UNITED PAN EUROPE COMMUNICATIONS NV
Form 10-Q
May 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 2001

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 000-25365

UNITED PAN-EUROPE COMMUNICATIONS N.V.
(Exact name of Registrant as specified in its charter)

THE NETHERLANDS (State or other jurisdiction of incorporation or organization)	98-0191997 (I.R.S. Employer Identification No.)
BOEING AVENUE 53, SCHIPHOL RIJK, THE NETHERLANDS (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	1119 PE (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (31) 20-778-9840

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

The number of shares outstanding of the Registrant's common stock as of May 14, 2001 was:

441,246,729 ordinary shares A, including
shares represented by American Depository Receipts

UNITED PAN-EUROPE COMMUNICATIONS N.V.

TABLE OF CONTENTS

UNITED PAN-EUROPE COMMUNICATIONS N.V.

CONSOLIDATED BALANCE SHEETS

(STATED IN THOUSANDS OF EUROS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(UNAUDITED)

	AS OF MARCH 31, 2001	AS OF DECEMBER 31, 2000

ASSETS:		
Current assets		
Cash and cash equivalents	1,129,487	1,590,230
Restricted cash	2,984	421
Subscriber receivables, net of allowance for doubtful accounts of 56,968 and 57,108, respectively	130,766	151,977
Costs to be reimbursed by affiliated companies	18,981	12,459
Other receivables, including related party receivables of 5,585 and 5,140, respectively	154,717	155,212
Inventory	162,155	127,813
Prepaid expenses and other current assets	109,628	82,475
Total current assets	1,708,718	2,120,587
Other investments	100,923	105,063
Investments in and advances to affiliated companies	672,783	685,288
Property, plant and equipment, net	3,656,769	3,581,539
Goodwill and other intangible assets, net	5,089,530	5,119,892
Deferred financing costs, net	167,858	178,113
Compound swaps	387,981	-
Other assets	13,514	11,889
Total assets	11,798,076	11,802,371
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities		
Accounts payable, including related party payables of 3,470 and 762, respectively	383,391	579,060
Accrued liabilities	593,528	583,351
Subscriber prepayments and deposits	161,762	100,696
Short-term debt	40,119	51,860
Current portion of long-term debt	20,501	17,832
Total current liabilities	1,199,301	1,332,799
Long-term debt	8,729,951	8,078,269
Other long-term liabilites	53,143	46,801
Total liabilites	9,982,395	9,457,869
Commitments and contingencies, see Note 9.		
Minority interests in subsidiaries	812,772	831,132
Shareholders' equity (As adjusted for stock split, see Note 10)		
Priority stock, 1.0 par value, 300 shares authorized, 300 and 300 shares issued, respectively	-	-
Series 1 convertible preference stock, class A common stock, 1.0 par value, 12,400 shares, authorized, 12,400 and 12,400 shares issued and outstanding, respectively	1,414,885	1,392,251
Ordinary stock, 1.0 par value, 600,000,000 shares authorized, 441,246,729 and 441,246,729 shares issued and outstanding, respectively	441,247	441,247
Additional paid-in capital	2,798,080	2,800,234
Deferred compensation	(87,012)	(87,945)
Accumulated deficit	(3,696,822)	(3,110,627)
Other cumulative comprehensive income	132,531	78,210
Total shareholders' equity	1,002,909	1,513,370

Total liabilities and shareholders' equity	11,798,076	11,802,371

The accompanying notes are an integral part of these consolidated financial statements.

1

UNITED PAN-EUROPE COMMUNICATIONS N.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

(STATED IN THOUSANDS OF EUROS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
Service and other revenue	333,448	199,600
Operating expense	(255,335)	(141,882)
Selling, general and administrative expense	(139,983)	(167,161)
Depreciation and amortization	(245,179)	(130,703)
Net operating loss	(307,049)	(240,146)
Interest income	15,755	13,373
Interest expense	(218,219)	(140,393)
Foreign exchange gain (loss) and other income (expense), net	(55,105)	(79,953)
Net loss before income taxes and other items	(564,618)	(447,119)
Share in results of affiliated companies	(46,096)	(21,215)
Minority interests in subsidiaries	18,841	984
Income tax benefit (expense)	90	(21)
Net loss before cumulative effect of change in accounting principle	(591,783)	(467,371)
Cumulative effect of change in accounting principle	35,349	-
Net loss	(556,434)	(467,371)
Basic net loss attributable to common shareholders (See Note 13)	(586,195)	(467,371)
Basic and diluted net loss per ordinary share before cumulative effect of change in accounting principle(1)	(1.34)	(1.07)
Basic and diluted net loss per ordinary share(1)	(1.33)	(1.07)
Weighted-average number of ordinary shares outstanding(1)	441,246,729	435,608,107

----

(1) As adjusted for the stock splits. See Note 10.

