

unlocking potential

Annual report 1999



NTL – with the network that delivers

NTL is a national communications company that provides more kinds of services to more kinds of customers than any other supplier.

Our networks match the key technologies of the digital revolution – fibre-optic, broadband coax and copper, broadcast, satellite and radio. And we're in all the key application areas – telecoms, television, internet and mobile. While today this means we offer a diversity of solutions that customers cannot get from any other supplier, for the future it means that whatever new devices emerge as front-runners in the digital race, we're ready to support them.

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Financial highlights

For the year ended December 31

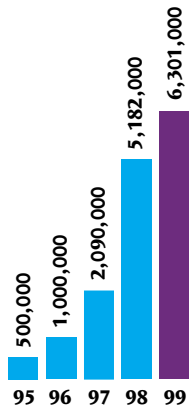
	NTL pro forma CWC/Cablecom	1999	NTL 1998*
Franchise homes	13,714,000	6,301,000	5,182,000
Residential customers	4,421,100	1,845,500	1,172,300
Business telecoms lines	300,800	186,500	128,400
Internet customers	915,000	625,000	200,000
Transmission sites available	–	2,019	1,311
Revenue (\$m)	–	1,584.1	1,094.4
EBITDA (\$m)	–	210.9	138.2
Gross fixed assets (\$m)	–	6,495.9	5,204.2

*1998 information includes NTL's acquisition of Diamond Cable Communications plc on March 8, 1999.

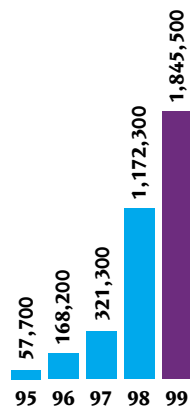


the complete communications company

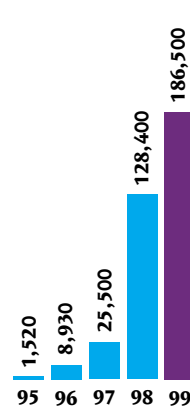
Franchise homes



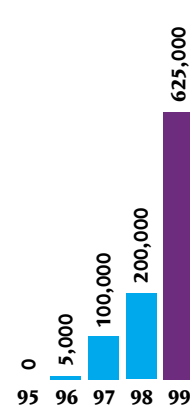
Residential customers



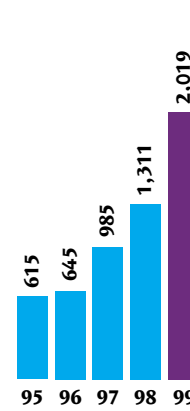
Business telecoms



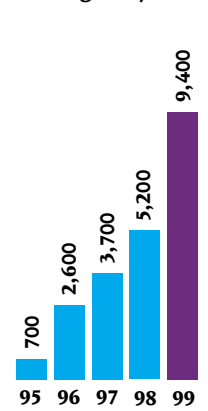
Internet customers



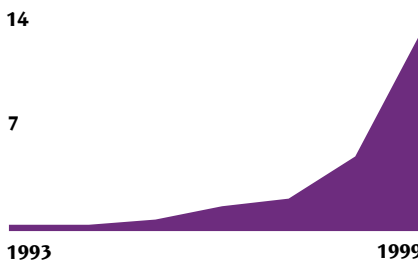
Transmission sites



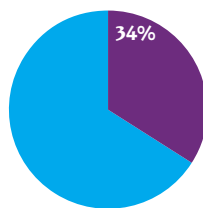
Number of associates (average in year)



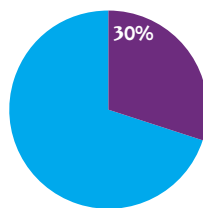
Cumulative capital raised NTL and historical related companies (\$ billion)



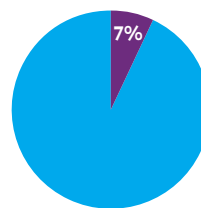
Share of UK cable market



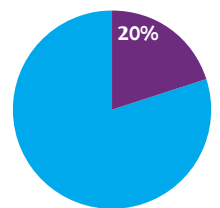
Share of competitive fixed telephony market non BT⁽¹⁾



Share of UK voice telecoms market



Share of UK internet market



(1) Assumes non BT market equals total market less BT customers

	Local	Long distance	National fibre network	Digital cable	Digital terrestrial	Digital satellite	Broadband access	National backbone	Portal	Programming	Broadcast transmission	Mobile
	Telephone			Television			Internet			Other		
NTL	●	●	●	●	●	W	●	●	●	●	●	W
BT	●	●										●
BSkyB						●						
Telewest	●	●		●			●	●	●			
Energis		●	●					●				
AT&T	●	●	●	●			●	●	●	●		●
Worldcom	B	●	●				●	●	●			

W = Wholesale or Carrier Services B = Business only

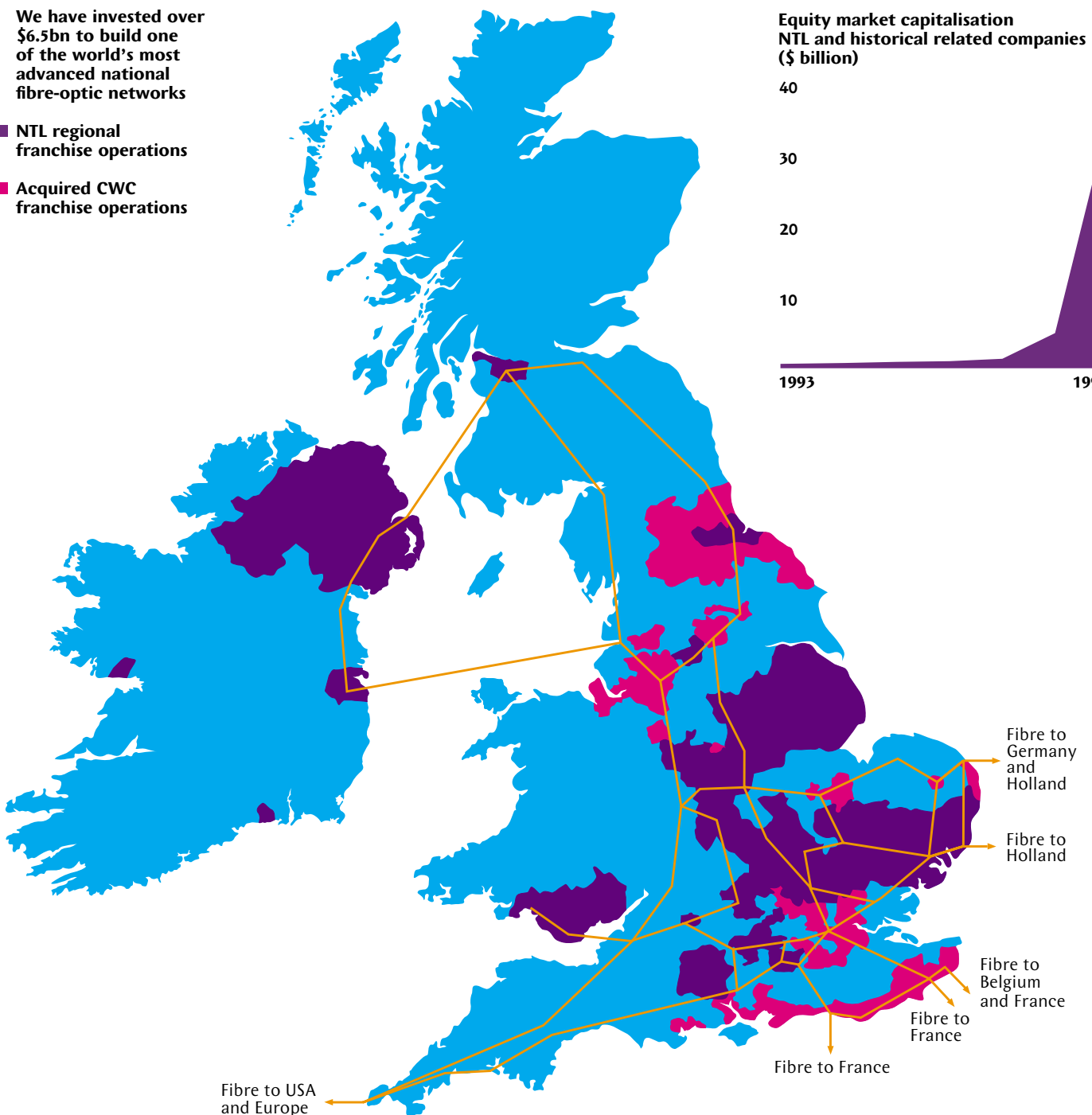
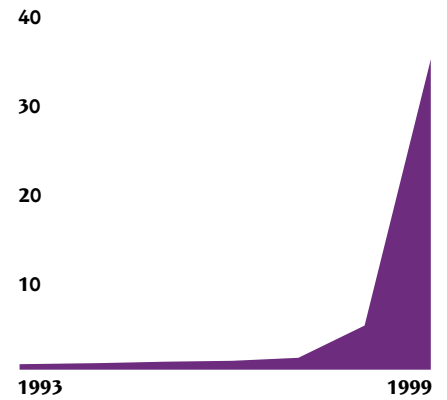
Every day, NTL delivers a wide range of communications services to more than 32 million homes in the UK, Australia, France, Switzerland and Ireland. For consumers, we are the only company that can deliver telephony, digital and analogue television, pay-per-view movies, interactive services and internet – all as one integrated service. For business, government, health and education customers we provide a range of telecoms, mobile, internet, carrier and broadcast services that is unmatched in our field.

We support our growing international operations from headquarters in the UK, and NTL companies and offices in cities in Europe, the USA, Australia and Asia Pacific.

We have invested over \$6.5bn to build one of the world's most advanced national fibre-optic networks

- NTL regional franchise operations
- Acquired CWC franchise operations

Equity market capitalisation NTL and historical related companies (\$ billion)



channelling new energies in Europe

Our 1999 acquisitions vault NTL to centre stage in this world of digital communications, where fibre-optic networks are making truly revolutionary services possible.

NTL's success is founded on customer care, future-proof technologies, and the unfailing energy of NTL people. This formula has produced exceptional results in the UK, where we consistently outperform other industry players in winning and keeping customers.

We took a giant step with a successful bid for the residential business of Cable & Wireless Communications in July. In one move we became one of the largest broadband companies in the world, with direct access to half of UK households, and two-thirds of urban households. The £8.2bn/\$13.1bn deal was agreed with the support of France Telecom, which invested £3.5bn/\$5.5bn for a 25% stake in NTL. On completion during 2000 the enlarged NTL will have around three million customers and 16,000 associates in the UK – giving us the scale and national coverage to improve operating efficiencies and compete more effectively. With our track record of integrating acquired companies into NTL, we are confident of building synergy quickly with CWC. In the same month we also acquired Cablelink, Ireland's largest cable operator.

In the next few years, as interactive television and high-speed internet services become as universal as the telephone, our purpose-built fibre-optic networks give us the technical strength to provide these services more cost effectively, faster and on more devices than our competitors.

We have more broadband fibre close to UK homes than is available in other countries, and can access the internet at the lowest cost in the world. With cable modems and ADSL technology we have the potential to deliver speeds 100 times faster than

normal dial-up access, and we're ready for the next leap with internet access on the new generation of mobile phones – another field in which Britain leads the world.

The fantastic business we've built in the UK puts us in a strong position to use our expertise internationally. We are increasingly active in mainland Europe, where the recently liberalised telecoms marketplace presents a huge opportunity. France, for example, has only half of the UK's estimated 10m internet users, and in Switzerland cable television is virtually a utility, with high penetration and low take-up of premium channels. We believe from our UK experience that we can raise take-up by combining services into highly attractive packages that reflect the way customers want to buy.

During the year we clearly signalled our intention to build a major presence on the continent, using the scale gained through our strategic partnership with France Telecom. Having established our credibility in Europe, we bought 1G Networks, the French cable network formerly owned by France Telecom, and Cablecom, Switzerland's largest cable operator.

With governments around the world introducing privatisation programmes, there are also openings for us based around state-owned broadcast networks, and we took our first big step beyond Europe by acquiring the Australian National



Transmission Network. We have rapidly transformed it into NTL Australia, and see great prospects for capitalising on our UK experience as the country follows Britain into digital broadcasting next year. We also have offices in Kuala Lumpur, Bangkok and Singapore, building local relationships to help us take advantage of opportunities that suit our business strategy.

There's no doubt we established our credentials in 1999 as a company that can manage fast integration – thanks to the tireless determination of NTL associates, and the support of investors and business partners. In this survival-course of a year, our special thanks go to the people who make it all work – with the systems, legal frameworks and other essentials. All NTL associates participate in the stock option programme – a reflection of our unique culture and the commitment to building this business together. There is no slowdown in our momentum in the current year because we see no limit to what we can do, or to the opportunities to do it.

George S Blumenthal

George S Blumenthal

Barclay Knapp

Barclay Knapp

united under one brand

Prompted brand awareness (%)

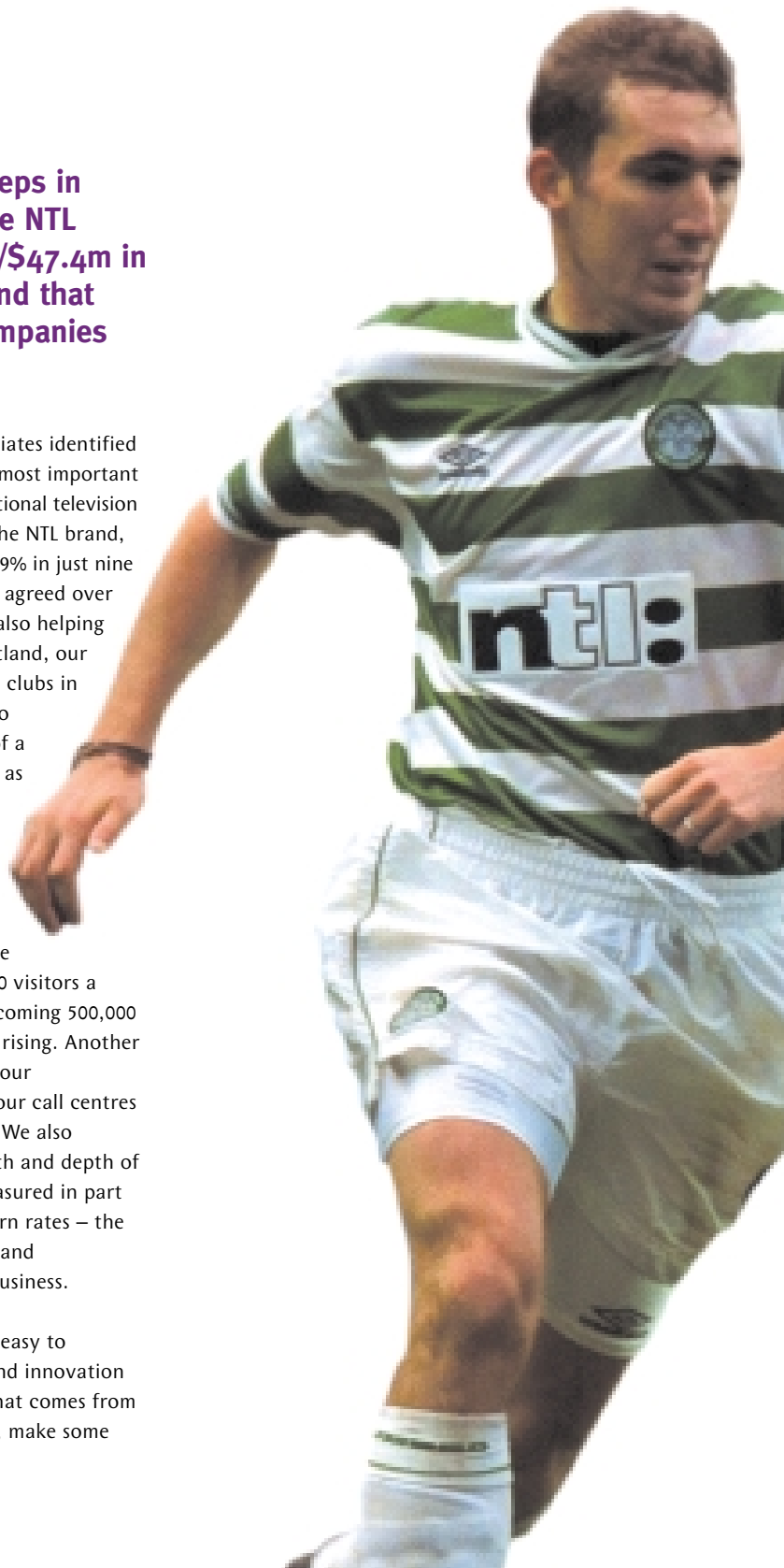


One of our most visible steps in 1999 was repositioning the NTL brand – investing £29.6m/\$47.4m in creating a strong new brand that unites all our acquired companies under one umbrella.

Early in the year, a survey of NTL associates identified our ‘ntl-who?’ low profile as the single most important issue for change. With our first-ever, national television advertising campaign to re-introduce the NTL brand, we trebled public awareness of NTL to 69% in just nine months. The series of high-profile deals agreed over the year with leading football clubs is also helping to make NTL a household name. In Scotland, our sponsorship of both Celtic and Rangers clubs in Glasgow has driven awareness of NTL to around 75% – underlining the appeal of a brand that has local operations as well as national reach.

We can see the positive effects of becoming better known and understood in marketing activities across the company. In March 1999, the ntl.com web site registered some 52,000 visitors a month. By November, the site was welcoming 500,000 visitors a month, and numbers are still rising. Another 65,000 potential customers respond to our ‘askntl.com’ web site, and requests to our call centres for information are increasing steeply. We also continuously track the growing strength and depth of the NTL brand and progress can be measured in part through the gross penetration and churn rates – the key indicators of customer confidence and satisfaction in our consumer services business.

Visually, our new corporate identity is easy to recognise. It conveys the excitement and innovation of NTL, and reflects the unique spirit that comes from our basic philosophy – ‘have some fun, make some





money and do some good'. Our brand positioning of NTL as a trusted guide is also gaining recognition in the marketplace.

Taming technology

We developed this brand position after commissioning some detailed research on consumer attitudes. Not only did the research reveal a deep insecurity about choosing and using new technologies, but also that consumers were confused by companies offering complex terms and cost structures for television and telephony services. Since our success has grown from looking at life from the customer's viewpoint, it was natural for us to begin building a brand based on a relationship of trust, advice and guidance with

customers. With the range of new consumer services on the horizon, a brand that's known for simple pricing, non-technical language, and people with time to explain, will have immense appeal.



