

# Second Quarter 2010

July 28, 2010



# Forward-looking statements

## “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995

Various statements contained in this document constitute “forward-looking statements” as that term is defined under the Private Securities Litigation Reform Act of 1995. Words like “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expects,” “estimates,” “projects,” “positioned,” “strategy,” and similar expressions identify these forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. These factors, among others, include: (1) the ability to compete with a range of other communications and content providers; (2) the effect of technological changes on our businesses; (3) the ability to maintain and upgrade our networks in a cost-effective and timely manner; (4) possible losses of revenues or customers due to systems failures; (5) the ability to control unauthorized access to our network; (6) our reliance on third-party suppliers and contractors to provide necessary hardware, software or operational support; (7) the continued right to use the “Virgin” name and logo; (8) the ability to manage customer churn; (9) general economic conditions; (10) the ability to provide attractive programming at a reasonable cost; (11) the ability to implement our restructuring plan successfully and realize the anticipated benefits; (12) currency and interest rate fluctuations; (13) the ability to fund debt service obligations and refinance our debt obligations; (14) the ability to obtain additional financing in the future; and (15) the ability to comply with restrictive covenants in our indebtedness agreements.

These and other factors are discussed in more detail under “Risk Factors” and elsewhere in Virgin Media’s Form 10-K filed with the SEC on February 26, 2010. We assume no obligation to update our forward-looking statements to reflect actual results, changes in assumptions or changes in factors affecting these statements.

**Note:** Comparisons of financial and operating statistics are to the second quarter of 2009, unless otherwise stated. On July 12, 2010, the Company sold its VMtv operations. In these results, VMtv is treated as discontinued operations and prior periods have been adjusted accordingly unless otherwise stated.

# Neil Berkett, CEO

July 28, 2010



# Delivering on our Growth Strategy

Unrivalled network, differentiated products, growth channels and cost control delivering sustainable growth

## Strong performance

- Record revenue growth
- Strong OCF and FCF growth
- Customer & ARPU growth

## Strategically advantaged

- Clear leadership in Broadband
- Strengthening digital entertainment
- Exploiting Mobile
- Growing Business Data
- Sustainable network advantage

## Building Shareholder Value

- Strong Free Cash Flow
- Continue Deleveraging Journey
- Initial £700m Capital Return programme
- Continue to invest

