders in 2006; the term of office of the initial Class II directors shall expire at the annual meeting of stockholders in 2007; and the term of office of the initial Class III directors shall expire at the annual meeting of stockholders in 2008. At each annual meeting of stockholders of the Corporation the successors of that class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. The directors of each class will serve until the earliest to occur of their death, resignation, removal or disqualification or the election and qualification of their respective successors.

Section 2.2 *Resignations*.

Any director of the Corporation, or any member of any committee, may resign at any time by giving written notice to the Board of Directors, the Chairman of the Board, Vice-Chairman of the Board, or the President or Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if the time be not specified therein, then upon receipt thereof. The acceptance of such resignation shall not be necessary to make it effective unless otherwise stated therein.

Section 2.3 *Removal of Directors*.

Subject to the rights of the holders of any series of preferred stock, directors may be removed from office only for cause upon the affirmative vote of the holders of not less than a majority of the total voting power of the then outstanding shares entitled to vote at an election of directors voting together as a single class.

Section 2.4 *Newly Created Directorships and Vacancies*.

Subject to the rights of the holders of any series of preferred stock, vacancies on the Board of Directors resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on the Board of Directors, shall be filled by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director at any regular or special meeting of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is apportioned, and until such director s successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director, except as may be provided in the terms of any series of preferred stock with respect to any additional director elected by the holders of such series of preferred stock. Notwithstanding Article I of these Bylaws, in case the entire Board of Directors shall die or resign, the President or Secretary of the Corporation, or any ten (10) stockholders may call and cause notice to be given for a special meeting of stockholders in the same manner that the Chairman of the Board or Vice-Chairman of the Board may call such a meeting, and directors for the unexpired terms may be elected at such special meeting.

Section 2.5 *Meetings*.

The annual meeting of each newly elected Board of Directors may be held on such date and at such time and place as the Board of Directors determines. The annual meeting may be held immediately following the annual meeting of stockholders, and if so held, no notice of such meeting shall be necessary to the newly elected directors in order to hold the meeting legally, provided that a quorum shall be present thereat.

Notice of each regular meeting shall be furnished in writing to each member of the Board of Directors not less than five (5) days in advance of said meeting, unless such notice requirement is waived in writing by each member. No notice need be given of the meeting immediately following an annual meeting of stockholders.

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Special meetings of the Board of Directors shall be held at such time and place as shall be designated in the notice of the meeting. Special meetings of the Board of Directors may be called by the Chairman of the Board or the Vice-Chairman of the Board, and shall be called by the President or Secretary of the Corporation upon the written request of not less than 75% of the members of the Board of Directors then in office.

Section 2.6 *Notice of Special Meetings.*

The Secretary, or in his absence any other officer of the Corporation, shall give each director notice of the time and place of holding of special meetings of the Board of Directors by mail at least ten (10) days before the meeting, or by facsimile transmission, electronic mail or personal service at least twenty-four (24) hours before the meeting unless such notice requirement is waived in writing by each member. Unless otherwise stated in the notice thereof, any and all business may be transacted at any meeting without specification of such business in the notice.

Section 2.7 *Conference Telephone Meeting.*

Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of telephone conference or other similar communications equipment by means of which all persons participating in the meeting can hear each other and communicate with each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 2.8 *Quorum and Organization of Meetings.*

A majority of the total number of members of the Board of Directors as constituted from time to time shall constitute a quorum for the transaction of business, but, if at any meeting of the Board of Directors (whether or not adjourned from a previous meeting) there shall be less than a quorum present, a majority of those present may adjourn the meeting to another time, date and place, and the meeting may be held as adjourned without further notice or waiver. Except as otherwise provided by law, the Corporation s Restated Certificate of Incorporation or these Bylaws, a majority of the directors present at any meeting at which a quorum is present may decide any question brought before such meeting. Meetings shall be presided over by the Chairman of the Board or in his absence by the Vice-Chairman of the Board, or in their absence by such other person as the directors may select. The Board of Directors shall keep written minutes of its meetings. The Secretary of the Corporation shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more Directors as alternate members of any committee to replace absent or disqualified members at any meeting of such committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present and not disqualified from voting, whether or not such member or members constitute a quorum, may, by a unanimous vote, appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in a resolution of the Board of Directors passed as aforesaid, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be impressed on all papers that may require it, but no such committee shall have the power or authority of the Board of Directors in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the laws of the State of Delaware to be submitted to the stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the Corporation. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Unless otherwise specified in the resolution of the Board of Directors designating a committee, at all meetings of such committee a majority of the total number of members of the committee shall constitute a quorum for the transaction of business, and the vote of a majority of the members of the committee present at any meeting at which there is a quorum shall be the act of the committee. Each committee shall keep regular minutes of its meetings. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for