Another benefit of a strong brand is being able to attract top talent into our operations. The 200 job-seekers who

visited our web site in March had exploded into 17,500 people a month by November – more than our entire workforce. In marketing as elsewhere in the company, this has enabled us to strengthen the team with highly capable people. This marketing power will be key in making a success of our acquired businesses under the NTL brand, and pushing for the higher penetration levels we want to achieve in the future.

adding value step by step

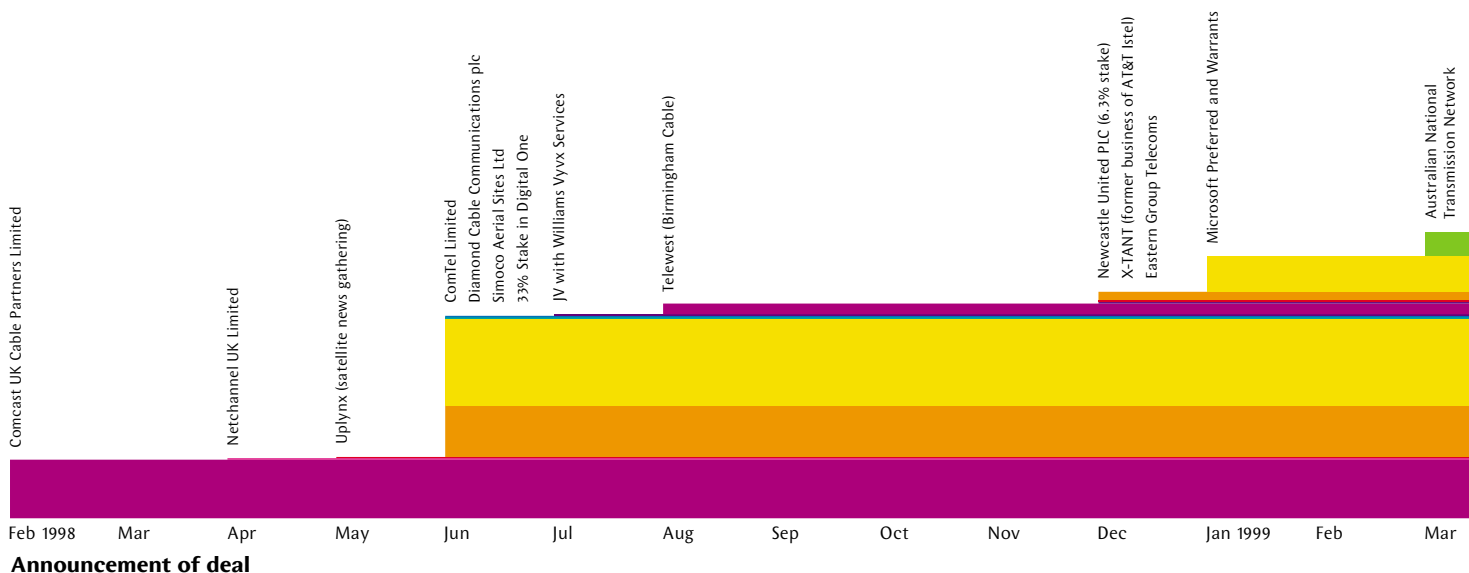
As other countries gear up to privatise state-owned networks, and move to digital technology, there are many opportunities for us to replicate our successful formulae.

Our rate of acquisition has speeded up over the past two years, during which our market capitalisation increased to \$35.1bn. The driving force is the excellent business we have built in the UK, and our unrivalled breadth of commercial and technical communications know-how. We now have a highly successful track record in integrating companies into NTL and improving their performance. Consolidation also enables us to improve the use of our backbone network and rationalise duplicated operations, while gaining economies of scale in such areas as marketing, purchasing and product development.

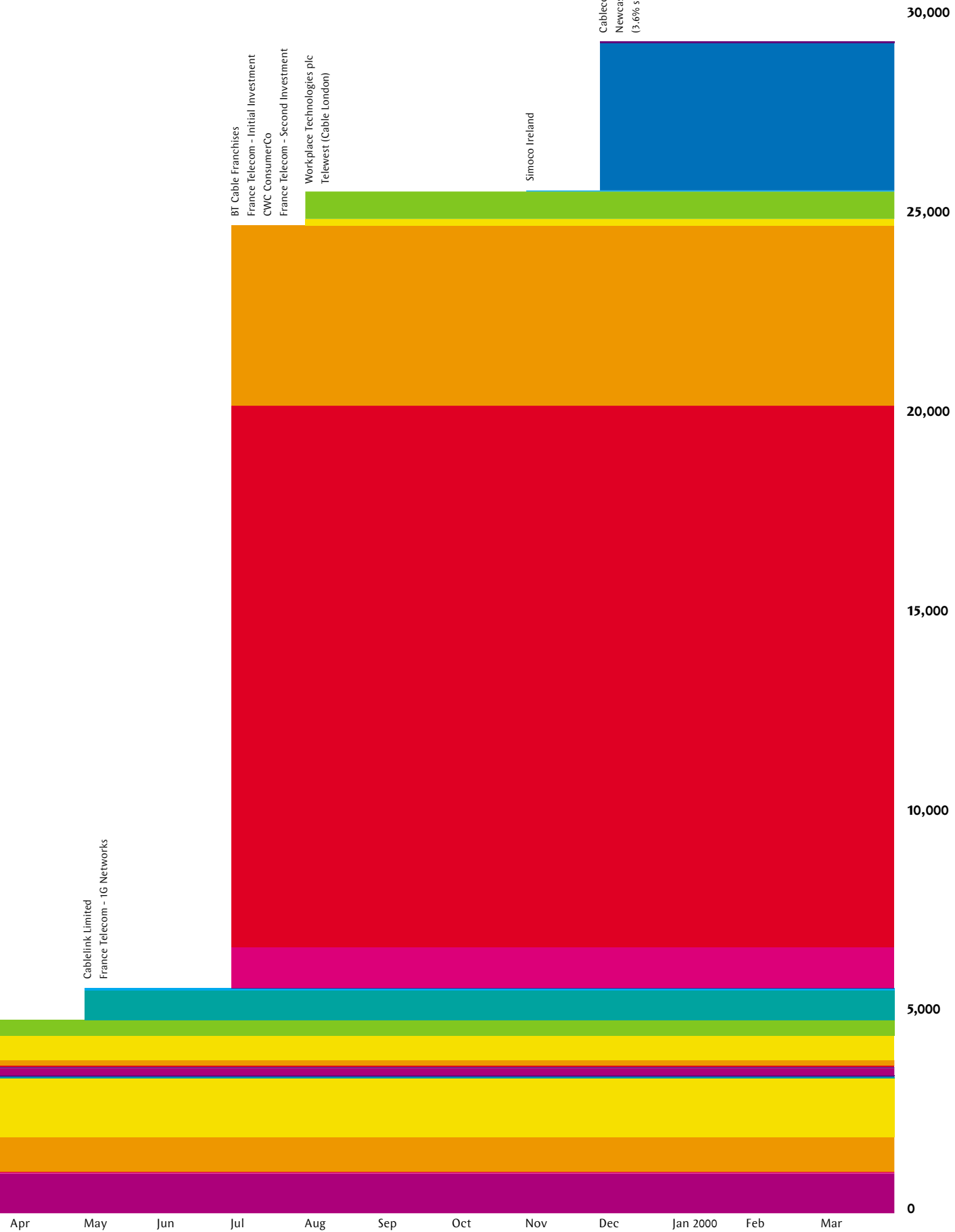
We could not have achieved this tremendous growth without the relentless efforts of our business support teams – human resources, legal, finance, and many

others. Already this year, our IT people have begun the massive task of integrating all of the inherited IT systems into one single NTL system.

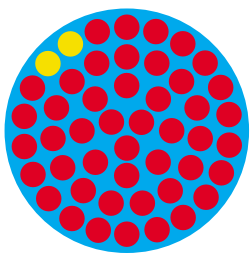
Our acquisition opportunities are increasing as governments and media organisations around the world look for private-sector expertise and access to finance to help them face the challenges of providing better services and migrating to digital technology. Our track record makes us an obvious contender: no other company can handle the whole project as we can, and has the record to prove it. Our spirit of innovation is undiminished, and we have excellent prospects both for continuing to build our existing businesses and for making acquisitions in the UK and internationally where they fit our business strategy.



Cumulative transaction size (\$ million)
Includes assumed debt



dramatically increasing the flow



Just two of the 48 fibres in one of our four national network ducts could handle all of today's UK telephony traffic.

Just as early electricity pioneers probably did not imagine the microwave oven, we can't yet foresee all the possibilities of the advanced infrastructure we're building.

Our networks are our biggest asset. Having invested more than £4.06bn/\$6.5bn in building one of the world's most advanced fibre-optic networks, we have practically unlimited capacity to deliver the services that customers want now, and those they'll want in the future.

These are broadband networks – stretching 3,500 route miles across the UK and Ireland, and able to carry far more information at many times the speed of traditional wires. For example, just two of the 48 fibres in one of NTL's four national network ducts could handle all of today's UK telephony traffic. We also have more capacity and flexibility in the crucial 'last mile' to customers than our competitors, with regional networks of broadband cables running past around one third of UK homes and businesses in the densely populated regions where we hold cable franchises. In addition, we have greatly strengthened our international capability – multiplying the available capacity to the US and Europe, and laying the foundations of a European backbone. So while we're already unique in terms of delivering more kinds of services to more kinds of customers, we also have unique potential. Our networks help provide a world-leading infrastructure that positions the UK to meet the demands of the broadband revolution. With the latest transmission and switching technologies like Internet Protocol (IP), NTL's networks are ready to meet the explosion in usage of internet services and all forms of e-business. One powerful boost in

demand will come from the low-cost, high-speed internet access we are making available to businesses and homes this year. Another will come from the introduction of internet services – including video – on the latest generation of mobile phones. And we expect more innovation in the future with many devices in homes and offices able to communicate data. Whatever those devices and services turn out to be, our networks put us in an unrivalled position to support them.

Future-proof investment

The partnerships we set up with key industry suppliers during the year are aimed at maintaining our lead in digital communications, and will reinforce our ability to deliver virtually unlimited capacity for increasingly bandwidth-hungry customers and services, across the full extent of our networks. These projects will enhance our infrastructure for combined voice, data, vision, internet and other digital services, and unify the NTL backbone network with the networks of recent acquisitions. The work will improve our reach and cost-base, while also 'future-proofing' our infrastructure to allow us to plug in new acquisitions and get the benefits of synergy more rapidly. Among those who will benefit from enhanced services over the next few months are customers of Cablelink, Ireland's largest cable television operator. By acquiring Cablelink in 1999 NTL became the largest broadband telecommunications provider in the UK and Ireland.

While still leaving room for whatever the future brings, as our competitors' services trickle along conventional wires, NTL's high bandwidth fibre-optic networks can deliver a flood of services to homes and businesses, internet at up to 100 times the speed of dial-up service, video on demand, fast data transfer, videoconferencing, telephony, television and more.



putting customers in control

We have built NTL into a national company by putting customers at the heart of all we do. Rising customer numbers underline the success of a proposition based on superior choice and simplicity.

We now have some 1.8m residential customers, up from 1.1m in 1998, not including the latest acquisitions. Customer take-up and loyalty are key measures of our performance, and churn (customers discontinuing our services) at 12% is less than half the industry average. Our penetration of the cable telephony and television market in our franchise areas is 48.3%, almost double the level achieved by competitors, and our latest quarter shows a 6.4% annualised increase. We are also seeing measurable improvements in these figures for the companies we integrated into NTL, demonstrating our ability to manage integration and apply best practices rapidly.

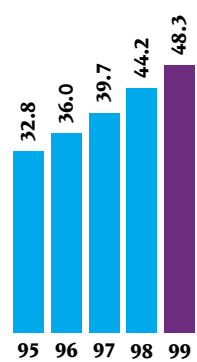
From the outset, we have put customers at the heart of everything we do, allowing their preferences to drive the way we operate. We offer small bundles of services and channels, plus a menu from which customers can choose.

The success of our strategy validates our belief that UK customers prefer to pay as they go instead of being locked into a large bundle of services they regard as superfluous.

The high buy-rate for Front Row, our pay-per-view movie service, owes much to our advanced technology that puts customers in control – allowing them to buy movies on impulse, simply by using their TV remote control. Another reason for Front Row's continued success is that we negotiate directly with the Hollywood studios for high-quality content, instead of buying through intermediaries.



Customer penetration (%)
(old NTL franchises)



in touch nationally



Customers are spoilt for choice when it comes to TV. We offer programmes to suit everyone and they're all available from the best channels.

Our entry-level product package offers telephone, internet access and multi-channel TV for the same price as BT's line rental.

During the year a survey by JD Power placed NTL in the top spot for overall customer satisfaction for both fixed telephone line and cable TV in the UK. Ofcom statistics also confirm the quality of our customers' experience: we had fewer reported faults, and cleared them faster than our competitors. Our aim now is to create strong relationships with customers who are loyal advocates of NTL.

We are also converging eight billing systems from our various acquisitions into one – an ambitious IT alignment programme that will enable customers to benefit from better, faster information and a positive experience of NTL.

National reach

Another landmark of 1999 was achieving our strategic goal of becoming a truly national company. NTL networks currently pass around a third of the households in Britain, but we can now offer the same, top-value telephone calls and internet access to the whole of the country, whether or not customers connect directly to our networks or link through third-party lines. This generates more traffic on our high-capacity optical fibre network, and puts us in line to become a major player in the national domestic telephony market.

With this national reach and our national brand campaign, it was important for the activities of all the companies acquired by NTL to converge into one business model. One Price One Product (OPOP) went live in August – a new pricing and product structure that cuts across regional variations and provides a

unique choice of products under a simple charging system. For example, it included a new entry-level offer for customers that packages together telephone, internet access and multi-channel TV, all for the same price as BT's line rental of £9.25/\$14.80 a month. This has brought a great improvement for customers of some of our recent acquisitions, and the rising take-up rate is proving that the NTL model, which allows customers wide freedom of choice, applies equally well across all our extended operations.

As part of the One Price One Product concept we introduced the powerful national proposition of the simple '3-2-1' charging structure for telephone calls. For local or national calls, independent of distance, the charge is 3p a minute in daytime, 2p in the evenings and 1p at weekends. We saw immediate results in our business for the fourth quarter, and expect the upward trend to continue. In particular we are prepared for a massive increase in internet use and an associated demand for second telephone lines, triggered by our announcement in early 2000 of free, unlimited access to the internet for our residential telephony customers across the country. Called ntlworld, the service became available in April 2000 for PC users, with internet access via TV scheduled for May.

We also made the cable TV choice equally simple: customers get all the usual TV features and a selection of cable channels, then can choose from up to four extra cable packages designed around particular interests. We have recently seen take-up almost doubling based on these simple channel packages – confirming that we're getting it right.



pricing policy is a runaway success

Against competitors' complex telephone pricing, NTL's charges are a breath of fresh air. For the first time there's no distinction between local and national calls, and no confusing pricing plans.

Customers can add to basic packages with products, such as our Front Row movie service or more television channels. At the end of the year we announced an agreement to carry Flextech and UKTV channels on our digital cable service. This covers Flextech's wholly owned channels – Living, Bravo, Trouble and Challenge TV – as well as five channels owned by its UKTV joint venture with the BBC, UK Gold, UK Horizons, UK Style, UK Play and UK Arena.

First for innovation

We laid a base for further innovation with a number of trials and initial launches, and we expect to generate substantial revenue as we build on them in 2000. For example, Front Row's five-channel pay-

per-view movie service is now moving to Near Video On Demand (NVOD). Choice and convenience have proved to be key attributes in buy-rates for movies, so the upgrade to 50 channels providing a choice of 12 or more films starting every 15 minutes will have strong appeal. Taking this strategy a step further, plans are already in hand to move to true Video On Demand (VOD) on our cable network in the coming year, and win a far larger share of entertainment spending.

The agreement with DIVA UK Limited we announced in September allows us to use their advanced fast-forward and rewind technology – offering viewers 'video-like' choice and control from their



homes, with immediate access to a wide and continuously changing selection of movies and special-interest material.

We launched the UK's first Interactive TV service in March – delivering a mix of TV programming, web access and online shopping to subscribers through a set-top box, analogue TV tuner and a modem. We are now advancing this by introducing the first phase of our digital interactive service by mid year. This will include NVOD, an Electronic Programme Guide that covers viewing on all channels for eight days ahead, and ultimately a range of integrated TV internet services.

High-speed internet

As part of this, our customers will also benefit from unparalleled, high-speed internet services through their TV – over digital cable for customers on our network, and via DTT for those not directly connected.

We will also offer TV-internet in our entry-level package of combined telephone, TV and internet services. All of this can run on customers' existing equipment without specialist installation: we will deliver VOD and high-speed internet access to NTL's digital cable set-top boxes over our broadband network. The mass availability of email – not only to PC users but to anyone with a TV set – will transform how people communicate, and our pricing structures are designed to open up the vast potential of the internet for every home.

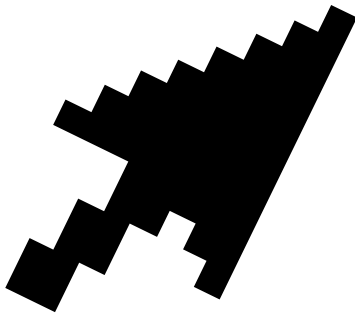
We're also working to end the 'world wide wait' of slow internet speeds for cable customers with PCs, and will have launched a new cable modem product to work with our PC-internet service during the year. We are making super-fast internet access a reality. The new modems run 10 times faster than dial-up lines currently available, giving our customers among the fastest download speeds in the world.



Free internet access at any time

business solutions hit the mark





We use a whole spectrum of NTL technologies and resources to provide complete, multi-service solutions for businesses from large corporations to local companies.

NTL has a track record in winning long-term contracts for business services – not only in broadcast television, radio and satellite services which are reviewed on page 22, but also in telecommunications for organisations nation-wide and carrier services for major telecoms operators.

We have continued to grow our business-to-business operations by focusing on specific NTL competitive advantages. One area where we lead is in the diversity of technologies and resources we can bring together to custom-build complete solutions. Another key advantage is the ability to capitalise on the superb network we've built under the streets to provide high-performance communications. A third important strength is international reach, both through our satellite facilities and vastly increased capacity on our routes into Europe and the US.

Portfolio for corporate customers

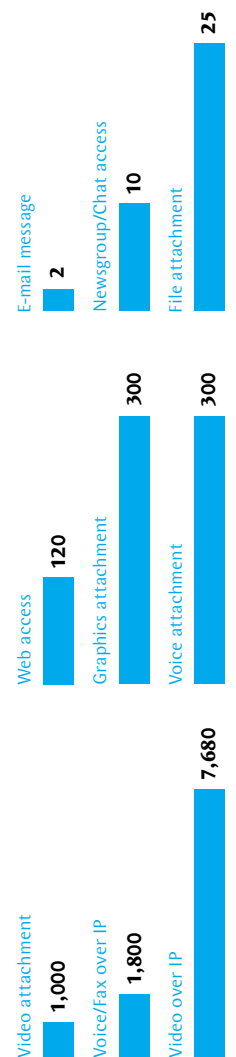
In the corporate marketplace, we took the very significant step of acquiring the data networking company Workplace Technologies for £108m/\$173m – greatly strengthening the core national telecoms proposition we offer to large corporate customers. There is natural synergy between our operations, with the new company providing expertise in data network planning, design and installation within enterprises. With this new capability, we have provided and now manage the core communications systems for the Millennium Dome in London, including a converged voice and data network with one of the first-ever commercial uses of voice over IP.