Delivering growth

Virgin media

*just*  
**4** **TOP QUALITY INGREDIENTS**

CUSTOMERS  
PRODUCTS  
TIER MIX  
PRICE

**DRIVING TOP LINE  
REVENUE  
GROWTH**

A SUBSCRIPTION BUSINESS WITH REAL MOMENTUM

# Driving customer growth



# Product growth



Cross-Sell

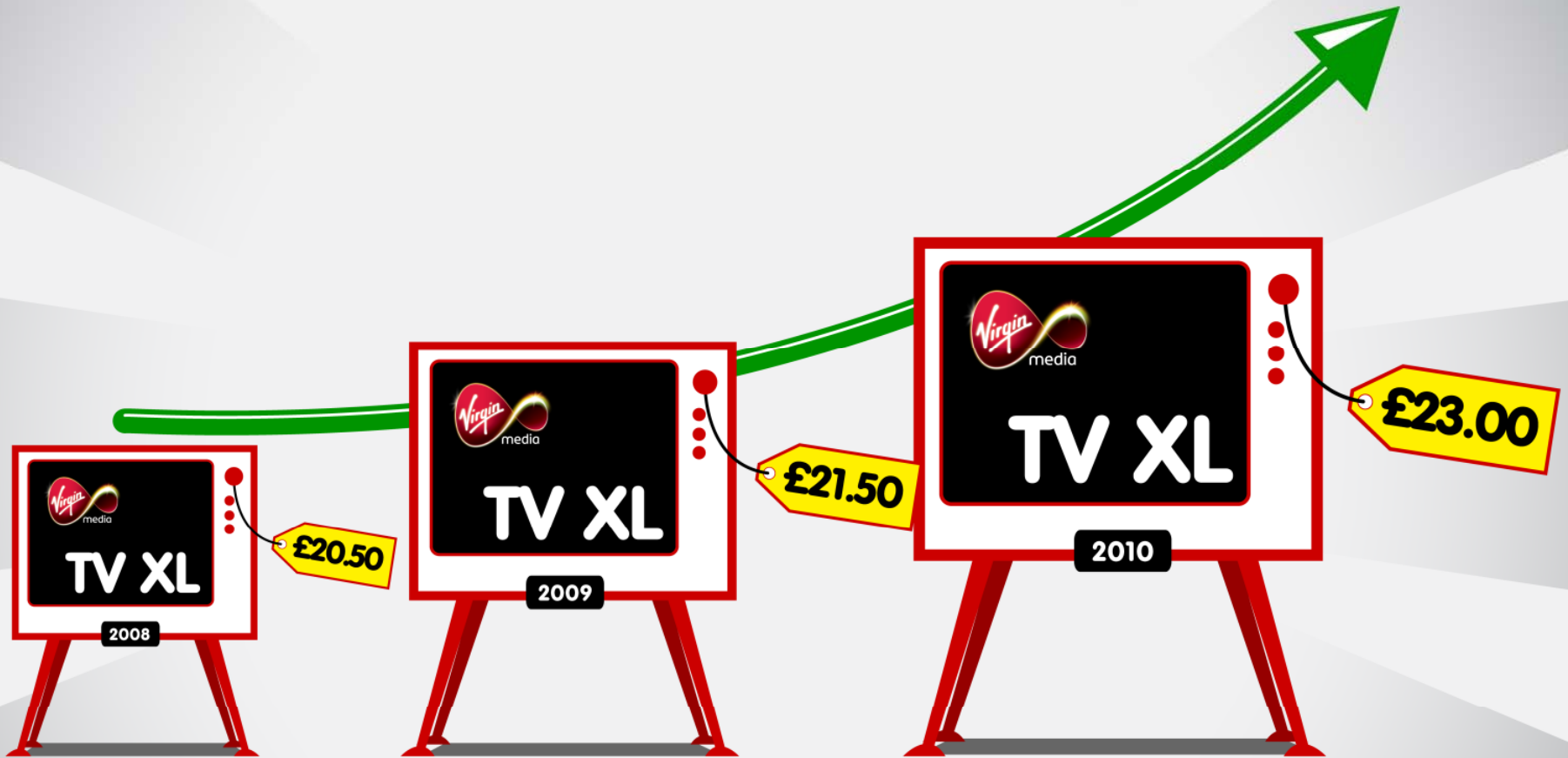


Driving Triple Play & Quad Play

# Improving tier mix



# Increasing price

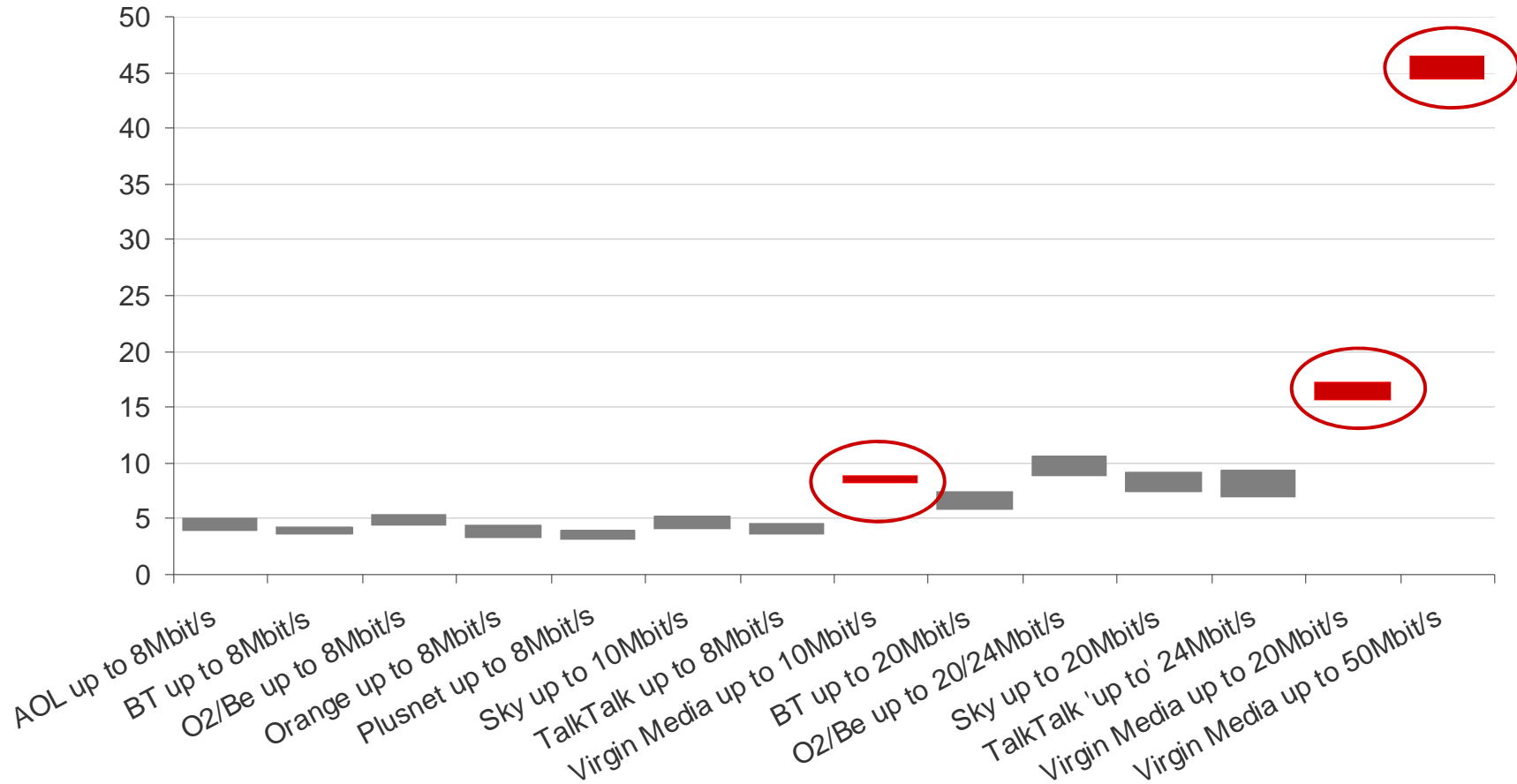


# Exploiting Mobile



# It's official – our widening broadband speed advantage

Peak (8-10pm) multi-thread speed (Mbit/s)