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the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these Bylaws.

Section 2.9 *Indemnification.*

To the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, the Corporation shall indemnify and hold harmless any person who is or was made, or threatened to be made, a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding (a Proceeding), whether civil, criminal, administrative or investigative, including, without limitation, an action by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director or officer of the Corporation, or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprises including non-profit enterprises (an Other Entity), against all liabilities and losses, judgments, fines, penalties, excise taxes, amounts paid in settlement and costs, charges and expenses (including attorneys fees and disbursements). Persons who are not directors or officers of the Corporation may be similarly indemnified in respect of service to the Corporation or to an Other Entity at the request of the Corporation to the extent the Board of Directors at any time specifies that such persons are entitled to the benefits of this Section 2.9. Except as otherwise provided in Section 2.11 hereof, the Corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) by the person was authorized in the specific case by the Board of Directors.

Section 2.10 *Advancement of Expenses.*

The Corporation shall, from time to time, reimburse or advance to any director or officer or other person entitled to indemnification hereunder the funds necessary for payment of expenses, including attorneys fees and disbursements, incurred in connection with any Proceeding in advance of the final disposition of such Proceeding; provided, however, that, if required by the laws of the State of Delaware, such expenses incurred by or on behalf of any director or officer or other person may be paid in advance of the final disposition of a Proceeding only upon receipt by the Corporation of an undertaking, by or on behalf of such director or officer (or other person indemnified hereunder), to repay any such amount so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such director, officer or other person is not entitled to be indemnified for such expenses. Except as otherwise provided in Section 2.11 hereof, the Corporation shall be required to reimburse or advance expenses incurred by a person in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) by the person was authorized by the Board of Directors.

Section 2.11 *Claims.*

If a claim for indemnification or advancement of expenses under this Article II is not paid in full within thirty (30) days after a written claim therefor by the person seeking indemnification or reimbursement or advancement of expenses has been received by the Corporation, the person may file suit to recover the unpaid amount of such claim and, if successful, in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the person seeking indemnification or reimbursement or advancement of expenses is not entitled to the requested indemnification, reimbursement or advancement of expenses under applicable law.

Section 2.12 *Amendment, Modification or Repeal.*

Any amendment, modification or repeal of the foregoing provisions of this Article II shall not adversely affect any right or protection hereunder of any person entitled to indemnification under Section 2.9 hereof in respect of any act or omission occurring prior to the time of such repeal or modification.