We provide national, regional or local telecoms solutions to large corporations or local businesses and organisations across the country – connecting them into our networks either directly or indirectly through a third party. Customers get a 'one-stop' answer to their business communications needs because we have all the skills and technologies within NTL to combine voice, vision, data and internet services in the most cost-effective way to support their business.

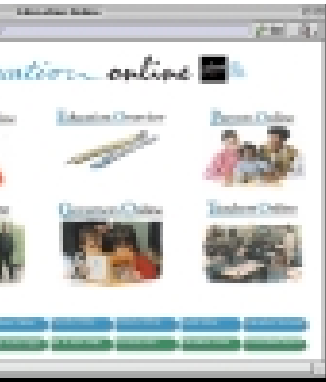
For example, we build and manage Wide Area Networks (WANs) that interconnect hundreds of branches across the country for customers such as the Royal Bank of Scotland and Comet, and the hire equipment firm HSS. We built a virtual private data network for the Ulster Bank to handle data transfer between its branches and headquarters in Belfast and Dublin. And also in Northern Ireland, we provided the lines to handle the Abbey National Bank's outbound call traffic from its call centre building.

We strengthened our position as an internet provider for business by extending into web-based products and services announcing two products designed as easy first steps that create a platform for the future. Following our 'one stop internet access solution', one of the UK's first pre-packaged business internet solutions, we launched Virtual Web Hosting. This allows organisations to manage their own virtual web environment by building their own web sites or upgrading existing solutions.

Bandwidth explosion (Kbps per action)



Source: Merrill Lynch



Our strategy is to become a leader in the e-commerce marketplace by providing affordable, innovative solutions to help businesses benefit from the net.

In 2000 we will introduce a range of e-shopping products, through a partnership with Intershop, to help companies put their business on the web. These start from a simple e-page (like an electronic business card) and rise to enterprise services like accounting and other business applications and components they can buy and download as they need.

More traffic on our networks

Our carrier business grew strongly with customers such as Britain's major cellular phone operators and international telecoms operators like GlobalOne and Energis. One notable success was our completion of the UK portion of European fibre networks for five international operators.

Our networks now carry around 20% of the UK's mobile phone traffic, and we are taking up new opportunities to extend our services beyond providing bandwidth for operators' core networks. The value of business with Orange almost doubled during the year, and further network-building projects open great potential. For Vodafone, we have begun to roll out local/rural networks that capitalise on the cable capacity in our franchise areas and our extensive site portfolio.

Britain has a world lead in mobile telephony, and with a new generation of internet-capable mobile phones emerging, we are well placed to provide the high-bandwidth services that operators will need. Our networks also provide the backbone for the successful internet service providers Which? Online and for Virgin Net, with whom we agreed a three-year contract extension. We are working with Virgin Net to help develop new services and increase subscribers to a forecast 1 million during 2000.

Strength in the public sector

NTL already has a market-leading presence in the public sector, where education, healthcare and local government organisations are among our largest customers.

Among new business were orders from Swansea, Southampton, Surrey and Strathclyde universities, adding to the 25 already communicating on NTL networks (including Oxford and Cambridge). For the past two years we have been working in partnership with the Technology Colleges Trust (TCT) – helping to pioneer a Supergrid for Learning that provides a level of computer-aided education above the Government's National Grid for Learning. Using NTL's networks, TCT schools only pay a quarter of the standard price to access the online educational service TCTRUST.net through powerful 2Mb broadband connections. The Trust works with more than 500 schools and technology colleges.

Our national education programme is backed up by local projects, such as the £250,000/\$400,000 education initiative launched early in 1999 as construction of our regional network in Londonderry neared completion. This gave local schools the chance to 'test drive' the world wide web free for two years – and use the advanced technology on their doorstep. We have also created a network for Hertfordshire County Council that connects some 200 schools into a local grid for learning. This is currently the biggest email project for schools in the UK, with every teacher and pupil in the county having their own email address.



NTL the
one stop shop
for e-commerce

mirroring success down under

Through our 45 years' experience, 2,019 transmission sites and pioneering work in digital technology, we have a world-leading capability in broadcast and radio that is highly attractive to customers and business partners.

We entered the new millennium with an order book standing at around £1.5bn/\$2.4bn. This includes a solid list of long-term contracts for broadcasting television channels 3, 4, 5, S4C, SDN and Digital 3/4, as well as most of Britain's independent radio stations, satellite services, and radio communications for around 70% of the country's emergency services.

This arm of our business has grown beyond recognition since we acquired the former engineering and transmission infrastructure of the Independent Broadcasting Authority in 1996. Revenue rose again by some 25% over 1998 to £126.2m/\$201.9m, pushed up by our international ventures, the UK's introduction of digital terrestrial television (DTT), commercial digital audio broadcasting (DAB) and the rising demand for outsourced radio services. Growth is continuing strongly in the current year.

The roll-out of the UK's first DTT network to around 80% of the population marked an historic event for the country, and another successful achievement for NTL. We designed and built the delivery systems, and hold the transmission contracts for two of the four multiplex operators.

Global opportunities

The largest of our strategic international steps was the acquisition of Australia's National Transmission Network in May, which brought us 550 transmission sites providing television and radio coverage to

more than 98% of Australian households. Over the year we successfully managed its transition from a government-owned entity to a commercial, customer-focused company, and our Australian operations are exceeding our original EBITDA expectations. Besides taking over existing contracts, there are big opportunities for us to win new business as Australia follows the UK into the digital era with the launch of DTT in 2001.

Our unique capability in this field puts us in a strong position to win more Australian business. In addition to the national network, we have immense experience from our ground-breaking work in interactive services and from the UK's transition to digital. We are working in partnership with public and private sector organisations on a number of trials, and are looking at opportunities to offer new broadcast, wireless, and digital services across the country.

Globally, we are exploring new business prospects in digital and privatisation projects, and have opened offices in the Asia Pacific region. In Singapore we are working with government agencies to plan the introduction of digital television, and with the Television Corporation of Singapore on a trial of the world's first-ever, mobile digital TV system for use on buses. In Europe we are pursuing opportunities to take part in a multiplex consortium and also handle transmission – similar to the UK situation with SDN, where we have a stake in both content and broadcast.



relying on NTL not to miss a beat

Time critical solutions are essential parts of the packages we offer the UK's emergency services. Our fast and reliable response times have helped us become Britain's largest communications supplier to police, fire service, ambulances and lifeboats.

In the UK, our nation-wide network of towers and sites is a key asset, and the excellent coverage it offers is enabling us to capitalise on the growth in demand for wireless communications generally. In local commercial broadcast radio, we built on our success as part of the consortium behind Digital One (which holds the UK's national digital radio licence) by extending our substantial analogue radio business to digital. For example, we agreed a 10-year deal with the CE Digital consortium (Capital and Emap) to provide transmission systems for London, Birmingham and Manchester, and we are also building the Glasgow network for Score Digital.

By awarding us a contract worth more than £70m/\$112m, the Metropolitan Police Service in London became the first police force in the UK to outsource all the operational and maintenance

responsibility for its radio communications. This was one of a number of important contracts won during the year to upgrade radio communications for emergency services – including the Lancashire Ambulance and Northumberland Fire Services, and the Royal National Lifeboat Institution.

There is also wide scope for us to win future contracts for mobile communications coverage inside buildings, where reception has previously been poor. One big success was providing in-building communications for Bluewater in Kent, one of the largest shopping centres in Europe.

We continue to pioneer new technologies, and are exploiting our 10GHz licence to provide digital services via radio, by developing a new wireless technology that uses radio waves to transmit digital signals between wireless base stations on our network and customers' premises. This will enable us to deliver services to customers beyond our local franchise areas – without the expense and disruption of digging up roads.

'End-to-end' satellite services

NTL's satellite business continues to add capacity and win new customers, and grew by some 50% during the year, having broadened enormously from the original activity of offering full-time satellite transmission services on broadcast satellites (such as Discovery Channel on the Astra satellite). We now offer an 'end-to-end' global broadcast and media service from electronic satellite news gathering (ESNG) through to playout, with distribution over a range of digital media as customers prefer – global satellite feeds, national fibre backhaul, international carriage under the sea, or a mix of all three.

We now have capacity on more than 50 of the world's satellites directly from our teleports, and through world-wide partnerships can provide services to more than 100 satellites around the globe. Along

with continued business from the BBC, Flextech, and Turner Communications on Astra, we have new contracts from companies like Studio Universal, the international movie channel, which became the latest customer to sign up for capacity on our Orion cable distribution platform.

The opening of our new, multimillion-pound Digital Media Centre (DMC) near Heathrow airport gives us an even wider portfolio of digital services, with state-of-the-art production and playout facilities. It forms a super head-end for our digital cable services, and also houses a master control room able to handle up to 600 broadcast channels, including an NVOD operation with a library of more than 40,000 tapes. It is already home to British Eurosport, and we have recently signed a playout contract with ONrequest for five pay-per-view movie channels.

Early in 2000 we opened a new master control room at Crawley Court to support our occasional satellite business. This 'one-off' news and special events business more than doubled in size against 1999, with customer numbers rising from 32 to 45, and turnover up by 66%. We are specialising in the high-end production market to support major international customers like Reuters and CNN. Many companies use this service in conjunction with our ESNG operations, to which we have added more vehicles to cover major events like the Rugby World Cup and the wedding of HRH Prince Edward. Through our strategic alliance with Williams Vyvx, a US video services provider, we also turned on an additional fibre service between New York and London to carry news and sports events to broadcasters on both sides of the Atlantic.

In 2000, the opening of our fourth teleport near Winchester, Hampshire will help us meet rising demand by doubling the number of our antennas in operation today. It will also be used for major telephony/data routes and internet backbone services into Asia and Africa.

@ the hub of the digital revolution

We're merging internet content with TV entertainment to create a new experience – interactivity.

Our vision is to provide consumers with whatever services they want, whenever they want them, on any device – mobile phone, television, PCs and PDAs, and devices not yet invented. The internet is central to this, but the delay and difficulty of ordinary dial-up access is currently holding back its full potential. We expect the high-speed access our networks can provide to transform the way that businesses and consumers interact with each other.

Pioneering new services

For customers unable to connect to our networks we introduced a pioneering TV-internet service during the year – opening the benefits of the internet to virtually anyone with a TV set and a telephone line. New developments this year will make this even more attractive to the 18m UK households that do not have a PC. We also went live with the UK's first interactive television service in March – offering a wide choice of entertainment, information and e-commerce, initially through six channels. We have been highly successful in attracting partners to provide content for our interactive services, with a strong take-up from more than 40 brands. These include the Tesco supermarket chain, EMAP, Ticketmaster, Internet Movie Database, Bargainholidays.com and ABC Traveltime. More national names were added later in the year, such as Beeb.com and the Arcadia retail group. In addition to our revenue as a network and service provider, we will also share in revenues from advertising, e-commerce and spin-off ventures.

The next step in this area is the launch of phase one of our digital interactive TV service by mid year.

This has been a complex undertaking to bring internet capabilities to the TV and also allow full access to the web instead of the selected pages offered by other providers.

Through a partnership with Microsoft announced in January 2000 we will also offer a unique, nationwide service that will bring interactivity and enhanced TV to DTT viewers as well as our cable customers. Microsoft TV is an internet-based platform that includes digital video recording (DVR) – a solid-state (no tape) technology that will allow consumers to personalise and schedule their own television viewing.

Investing in content

These initiatives also open the way for a new form of vertical integration in which NTL is also gaining ground as a content provider – first by negotiating direct with studios for movies for Front Row, and now by investing in sport. The joint venture between our subsidiary Premium TV and Eurosport to create British Eurosport has been very successful, with the channel now being carried on all three television platforms – satellite, terrestrial and cable. Through Premium TV we have also extended our relationships with leading football clubs in the UK raising our equity stake in Newcastle United from 6.3% last year to 9.99% as part of a media partnership, and announcing a five-year media deal with Aston Villa in January 2000. We see these investments as an exciting way of using our technology assets to further our strategy of supporting sports and sports programming.

ntl:

menu  10 emails

books, music, movies
clothing & accessories
food & drink
electronics
toys & gifts
home & health



shopping

Selected financial data

The following table sets forth certain financial data for the years ended December 31, 1999, 1998, 1997, 1996 and 1995. This information should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report.

(In thousands, except per share data)	Year ended December 31				
	1999	1998	1997	1996	1995
Income statement data:	(1)	(2)		(3)	
Operating revenues	\$ 1,584,134	\$ 747,015	\$ 491,755	\$ 228,343	\$ 33,741
(Loss) before extraordinary item	(732,683)	(503,927)	(328,557)	(254,454)	(90,785)
Net (loss)	(735,717)	(534,616)	(333,057)	(254,454)	(90,785)
Basic and diluted net (loss) per common share:					
(Loss) before extraordinary item (4)	(6.75)	(8.12)	(6.79)	(5.25)	(1.92)
Net (loss) per common share (4)	(6.78)	(8.60)	(6.88)	(5.25)	(1.92)
Weighted average number of common shares used in the computation of basic and diluted net loss per common share (4)	119,418	64,378	50,183	48,502	47,172
	As of December 31				
	1999	1998	1997	1996	1995
	(1)	(2)		(3)	
Working capital (deficiency)	\$ 2,261,463	\$ 600,549	\$ (52,344)	\$ 242,102	\$ 76,128
Fixed assets, net	5,597,648	3,854,430	1,756,985	1,459,528	639,674
Total assets	12,211,566	6,194,097	2,421,639	2,454,611	1,010,669
Long-term debt	8,798,024	5,043,803	2,015,057	1,732,168	513,026
Senior Redeemable Exchangeable Preferred Stock	141,805	124,127	108,534	—	—
Shareholders' equity (deficiency)	2,136,892	355,154	(61,668)	328,114	339,257

- (1) In March 1999, the Company purchased Diamond for an aggregate purchase price of \$978 million, including intangibles aggregating \$1.3 billion. In April 1999, the Company purchased the Australian National Transmission Network for an aggregate purchase price of \$423 million, including intangibles of \$221 million. In July 1999, the Company acquired Cablelink for an aggregate purchase price of \$693 million, including intangibles of \$669 million. In August and December 1999, the Company acquired the 1G Networks of France Telecom for an aggregate purchase price of \$60 million, including intangibles of \$65 million. In September 1999, the Company acquired the shares of Workplace Technologies plc, for an aggregate purchase price of \$173 million, including intangibles of \$177 million. The net assets and results of operations of Diamond, the Australian National Transmission Network, Cablelink, the 1G Networks and Workplace Technologies are included in the consolidated financial statements from their respective dates of acquisition.
- (2) In June and September 1998, the Company purchased ComTel for an aggregate purchase price of \$969 million, including intangibles aggregating \$224 million. In October 1998, the Company purchased Comcast U.K. for an aggregate purchase price of \$600 million, including intangibles of \$130 million. In December 1998, the Company purchased EGT for an aggregate purchase price of \$151 million, including intangibles of \$45 million. The net assets and results of operations of ComTel, Comcast U.K. and EGT are included in the consolidated financial statements from their respective dates of acquisition.
- (3) In May 1996, the Company purchased NTL Group Limited for an aggregate purchase price of \$439 million, including goodwill of approximately \$263 million. The net assets and results of operations of NTL Group Limited are included in the consolidated financial statements from the date of the acquisition.
- (4) After giving retroactive effect to the four-for-three stock split by way of stock dividend paid in August 1995, the five-for-four stock split by way of stock dividend paid in October 1999 and the five-for-four stock split by way of stock dividend paid in February 2000.

The Company did not declare or pay any cash dividends during the years indicated.

Management's discussion and analysis of financial condition and results of operations

Results of operations

As a result of the completion of the acquisitions of ComTel in the second and third quarters of 1998, Comcast U.K. (now known as NTL (Triangle) LLC ("NTL Triangle"), formerly NTL (Bermuda) Limited) and EGT in the fourth quarter of 1998, Diamond in March 1999, the Australian National Transmission Network ("NTL Australia") in April 1999, Cablelink in July 1999, the "1G Networks" of France Telecom in August and December 1999, and Workplace in September 1999, the Company consolidated the results of operations of these businesses from the dates of acquisition. The results of these businesses are not included in the 1998 results except for the results of operations of ComTel, NTL Triangle and EGT from the dates of acquisition.

Years ended December 31, 1999 and 1998

Residential telecommunications and television revenues increased to \$834,339,000 from \$355,589,000 as a result of acquisitions and from customer growth that increased the Company's current revenue stream. The 1999 and 1998 revenue includes \$471,874,000 and \$74,213,000, respectively, from acquired companies. The Company expects its customer base to continue to increase as the Company completes the construction of its broadband network past the remaining homes in its franchise areas.

National and international telecommunications revenues increased to \$547,895,000 from \$248,895,000 as a result of acquisitions and from increases in business telecommunications revenues, Internet services revenues and carrier services revenues. The 1999 and 1998 revenue includes \$200,825,000 and \$8,461,000, respectively from acquired companies. Business telecommunications and Internet services revenues increased primarily as a result of customer growth. The Company expects its business telecommunications and Internet services customer base to continue to increase. The Company is expanding its sales and marketing effort to business customers and for Internet services in its completed network. Carrier services revenues increased due to growth in satellite services and telephone services provided by the Company's wholesale operation to broadcasters and telephone companies, respectively. Revenue growth in carrier services is primarily dependent upon the Company's ability to continue to attract new customers and expand services to existing customers.

Broadcast transmission and other revenues increased to \$201,900,000 from \$140,156,000 due to revenues of \$39,993,000 from NTL Australia in 1999 and from increases in broadcast television and FM radio customers and accounts, which exceeded price cap reductions in the Company's regulated services. The Company expects its digital broadcasting services to increase in the future.

Other telecommunications revenues decreased to zero from \$2,375,000 due to the sales of the assets of the Company's wholly-owned subsidiary, OCOM Corporation, to AirTouch Communications, Inc. and to Cellular Communications of Puerto Rico, Inc. during 1998.

Operating expenses increased to \$799,756,000 from \$372,134,000 as a result of increases in interconnection costs and programming costs due to customer growth. The 1999 and 1998 expense includes \$341,904,000 and \$35,299,000, respectively, from acquired companies.

Selling, general and administrative expenses increased to \$573,460,000 from \$299,494,000 as a result of increases in telecommunications and CATV sales and marketing costs and increases in additional personnel and overhead to service the increasing customer base. In addition, approximately \$47.4 million of the increase was due to the new national brand and advertising campaign which began in the second quarter of 1999 and will continue into 2000. The 1999 and 1998 expense includes \$240,183,000 and \$40,886,000, respectively, from acquired companies.

Pursuant to the terms of various United Kingdom licenses, the Company incurred license fees paid to the ITC to operate as the exclusive service provider in certain of its franchise areas. Upon a request by the Company in 1999, the ITC converted all of the Company's fee bearing exclusive licenses to non-exclusive licenses by the end of 1999, and the Company's liability for license payments ceased upon the conversion. Franchise fees decreased to \$16,538,000 from \$25,036,000 due to the reversal of the accrued liability for franchise fees of \$13,592,000. The 1999 amount includes Diamond franchise fees of \$5,037,000.