Source: Ofcom UK Broadband Speeds Report, May 2010



# Sustainable network advantage



# Eamonn O'Hare, CFO

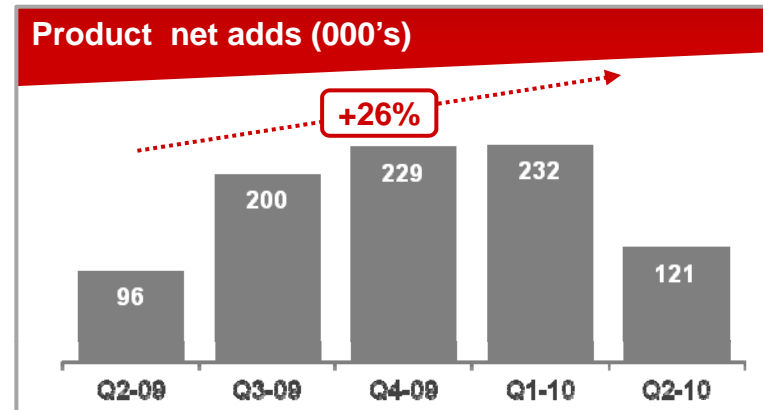
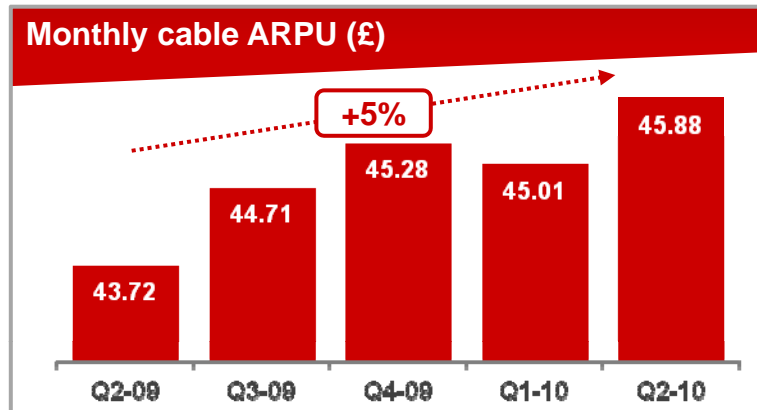
July 28, 2010



## Record revenue growth at 7%

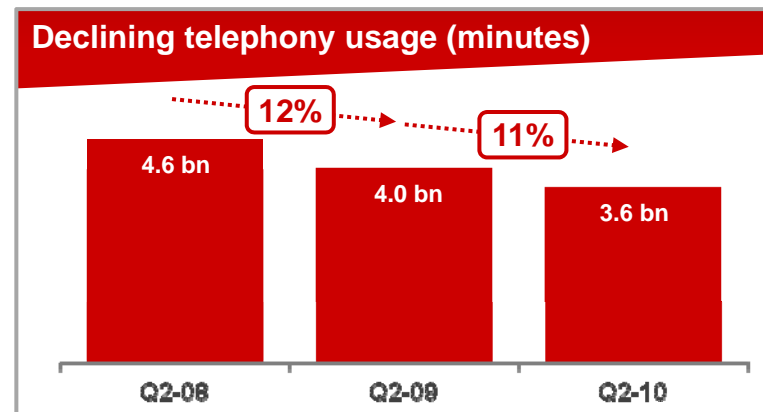
	Q2-09 £m	Q2-10 £m	12 month growth
Cable	617	656	+6.4%
Non-cable	13	19	+41.4%
Mobile	128	136	+6.9%
Business	143	153	+7.2%
Total	<u>900</u>	<u>964</u>	<u>+7.1%</u>

# Cable ARPU up 5% to a record £45.88

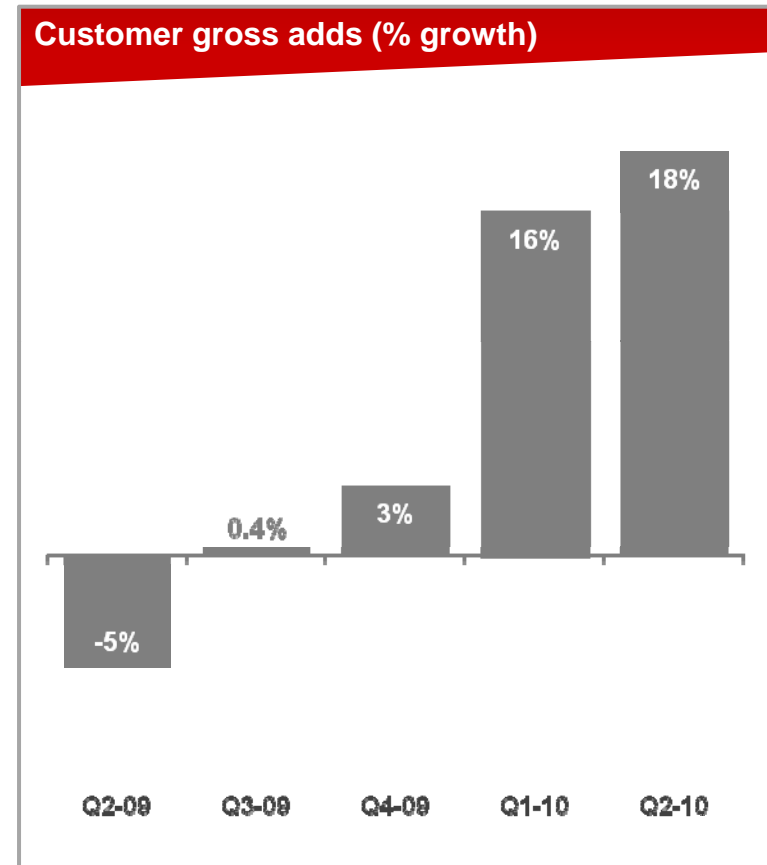
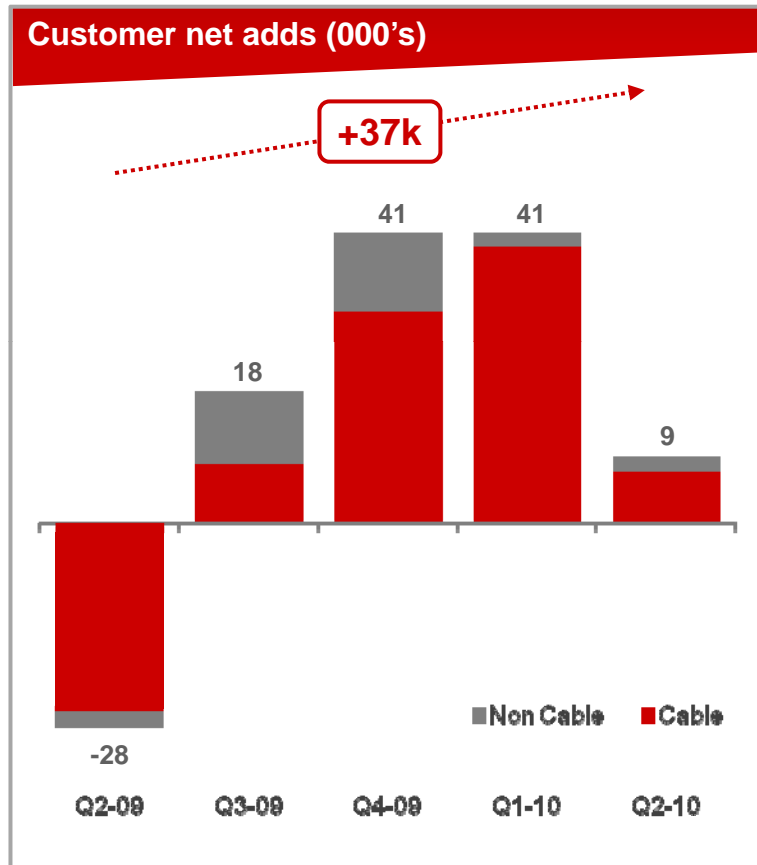