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Section 2.13 *Nonexclusivity of Rights.*
The rights conferred on any person by this Article II shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Corporation s Restated Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.
Section 2.14 *Other Sources.*
The Corporation s obligation, if any, to indemnify or to advance expenses to any person who was or is serving at its request as a director, officer, employee or agent of an Other Entity shall be reduced by any amount such person may collect as indemnification or advancement of expenses from such Other Entity.
Section 2.15 *Other Indemnification and Prepayment of Expenses.*
This Article II shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to additional persons when and as authorized by appropriate corporate action.
Section 2.16 *Executive Committee of the Board of Directors.*
The Board of Directors, by the affirmative vote of not less than 75% of the members of the Board of Directors then in office, may designate an executive committee, all of whose members shall be directors, to manage and operate the affairs of the Corporation or particular properties or enterprises of the Corporation. Subject to the limitations of the law of the State of Delaware and the Corporation s Restated Certificate of Incorporation, such executive committee shall exercise all powers and authority of the Board of Directors in the management of the business and affairs of the Corporation including, but not limited to, the power and authority to authorize the issuance of shares of common or preferred stock. The executive committee shall keep minutes of its meetings and report to the Board of Directors not less often than quarterly on its activities and shall be responsible to the Board of Directors for the conduct of the enterprises and affairs entrusted to it. Regular meetings of the executive committee, of which no notice shall be necessary, shall be held at such time, dates and places as shall be fixed by resolution adopted by the executive committee. Special meetings of the executive committee shall be called at the request of the President or of any member of the executive committee, and shall be held upon such notice as is required by these Bylaws for special meetings of the Board of Directors, provided that oral notice by telephone or otherwise shall be sufficient if received not later than the day immediately preceding the day of the meeting.
Section 2.17 *Other Committees of the Board of Directors.*
The Board of Directors may by resolution establish committees other than an executive committee and shall specify with particularity the powers and duties of any such committee. Subject to the limitations of the laws of the State of Delaware and the Corporation s Restated Certificate of Incorporation, any such committee shall exercise all powers and authority specifically granted to it by the Board of Directors, which powers may include the authority to authorize the issuance of shares of common or preferred stock. Such committees shall serve at the pleasure of the Board of Directors, keep minutes of their meetings and have such names as the Board of Directors by resolution may determine and shall be responsible to the Board of Directors for the conduct of the enterprises and affairs entrusted to them.
Section 2.18 *Directors Compensation.*
Directors shall receive such compensation for attendance at any meetings of the Board and any expenses incidental to the performance of their duties as the Board of Directors shall determine by resolution. Such compensation may be in addition to any compensation received by the members of the Board of Directors in any other capacity.
Section 2.19 *Action Without Meeting.*
Nothing contained in these Bylaws shall be deemed to restrict the power of members of the Board of Directors or any committee designated by the Board of Directors to take any action required or permitted to be taken by them without a meeting.

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ARTICLE III
OFFICERS

Section 3.1 *Executive Officers*.

The Board of Directors shall elect from its own members, at its first meeting after each annual meeting of stockholders, a Chairman of the Board, a Vice-Chairman of the Board and a President. The Board of Directors may also elect such Vice Presidents as in the opinion of the Board of Directors the business of the Corporation requires, a Treasurer and a Secretary, any of whom may or may not be directors. The Board of Directors may also elect, from time to time, such other or additional officers as in its opinion are desirable for the conduct of business of the Corporation. Each officer shall hold office until the first meeting of the Board of Directors following the next annual meeting of stockholders following their respective election. Any person may hold at one time two or more offices; provided, however, that the President shall not hold any other office except that of Chairman of the Board or Vice-Chairman of the Board.

Section 3.2 *Powers and Duties of Officers*.

The Chairman of the Board shall have overall responsibility for the management and direction of the business and affairs of the Corporation and shall exercise such duties as customarily pertain to the office of Chairman of the Board and such other duties as may be prescribed from time to time by the Board of Directors. He shall be the senior officer of the Corporation and in case of the inability or failure of the President to perform his duties, he shall perform the duties of the President. He may appoint and terminate the appointment or election of officers, agents or employees other than those appointed or elected by the Board of Directors. He may sign, execute and deliver, in the name of the Corporation, powers of attorney, contracts, bonds and other obligations. The Chairman shall preside at all meetings of stockholders and of the Board of Directors at which he is present, and shall perform such other duties as may be prescribed from time to time by the Board of Directors or these Bylaws.

The Vice-Chairman of the Board shall perform the duties and exercise the powers of the office of Chairman of the Board in the absence or disability of the Chairman of the Board.

The President of the Corporation shall have such powers and perform such duties as customarily pertain to a chief executive officer and the office of a president, including, without limitation, being responsible for the active direction of the daily business of the Corporation, and shall exercise such other duties as may be prescribed from time to time by the Board of Directors. The President may sign, execute and deliver, in the name of the Corporation, powers of attorney, contracts, bonds and other obligations. In the absence or disability of the Chairman of the Board and the Vice-Chairman of the Board, the President shall perform the duties and exercise the powers of the office of Chairman of the Board.