Corporate expenses increased to \$29,402,000 from \$17,048,000 due to an increase in various overhead costs.

Nonrecurring charges of \$16,179,000 in 1999 were the fee incurred for the cancellation of certain contracts. Nonrecurring charges of \$20,642,000 in 1997 include deferred costs written-off of \$5,013,000 and restructuring costs of \$15,629,000. The deferred costs written-off arose in connection with the Company's unsuccessful bid for United Kingdom digital terrestrial television multiplex licenses. Restructuring costs relate to the Company's announcement in September 1997 of a reorganization of certain of its operations. This charge consisted of employee severance and related costs of \$6,726,000 for approximately 280 employees to be terminated, lease exit costs of \$6,539,000 and penalties of \$2,364,000 associated with the cancellation of contractual obligations. As of December 31, 1998, \$9,172,000 of the provision had been used, including \$5,558,000 for severance and related costs, \$1,450,000 for lease exit costs and \$2,164,000 for penalties associated with the cancellation of contractual obligations. As of December 31, 1998, 177 employees had been terminated. The \$4,194,000 reversed in 1998 includes \$1,168,000 for severance and related costs, \$2,826,000 for lease exit costs and \$200,000 for penalties associated with the cancellation of contractual obligations. This reversal was necessary because employees whose positions were eliminated chose to remain with the Company in other positions rather than leave the Company and receive severance pay, and the real estate markets in which the Company sublet space improved increasing the sublet rentals and shortening the period of time required to find subtenants. The remaining restructuring reserve of \$2,263,000 at December 31, 1998 is for lease costs net of sublease revenue.

Depreciation and amortization expense increased to \$791,322,000 from \$266,112,000 due to an increase in depreciation of telecommunications and CATV equipment. The 1999 and 1998 expense includes \$430,072,000 and \$45,892,000 respectively, from acquired companies, including amortization of acquisition related intangibles.

Interest expense increased to \$680,728,000 from \$328,815,000 due to the issuance of additional debt, and the increase in the accretion of original issue discount on the deferred coupon notes. The 1999 expense includes \$184,839,000 from acquired companies. Interest of \$222,082,000 and \$118,273,000 was paid in the years ended December 31, 1999 and 1998, respectively.

Other gains of \$493,121,000 in 1999 are from the sale of the investment in Cable London.

Foreign currency transaction gains increased to \$12,720,000 from \$4,152,000 primarily due to the effect of favorable changes in the exchange rates on the Company's pound sterling and Euro denominated notes in 1999.

The Company recorded an extraordinary loss from the early extinguishment of debt of \$3,034,000 in 1999 as a result of the repayment of the bridge loan incurred in connection with the Cablelink acquisition. The Company recorded an extraordinary loss from the early extinguishment of debt of \$30,689,000 in 1998 as a result of the redemption of the 10⁷/₈% Notes and the repayment of a bank loan.

Years ended December 31, 1998 and 1997

Residential telecommunications and television revenues increased to \$355,589,000 from \$166,951,000 primarily as a result of customer growth that increased the Company's current revenue stream. The 1998 revenue includes \$74,213,000 from acquired companies.

National and international telecommunications revenues increased to \$248,895,000 from \$185,194,000 primarily as a result of increases in business telecommunications revenues, Internet services revenues and carrier services revenues. Business telecommunications and Internet services revenues increased primarily as a result of customer growth. Carrier services revenues increased due to growth in satellite services and telephone services provided by the Company's wholesale operation to broadcasters and telephone companies, respectively.

Broadcast transmission and other revenues increased to \$140,156,000 from \$130,799,000 primarily due to increases in broadcast television and FM radio customers and accounts, which exceeded price cap reductions in the Company's regulated services.

Other telecommunications revenues decreased to \$2,375,000 from \$8,831,000 primarily due to the sales of the assets of the Company's wholly-owned subsidiary, OCOM Corporation, during 1998.

Operating expenses increased to \$372,134,000 from \$301,644,000 primarily as a result of increases in interconnection costs and programming costs due to customer growth. The 1998 expenses includes \$35,299,000 from acquired companies.

Selling, general and administrative expenses increased to \$299,494,000 from \$169,133,000 as a result of increases in telecommunications and CATV sales and marketing costs and increases in additional personnel and overhead to service the increasing customer base. The 1998 expense includes \$40,886,000 from acquired companies.

Franchise fees increased to \$25,036,000 from \$23,587,000 primarily as a result of the inflation adjustment to the Northern Ireland license payment.

Corporate expenses decreased to \$17,048,000 from \$18,324,000 primarily due to the sale of OCOM's assets in 1998. Certain OCOM personnel were included in corporate expenses in 1997.

Nonrecurring charges of \$20,642,000 in 1997 were comprised of restructuring costs of \$15,629,000 and deferred costs written-off of \$5,013,000. The deferred costs written off arose in connection with the Company's unsuccessful bid for digital terrestrial television multiplex licenses. Restructuring costs relate to the Company's announcement in September 1997 of a reorganization of certain of its operations. In 1998, the Company incurred restructuring costs of \$9,172,000 and reversed \$4,194,000 of the provision.

Depreciation and amortization expense increased to \$266,112,000 from \$150,509,000 primarily due to an increase in depreciation of telecommunications and CATV equipment. The 1998 expense includes \$45,892,000 from acquired companies, including amortization of acquisition related intangibles.

Interest expense increased to \$328,815,000 from \$202,570,000 due to the issuance of additional debt in 1998 and the increase in the accretion of original issue discount on the deferred coupon notes. Interest of \$118,273,000 and \$78,817,000 was paid in the years ended December 31, 1998 and 1997, respectively.

Other gains of \$21,497,000 in 1997 include a gain on sale of fixed assets of \$11,497,000 and a \$10,000,000 payment from LeGroupe Videotron Ltee pursuant to the settlement of a lawsuit.

Foreign currency transaction gains increased to \$4,152,000 from \$574,000 due to favorable changes in the exchange rate subsequent to the issuance in March 1998 of new debt denominated in British pounds sterling.

The Company recorded an extraordinary loss from the early extinguishment of debt of \$30,689,000 in 1998 as a result of the redemption of the 10⁷/₈% Notes and the repayment of a bank loan. In connection with the repayment of debt, a subsidiary recorded an extraordinary loss of \$4,500,000 in 1997 from the write-off of unamortized deferred financing costs.

Liquidity and capital resources

The Company will continue to require significant amounts of capital to finance construction of its local and national networks, for connection of telephone, telecommunications, Internet and CATV customers to the networks, for other capital expenditures and for debt service. The Company estimates that these requirements, net of cash from operations, will aggregate up to approximately \$1.70 billion in 2000. The Company's commitments at December 31, 1999 for equipment and services through 2000 are included in the anticipated requirements. The Company had approximately \$2.94 billion in cash and securities on hand at December 31, 1999.

Regarding the Company's estimated cash requirements described above, there can be no assurance that: (a) actual construction costs will not exceed the amounts estimated or that additional funding substantially in excess of the amounts estimated will not be required, (b) conditions precedent to advances under planned credit facilities will be satisfied when funds are required, (c) the Company and its subsidiaries will be able to generate sufficient cash from operations to meet capital requirements, debt service and other obligations when required, (d) the Company will be able to access such cash flow or (e) the Company will not incur losses from its exposure to exchange rate fluctuations or be adversely affected by interest rate fluctuations.

In July 1999, the Company agreed to acquire the consumer cable telephone, Internet and television operations of Cable & Wireless Communications, plc ("CWC ConsumerCo."). The Company will issue approximately 85 million new shares of common stock and pay £2.85 billion (\$4.6 billion) in cash. The Company will also assume approximately £1.9 billion (\$3.1 billion) of CWC ConsumerCo.'s net debt, plus further debt up to an agreed amount of CWC ConsumerCo. cash outflow through the closing. The transaction is subject to various approvals and other conditions. The Company has entered into a note purchase agreement for up to approximately £2.4 billion (\$3.9 billion) to fund a portion of the cost of this acquisition.

In connection with the CWC ConsumerCo. acquisition, France Telecom agreed to invest £2.8 billion (\$4.5 billion) in the Company. France Telecom will invest £1.6 billion (\$2.6 billion) for approximately 42.2 million shares of the Company's common stock and £1.2 billion (\$1.9 billion) in convertible preferred stock with a 5% dividend and a conversion price of \$80 per share. The closing of this additional investment is subject to the completion of the CWC ConsumerCo. acquisition, unless France Telecom elects to accelerate the closing of this investment.

In December 1999, the Company agreed to acquire the cable assets of the Cablecom Group for CHF 5.8 billion (\$3.6 billion). Completion of the acquisition is conditioned on certain regulatory approvals being obtained and is expected to occur in the first quarter of 2000. The Company intends to fund this acquisition using cash on hand, the proceeds from a proposed bank facility or the proceeds from the issuance of new preferred stock. The Company has an agreement for the arrangement of a bank facility of CHF 4.1 billion (\$2.6 billion) consisting of CHF 2.7 billion (\$1.7 billion) to be utilized in the acquisition of Cablecom and CHF 1.4 billion (\$0.9 billion) to be used for working capital and general corporate purposes.

In February 2000, the Company announced that it had entered into an arrangement with France Telecom and certain commercial banks, subject to certain conditions, for the issue of \$1.85 billion of new preferred stock. The proceeds from this subscription will be used to help fund the Company's acquisitions in Continental Europe outside of France. The holders of the stock (other than any commercial banks or their affiliates) may at any time after six months from issue elect, subject to certain conditions, for the new preferred stock to be exchanged for up to a 50% interest in a new company which will own certain or all of the Company's broadband communications, broadcast and cable television interests in Continental Europe outside of France. Under certain circumstances, at the Company's option, any portion of the Company's obligation that may not be satisfied by the exchange may be satisfied in a security convertible into the Company's common stock or cash. The new preferred stock will be mandatorily redeemable for cash after two years.

Pursuant to an agreement with Telewest relating to NTL Triangle's and Telewest's respective 50% ownership interests in Cable London, in November 1999 Telewest purchased all of NTL Triangle's shares of Cable London for approximately £428 million (approximately \$692 million) in cash. The Company recorded a gain of \$493 million on the sale. The sale of the Cable London interest is an "Asset Sale" for purposes of the Company's Indentures for certain of its notes. The Company will need to use an amount equal to the proceeds from the sale to repay subsidiary debt, invest in "Replacement Assets" or make an offer to redeem certain of its notes by November 2000.

The Company is highly leveraged. The accreted value at December 31, 1999 of the Company's consolidated long-term indebtedness, including the Redeemable Preferred Stock, is approximately \$8.9 billion, representing approximately 81% of total capitalization. The following summarizes the terms of those notes and Redeemable Preferred Stock issued by the Company and its subsidiaries.

NTL Communications:

- (1) 12¾% Senior Deferred Coupon Notes due April 15, 2005, principal amount at maturity of \$278 million, interest payable semi-annually beginning on October 15, 2000, redeemable at the Company's option on or after April 15, 2000;
- (2) 11½% Senior Deferred Coupon Notes due February 1, 2006, principal amount at maturity of \$1.05 billion, interest payable semi-annually beginning on August 1, 2001, redeemable at the Company's option on or after February 1, 2001;
- (3) 10% Senior Notes due February 15, 2007, principal amount of \$400 million, interest payable semi-annually from August 15, 1997, redeemable at the Company's option on or after February 15, 2002;
- (4) 9½% Senior Sterling Notes due April 1, 2008, principal amount of £125 million (\$202 million), interest payable semi-annually from October 1, 1998, redeemable at the Company's option on or after April 1, 2003;
- (5) 10¾% Senior Deferred Coupon Sterling Notes due April 1, 2008, principal amount at maturity of £300 million (\$485 million), interest payable semi-annually from October 1, 2003, redeemable at the Company's option on or after April 1, 2003;
- (6) 9¾% Senior Deferred Coupon Notes due April 1, 2008, principal amount at maturity of \$1.3 billion, interest payable semi-annually beginning on October 1, 2003, redeemable at the Company's option on or after April 1, 2003;
- (7) 9¾% Senior Deferred Coupon Sterling Notes due April 15, 2009, principal amount at maturity of £330 million (\$533 million), interest payable semi-annually from October 15, 2004, redeemable at the Company's option on or after April 15, 2004;

- (8) 11½% Senior Notes due October 1, 2008, principal amount of \$625 million, interest payable semi-annually from April 1, 1999, redeemable at the Company's option on or after October 1, 2003;
- (9) 12¾% Senior Deferred Coupon Notes due October 1, 2008, principal amount at maturity of \$450 million, interest payable semi-annually beginning on April 1, 2004, redeemable at the Company's option on or after October 1, 2003;
- (10) 7% Convertible Subordinated Notes due December 15, 2008, principal amount of \$599 million, interest payable semi-annually from June 15, 1999, convertible into shares of the Company's common stock at a conversion price of \$39.20 per share, redeemable at the Company's option on or after December 15, 2001;
- (11) Variable Rate Redeemable Guaranteed Loan Notes due January 5, 2002, principal amount of 60 million Irish punts (\$77 million), interest payable quarterly at EURIBOR (the interest rate at December 31, 1999 was 3.345%), redeemable at any time at the option of the holder, 20 million Irish punts (\$26 million) redeemed in 1999 using cash held in escrow, €86 million (\$87 million) remaining in escrow at December 31, 1999;
- (12) 9¼% Senior Euro Notes due November 15, 2006, principal amount of €250 million (\$252 million), interest payable semi-annually beginning on May 15, 2000;
- (13) 9⅞% Senior Euro Notes due November 15, 2009, principal amount of €350 million (\$353 million), interest payable semi-annually beginning on May 15, 2000, redeemable at the Company's option on or after November 15, 2004;
- (14) 11½% Senior Deferred Coupon Euro Notes due November 15, 2009, principal amount at maturity of €210 million (\$212 million), interest payable semi-annually beginning on May 15, 2005, redeemable at the Company's option on or after November 15, 2004;

NTL Incorporated:

- (15) Senior Redeemable Exchangeable Preferred Stock due February 15, 2009, stated value of \$100 million, dividends accrue at 13% per annum payable quarterly in arrears, at the Company's option until February 15, 2004 dividends may be paid in cash, by the issuance of additional shares or in any combination of the foregoing, redeemable at the Company's option on or after February 15, 2002, and on any dividend payment date the Company may exchange all of the outstanding shares for 13% debentures due 2009;
- (16) 5¾% Convertible Notes due December 15, 2009, principal amount at maturity of \$1.2 billion, interest payable semi-annually beginning on June 15, 2000, redeemable at the Company's option on or after December 18, 2002, convertible after March 21, 2000 into shares of common stock at a conversion price of \$108.18 per share;

NTL Triangle:

- (17) 11.2% Senior Discount Debentures due November 15, 2007, principal amount at maturity of \$517.3 million, interest payable semi-annually beginning on May 15, 2001;

Diamond:

- (18) 13¼% Senior Discount Notes due September 30, 2004, principal amount at maturity of \$285 million, interest payable semi-annually beginning on March 31, 2000, redeemable at Diamond's option after September 30, 1999;
- (19) 11¾% Senior Discount Notes due December 15, 2005, principal amount at maturity of \$531 million, interest payable semi-annually beginning on June 15, 2001, redeemable at Diamond's option on or after December 15, 2000;

- (20) 10³/₄% Senior Discount Notes due February 15, 2007, principal amount at maturity of \$421 million, interest payable semi-annually beginning on August 15, 2002, redeemable at Diamond's option on or after December 15, 2002;
- (21) 10% Senior Notes due February 1, 2008, issued by Diamond Holdings plc, a wholly-owned subsidiary of Diamond, principal amount of £135 million (\$218 million), interest payable semi-annually from August 1, 1998, redeemable at Diamond's option on or after February 1, 2003;
- (22) 9¹/₈% Senior Notes due February 1, 2008, issued by Diamond Holdings plc, principal amount of \$110 million, interest payable semi-annually from August 1, 1998, redeemable at Diamond's option on or after February 1, 2003; and
- (23) Mortgage of £2.5 million (\$4.0 million) to fund the construction of an office building, repayable over 20 years as of July 31, 1995, interest at LIBOR plus 1¹/₂%.

The Company has other significant commitments or potential commitments in addition to those described above. These are as follows:

The Company intends to make an offer to convert its 7% Convertible Notes with a principal amount of \$599 million into common stock.

A wholly-owned subsidiary of the Company, Premium TV Limited, entered into media partnerships with two United Kingdom football clubs whereby Premium TV will receive certain marketing and sponsorship rights. Premium TV will provide loan facilities to the clubs for an aggregate of £51 million (\$82 million), repayable after five years through the issue of ordinary shares in the football clubs.

In January 2000, the Company announced that it would be bidding together with France Telecom for one of the UMTS "third generation" mobile telephone licenses that are being auctioned in the United Kingdom. In addition to the cost of the license, the UMTS operators will incur costs to build a network, establish operations and acquire customers. The auction is expected to begin in March 2000.

Management does not anticipate that the Company and its subsidiaries will generate sufficient cash flow from operations to repay at maturity the entire principal amount of the outstanding indebtedness of the Company and its subsidiaries. Accordingly, the Company may be required to consider a number of measures, including: (a) refinancing all or a portion of such indebtedness, (b) seeking modifications to the terms of such indebtedness, (c) seeking additional debt financing, which may be subject to obtaining necessary lender consents, (d) seeking additional equity financing, or (e) a combination of the foregoing.

The Company's operations are conducted through its direct and indirect wholly-owned subsidiaries. As a holding company, the Company holds no significant assets other than cash, securities and its investments in and advances to its subsidiaries. The Company's ability to pay cash dividends to its stockholders may be dependent upon the receipt of sufficient funds from its subsidiaries. The Company's wholly-owned subsidiary, NTL Communications, is also a holding company that conducts its operations through its subsidiaries. Accordingly, NTL Communications' ability to make scheduled interest and principal payments when due to holders of its indebtedness may be dependent upon the receipt of sufficient funds from its subsidiaries.

From time to time the Company may fund its capital requirements outside the United Kingdom and Ireland from dividends from NTL Communications subject to certain conditions under the Indentures. NTL Communications distributed \$500 million to the Company in April 1999. NTL Communications may use cash from

equity proceeds in excess of cumulative EBITDA (as defined in the Indentures) minus 1.5 times cumulative interest expense plus capital stock proceeds, for dividend payments to the extent such funds are not used for other Restricted Payments (as defined in the Indentures). The Company intends to repay certain amounts to NTL Communications when funds become available.

Consolidated statements of cash flows

Cash provided by operating activities was \$53,569,000 and cash used in operating activities was \$18,943,000 in the years ended December 1999 and 1998, respectively. Although net loss increased to \$735,717,000 from \$534,616,000 in the years ended December 31, 1999 and 1998, respectively, results of operations items not requiring cash outlays increased by a greater amount to \$750,872,000 from \$523,920,000. In addition, changes in operating assets and liabilities provided cash of \$38,414,000 in 1999 compared to a use of cash of \$8,247,000 in 1998. Cash provided by operating activities plus cash paid for interest exclusive of amounts capitalized was \$233,841,000 and \$71,570,000 in 1999 and 1998, respectively.