### Price and Mix improvements

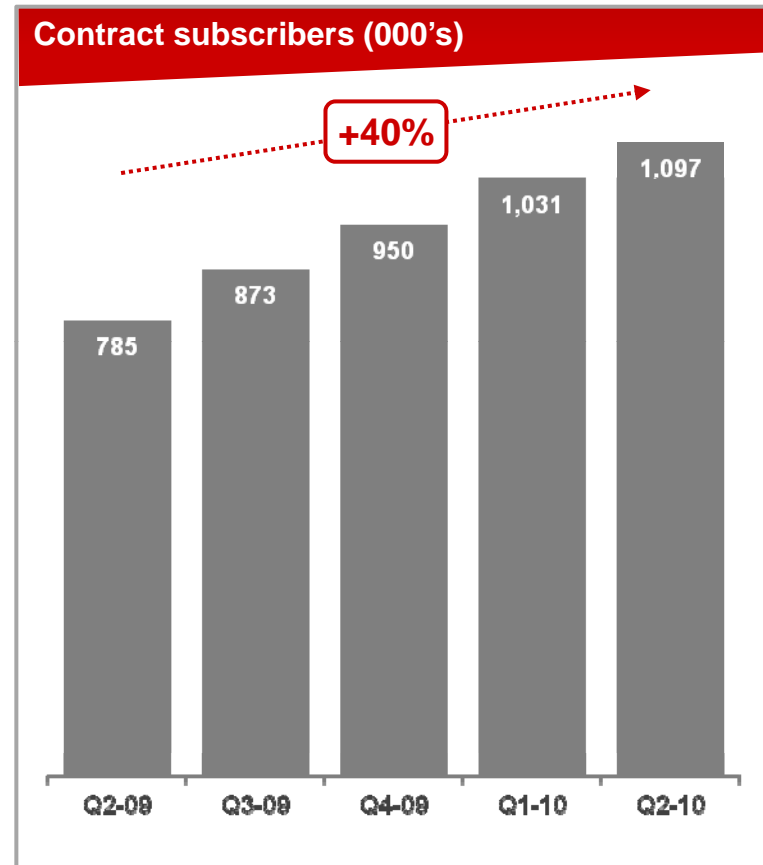
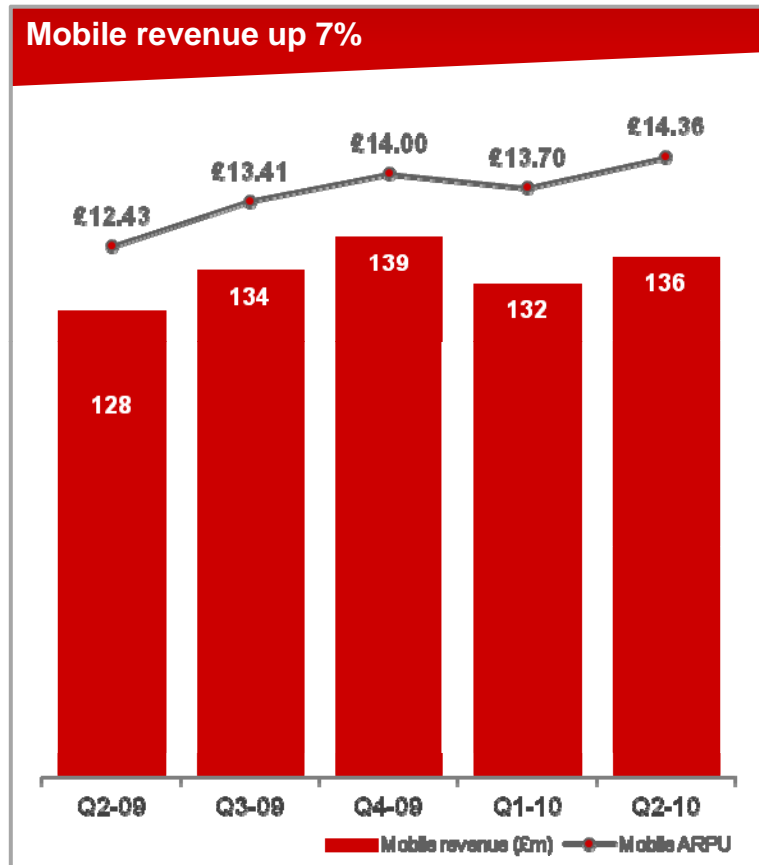
- April 1<sup>st</sup> price increases
- 20/50Mb broadband subs up 43%
- TV XL mix driven by HD, ESPN, VOD