Vice Presidents shall have such powers and perform such duties as may be assigned to them by the Chairman of the Board, the President, the executive committee, if any, or the Board of Directors. A Vice President may sign and execute contracts and other obligations pertaining to the regular course of his duties which implement policies established by the Board of Directors.

The Treasurer shall be the chief financial officer of the Corporation. Unless the Board of Directors otherwise declares by resolution, the Treasurer shall have general custody of all the funds and securities of the Corporation and general supervision of the collection and disbursement of funds of the Corporation. He shall endorse for collection on behalf of the Corporation checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such bank or banks or depository as the Board of Directors may designate. He may sign, with the Chairman of the Board, President or such other person or persons as may be designated for the purpose by the Board of Directors, all bills of exchange or promissory notes of the Corporation. He shall enter or cause to be entered regularly in the books of the Corporation a full and accurate account of all moneys received and paid by him on account of the Corporation, shall at all reasonable times exhibit his books and accounts to any director of the Corporation upon application at the office of the Corporation during business hours and, whenever required by the Board of Directors or the President, shall render a statement of his accounts. He shall perform such other duties as may be prescribed from time to time

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by the Board of Directors or by these Bylaws. He may be required to give bond for the faithful performance of his duties in such sum and with such surety as shall be approved by the Board of Directors. Any Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

The Secretary shall keep the minutes of all meetings of the stockholders and of the Board of Directors. The Secretary shall cause notice to be given of meetings of stockholders, of the Board of Directors, and of any committee appointed by the Board of Directors. He or she shall have custody of the corporate seal, minutes and records relating to the conduct and acts of the stockholders and Board of Directors, which shall, at all reasonable times, be open to the examination of any director. The Secretary or any Assistant Secretary may certify the record of proceedings of the meetings of the stockholders or of the Board of Directors or resolutions adopted at such meetings, may sign or attest certificates, statements or reports required to be filed with governmental bodies or officials, may sign acknowledgments of instruments, may give notices of meetings and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 3.3 *Bank Accounts*.

In addition to such bank accounts as may be authorized in the usual manner by resolution of the Board of Directors, the Treasurer, with approval of the Chairman of the Board or the President, may authorize such bank accounts to be opened or maintained in the name and on behalf of the Corporation as he may deem necessary or appropriate, provided payments from such bank accounts are to be made upon and according to the check of the Corporation, which may be signed jointly or singularly by either the manual or facsimile signature or signatures of such officers or bonded employees of the Corporation as shall be specified in the written instructions of the Treasurer or Assistant Treasurer of the Corporation with the approval of the Chairman of the Board or the President of the Corporation.

Section 3.4 *Proxies; Stock Transfers*.

Unless otherwise provided in the Corporation s Restated Certificate of Incorporation or directed by the Board of Directors, the Chairman of the Board or the President or any Vice President or their designees shall have full power and authority on behalf of the Corporation to attend and to vote upon all matters and resolutions at any meeting of stockholders of any corporation in which this Corporation may hold stock, and may exercise on behalf of this Corporation any and all of the rights and powers incident to the ownership of such stock at any such meeting, whether regular or special, and at all adjournments thereof, and shall have power and authority to execute and deliver proxies and consents on behalf of this Corporation in connection with the exercise by this Corporation of the rights and powers incident to the ownership of such stock, with full power of substitution or revocation. Unless otherwise provided in the Corporation s Restated Certificate of Incorporation or directed by the Board of Directors, the Chairman of the Board or the President or any Vice President or their designees shall have full power and authority on behalf of the Corporation to transfer, sell or dispose of stock of any corporation in which this Corporation may hold stock.

ARTICLE IV
CAPITAL STOCK

Section 4.1 *Shares*.

The shares of the corporation shall be represented by a certificate or shall be uncertificated. Certificates shall be signed by the Chairman of the Board of Directors or the President and by the Secretary or the Treasurer, and sealed with the seal of the Corporation. Such seal may be a facsimile, engraved or printed. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the Delaware General Corporation Law or a statement that the Corporation will furnish without charge to each stockholder who so requests the powers,

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designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights.