Provision for losses on accounts receivable, which is included in operating activities, was \$46,245,000, \$27,282,000 and \$6,891,000 in 1999, 1998 and 1997, respectively. These increases were due principally to the increases in revenues.

Purchases of fixed assets were \$1,211,317,000 in 1999 and \$772,144,000 in 1998 as a result of the continuing fixed asset purchases and construction in 1999, including purchases and construction by acquired companies. Proceeds from sales of assets of \$692,490,000 in 1999 was from the sale of Cable London.

Proceeds from borrowings, net of financing costs, of \$3,019,383,000 in 1999 was from the issuance of the 5³/₄% Convertible Notes, the 9³/₄% Senior Deferred Coupon Sterling Notes, the 9¹/₄% Senior Euro Notes, the 9⁷/₈% Senior Euro Notes, the 11¹/₂% Senior Deferred Coupon Euro Notes and the Senior Increasing Rate Notes and the Variable Rate Redeemable Guaranteed Loan Notes issued in connection with the Cablelink acquisition. Principal payments of \$758,212,000 in 1999 were primarily from the repayment of the Senior Increasing Rate Notes using proceeds from the 9¹/₄% Senior Euro Notes, the 9⁷/₈% Senior Euro Notes and the 11¹/₂% Senior Deferred Coupon Euro Notes, plus the repayment at maturity of the notes payable to Comcast U.K. Holdings, Inc. Proceeds from issuance of preferred stock and warrants of \$1,250,000,000 in 1999 was from the sale of 5.25% Convertible Preferred Stock and warrants to purchase 1.9 million shares of the Company's common stock to Microsoft Corp. and the sale of 5% Cumulative Participating Convertible Preferred Stock to France Telecom. Proceeds from the issuance of common stock of \$250,000,000 is from the sale of approximately 4.2 million shares of common stock to France Telecom. Redemption of preferred stock of \$125,280,000 in 1999 was from the redemption of 9.9% Preferred Stock, which does not include the \$15.5 million paid for accrued dividends that effects operating activities. Cash in escrow for debt repayment of \$86,993,000 in 1999 includes €110 million (\$113 million) placed into escrow as cash collateral for the Variable Rate Redeemable Guaranteed Loan Notes, net of €25 million (\$26 million) used to redeem a portion of these notes.

Year 2000

We had a comprehensive Year 2000 project designed to identify and assess the risks associated with our information systems, products, operations, infrastructure, suppliers and customers, and to develop, implement and test remediation and contingency plans to mitigate these risks. To date, we have not experienced any significant problems related to the Year 2000.

Because we use a variety of information systems and have additional systems embedded in our operations and infrastructure, we cannot be sure that all of our systems will continue to work together in a Year 2000-ready fashion. Furthermore, we cannot be sure that we will not suffer business interruptions, either because of our own Year 2000 problems or those of third-parties upon whom we are reliant for services. Therefore, a problem that has not yet been identified may arise and could have adverse consequences to us.

Quantitative and qualitative disclosure about market risk

Market risk

The Company is exposed to various market risks, including changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes. The Company has entered into financial instruments to manage and reduce the impact of changes in foreign currency exchange rates, primarily U.S. dollar/U.K. pound sterling. The counterparties are major financial institutions. The Company does not enter into derivatives or financial instruments to manage or reduce the impact of changes in interest rates.

Foreign exchange contracts

To the extent that the Company obtains financing in United States dollars and incurs construction and operating costs in various other currencies, it will encounter currency exchange rate risks. At December 31, 1999, the Company had (approximately \$2 billion in cash equivalents denominated in foreign currencies to reduce this risk. In addition, the Company's pounds sterling and Euro

denominated Notes also reduce this risk. Furthermore, the Company's revenues are generated in foreign currencies while its interest and principal obligations with respect to most of the Company's existing indebtedness are payable in U.S. dollars. The Company has entered into an option agreement to hedge some of the risk of exchange rate fluctuations related to interest and principal payments on U.S. dollar denominated debt and for parent company expenses up to an annual limit of approximately \$13 million. The Company may purchase U.S. dollars at a fixed rate of £1 to \$1.40 on specified dates through June 2001 for specified amounts of U.S. dollars. The dates and U.S. dollar amounts correspond to the Company's interest and principal payment dates and amounts for a portion of its U.S. dollar denominated debt and anticipated amounts of parent company expenses. In addition, NTL Triangle has option agreements of £250 million notional amount to purchase U.S. dollars at a fixed rate of £1 to \$1.35 in November 2000. This option provides a hedge against an adverse change in exchange rates when interest payments commence on NTL Triangle's U.S. dollar denominated Discount Debentures.

The estimated fair value of foreign currency contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices. At December 31, 1999, the difference between the fair value of the outstanding contracts and the contract amounts was immaterial.

Interest rates

The fair market value of long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. In the following table, fair values were determined from quoted market prices.

Interest rate sensitivity

Principal amount by expected maturity

Average interest rate

(in millions)	2000	2001	2002	2003	2004	Thereafter	Total	Fair value 12/31/99
Long-term Debt, including Current Portion								
U.S. dollars								
Fixed Rate	—	—	—	—	\$285	\$7,481	\$7,766	\$8,170
Average Interest Rate					13.25%	9.85%		
U.K. pound								
Fixed Rate	—	—	—	—	—	£890	£890	£654
Average Interest Rate						10.09%		
Average Forward Exchange Rate						1.67		
Euro								
Fixed Rate	—	—	—	—	—	€810	€810	€731
Average Interest Rate						10.1%		
Average Forward Exchange Rate						1.103		
Irish punts								
Variable Rate	IR £60	—	—	—	—	—	IR £60	IR £60
Average Interest Rate	Euribor							
Average Forward Exchange Rate	1.297							

Quarterly results of operations

The following is a summary of the quarterly results of operations for the years ended December 31, 1999 and 1998.

(in thousands, except per share data)	March 31	June 30	Three months ended 1999	
			September 30	December 31
Revenues	\$ 313,381	\$ 360,257	\$ 417,055	\$ 493,441
Operating loss	(121,267)	(168,867)	(151,566)	(200,823)
Income (loss) before extraordinary item	(230,419)	(348,426)	(278,127)	124,289
Net income (loss)	(230,419)	(348,426)	(278,127)	121,255
Basic income (loss) per common share before extraordinary item	(2.44)	(3.13)	(2.31)	.75
Basic net income (loss) per common share	(2.44)	(3.13)	(2.31)	.73
Diluted income (loss) per common share before extraordinary item	(2.44)	(3.13)	(2.31)	.62
Diluted net income (loss) per common share	(2.44)	(3.13)	(2.31)	.60

(in thousands, except per share data)	March 31	June 30	Three months ended 1998	
			September 30	December 31
Revenues	\$ 147,792	\$ 154,314	\$ 182,484	\$ 262,425
Operating loss	(41,962)	(40,665)	(55,640)	(90,348)
Loss before extraordinary item	(93,672)	(104,302)	(133,892)	(172,061)
Net loss	(93,672)	(104,302)	(138,131)	(198,511)
Basic and diluted loss per common share before extraordinary item	(1.93)	(1.79)	(2.14)	(2.19)
Basic and diluted net loss per common share	(1.93)	(1.79)	(2.20)	(2.51)

(1) In November 1999, the Company sold its investment in Cable London for cash of approximately \$692 million and recognized a gain of \$493 million.

Consolidated balance sheets

	December 31	
(dollars in thousands)	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,597,144	\$ 736,265
Marketable securities	344,502	260,631
Accounts receivable – trade, less allowance for doubtful accounts of \$85,594 (1999) and \$38,475 (1998)	294,205	152,356
Other	82,737	55,248
Total current assets	3,318,588	1,204,500
Fixed assets, net	5,597,648	3,854,430
Intangible assets, net	2,927,836	725,028
Investment in Cable London PLC, net of accumulated amortization of \$3,093	–	229,093
Other assets, net of accumulated amortization of \$49,392 (1999) and \$56,264 (1998)	367,494	181,046
Total assets	\$12,211,566	\$6,194,097
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 224,692	\$ 167,079
Accrued expenses and other	438,198	221,070
Accrued construction costs	79,748	88,033
Interest payable	71,055	34,258
Deferred revenue	160,831	69,820
Current portion of long-term debt	82,601	23,691
Total current liabilities	1,057,125	603,951
Long-term debt	8,798,024	5,043,803
Commitments and contingent liabilities		
Deferred income taxes	77,720	67,062
Senior redeemable exchangeable preferred stock – \$.01 par value, plus accreted dividends; liquidation preference \$144,628; less unamortized discount of \$2,823 (1999) and \$3,133 (1998); issued and outstanding 142,000 (1999) and 125,000 (1998) shares	141,805	124,127
Shareholders' equity:		
Series preferred stock – \$.01 par value; authorized 10,000,000 shares; liquidation preference \$1,346,509; issued and outstanding 1,332,000 (1999) and 177,000 (1998) shares	13	2
Common stock – \$.01 par value; authorized 400,000,000 shares; issued and outstanding 132,416,000 (1999) and 60,249,000 (1998) shares	1,324	602
Additional paid-in capital	4,125,047	1,501,561
Accumulated other comprehensive income (loss) (Deficit)	(2,107)	104,657
	(1,987,385)	(1,251,668)
	2,136,892	355,154
Total liabilities and shareholders' equity	\$12,211,566	\$6,194,097

See accompanying notes.

Consolidated statements of operations

(dollars in thousands, except per share data)	Year ended December 31		
	1999	1998	1997
Revenues			
Residential telecommunications and television	\$ 834,339	\$ 355,589	\$ 166,951
National and international telecommunications	547,895	248,895	185,194
Broadcast transmission and other	201,900	140,156	130,799
Other telecommunications	—	2,375	8,831
	1,584,134	747,015	491,775
Costs and expenses			
Operating expenses	799,756	372,134	301,644
Selling, general and administrative expenses	573,460	299,494	169,133
Franchise fees	16,538	25,036	23,587
Corporate expenses	29,402	17,048	18,324
Nonrecurring charges	16,179	(4,194)	20,642
Depreciation and amortization	791,322	266,112	150,509
	2,226,657	975,630	683,839
Operating (loss)	(642,523)	(228,615)	(192,064)
Other income (expense)			
Interest and other income	49,380	46,024	28,415
Interest expense	(680,728)	(328,815)	(202,570)
Other gains	493,121	—	21,497
Foreign currency transaction gains	12,720	4,152	574
(Loss) before income taxes and extraordinary item	(768,030)	(507,254)	(344,148)
Income tax benefit	35,347	3,327	15,591
(Loss) before extraordinary item	(732,683)	(503,927)	(328,557)
Loss from early extinguishment of debt	(3,034)	(30,689)	(4,500)
Net (loss)	(735,717)	(534,616)	(333,057)
Preferred stock dividend	(73,709)	(18,761)	(11,978)
Net (loss) available to common shareholders	\$ (809,426)	\$ (553,377)	\$ (345,035)
Basic and diluted net (loss) per common share:			
(Loss) before extraordinary item	\$ (6.75)	\$ (8.12)	\$ (6.79)
Extraordinary item	(.03)	(.48)	(.09)
Net (loss) per common share	\$ (6.78)	\$ (8.60)	\$ (6.88)

See accompanying notes.

Consolidated statements of cash flows

	Year ended December 31		
(dollars in thousands)	1999	1998	1997
Operating activities			
Net loss	\$ (735,717)	\$ (534,616)	\$ (333,057)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	791,322	266,112	150,509
Loss from early extinguishment of debt	3,034	30,689	4,500
Gain on sale of investment in Cable London PLC	(493,121)	—	—
Amortization of non competition agreements	—	1,389	1,852
Provision for losses on accounts receivable	46,245	27,282	6,891
Deferred income taxes	(37,347)	(3,327)	(16,852)
Amortization of original issue discount	451,356	232,691	122,639
Other	(10,617)	(30,916)	(8,148)
Changes in operating assets and liabilities, net of effect from business acquisitions:			
Accounts receivable	(139,372)	(70,364)	(30,430)
Other current assets	(38,903)	22,631	(6,563)
Other assets	(25,241)	6	2,303
Accounts payable	43,823	(2,564)	(4,615)
Accrued expenses and other	126,242	15,272	74,706
Deferred revenue	71,865	26,772	18,994
Net cash provided by (used in) operating activities	53,569	(18,943)	(17,271)
Investing activities			
Acquisitions, net of cash acquired	(1,128,338)	(746,817)	—
Purchase of fixed assets	(1,211,317)	(772,144)	(503,656)
Payment of deferred purchase price	—	—	(57,330)
Increase in other assets	(59,294)	(35,595)	(4,322)
Proceeds from sales of assets	692,490	1,312	—
Purchase of marketable securities	(747,397)	(540,639)	(145,939)
Proceeds from sales of marketable securities	676,642	291,276	142,596
Net cash (used in) investing activities	(1,777,214)	(1,802,607)	(568,651)
Financing activities			
Proceeds from borrowings, net of financing costs	3,019,383	3,525,588	490,302
Proceeds from issuance of preferred stock and warrants	1,250,000	—	—
Proceeds from issuance of common stock	250,000	—	—
Redemption of preferred stock	(125,280)	—	—
Principal payments	(758,212)	(845,018)	(242,424)
Cash in escrow for debt repayment	(86,993)	(217,622)	—
Consent solicitation payments	—	(11,333)	—
Proceeds from exercise of stock options and warrants	42,151	6,842	1,671
Net cash provided by financing activities	3,591,049	2,458,457	249,549
Effect of exchange rate changes on cash	(6,525)	456	(10,609)
Increase (decrease) in cash and cash equivalents	1,860,879	637,363	(346,982)
Cash and cash equivalents at beginning of year	736,265	98,902	445,884
Cash and cash equivalents at end of year	\$ 2,597,144	\$ 736,265	\$ 98,902
Supplemental disclosure of cash flow information			
Cash paid during the year for interest exclusive of amounts capitalized	\$ 180,272	\$ 90,513	\$ 72,047
Income taxes paid	2,372	336	1,107
Supplemental schedule of noncash financing activities			
Accretion of dividends and discount on preferred stock	\$ 44,448	\$ 19,072	\$ 12,263
Conversion of Convertible Notes, net of unamortized deferred financing costs	269,285	187,012	—
Preferred stock issued for an acquisition	—	178,495	—
Common stock and stock options issued for an acquisition	978,036	600,432	—
Warrants issued in connection with consent solicitations	—	10,080	—

See accompanying notes.

Consolidated statements of shareholders' equity

(dollars in thousands)	Series Preferred Stock \$.01 par value		Common Stock \$.01 par value	
	Shares	Par	Shares	Par
Balance, December 31, 1996	780	\$ –	32,066,000	\$ 321
Exercise of stock options			119,000	1
Exercise of warrants			25,000	
Accreted dividends on senior redeemable exchangeable preferred stock				
Accretion of discount on senior redeemable exchangeable preferred stock				
Comprehensive income:				
Net loss for the year ended December 31, 1997				
Currency translation adjustment				
Total				
Balance, December 31, 1997	780	–	32,210,000	322
Exercise of stock options			298,000	3
Exercise of warrants			70,000	
Accreted dividends on preferred stock				
Accretion of discount on preferred stock				
Conversion of 7¼% Convertible Subordinated Notes			6,958,000	70
Conversion of Series Preferred Stock	(780)		1,950,000	20
Preferred stock issued for an acquisition	177,000	2		
Common stock issued for an acquisition			18,763,000	187
Warrants issued in connection with consent solicitations				
Comprehensive income:				
Net loss for the year ended December 31, 1998				
Currency translation adjustment				
Total				
Balance, December 31, 1998	177,000	2	60,249,000	602
Exercise of stock options			1,758,000	18
Exercise of warrants			129,000	1
Common stock issued for cash			2,703,000	27
Preferred stock issued for cash	1,250,000	13		
Warrants issued for cash				
Accreted dividends on preferred stock	30,000			
Accretion of discount on preferred stock				
Redemption of Series Preferred Stock	(125,000)	(2)		
Conversion of 7% Convertible Subordinated Notes			7,271,000	73
Common stock issued for an acquisition			12,750,000	127
Stock options issued in connection with an acquisition				
Issuance of warrants				
Stock splits			47,556,000	476
Comprehensive income:				
Net loss for the year ended December 31, 1999				
Currency translation adjustment				
Total				
Balance, December 31, 1999	1,332,000	\$13	132,416,000	\$1,324

See accompanying notes.

Additional paid-in capital	Comprehensive loss	Accumulated other Comprehensive income (loss)	(Deficit)
\$ 548,647		\$163,141	\$ (383,995)
1,532			
138			
(11,978)			
(285)			
	\$ (333,057)		(333,057)
	(46,133)	(46,133)	
	<u>\$ (379,190)</u>		
538,054		117,008	(717,052)
6,331			
508			
(18,761)			
(311)			
186,942			
(20)			
178,493			
600,245			
10,080			
	\$ (534,616)		(534,616)
	(12,351)	(12,351)	
	<u>\$ (546,967)</u>		
1,501,561		104,657	(1,251,668)
41,302			
830			
249,973			
1,233,797			
16,190			
(44,137)			
(311)			
(125,278)			
269,212			
971,310			
6,599			
4,475			
(476)			
	\$ (735,717)		(735,717)
	(106,764)	(106,764)	
	<u>\$ (842,481)</u>		
\$4,125,047		\$ (2,107)	\$ (1,987,385)

Notes to consolidated financial statements

1. Corporate restructuring and business

Effective April 1, 1999, NTL Incorporated completed a corporate restructuring to create a holding company structure. The formation of the holding company is part of the Company's effort to pursue opportunities outside the United Kingdom and the Republic of Ireland. The holding company restructuring was accomplished through a merger so that all the stockholders of NTL Incorporated at the effective time of the merger became stockholders of the new holding company, and NTL Incorporated became a subsidiary of the new holding company. The new holding company has taken the name NTL Incorporated (and together with its subsidiaries, the "Company") and the holding company's subsidiary simultaneously changed its name to NTL Communications Corp. (and together with its subsidiaries, "NTL Communications").

The Company, through its subsidiaries and joint ventures, owns and operates broadband communications networks for telephone, cable television and Internet services and television and radio broadcasting systems in the United Kingdom and the Republic of Ireland. In 1999, the Company expanded its operations through the acquisition of broadband cable systems in France and the national broadcasting network facilities in Australia, and has announced a proposed acquisition in Switzerland. Based on revenues and identifiable assets, the Company's predominant lines of business are residential services, national telecommunications services and broadcast transmission and tower services in the United Kingdom. Residential services include telephony, cable television, Internet access and interactive services. National telecommunications services include business telephony, national and international carrier telecommunications, Internet services and satellite communications services. Broadcast transmission and tower services include digital and analog television and radio broadcasting, and related services.

2. Significant accounting policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and entities where the Company's interest is greater than 50%. Significant intercompany accounts and transactions have been eliminated in consolidation.

Net (loss) per share

The Company reports its basic and diluted net (loss) per share in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share", as adjusted for stock splits.