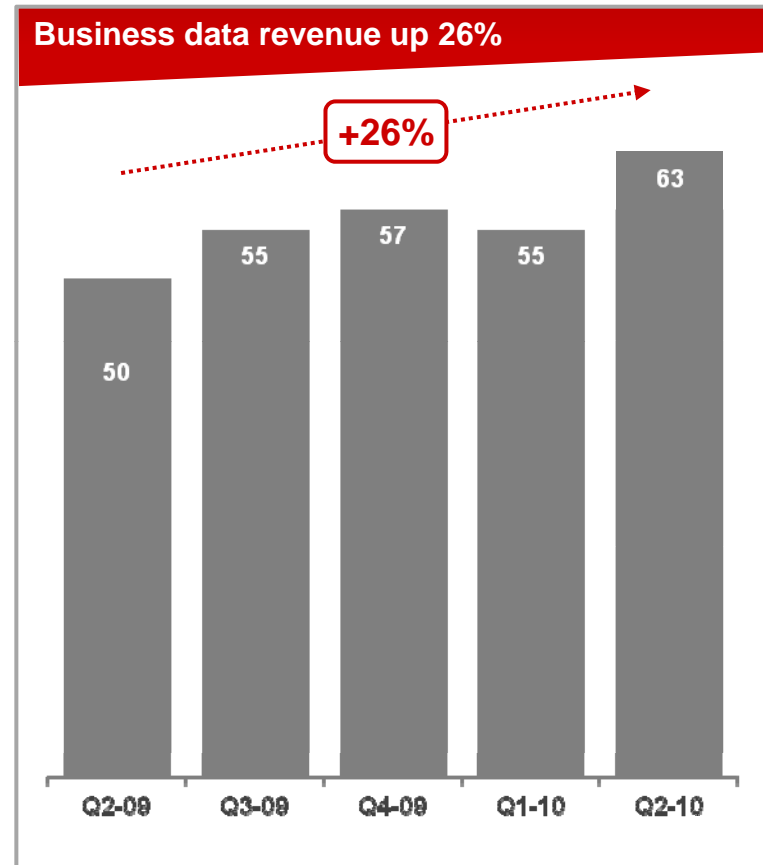
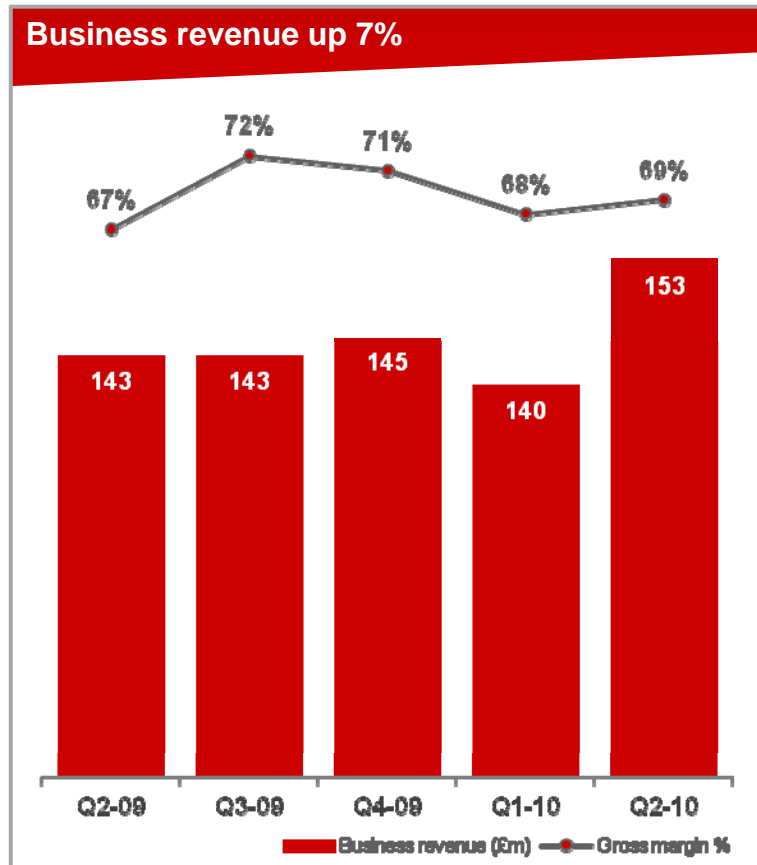
# Positive customer net adds in weakest quarter for growth



# Mobile revenue returns to growth



# Business revenue returns to growth



<sup>1</sup> Business gross margin is defined as business revenue less business cost of sales. Business gross margin percentage is defined as business gross margin divided by business revenue.

## Another quarter of double-digit OCF growth

	Q2-09 £m	Q2-10 £m	12 month growth
Revenue	900	964	+7%
Operating Costs <sup>1</sup>	380	394	+4%
Gross Margin <sup>2</sup>	520	570	+10%
SG&A	192	200	+4%
OCF <sup>3</sup>	328	370	+13%
OCF Margin % <sup>4</sup>	36.4%	38.3%	+1.9% pts
Gross Margin % <sup>5</sup>	57.7%	59.1%	+1.4% pts

<sup>1</sup> Exclusive of depreciation and amortization. <sup>2</sup> Revenue less operating costs. <sup>3</sup> OCF is operating income before depreciation, amortization, goodwill and intangible asset impairments and restructuring and other charges and is a non-GAAP financial measure. <sup>4</sup> OCF divided by revenue and is a non-GAAP financial measure. <sup>5</sup> Revenue less operating costs divided by revenue. See Appendices for reconciliations of non-GAAP financial measures to their nearest GAAP equivalents.