Any of or all the signatures on a certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such an officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such officer, transfer agent or registrar had not ceased to hold such position at the time of its issuance.

Section 4.2 *Transfer of Shares*.

(a) Upon surrender to the Corporation or the transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares such uncertificated shares shall be cancelled, and the issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.

(b) The person in whose name shares of stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes, and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 4.3 *Lost Certificates*.

The Board of Directors or any transfer agent of the Corporation may direct a new certificate or certificates or uncertificated shares representing stock of the Corporation to be issued in place of any certificate or certificates theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the Board of Directors (or any transfer agent of the Corporation authorized to do so by a resolution of the Board of Directors) may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as the Board of Directors (or any transfer agent so authorized) shall direct to indemnify the Corporation and the transfer agent against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificates or uncertificated shares, and such requirement may be general or confined to specific instances.

Section 4.4 *Transfer Agent and Registrar*.

The Board of Directors may appoint one or more transfer agents and one or more registrars, and may require all certificates for shares to bear the manual or facsimile signature or signatures of any of them.

Section 4.5 *Regulations*.

The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer, registration, cancellation and replacement of certificates representing stock of the Corporation or uncertificated shares, which rules and regulations shall comply in all respects with the rules and regulations of the transfer agent.

ARTICLE V
GENERAL PROVISIONS

Section 5.1 *Offices*.

The Corporation shall maintain a registered office in the State of Delaware as required by the laws of the State of Delaware. The Corporation may also have offices in such other places, either within or without the State of

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Delaware, as the Board of Directors may from time to time designate or as the business of the Corporation may require.

Section 5.2 *Corporate Seal.*

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization, and the words Corporate Seal and Delaware.

Section 5.3 *Fiscal Year.*

The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

Section 5.4 *Notices and Waivers Thereof.*

Whenever any notice is required by the laws of the State of Delaware, the Corporation s Restated Certificate of Incorporation or these Bylaws to be given to any stockholder, director or officer, such notice, except as otherwise provided by law, may be given personally, or by mail, or, in the case of directors or officers, by electronic mail or facsimile transmission, addressed to such address as appears on the books of the Corporation. Any notice given by electronic mail or facsimile transmission shall be deemed to have been given when it shall have been transmitted and any notice given by mail shall be deemed to have been given three (3) business days after it shall have been deposited in the United States mail with postage thereon prepaid.

Whenever any notice is required to be given by law, the Corporation s Restated Certificate of Incorporation, or these Bylaws, a written waiver thereof, signed by the person entitled to such notice, whether before or after the meeting or the time stated therein, shall be deemed equivalent in all respects to such notice to the full extent permitted by law.

Section 5.5 *Saving Clause.*

These Bylaws are subject to the provisions of the Corporation s Restated Certificate of Incorporation and applicable law. In the event any provision of these Bylaws is inconsistent with the Corporation s Restated Certificate of Incorporation or the corporate laws of the State of Delaware, such provision shall be invalid to the extent only of such conflict, and such conflict shall not affect the validity of any other provision of these Bylaws.

Section 5.6 *Amendments.*

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors, by action taken by the affirmative vote of not less than 75% of the members of the Board of Directors then in office, is hereby expressly authorized and empowered to adopt, amend or repeal any provision of the Bylaws of this Corporation.

Subject to the rights of the holders of any series of preferred stock, these Bylaws may be adopted, amended or repealed by the affirmative vote of the holders of not less than 80% of the total voting power of the then outstanding capital stock of the Corporation entitled to vote thereon; provided, however, that this paragraph shall not apply to, and no vote of the stockholders of the Corporation shall be required to authorize, the adoption, amendment or repeal of any provision of the Bylaws by the Board of Directors in accordance with the preceding paragraph.

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Appendix H

Section 262 of the Delaware General Corporation Law

§ 262. Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder s shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word stockholder means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words stock and share mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words depository receipt mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

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(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.
(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder s shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder s shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder s shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder s shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.
(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise

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entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder s written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest that the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder s certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court s decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

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(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney s fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder s demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.