Foreign currency translation

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars in accordance with SFAS No. 52, "Foreign Currency Translation." All balance sheet accounts have been translated using the current exchange rates at the respective balance sheet dates. Statement of operations amounts have been translated using the average exchange rates for the respective years. The gains or losses resulting from the change in exchange rates have been reported as a component of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are included in the results of operations as incurred.

Cash equivalents

Cash equivalents are short-term highly liquid investments purchased with a maturity of three months or less. Cash equivalents were \$2.1 billion and \$651 million at December 31, 1999 and 1998, respectively, which consisted primarily of bank time deposits and corporate commercial paper. At December 31, 1999 and 1998, \$2.0 billion and \$121 million, respectively, of the cash equivalents were denominated in foreign currencies.

Marketable securities

Marketable securities are classified as available-for-sale, which are carried at fair value. Unrealized holding gains and losses on securities, net of tax, are carried as a component of accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other than temporary will be included in interest income. The cost of securities sold or matured is based on the specific identification method. Interest on securities is included in interest income.

Marketable securities at December 31, 1999 and 1998 consisted of corporate commercial paper. During the years ended December 31, 1999, 1998 and 1997, there were no realized gains or losses on sales of securities. All of the marketable securities as of December 31, 1999 and 1998 had a contractual maturity of less than one year.

Fixed assets

Fixed assets are stated at cost, which includes amounts capitalized for labor and overhead expended in connection with the design and installation of operating equipment. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows: operating equipment – 5 to 40 years and other equipment – 3 to 40 years.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset.

Intangible assets

Intangible assets include goodwill, license acquisition costs and customer lists. Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. Goodwill is amortized on a straight-line basis over the periods benefited of 10, 15 or 30 years. License acquisition costs represent the portion of purchase price allocated to the cable television and telecommunications licenses acquired in business combinations. License acquisition costs are amortized on a straight-line basis over the remaining lives of the licenses at acquisition, which vary from approximately two years to 23 years. Customer lists represent the portion of the purchase price allocated to the value of the customer base. Customer lists are amortized on a straight-line basis over 5 years. The Company continually reviews the recoverability of the carrying value of these assets using the same methodology that it uses for the evaluation of its other long-lived assets.

Investment in Cable London PLC

Investment in Cable London PLC was accounted for under the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment, additional contributions made and dividends received. The difference between the Company's recorded investment and its proportionate interest in the book value of the investees' net assets are being amortized on a straight-line basis over 10 years.

Deferred financing costs

Deferred financing costs are incurred in connection with the issuance of debt and are amortized over the term of the related debt.

Capitalized interest

Interest is capitalized as a component of the cost of fixed assets constructed. In 1999, 1998 and 1997, interest of \$41,810,000, \$27,760,000 and \$6,770,000, respectively, was capitalized.

Revenue recognition

Revenues are recognized at the time the service is provided to the customer. Charges for services that are billed in advance are deferred and recognized when earned.

Cable television system costs, expenses and revenues

The Company accounts for costs, expenses and revenues applicable to the construction and operation of its broadband communications networks in accordance with SFAS No. 51, "Financial Reporting by Cable Television Companies."

Advertising expense

The Company charges the cost of advertising to expense as incurred. Advertising costs were \$35,949,000, \$33,951,000 and \$31,003,000 in 1999, 1998 and 1997, respectively.

Stock-based compensation

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock option plans.

3. Recent accounting pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted by the Company effective January 1, 2001. The Company is evaluating the impact that the adoption of SFAS No. 133 will have on its results of operations and financial position.

4. Certain significant risks and uncertainties

Need for additional financing

The Company will require additional financing in the future. There can be no assurance that the required financing will be obtainable on acceptable terms.

Concentrations

The Company's television and radio broadcasting business is substantially dependent upon contracts with a small group of companies for the right to broadcast their programming, and upon a site sharing agreement for a large number of its transmission sites. The loss of any one of these contracts or the site sharing agreement could have a material adverse effect on the business of the Company.

Currency risk

To the extent that the Company obtains financing in U.S. dollars and incurs construction and operating costs in various other currencies, it will encounter currency exchange rate risks. In addition, the Company's revenues are generated in foreign currencies while its interest and principal obligations with respect to most of the Company's existing indebtedness are payable in U.S. dollars.

5. Fixed assets

Fixed assets consist of:

	December 31	
(in thousands)	1999	1998
Operating equipment	\$5,111,258	\$3,528,973
Other equipment	715,215	376,518
Construction-in-progress	669,402	369,923
	6,495,875	4,275,414
Accumulated depreciation	(898,227)	(420,984)
	\$5,597,648	\$3,854,430

6. Intangible assets

Intangible assets consist of:

	December 31	
(in thousands)	1999	1998
Goodwill, net of accumulated amortization of \$197,012 (1999) and \$32,358 (1998)	\$2,543,502	\$514,529
License acquisition costs, net of accumulated amortization of \$141,682 (1999) and \$69,202 (1998)	224,998	153,007
Customer lists, net of accumulated amortization of \$30,870 (1999) and \$3,375 (1998)	159,336	57,492
	\$2,927,836	\$725,028

The Company made the following acquisitions in 1998:

The Company acquired ComTel Limited and Telecential Communications (collectively, "ComTel") for a total of £550 million comprised of £475 million in cash and 125,000 shares of 9.9% Non-voting Mandatorily Redeemable Preferred Stock, Series A in two stages completed in June and September 1998. The preferred stock was valued at £75 million, the fair value on the date of issuance. ComTel is a provider of telephone, cable television and Internet services in England.

In October 1998, a wholly-owned subsidiary of the Company, NTL (Triangle) LLC ("NTL Triangle") (formerly known as NTL (Bermuda) Limited) acquired all of the outstanding common stock of Comcast UK Cable Partners Limited in exchange for 29.3 million shares of the Company's common stock. The Company's common stock was valued at \$600,432,000, the fair value at the time of the announcement. NTL Triangle provides telephone, cable television and Internet services in England.

In December 1998, the Company acquired Eastern Group Telecoms ("EGT") for £60 million in cash and 52,000 shares of 9.9% Non-voting Mandatorily Redeemable Preferred Stock, Series B. The preferred stock was valued at \$52,217,000, the fair value on the date of issuance. EGT's telecoms division has a fibre-optic network across portions of England, and its radio sites division serves mobile phone operators in portions of England.

These acquisitions have been accounted for as purchases, and accordingly, the net assets and results of operations of the acquired businesses have been included in the consolidated financial statements from the dates of acquisition. The aggregate purchase price of \$1.7 billion, which includes the related acquisition costs and the return of cash acquired in the ComTel transaction of £31 million, exceeded the fair value of the net tangible assets acquired by \$591 million, which has been allocated as follows: \$185.6 million to the investment in Cable London PLC, \$52.4 million to license acquisition costs, \$60.9 million to customer lists and \$292.1 million to goodwill.

The Company made the following acquisitions in 1999:

In March 1999, the Company acquired Diamond Cable Communications plc ("Diamond"). The Company issued an aggregate

of 19.9 million shares of common stock in exchange for each ordinary share and deferred share of Diamond. The Company's common stock was valued at \$971,437,000, the fair value at the time of the announcement. In addition, the Company issued options to purchase 191,000 shares of the Company's common stock to holders of Diamond options, which were valued at \$6,599,000. The Company assumed Diamond's debt including five different notes with an aggregate principal amount at maturity of \$1.6 billion. Diamond is a provider of telephone, cable television and Internet services in England.

In April 1999, a subsidiary of the Company ("NTL Australia") purchased all of the shares of the entity which owns the Australian National Transmission Network for an aggregate purchase price of approximately \$423 million. NTL Australia provides exclusive television and radio transmission services to Australia's national TV and radio broadcasters, serves regional and community TV and radio broadcasters and provides equipment hosting services to telecom operators and emergency service communications providers on its towers.

In July 1999, the Company acquired Cablelink Limited ("Cablelink") for Irish punts 535.18 million (\$693 million), of which Irish punts 455.18 million (\$589 million) was paid in cash and Irish punts 80 million (\$104 million) was paid through the issuance of Variable Rate Redeemable Guaranteed Loan Notes due 2002. Cablelink provides multi-channel television and information services in Dublin, Galway and Waterford, Ireland.

Also in July 1999, the Company acquired certain broadband cable franchises from British Telecommunications plc for an aggregate of up to £19 million (\$31 million). The Company paid approximately £5 million (\$8 million) on closing and will pay up to £14 million (\$23 million) on completion of the upgrade of certain networks.

The Company acquired the five franchise areas comprising the "1G Networks" of France Telecom for approximately 373.2 million French francs (\$60 million) in two stages completed in August and December 1999. The 1G Networks hold exclusive licenses to provide analog and digital television services in four franchise areas in Ile-de-France (Greater Paris) and in the franchise area of Toulon and LaValette.

In September 1999, the Company acquired the shares of Workplace Technologies plc, one of the United Kingdom's leading data network service integrators, in exchange for £105.2 million (\$173 million), of which £100.7 million (\$166 million) was paid in cash and £4.5 million (\$7 million) was paid through the issuance of demand notes.

These acquisitions were accounted for as purchases, and accordingly, the net assets and results of operations of the acquired businesses have been included in the consolidated financial statements from the dates of acquisition. The aggregate purchase price of \$2.36 billion, including costs incurred of \$26 million, plus the fair value of liabilities assumed net of tangible assets acquired aggregated \$2.446 billion, which has been allocated as follows: \$143 million to license acquisition costs, \$131 million to customer lists and \$2.172 billion to goodwill.

The pro forma unaudited consolidated results of operations for the years ended December 31, 1999 and 1998 assuming consummation of the above mentioned transactions as of January 1, 1998 is as follows:

	Year ended December 31	
(in thousands)	1999	1998
Total revenue	\$1,794,063	\$1,370,399
(Loss) before extraordinary item	(895,942)	(1,076,238)
Net (loss)	(898,976)	(1,106,927)
Basic and diluted net loss per share:		
(Loss) before extraordinary item	(7.62)	(10.14)
Net (loss)	(7.64)	(10.42)

7. Investment in Cable London PLC

Pursuant to an agreement with Telewest Communications plc ("Telewest") relating to NTL Triangle's and Telewest's respective 50% ownership interests in Cable London PLC ("Cable London"), in November 1999 Telewest purchased all of NTL Triangle's shares of Cable London for approximately £428 million (approximately \$692 million) in cash. The Company recorded a gain of \$493 million on the sale. The sale of the Cable London interest is an "Asset Sale" for purposes of the Company's Indentures for certain of its notes. The Company will need to use an amount equal to the proceeds from the sale to repay subsidiary debt, invest in "Replacement Assets" or make an offer to redeem certain of its notes by November 2000.

8. Pending acquisitions

In July 1999, the Company agreed to acquire the consumer cable telephone, Internet and television operations of Cable & Wireless Communications, plc ("CWC"). The Company will issue 85 million new shares of common stock and pay £2.85 billion (\$4.6 billion) in cash. The Company will also assume approximately £1.9 billion (\$3.1 billion) of CWC's net debt, plus further debt up to an agreed amount of CWC cash outflow through closing. The transaction is subject to various approvals and other conditions. The Company has entered into a note purchase agreement for up to approximately £2.4 billion (\$3.9 billion) to fund a portion of the cost of this acquisition, as well as an additional investment by France Telecom, as described below.

In connection with the CWC acquisition, France Telecom agreed to invest £2.8 billion (\$4.5 billion) in the Company. France Telecom will invest £1.6 billion (\$2.6 billion) for approximately 42.2 million shares of the Company's common stock and £1.2 billion (\$1.9 billion) in convertible preferred stock with a 5% dividend and a conversion price of \$80 per share. The closing of this additional investment is subject to the completion of the CWC acquisition, unless France Telecom elects to accelerate the closing of this investment, which it can do in a limited number of circumstances.

In December 1999, the Company agreed to acquire the cable assets of the Cablecom Group ("Cablecom") for CHF 5.8 billion (\$3.6 billion). Completion of the acquisition is conditioned on certain regulatory approvals being obtained and is expected to occur in the first quarter of 2000. The Company intends to fund this acquisition using cash on hand, the proceeds from a proposed bank facility or the proceeds from the issuance of new preferred stock. The Company has an agreement for the arrangement of a bank facility of CHF 4.1 billion (\$2.6 billion) consisting of CHF 2.7 billion (\$1.7 billion) to be utilized in the acquisition of Cablecom and CHF 1.4 billion (\$0.9 billion) to be used for working capital, capital expenditures and general corporate purposes.

In February 2000, the Company announced that it had entered into an arrangement with France Telecom and certain commercial banks, subject to certain conditions, for the issue of \$1.85 billion of new preferred stock. The proceeds from this subscription will be used to help fund the Company's acquisitions in Continental Europe outside of France. The holders of the stock (other than any commercial banks or their affiliates) may at any time after six months from issue elect, subject to certain conditions, for the new preferred stock to be exchanged for up to a 50% interest in a new company which will own certain or all of the Company's broadband communications, broadcast and cable television interests in Continental Europe outside of France. Under certain circumstances, at the Company's option, any portion of the Company's obligation that may not be satisfied by the exchange may be satisfied in a security convertible into the Company's common stock or cash. The new preferred stock will be mandatorily redeemable for cash after two years.

9. Long-term debt

Long-term debt consists of:

(in thousands)	December 31	
	1999	1998
NTL Incorporated:		
5 ³ / ₄ % Convertible Subordinated Notes (a)	\$1,200,000	\$ —
NTL Communications:		
12 ³ / ₄ % Senior Deferred Coupon Notes (b)	268,108	236,935
11 ¹ / ₂ % Senior Deferred Coupon Notes (c)	930,404	831,976
10% Senior Notes (d)	400,000	400,000
9 ¹ / ₂ % Senior Sterling Notes, less unamortized discount of \$567 (1999) and \$639 (1998) (e)	201,408	206,800
10 ³ / ₄ % Senior Deferred Coupon Sterling Notes (f)	343,691	317,511
9 ³ / ₄ % Senior Deferred Coupon Notes (g)	952,825	865,880
9 ³ / ₄ % Senior Deferred Coupon Sterling Notes (h)	354,394	—
11 ¹ / ₂ % Senior Notes (i)	625,000	625,000
12 ³ / ₈ % Senior Deferred Coupon Notes (j)	286,967	254,718
7% Convertible Subordinated Notes (k)	—	275,000
7% Convertible Subordinated Notes (l)	599,300	600,000
Variable Rate Redeemable		
Guaranteed Loan Notes (m)	76,794	—
9 ¹ / ₄ % Senior Euro Notes (n)	252,300	—
9 ⁷ / ₈ % Senior Euro Notes (o)	353,220	—
11 ¹ / ₂ % Senior Deferred Coupon Euro Notes (p)	123,080	—
NTL Triangle:		
11.2% Senior Discount Debentures (q)	467,317	421,835
Other	7,969	31,839
Diamond:		
13 ¹ / ₄ % Senior Discount Notes (r)	285,101	—
11 ³ / ₄ % Senior Discount Notes (s)	476,215	—
10 ³ / ₄ % Senior Discount Notes (t)	336,891	—
10% Senior Sterling Notes (u)	218,133	—
9 ¹ / ₈ % Senior Notes (v)	110,000	—
Other	11,508	—
	8,880,625	5,067,494
Less current portion	82,601	23,691
	\$8,798,024	\$5,043,803

- (a) 5³/₄% Convertible Notes due December 15, 2009, issued in December 1999, principal amount at maturity of \$1,200,000,000, interest payable semi-annually beginning on June 15, 2000, redeemable at the Company's option, on or after December 18, 2002, convertible after March 21, 2000 into shares of common stock at a conversion price of \$108.18 per share (there are approximately 11,092,000 shares of common stock reserved for issuance upon conversion);
- (b) 12³/₄% Notes due April 15, 2005, principal amount at maturity of \$277,804,000, interest payable semi-annually beginning on October 15, 2000, redeemable at the Company's option on or after April 15, 2000;
- (c) 11¹/₂% Notes due February 1, 2006, principal amount at maturity of \$1,050,000,000, interest payable semi-annually beginning on August 1, 2001, redeemable at the Company's option on or after February 1, 2001;
- (d) 10% Notes due February 15, 2007, principal amount at maturity of \$400,000,000, interest payable semi-annually from August 15, 1997, redeemable at the Company's option on or after February 15, 2002;
- (e) 9¹/₂% Sterling Notes due April 1, 2008, principal amount at maturity of £125,000,000 (\$201,975,000), interest payable semi-annually from October 1, 1998, redeemable at the Company's option on or after April 1, 2003;
- (f) 10³/₄% Sterling Notes due April 1, 2008, principal amount at maturity of £300,000,000 (\$484,740,000), interest payable semi-annually beginning on October 1, 2003, redeemable at the Company's option on or after April 1, 2003;
- (g) 9³/₄% Notes due April 1, 2008, principal amount at maturity of \$1,300,000,000, interest payable semi-annually beginning on October 1, 2003, redeemable at the Company's option on or after April 1, 2003;
- (h) 9³/₄% Sterling Notes due April 15, 2009, principal amount at maturity of £330,000,000 (\$533,214,000), interest payable semi-annually beginning on October 15, 2004, redeemable at the Company's option on or after April 15, 2004;
- (i) 11¹/₂% Notes due October 1, 2008, principal amount at maturity of \$625,000,000, interest payable semi-annually from April 1, 1999, redeemable at the Company's option on or after October 1, 2003;
- (j) 12³/₈% Notes due October 1, 2008, principal amount at maturity of \$450,000,000, interest payable semi-annually beginning on April 1, 2004, redeemable at the Company's option on or after October 1, 2003;
- (k) In May 1999, the Company called for redemption all of its \$275,000,000 principal amount of 7% Convertible Notes due 2008 at a redemption price of 104.9% of their principal amount, plus accrued and unpaid interest. In June 1999, all of the 7% Convertible Notes were converted into approximately 11,344,000 shares of the Company's common stock at the applicable conversion price of \$24.24 per share. The unamortized deferred financing costs related to the 7% Notes of \$6,415,000 were written-off to equity;
- (l) 7% Convertible Notes due December 15, 2008, principal amount at maturity of \$599,300,000, interest payable semi-annually from June 15, 1999, convertible into shares of common stock at a conversion price of \$39.20 per share, redeemable at the Company's option on or after December 15, 2001 (there are approximately 15,288,000 shares of common stock reserved for issuance upon conversion);
- (m) Variable Rate Redeemable Guaranteed Notes due January 5, 2002, principal amount at maturity of Irish punts 60,000,000 (\$76,794,000), interest payable quarterly at EURIBOR (3.345% at December 31, 1999), redeemable at any time at the option of the holder, Irish punts 20,000,000 (\$25,730,000) redeemed in 1999 using cash held in escrow, €86,475,000 (\$87,270,000) remaining in escrow at December 31, 1999;
- (n) 9¹/₄% Notes due November 15, 2006, principal amount at maturity of €50,000,000 (\$252,300,000), interest payable semi-annually beginning on May 15, 2000;
- (o) 9⁷/₈% Notes due November 15, 2009, principal amount at maturity of €350,000,000 (\$353,220,000), interest payable semi-annually beginning on beginning May 15, 2000, redeemable at the Company's option on or after November 15, 2004;
- (p) 11¹/₂% Deferred Notes due November 15, 2009, principal amount at maturity of €210,000,000 (\$211,932,000), interest payable semi-annually beginning on May 15, 2005, redeemable at the Company's option on or after November 15, 2004;
- (q) 11.2% Debentures due November 15, 2007, principal amount at maturity of \$517,321,000, interest payable semi-annually beginning on May 15, 2001;
- (r) 13¹/₄% Notes due September 30, 2004, principal amount at maturity of \$285,101,000, interest payable semi-annually beginning on March 31, 2000, redeemable at the Company's option on or after September 30, 1999;

- (s) 11³/₄% Notes due December 15, 2005, principal amount at maturity of \$530,955,000, interest payable semi-annually beginning on June 15, 2001, redeemable at the Company's option on or after December 15, 2000;
- (t) 10³/₄% Notes due February 15, 2007, principal amount at maturity of \$420,500,000, interest payable semi-annually beginning on August 15, 2002, redeemable at the Company's option on or after December 15, 2002;
- (u) 10% Sterling Notes due February 1, 2008, principal amount at maturity of £135,000,000 (\$218,133,000), interest payable semi-annually from August 1, 1998, redeemable at the Company's option on or after February 1, 2003; and
- (v) 9¹/₈% Notes due February 1, 2008, principal amount of \$110,000,000, interest payable semi-annually from August 1, 1998, redeemable at the Company's option on or after February 1, 2003.