# Powerful Free Cash Flow

	Q2-09 £m	Q2-10 £m	12 month growth
OCF <sup>1</sup>	328	370	+13%
Net Interest	(100)	(115)	+14%
Cash Capex <sup>2</sup>	(148)	(146)	-1%
<b>FCF</b>	<b>79</b>	<b>109</b>	<b>+37%</b>
FCF / Revenue	8.8%	11.3%	+2.5% pts
Cash Capex / Revenue	16.4%	15.1%	-1.3% pts

<sup>1</sup> OCF is operating income before depreciation, amortization, goodwill and intangible asset impairments and restructuring and other charges and is a non-GAAP financial measure. <sup>2</sup> Cash Capex is total purchase of fixed and intangible assets. <sup>3</sup> Free Cash Flow (FCF) is OCF reduced by purchase of fixed and intangible assets and net interest expense and is a non-GAAP financial measure. See Appendices for reconciliations of non-GAAP financial measures to their nearest GAAP equivalents.

# Capital Structure Framework

Restructure debt



- 6 to 7 year average tenure
- 7.3% average cost of debt
- No repayments >£200m due until 2015

Continue deleveraging journey

- £525m debt repayments scheduled for 2011 to 2013
- Increasing strength of credit quality
- Target leverage ratio objective over 2 to 3 years

Retain flexibility to grow

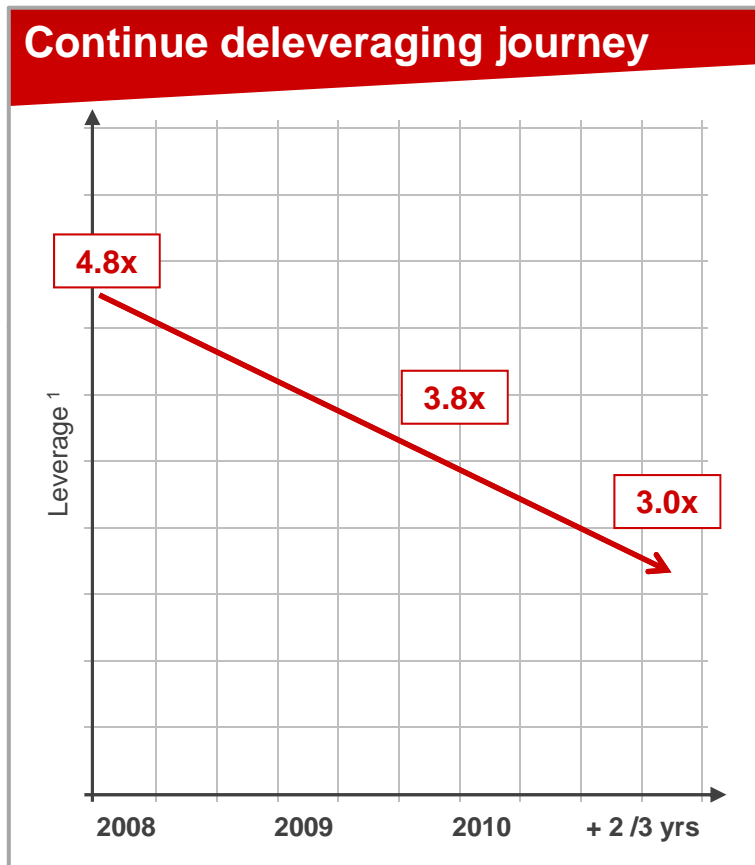
- Continue to invest and sustain strong competitive advantage

Return excess cash to stockholders

- Stock buy backs and dividends

# Targeted leverage of approx 3.0x over next 2 to 3 years

## Continue deleveraging journey

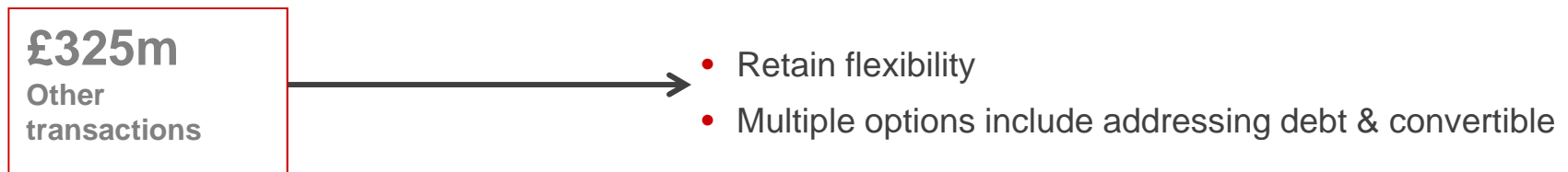
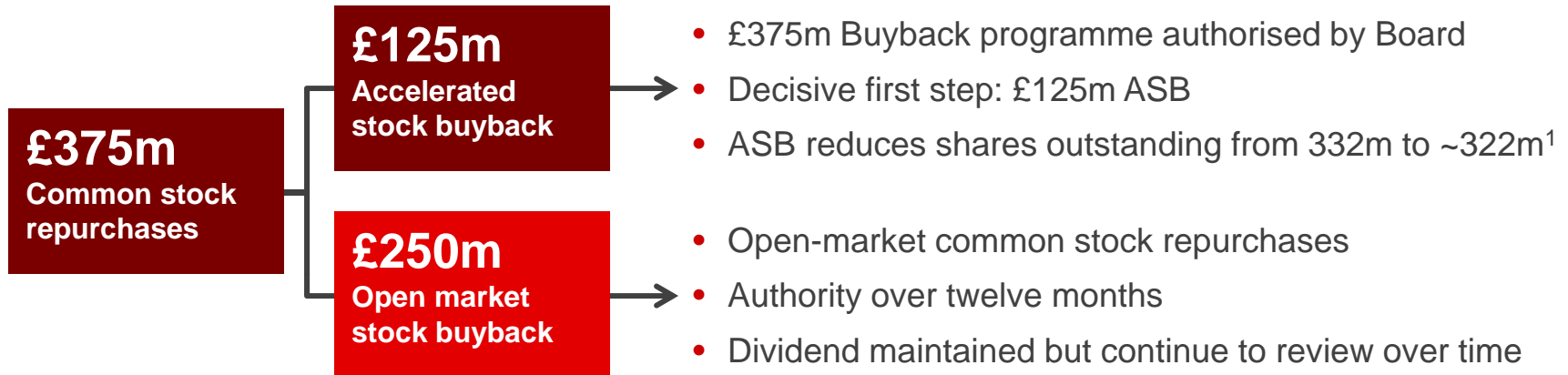