The indentures governing the notes contain restrictions relating to, among other things: (i) incurrence of additional indebtedness and issuance of preferred stock, (ii) dividend and other payment restrictions and (iii) mergers, consolidations and sales of assets.

During 1999, 1998 and 1997, the Company recognized \$451,356,000, \$232,691,000 and \$122,639,000, respectively, of original issue discount as interest expense.

In September 1999, NTL Triangle repaid at maturity the \$21,529,000 due under its notes payable to Comcast U.K. Holdings, Inc.

In connection with the Cablelink acquisition, the Company issued \$704,615,000 principal amount Senior Increasing Rate Notes due 2000. In November 1999, the Company received net proceeds of \$720,743,000 from the issuance of the 9¹/₄% Euro Notes, the 9⁷/₈% Euro Notes and the 11¹/₂% Deferred Euro Notes, of which \$716,505,000 was used to repay the Senior Increasing Rate Notes plus accrued interest. The Company recorded an extraordinary loss from the early extinguishment of the notes of \$3,034,000 in 1999.

In connection with the ComTel acquisition, the Company borrowed an aggregate of £475,000,000 under its bank credit facility. In November 1998, the Company received net proceeds of \$849,000,000 from the issuance of the 11¹/₂% Notes and the 12³/₈% Notes, a substantial portion of which was used to repay the \$799,000,000 outstanding under the bank loan. The Company recorded an extraordinary loss from the early extinguishment of the bank loan of \$18,579,000 in 1998.

In October 1998, the Company redeemed its 10⁷/₈% Senior Deferred Coupon Notes with an accreted value of \$211,000,000 for cash of \$218,000,000. The Company recorded an extraordinary loss from the early extinguishment of the 10⁷/₈% Notes of \$12,110,000 in 1998, which included approximately \$4,800,000 of unamortized deferred financing costs.

In 1998, the Company required consents from the holders of some of its notes to modify certain indenture provisions in order to proceed with an acquisition. In October 1998, the Company paid \$11,333,000 in consent payments and issued warrants to purchase 1,197,000 shares of common stock in lieu of additional consent payments of \$10,080,000.

Certain of the NTL Communications notes restrict the payment of cash dividends and loans to the Company. At December 31, 1999, restricted net assets of NTL Communications were approximately \$901 million.

Long-term debt repayments are due as follows

(in thousands):	Year ending December 31
2000	\$ 82,601
2001	1,270
2002	1,062
2003	981
2004	286,001
Thereafter	9,745,710
	<u>\$10,117,625</u>

10. Redeemable preferred stock

In February 1997, the Company issued 100,000 shares of its 13% Senior Redeemable Exchangeable Preferred Stock (the "Redeemable Preferred Stock"). The Company received net proceeds of \$96,625,000 after discounts and commissions from the issuance of the Redeemable Preferred Stock. Discounts, commissions and other fees incurred of \$3,729,000 were recorded as unamortized discount at issuance. Dividends accrue at 13% per annum (\$130 per share) and are payable quarterly in arrears. Dividends accruing on or prior to February 15, 2004 may, at the option of the Company, be paid in cash, by the issuance of additional Redeemable Preferred Stock or in any combination of the foregoing. As of December 31, 1999, the Company has accrued \$44,628,000 for dividends and has issued approximately 42,000 shares for \$42,315,000 of such accrued dividends. The Redeemable Preferred Stock may be redeemed, at the Company's option, in whole or in part, at any time on or after February 15, 2002 at a redemption price of 106.5% of the liquidation preference of \$1,000 per share that declines annually to 100% in 2005, in each case together with accrued and unpaid dividends to the redemption date. The Redeemable Preferred Stock is subject to mandatory redemption on February 15, 2009. On any scheduled dividend payment date, the Company may, at its option, exchange all of the shares of Redeemable Preferred Stock then outstanding for the Company's 13% Subordinated Exchange Debentures due 2009 (the "Subordinated Debentures").

The Subordinated Debentures, if issued, will bear interest at a rate of 13% per annum, payable semi-annually in arrears on February 15 and August 15 of each year commencing with the first such date to occur after the date of exchange. Interest accruing on or prior to February 15, 2004 may, at the option of the Company, be paid in cash, by the issuance of additional Subordinated Debentures or in any combination of the foregoing. The Subordinated Debentures will be redeemable, at the Company's option, in whole or in part, on or after February 15, 2002 at a redemption price of 106.5% that declines annually to 100% in 2005, in each case together with accrued and unpaid interest to the redemption date.

11. Nonrecurring charges including restructuring charges

Nonrecurring charges of \$16,179,000 in 1999 were the fee incurred for the cancellation of certain contracts.

Nonrecurring charges of \$20,642,000 in 1997 include deferred costs written-off of \$5,013,000 and restructuring costs of \$15,629,000. The deferred costs written-off arose in connection with the Company's unsuccessful bid for United Kingdom digital terrestrial television multiplex licenses. Restructuring costs relate to the Company's announcement in September 1997 of a reorganization of certain of its operations. This charge consisted of employee severance and related costs of \$6,726,000 for approximately 280 employees to be terminated, lease exit costs of \$6,539,000 and penalties of \$2,364,000 associated with the cancellation of contractual obligations. As of December 31, 1998, \$9,172,000 of the provision had been used, including \$5,558,000 for severance and related costs, \$1,450,000 for lease exit costs and \$2,164,000 for penalties associated with the cancellation of contractual obligations. As of December 31, 1998, 177 employees had been terminated. The \$4,194,000 reversed in 1998 includes \$1,168,000 for severance and related costs, \$2,826,000 for lease exit costs and \$200,000 for penalties associated with the cancellation of contractual obligations. This reversal was necessary because employees whose positions were eliminated chose to remain with the Company in other positions rather than leave the Company and receive severance pay, and the real estate markets in which the Company sublet space improved increasing the sublet rentals and shortening the period of time required to find subtenants. The remaining restructuring reserve of \$2,263,000 at December 31, 1998 is for lease costs net of sublease revenue.

12. Other gains

Other gains of \$493,121,000 in 1999 are from the sale of the investment in Cable London. Other gains of \$21,497,000 in 1997 include a legal settlement of \$10,000,000 and a gain on the sale of fixed assets of \$11,497,000. In October 1997, following the U.S. District Court's decision to dismiss the Company's complaint against LeGroupe Videotron Ltee and its subsidiary, the Company entered into a Settlement Agreement dismissing the Company's complaint in exchange for a payment of \$10,000,000. In December 1997, a U.S. subsidiary of the Company sold its fixed and other assets utilized in its microwave transmission service business and recognized a gain of \$11,497,000.

13. Income taxes

The benefit for income taxes consists of the following:

(in thousands)	Year ended December 31		
	1999	1998	1997
Current:			
Federal	\$ 1,000	\$ —	\$ —
State and local	1,000	—	1,261
Foreign	—	—	—
Total current	2,000	—	1,261
Deferred:			
Federal	—	—	—
State and local	—	—	—
Foreign	(37,347)	(3,327)	(16,852)
Total deferred	(37,347)	(3,327)	(16,852)
	\$(35,347)	\$(3,327)	\$(15,591)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred tax liabilities and assets are as follows:

(in thousands)	December 31	
	1999	1998
Deferred tax liabilities:		
Fixed assets	\$ 66,461	\$ 68,766
Intangibles	107,012	—
Total deferred tax liabilities	173,473	68,766
Deferred tax assets:		
Net operating losses	417,149	244,394
Net deferred interest expense	150,120	113,993
Depreciation and amortization	269,888	100,780
Other	15,920	19,975
Total deferred tax assets	853,077	479,142
Valuation allowance for deferred tax assets	(757,324)	(477,438)
Net deferred tax assets	95,753	1,704
Net deferred tax liabilities	\$ 77,720	\$ 67,062

At December 31, 1999, the Company had net operating loss carryforwards of approximately \$300 million for U.S. federal income tax purposes that expire in varying amounts commencing in 2009. The Company also has United Kingdom net operating loss carryforwards of approximately \$947 million which have no expiration date. Pursuant to United Kingdom law, these losses are only available to offset income of the separate entity that generated the loss.

The Company is currently undergoing a U.S. federal income tax audit. The Internal Revenue Service has issued notices of proposed adjustment. The Company does not expect that the audit adjustments will have a material adverse effect on its financial position, results of operations or cash flows.

The reconciliation of income taxes computed at U.S. federal statutory rates to income tax expense is as follows:

(in thousands)	Year ended December 31		
	1999	1998	1997
(Benefit) at federal			
statutory rate (35%)	\$ (269,872)	\$(188,309)	\$(120,452)
Add:			
State and local income tax, net of federal benefit	650	—	820
Foreign losses with no benefit	106,078	83,500	59,804
Amortization of goodwill and license acquisition costs	4,145	4,366	3,925
U.S. losses with no benefit	123,652	97,116	40,312
	\$ (35,347)	\$ (3,327)	\$ (15,591)

14. Fair values of financial instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments: Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets approximate fair value.

Long-term debt: The carrying amount of the Variable Rate Notes approximates their fair value. The fair values of the Company's other debt are based on the quoted market prices.

Redeemable Preferred Stock: The fair value is based on the quoted market price.

The carrying amounts and fair values of the Company's financial instruments are as follows:

(in thousands)	1999		December 31 1998	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$2,597,144	\$2,597,144	\$736,265	\$736,265
Long-term debt:				
5 ³ / ₄ % Convertible Notes	1,200,000	1,290,000	—	—
12 ³ / ₄ % Notes	268,108	278,499	236,935	252,801
11 ¹ / ₂ % Notes	930,404	950,250	831,976	882,000
10% Notes	400,000	414,000	400,000	408,000
9 ¹ / ₂ % Sterling Senior Notes	201,408	196,926	206,800	192,917
10 ³ / ₄ % Sterling Notes	343,691	327,200	317,511	293,732
9 ³ / ₄ % Notes	952,825	913,250	865,880	835,250
9 ³ / ₄ % Sterling Notes	354,394	313,263	—	—
11 ¹ / ₂ % Notes	625,000	682,813	625,000	681,250
12 ³ / ₈ % Notes	286,967	319,500	254,718	274,500
7% Convertible Notes	—	—	275,000	411,125
7% Convertible Notes	599,300	1,582,152	600,000	656,340
Variable Rate Notes	76,794	76,794	—	—
9 ¹ / ₄ % Euro Notes	252,300	254,823	—	—
9 ⁷ / ₈ % Euro Notes	353,220	356,752	—	—
11 ¹ / ₂ % Euro Deferred Notes	123,080	125,040	—	—
11.2% Debentures	467,317	486,282	421,835	437,119
13 ¹ / ₄ % Notes	285,101	305,414	—	—
11 ³ / ₄ % Notes	476,215	499,140	—	—
10 ³ / ₄ % Notes	336,891	340,605	—	—
10% Sterling Notes	218,133	218,133	—	—
9 ¹ / ₈ % Notes	110,000	108,900	—	—
Redeemable Preferred Stock	141,805	154,412	124,127	124,127

15. Related party transactions

The Company provided management, financial, legal and technical services to Cellular Communications International, Inc. ("CCII") and Cellular Communications of Puerto Rico, Inc. ("CCPR"). Certain officers and directors of the Company were officers and directors of CCII and CCPR.

In 1997, the Company charged CCPR and CCII \$1,492,000 and \$871,000, respectively, for direct costs where identifiable and a fixed percentage of its corporate overhead. In 1998, the Company charged CCPR, CCII and CoreComm Limited (which was formed in 1998 and has certain common officers and directors with the Company) \$1,148,000, \$982,000 and \$313,000, respectively, for direct costs where identifiable and a fixed percentage of its corporate overhead. In the fourth quarter of 1999, CoreComm Limited began charging the Company a percentage of CoreComm Limited's office rent and supplies expense. In 1999, the Company charged CCPR, CCII and CoreComm Limited \$741,000, \$439,000 and \$2,268,000, respectively, for direct costs where identifiable and a fixed percentage of its corporate overhead, net of CoreComm Limited's charges to the Company. Charges to CCPR and to CCII ceased in 1999 due to each of them being acquired and a resulting termination of services. These charges reduced corporate expenses. It is not practicable to determine the amounts of these expenses that would have been incurred had the Company operated as an unaffiliated entity. In the opinion of management of the Company, the allocation methods are reasonable.

At December 31, 1999 and 1998, the Company had receivables of \$508,000 and \$1,038,000 from CoreComm Limited and none and \$588,000 from CCPR, respectively.

16. Net loss per common share

The following table sets forth the computation of basic and diluted net loss per share:

(in thousands, except per share data)	Year ended December 31		
	1999	1998	1997
Numerator:			
Loss before extraordinary item	\$(732,683)	\$(503,927)	\$(328,557)
Preferred stock dividend	(73,709)	(18,761)	(11,978)
	(806,392)	(522,688)	(340,535)
Extraordinary item	(3,034)	(30,689)	(4,500)
Net loss available to common shareholders	\$(809,426)	\$(553,377)	\$(345,035)
Denominator for basic net loss per common share	119,418	64,378	50,183
Effect of dilutive securities	—	—	—
Denominator for diluted net loss per common share	119,418	64,378	50,183
Basic and diluted net loss per common share:			
Loss before extraordinary item	\$ (6.75)	\$ (8.12)	\$ (6.79)
Extraordinary item	(0.03)	(0.48)	(0.09)
Net loss	\$ (6.78)	\$ (8.60)	\$ (6.88)

Stock options, warrants and convertible securities are excluded from the calculation of net loss per common share as their effect would be antidilutive.

17. Shareholders' equity

Stock splits

In September 1999, the Company declared a 5-for-4 stock split by way of a stock dividend with respect to its common stock. The record date for this dividend was October 4, 1999 and the payment date was October 7, 1999. In January 2000, the Company declared a 5-for-4 stock split by way of a stock dividend with respect to its common stock. The record date for this dividend was January 31, 2000 and the payment date was February 3, 2000. Common stock amounts in the notes to consolidated financial statements and all per share data have been adjusted to reflect the stock splits.

Sales of common stock, preferred stock and warrants

In January 1999, the Company received \$500 million in cash from Microsoft Corp. ("Microsoft") in exchange for 500,000 shares of the Company's 5.25% Convertible Preferred Stock (the "5.25% Preferred Stock") and warrants to purchase 1,875,000 shares of the Company's common stock at an exercise price of \$53.76 per share. Dividends were payable quarterly at the Company's option in cash, common stock or additional shares of preferred stock. The Company issued approximately 25,000 shares of 5.25% Preferred Stock for dividend payments of \$24,572,000 through December 31, 1999. In February 2000, all of the 5.25% Preferred Stock was converted into approximately 8,229,000 shares of the Company's common stock.

In August 1999, the Company received \$1.0 billion in cash from France Telecom in exchange for 750,000 shares of 5% Cumulative Participating Convertible Preferred Stock (the "5% Preferred Stock") and approximately 4.2 million shares of common stock.

Series preferred stock

In September 1998, the Company issued 125,000 shares of 9.9% Non-voting Mandatorily Redeemable Preferred Stock, Series A (the "Series A Preferred Stock") in connection with the ComTel acquisition. Each share of Series A Preferred Stock had a stated value of \$1,000. Cumulative dividends accrued at 9.9% of the stated value per share. Dividends were payable when and if declared by the Board of Directors. On December 22, 1999, all outstanding shares of the

Series A Preferred Stock were redeemed for cash of \$140.8 million, which included \$15.5 million for accrued dividends.

In December 1998, the Company issued 52,000 shares of 9.9% Non-voting Mandatorily Redeemable Preferred Stock, Series B (the "Series B Preferred Stock") in connection with the EGT acquisition. Each share of Series B Preferred Stock has a stated value of \$1,000. Cumulative dividends accrue at 9.9% of the stated value per share. Dividends are payable when and if declared by the Board of Directors and may be paid, in the sole discretion of the Board, in cash, in shares of common stock, or through a combination of the foregoing. At December 31, 1999, accrued dividends were \$5,283,000. The Series B Preferred Stock may be redeemed, at the Company's option, any time at a price equal to \$1,000 per share, together with accrued and unpaid dividends to the redemption date. On July 1, 2000 all outstanding shares of Series B Preferred Stock shall be redeemed for \$1,000 per share together with accrued and unpaid dividends, at the Company's option, in cash, in shares of common stock, or through a combination of the foregoing.

In August 1999, the Company issued 750,000 shares of 5% Preferred Stock to France Telecom. The 5% Preferred Stock has a stated value of \$1,000 per share, is convertible into common stock at a conversion price of \$80 per share and is redeemable in August 2009 for cash, shares of common stock or a combination of both. The 5% Preferred Stock may be redeemed by the Company on the earlier of August 2006 or the date on which both the Company's common stock has traded above \$96 per share for 25 consecutive trading days and August 2003. Dividends are payable quarterly at the Company's option in cash, common stock or additional shares of 5% Preferred Stock. The Company issued 5,000 shares of 5% Preferred Stock for dividend payments of \$5,000,000 through December 31, 1999.

At December 31, 1999, the Company's preferred stock would have been redeemable or convertible into an aggregate of 18,224,000 shares of the Company's common stock.

In October 1996, 780 shares of Non-voting Convertible Preferred Stock, Series A were issued in connection with an acquisition. In May 1998, the 780 outstanding shares were converted into 3,047,000 shares of common stock.

The changes in the number of shares of Series Preferred Stock, excluding the Redeemable Preferred Stock, were as follows:

	Convertible Series A	9.9% Series A	9.9% Series B	5.25%	5%
Balance, December 31, 1996 and 1997	780	—	—	—	—
Conversion	(780)	—	—	—	—
Issued for acquisitions	—	125,000	52,000	—	—
Balance, December 31, 1998	—	125,000	52,000	—	—
Issued for cash	—	—	—	500,000	750,000
Issued for dividends	—	—	—	25,000	5,000
Redemption	—	(125,000)	—	—	—
Balance, December 31, 1999	—	—	52,000	525,000	755,000

Warrants

The Company has the following warrants outstanding as of December 31, 1999: (a) warrants to purchase an aggregate of 1,097,000 shares of common stock at \$3.56 per share issued in 1993 that expire in 2000 (1,405,000 were originally issued), (b) warrants to purchase an aggregate of 246,000 shares of common stock at \$15.22 per share issued in 1996 that expire in 2006 (256,000 were originally issued), (c) warrants to purchase an aggregate of 1,178,000 shares of common stock at \$27.77 per share issued in 1998 that expire in 2008 (1,197,000 were originally issued) and (d) warrants to purchase an aggregate of 1,875,000 shares of common stock at \$53.76 per share issued in 1999 that expire in 2004 (1,875,000 were originally issued).

Shareholder Rights Plan

The Rights Agreement provides that .48 of a Right will be issued with each share of common stock issued on or after October 13, 1993. The Rights are exercisable upon the occurrence of certain potential takeover events and will expire in October 2003 unless previously redeemed by the Company. When exercisable, each Right entitles the owner to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock ("Rights Preferred Stock") at a purchase price of \$100.

The Rights Preferred Stock will be entitled to a minimum preferential quarterly dividend payment of \$.01 per share and will be entitled to an aggregate dividend of 208.33 times the dividend, if any, declared per share of common stock. In the event of liquidation, the holders of Rights Preferred Stock will be entitled to a minimum preferential liquidation payment of \$1 per share and will be entitled to an aggregate payment of 208.33 times the payment made per share of common stock. Each share of Rights Preferred Stock will have 208.33 votes and will vote together with the common stock. In the event of any merger, consolidation or other transaction in which shares of common stock are changed or exchanged, each share of Rights Preferred Stock will be entitled to receive 208.33 times the amount received per share of common stock. The Rights are protected by customary antidilution provisions.

Stock options

There are 3,381,000 shares and 10,396,000 shares of common stock reserved for issuance under the 1991 Stock Option Plan and the 1993 Stock Option Plan, respectively. These plans provide that incentive stock options ("ISOs") be granted at the fair market value of the Company's common stock on the date of grant, and nonqualified stock options ("NQSOs") be granted at not less than 85% of the fair market value of the Company's common stock on the date of grant. Options are exercisable as to 20% of the shares subject thereto on

the date of grant and become exercisable as to an additional 20% of the shares subject thereto on each January 1 thereafter, while the optionee remains an employee of the Company. Options will expire 10 years after the date of the grant.

There are 156,000 shares and 500,000 shares of common stock reserved for issuance under 1991 and 1993 Non-Employee Director Stock Option Plans, respectively. Under the terms of these plans, options will be granted to members of the Board of Directors who are not employees of the Company or any of its affiliates. These plans provide that all options be granted at the fair market value of the Company's common stock on the date of grant, and options will expire 10 years after the date of the grant. Options are exercisable as to 20% of the shares subject thereto on the date of grant and become exercisable as to an additional 20% of the shares subject thereto on each subsequent anniversary of the grant date while the optionee remains a director of the Company. Options will expire ten years after the date of the grant.

There are 23,438,000 shares of common stock reserved for issuance under the 1998 Non-Qualified Stock Option Plan. The exercise price of a NQSO shall be determined by the Compensation and Option Committee. Options are exercisable as to 20% of the shares subject thereto on the date of grant and become exercisable as to an additional 20% of the shares subject thereto on each January 1 thereafter, while the optionee remains an employee of the Company. Options will expire ten years after the date of the grant.

Pro forma information regarding net loss and net loss per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 1999, 1998 and 1997: risk-free interest rates of 6.81%, 5.02% and 5.89%, respectively, dividend yield of 0%, volatility factor of the expected market price of the Company's common stock of .336, .331 and .276, respectively, and a weighted-average expected life of the option of 10 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Following is the Company's pro forma information:

(in thousands)	Year ended December 31		
	1999	1998	1997
Pro forma net (loss)	\$(822,730)	\$(580,747)	\$(343,850)
Basic and diluted pro forma net (loss) per share	\$ (7.51)	\$ (9.31)	\$ (7.09)

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	1999		1998		1997	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding-beginning of year	25,700,000	\$17.29	12,746,000	\$10.23	10,529,000	\$ 9.02
Granted	6,368,000	50.35	13,850,000	24.06	2,455,000	15.34
Exercised	(2,590,000)	15.95	(466,000)	13.59	(186,000)	8.22
Forfeited	(240,000)	24.22	(430,000)	29.74	(52,000)	15.22
Outstanding-end of year	29,238,000	\$24.60	25,700,000	\$17.29	12,746,000	\$10.23
Exercisable at end of year	12,218,000	\$14.97	11,009,000	\$10.59	8,848,000	\$ 7.93

Weighted-average fair value of options, calculated using the Black-Scholes option pricing model, granted during 1999, 1998 and 1997 is \$30.97, \$13.13 and \$8.15, respectively.

The following table summarizes the status of the stock options outstanding and exercisable at December 31, 1999:

Range of exercise prices	Stock options outstanding			Stock options exercisable	
	Number of options	Weighted-remaining contractual life	Weighted-average exercise price	Number of options	Weighted-average exercise price
\$0.12 to \$6.82	5,447,000	3.1 Years	\$ 4.921	5,447,000	\$ 4.921
\$6.83 to \$13.64	393,000	5.2 Years	\$11.589	318,000	\$11.530
\$13.65 to \$20.46	4,670,000	6.6 Years	\$15.692	3,548,000	\$15.683
\$20.47 to \$27.28	11,630,000	8.1 Years	\$23.311	1,621,000	\$23.090
\$27.29 to \$34.10	834,000	8.6 Years	\$28.609	276,000	\$28.486
\$34.11 to \$40.92	216,000	9.0 Years	\$35.402	57,000	\$35.530
\$40.93 to \$47.74	53,000	9.3 Years	\$47.440	11,000	\$47.440
\$47.75 to \$54.56	5,472,000	9.2 Years	\$50.368	834,000	\$50.405
\$54.57 to \$61.38	36,000	9.4 Years	\$59.960	9,000	\$59.960
\$61.39 to \$68.20	487,000	9.8 Years	\$65.385	97,000	\$65.385
Total	29,238,000			12,218,000	

As of December 31, 1999, the Company has 78,238,000 shares of its common stock reserved for issuance upon the exercise of warrants, stock options and the conversion of debt and preferred stock.

18. Employee benefit plans

Certain subsidiaries of the Company operate defined benefit pension plans in the United Kingdom. The assets of the Plans are held separately from those of the Company and are invested in specialized portfolios under the management of an investment group. The pension cost is calculated using the attained age method. The Company's policy is to fund amounts to the defined benefit plans necessary to comply with the funding requirements as prescribed by the laws and regulations in the United Kingdom.

(in thousands)	Year ended December 31	
	1999	1998
Change in benefit obligation		
Benefit obligation at beginning of year	\$213,449	\$202,645
Acquisition	10,686	–
Service cost	12,018	13,365
Interest cost	11,993	14,684
Actuarial gains	(40,896)	(14,640)
Benefits paid	(5,247)	(4,968)
Foreign currency exchange rate changes	(4,893)	2,363
Benefit obligation at end of year	\$197,110	\$213,449
Change in plan assets		
Fair value of plan assets at beginning of year	\$225,273	\$193,607
Acquisition	10,095	–
Actual return on plan assets	43,064	24,144
Company contributions	7,558	7,242
Plan participants' contributions	2,946	2,991
Benefits paid	(5,247)	(4,968)
Foreign currency exchange rate changes	(5,329)	2,257
Fair value of plan assets at end of year	\$278,360	\$225,273
Funded status of the plan		
Unrecognized net actuarial gains	(89,278)	(23,060)
Unrecognized transition obligation	8,177	9,306
Prepaid/(accrued)benefit cost	\$ 149	\$ (1,930)
Actuarial assumptions:		
Weighted average discount rate	6.25%	5.75%
Weighted average rate of compensation increase	4.50%	5.50%
Expected long-term rate of return on plan assets	8.00%	8.00%

The components of net pension costs are as follows:

(in thousands)	Year ended December 31		
	1999	1998	1997
Service cost	\$12,018	\$ 13,365	\$ 10,693
Interest cost	11,993	14,684	12,765
Actual return on plan assets	(43,064)	(24,144)	(30,852)
Net amortization and deferral	26,774	8,282	17,327
	\$ 7,721	\$ 12,187	\$ 9,933

19. Leases

Leases for buildings, office space and equipment extend through 2031. Total rental expense for the years ended December 31, 1999, 1998 and 1997 under operating leases was \$36,678,000, \$29,356,000 and \$20,674,000, respectively.

Future minimum lease payments under noncancellable operating leases as of December 31, 1999 are as follows:

	Year ended December 31
2000	\$ 40,185
2001	36,228
2002	32,222
2003	30,321
2004	28,716
Thereafter	148,153
	\$315,825

20. Commitments and contingent liabilities

At December 31, 1999, the Company was committed to pay approximately \$314,000,000 for equipment and services, which includes certain operations and maintenance contracts through 2005.

The Company had certain exclusive local delivery operator licenses for Northern Ireland and other franchise areas in the United Kingdom. Pursuant to these licenses, various subsidiaries of the Company were required to make monthly cash payments to the Independent Television Commission ("ITC") during the 15-year license terms. Upon a request by the Company in 1999, the ITC converted all of the Company's fee bearing exclusive licenses to non-exclusive licenses by the end of 1999. In 1999, 1998 and 1997, the Company paid \$30,130,000, \$25,036,000 and \$23,587,000, respectively, in connection with these licenses. Since the Company's liability for the license payments ceased upon the conversion, in 1999 the Company reversed an accrual for franchise fees of \$13,592,000.

The Company intends to make an offer to convert its 7% Convertible Notes with a principal amount of \$599.3 million into common stock.

A wholly-owned subsidiary of the Company, Premium TV Limited, entered into media partnerships with two United Kingdom football clubs whereby Premium TV will receive certain marketing and sponsorship rights. Premium TV will provide loan facilities to the clubs for an aggregate of £51 million (\$82 million), repayable after five years through the issue of ordinary shares in the football clubs.

In January 2000, the Company announced that it would be bidding together with France Telecom for one of the UMTS "third generation" mobile telephone licenses that are being auctioned in the United Kingdom. In addition to the cost of the license, the UMTS operators will incur costs to build a network, establish operations and acquire customers. The auction is expected to begin in March 2000.

The Company is involved in certain disputes and litigation arising in the ordinary course of its business. None of these matters are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

21. Industry segments

The Company has four reportable segments: Residential Telecoms and Television, National Telecoms, Broadcast and Corporate and Other. The Residential Telecoms and Television segment delivers residential telephony, cable television, Internet access and interactive services in regional franchise areas in the United Kingdom, Ireland and France. The National Telecoms segment includes the Company's business telecoms, national and international carrier telecoms, Internet services and satellite communications services business units in the United Kingdom. The Broadcast segment provides television and radio broadcasters with digital and analog broadcast transmission and related services from owned and shared tower sites throughout the United Kingdom and Australia. Corporate and other includes the Company's shared services departments in the United Kingdom and OCOM, a subsidiary that operated long distance and microwave transmission businesses in the United States until June 1998.

The accounting policies of the segments are the same as those described in the Significant Accounting Policies note. The Company's management evaluates segment performance based on various financial and non-financial measurements. The results of operations data utilized in financial measurements are revenues and EBITDA, which is earnings before interest, taxes, depreciation and amortization, corporate expenses, franchise fees, nonrecurring charges, other gains, foreign currency transactions gains and extraordinary items. The Company's primary measure of profit or loss

is EBITDA. Certain selling, general and administrative expenses are allocated to segments based on revenues. Segment assets include only those assets that are specific to the segment. Management does not allocate costs of shared services departments and jointly used assets for purposes of measuring segment performance. The reportable segments are strategic business units that offer different services. They are managed separately because each business requires different technology and marketing strategies.

(in thousands)	Broadcast	Residential telecoms and television	National telecoms	Corporate and other	Total
Year ended December 31, 1999					
Revenues	\$201,900	\$ 834,339	\$ 547,895	\$ —	\$ 1,584,134
Depreciation and amortization	68,584	528,344	59,852	134,542	791,322
EBITDA (1)	111,839	233,530	144,845	(279,296)	210,918
Expenditures for long-lived assets	42,210	591,364	388,965	131,766	1,154,305
Total assets	748,658	6,106,536	1,180,779	4,175,593	12,211,566
Year ended December 31, 1998					
Revenues	\$ 140,156	\$ 355,589	\$ 248,895	\$ 2,375	\$ 747,015
Depreciation and amortization	29,974	143,479	29,476	63,183	266,112
EBITDA (1)	91,687	67,587	35,848	(119,735)	75,387
Expenditures for long-lived assets	88,476	413,917	297,745	67,141	867,279
Total assets	289,068	3,100,492	761,097	2,043,440	6,194,097
Year ended December 31, 1997					
Revenues	\$ 130,799	\$ 166,951	\$ 185,194	\$8,831	\$ 491,775
Depreciation and amortization	13,584	78,730	9,666	48,529	150,509
EBITDA (1)	73,636	18,693	13,522	(84,853)	20,998
Expenditures for long-lived assets	36,142	304,656	105,076	20,519	466,393
Total assets	230,920	1,323,808	220,318	646,593	2,421,639

(1) Represents earnings before interest, taxes, depreciation and amortization, corporate expenses, franchise fees, nonrecurring charges, other gains, foreign currency transaction gains and extraordinary items.

The reconciliation of segment combined EBITDA to loss before income taxes and extraordinary item is as follows:

(in thousands)	1999	1998	1997
Segment Combined EBITDA	\$ 210,918	\$ 75,387	\$ 20,998
(Add) Deduct:			
Franchise fees	16,538	25,036	23,587
Corporate expenses	29,402	17,048	18,324
Nonrecurring charges	16,179	(4,194)	20,642
Depreciation and amortization	791,322	266,112	150,509
Interest and other income	(49,380)	(46,024)	(28,415)
Interest expense	680,728	328,815	202,570
Other gains	(493,121)	—	(21,497)
Foreign currency transaction gains	(12,720)	(4,152)	(574)
Loss before income taxes and extraordinary item	\$ (768,030)	\$ (507,254)	\$ (344,148)

22. Geographic information

(in thousands)	United States	United Kingdom	Other	Total
1999				
Revenues	\$ —	\$1,508,262	\$ 75,872	\$1,584,134
Long-lived assets	669,334	7,559,849	663,795	8,892,978
1998				
Revenues	\$ 2,375	\$ 744,640	\$ —	\$ 747,015
Long-lived assets	137,223	4,852,374	—	4,989,597
1997				
Revenues	\$ 8,831	\$ 482,944	\$ —	\$ 491,775
Long-lived assets	55,173	2,129,312	—	2,184,485

Report of independent auditors

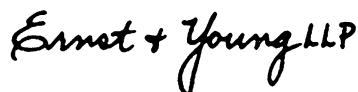
The Board of Directors and Shareholders

NTL Incorporated

We have audited the consolidated balance sheets of NTL Incorporated and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. 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 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 consolidated financial position of NTL Incorporated and Subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.



New York, New York
March 7, 2000

Directors and officers

NTL Incorporated and Subsidiaries

Directors

George S. Blumenthal

Barclay Knapp

Robert T. Goad

Chief Executive Officer, Columbia Management Inc.

Sidney R. Knafel

Managing Partner, SRK Management Company

Ted H. McCourtney

General Partner, Venrock Associates

Del Mintz

Senior Partner, TeleTrak
President, Cleveland Mobile TeleTrak, Inc.

Alan J. Patricof

Chairman, Patricof & Co. Ventures, Inc.

Warren Potash

Private Investor

Michael S. Willner

President, Insight Communications Company, L.P.

Jean-Louis Vinciguerra

Senior Executive Vice President
and Chief Financial Officer, France Telecom

Officers

George S. Blumenthal

Chairman of the Board and Treasurer

Barclay Knapp

President and Chief Executive Officer

Richard J. Lubasch

Executive Vice President, General Counsel and Secretary

John F. Gregg

Senior Vice President, Chief Financial Officer

Leigh C. Wood

Senior Vice President, Chief Operating Officer of UK Operations

Steven L. Wagner

Vice President, Marketing

Gregg N. Gorelick

Vice President, Controller

Corporate information

Independent Auditors

Ernst & Young LLP
787 Seventh Avenue
New York, NY 10019

Form 10-K and Quarterly Shareholder Information

The Company's 1999 annual report on Form 10-K excluding exhibits, but including financial statements and financial statement schedules, is available without charge upon written request to the address below. The Form 10-K is also available on the Internet at www.ntl.com/investors

Quarterly information will be available to all shareholders immediately upon its release, free of charge, via fax, by calling (212) 906-8440 or through the Internet at www.ntl.com/investors. To receive a copy by mail, please send your written request to:

Investor Relations
NTL Incorporated
110 East 59 Street
26 Floor
New York, NY 10022

Transfer Agent and Registrar for Common Stock

Continental Stock Transfer & Trust Company
2 Broadway
New York, NY 10004

Stock Listing

The Company's Common Stock is traded on the Nasdaq Stock Market's National Market under the symbol "NTLI" and on EASDAQ under the symbol "NTLI.ED". The following table sets forth, for the periods indicated, the high and low last sale prices as reported on the Nasdaq Stock Market's National Market. The information set forth below gives retroactive effect to the 5-for-4 stock split in February 2000 and the 5-for-4 stock split in October 1999.

	Last sale price	
	High	Low
1998		
First Quarter	\$ 29.20	\$17.31
Second Quarter	34.23	24.08
Third Quarter	40.64	22.72
Fourth Quarter	37.52	21.27
1999		
First Quarter	53.20	34.41
Second Quarter	64.08	47.05
Third Quarter	67.31	52.56
Fourth Quarter	101.20	51.75
2000		
First Quarter (through March 13, 2000)	109.09	82.00

On March 13, 2000, the closing sale price for the Company's Common Stock, as reported on the Nasdaq Stock Market's National Market was \$99.50. As of March 13, 2000, there were approximately 685 record holders of the Common Stock. This figure does not reflect beneficial ownership of shares held in nominee name.

The Company has never paid cash dividends on its Common Stock. Pursuant to the indentures governing the Company's Senior Notes and the Certificates of Designation governing the Company's Preferred Stock, certain provisions currently materially limit the Company's ability to pay dividends on the Company's equity securities. In addition, there are legal and contractual restrictions on the ability of the Company's subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources". The Company does not currently intend to pay cash dividends in the foreseeable future on shares of its capital stock. The Company anticipates that for the foreseeable future any cash flow generated from subsidiaries' operations will be used to develop and expand the Company's business and for debt service. Any future determination as to the payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon the Company's operating results, financial condition and capital requirements, indenture and other contractual restrictions, general business conditions and such other factors as the Company's Board of Directors deems relevant. There can be no assurance that the Company will pay dividends at any time in the future.

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