## Why 3x makes sense

- Strategic and financial flexibility
- Balanced stakeholder approach
- Firepower to invest/expand business
- Delivers true cross over credit
- Advantaged access to capital markets

<sup>1</sup> Leverage is the ratio between Net Debt and OCF. Net Debt and OCF are non-GAAP financial measures. See Appendices for reconciliations of non-GAAP financial measures to their nearest GAAP equivalents.

# Initial £700m Capital Return



<sup>1</sup> depending on actual stock price

# Q2-10 Appendices

July 28, 2010

## Debt breakdown at Q2-10

	Q2-10 £m	Debt outstanding by currency (sterling equivalents £m)			Interest Margin %
		GBP	US\$	Euros	
<b>Bank Debt</b>					
TLA	1,000	1,000	-	-	L+3.5%
TLB	675	675	-	-	L+3.75%
	1,675	1,675	-	-	
<b>Senior Secured Notes</b>					
2018 Notes	1,522	862	659		7.0% / 6.5% <sup>(1)</sup>
<b>Senior Notes</b>					
2016 Notes	1,389	-	1,247	142	9.125% / 9.5% <sup>(2)</sup>
2019 Notes	740	345	395		8.875% / 8.375% <sup>(3)</sup>
	3,650	1,207	2,301	142	
<b>Convertible Notes</b>	552	-	552	-	6.5%
<b>Capital Leases / Other</b>	176	176	-	-	
<b>GROSS DEBT (inc current portion)</b>	<b>6,053</b>	<b>3,058</b>	<b>2,853</b>	<b>142</b>	

Exchange rates (per £1)

\$1.4947    €1.2161

(1) 7.0% on £875m 2018 SSNs and 6.5% on US\$1,000m 2018 SSNs

(2) 9.125% on US\$550m 2016 notes and 9.5% on US\$1,350m and €180m 2016 notes

(3) 8.875% on £350m 2019 notes and 8.375% on US\$600m 2019 notes

## Net Debt – hedges of principal

(£ millions)	<u>As reported Q2-10</u>	<u>At hedged rate Q2-10</u>	<u>Hedged through to</u>
Bank Debt			
Sterling denominated	1,675.0	1,675.0	
Senior Notes			
\$550m senior notes due 2016	368.0	301.2	August 2016
\$1350m senior notes due 2016	878.5	835.5	August 2016
€180m senior notes due 2016	142.2	158.6	August 2016
\$600m senior notes due 2019	395.1	387.9	October 2019
£350m senior notes due 2019	344.6	344.6	
£875m senior secured notes due 2018	862.4	862.4	
\$1,000m senior secured notes due 2018	659.3	615.4	January 2018
Convertible Notes			
\$1,000 convertible senior notes due 2016	552.1	552.1	
Capital Leases / Other	175.8	175.8	
<b>GROSS DEBT (inc current portion)</b>	<b><u>6,053.0</u></b>	<b><u>5,908.5</u></b>	
Cash and cash equivalents	414.9	414.9	
<b>NET DEBT</b>	<b><u>5,638.1</u></b>	<b><u>5,493.5</u></b>	
<b>Net Debt / Annualized OCF</b>	<b>3.8x</b>	<b>3.7x</b>	

Note: Certain of the derivatives described above do not qualify for hedge accounting under US GAAP. Annualized OCF is quarterly OCF multiplied by four; Net Debt and Net Debt / Annualized OCF are non-GAAP financial measures. See Appendices for reconciliations of non-GAAP financial measures to their nearest GAAP equivalents, and the calculation of Annualized OCF.

# Non-GAAP measures (1)

Virgin Media uses certain financial measures with a view to providing investors with a better understanding of the operating results and underlying trends to measure past and future performance and liquidity. These measures which are not calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP") are defined as follows:

- *OCF or OCF (Total)* is operating income before depreciation, amortization, goodwill and intangible asset impairments and restructuring and other charges.
- *Free Cash Flow (FCF)* is OCF reduced by purchase of fixed and intangible assets, as reported in our statements of cash flows, and net interest expense, as reported in our statements of operations. Our definition of FCF excludes the impact of working capital fluctuations and restructuring costs.
- *Net debt* is long term debt inclusive of current portion, less cash and cash equivalents.

## OCF and FCF

Our management considers OCF as an important indicator of our operational strength and performance during the relevant periods. This measure excludes the impact of costs and expenses that do not directly affect our cash flows. Other charges, including restructuring charges, are also excluded from this measure as management believes they are not characteristic of our underlying business operations. Our management considers FCF as a helpful measure in assessing our liquidity and prospects for the future. We believe FCF is useful to investors as a basis for comparing our performance and coverage ratios with other companies in our industry. In particular, we also believe that FCF reflects an additional way of viewing aspects of our operations that provide a more complete understanding of factors and trends affecting our business. Some of the significant limitations associated with the use of OCF as compared to operating income are that these measures do not consider the amount of required reinvestment in depreciable fixed assets and ignores the impact on our results of operations of items that management believes are not characteristic of our underlying business operations. FCF should not be understood to represent our ability to fund discretionary amounts, as we have various contractual obligations which are not deducted to arrive at FCF. FCF is most directly comparable to the GAAP financial measure net cash provided by operating activities. Since these measures are not calculated in accordance with GAAP, they should not be considered as substitutes for operating income and net cash provided by operating activities, respectively. Because non-GAAP financial measures are not standardized, it may not be possible to compare our OCF or FCF with other companies' non-GAAP financial measures that have the same or similar names.

The presentation of this supplemental information is not meant to be considered in isolation or as a substitute for other measures of financial performance reported in accordance with GAAP. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting our business. We encourage investors to review our financial statements and publicly-filed reports in their entirety and to not rely on any single financial measure.



## Non-GAAP measures (2)

The following tables present the reconciliations of non-GAAP financial measures to their nearest measure of financial performance in accordance with GAAP.

### Reconciliation of operating income before depreciation, amortization, goodwill and intangible asset impairments and restructuring and other charges (OCF) to GAAP operating income:

(in £millions) (unaudited)	Q2-09	Q2-10
Operating income before depreciation, amortization, goodwill and intangible asset impairments and restructuring and other charges (OCF)	327.5	369.7
Reconciling items		
Depreciation and amortization	(294.5)	(283.6)
Goodwill and intangible asset impairments	-	-
Restructuring and other charges	(23.6)	(6.5)
Operating income	<u>9.4</u>	<u>79.6</u>

### Reconciliation of Free Cash Flow (FCF) to GAAP net cash provided by operating activities:

(in £millions) (unaudited)	Q2-09	Q2-10
Free Cash Flow (FCF)	79.3	108.9
Reconciling items (see Note below):		
Purchase of fixed and intangible assets	147.9	146.0
Changes in operating assets and liabilities	37.4	35.0
Non-cash compensation	1.2	7.9
Non-cash interest	(0.8)	(13.5)
Share of net income of affiliates	0.6	5.1
Realized foreign exchange (losses)/gains	(20.9)	(88.8)
Realized gains/(losses) on derivatives	5.3	52.5
Restructuring and other charges	(23.6)	(6.5)
Income taxes	0.8	4.4
Other	(0.9)	(0.5)
<b>Net cash provided by operating activities</b>	<u><b>226.3</b></u>	<u><b>250.5</b></u>

Note: The line descriptions above are derived from our previously reported results. Non-cash interest includes non-cash interest and amortization of original issue discount and deferred financing costs from our statements of cash flows. Share of net income of affiliates includes income from equity accounted investments, net of dividends received from our statements of cash flows and share of income from equity investments from our statements of operations. Realized foreign exchange (losses)/gains includes unrealized foreign currency losses (gains) from our statements of cash flows and foreign currency (losses) gains from our statements of operations. Realized (losses)/gains on derivatives includes unrealized (gains) losses on derivative instruments from our statements of cash flows and gains (losses) on derivative instruments from our statements of operations. Income taxes includes income taxes from our statements of cash flows and income tax benefit (expense) from our statements of operations.



# Non-GAAP measures (3)

## Net Debt

Net Debt is defined as long term debt inclusive of current portion, less cash and cash equivalents. Our management, including our chief executive officer, consider this measure as potentially of interest to our investors in assessing our financing obligations. Net debt is not a financial measure recognized under GAAP. This measure is most directly comparable to the GAAP financial measure, long term debt, net of current portion. The significant limitation associated with the use of net debt as compared to long term debt, net of current portion, is that net debt includes the current portion of long term debt. This measure also assumes that all of the cash and cash equivalents are available to service debt. We believe this measure may be helpful for understanding our debt funding obligations and provides useful supplemental information to investors. Because non-GAAP financial measures are not standardized, it may not be possible to compare our net debt with other companies' non-GAAP financial measures that have the same or similar names. The presentation of this supplemental information is not meant to be considered in isolation or as a substitute for long term debt, net of current portion, or other measures of financial performance or liquidity reported in accordance with GAAP.

### Reconciliation of Net Debt to GAAP long term debt (net of current portion):

(in £millions) (unaudited)

	As reported Q4-08	As reported Q2-10	At hedged rate Q2-10
Net Debt	6,127	5,638	5,494
Current portion of long term debt	(41)	(196)	(196)
Cash & cash equivalents	182	415	415
Long term debt (net of current portion)	<u>6,267</u>	<u>5,857</u>	<u>5,712</u>

### Net Debt/annualized OCF

(in £millions) (unaudited)	As reported Q4-08	As reported Q2-10	At hedged rate Q2-10
Net Debt	6,126.6	5,638.1	5,493.5
Quarterly OCF	320.3	369.7	369.7
Annualized OCF (OCFx4)	1,281.2	1,478.8	1,478.8
Net Debt / Annualized OCF	4.8x	3.8x	3.7x
	4.8	3.8	3.7

Note: OCF for Q4-08 is on a reported basis and includes the results of VMtv operations