The accompanying notes are an integral part of these consolidated financial statements.

UNITED PAN-EUROPE COMMUNICATIONS N.V.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(STATED IN THOUSANDS OF EUROS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	PRIORITY STOCK		SERIES 1 CONVERTIBLE CLASS A PREFERENCE STOCK		ORDINAR
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES
Balance, December 31, 2000............	300	-	12,400	1,392,251	441,246,729
Deferred compensation expense related to stock options, net...............	-	-	-	-	-
Amortization of deferred compensation.......................	-	-	-	-	-
Capital tax preference stock...........	-	-	-	(7,127)	-
Accrual of Dividend on Series 1 Convertible Preferred Stock..........	-	-	-	28,385	-
Accretion of Discount of Series 1 Convertible Preferred Stock..........	-	-	-	1,376	-
Unrealized gain on investments.........	-	-	-	-	-
Change in cumulative translation adjustments.........................	-	-	-	-	-
Net loss...............................	-	-	-	-	-
Total comprehensive loss..............	-	-	-	-	-
Balance, March 31, 2001...............	300	-	12,400	1,414,885	441,246,729

	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	OTHER CUMULATIVE COMPREHENSIVE INCOME (LOSS)(1)	TOTAL
Balance, December 31, 2000............	(87,945)	(3,110,627)	78,210	1,513,37
Deferred compensation expense related to stock options, net...............	2,154	-	-	
Amortization of deferred compensation.......................	(1,221)	-	-	(1,22
Capital tax preference stock...........	-	-	-	(7,12
Accrual of Dividend on Series 1 Convertible Preferred Stock..........	-	(28,385)	-	
Accretion of Discount of Series 1 Convertible Preferred Stock..........	-	(1,376)	-	
Unrealized gain on investments.........	-	-	38,038	38,03
Change in cumulative translation adjustments.........................	-	-	16,283	16,28

Net loss............................	-	(556,434)	-	(556,43
Total comprehensive loss..............	-	-	-	(502,11
Balance, March 31, 2001...............	(87,012)	(3,696,822)	132,531	1,002,90

----

(1) As of December 31, 2000, Other Cumulative Comprehensive Income (Loss) represents foreign currency translation adjustments of 59,789 and unrealized gain on investments of 18,421.

As of March 31, 2001, Other Cumulative Comprehensive Income (Loss) represents foreign currency translation adjustments of 76,072 and unrealized gain on investments of 56,459.

The accompanying notes are an integral part of these consolidated financial statements.

3

UNITED PAN-EUROPE COMMUNICATIONS N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(STATED IN THOUSANDS OF EUROS, EXCEPT SHARE AND PER SHARE AMOUNTS)
(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss..	(556,434)	(467,371)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization...........................	245,179	130,703
Amortization of deferred financing costs.................	8,481	3,640
Accretion of interest expense...........................	62,901	52,381
Share in results of affiliated companies.................	46,096	21,215
Compensation expense related to stock options............	1,062	52,038
Minority interests in subsidiaries......................	(18,841)	(984)
Exchange rate differences in loans......................	112,322	91,051
Cumulative effect of change in accounting principle.......	(35,349)	-
Gain on compound swap..................................	(47,541)	-
Other..	(28,737)	(9,813)
Changes in assets and liabilities:		
Increase in receivables...............................	(14,053)	(41,737)
(Increase) decrease in inventories.....................	(34,589)	6,436
Decrease (increase) in other non-current assets.........	25	(18,580)
Increase (decrease) in other current liabilities........	(141,014)	177,422
Increase in deferred taxes and other long-term liabilities..	(27,879)	(29,926)
Net cash flows from operating actvities....................	(428,371)	(33,525)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in securities, net.............................	-	(44,538)

Investments in and advances to affiliated companies, net of repayments	(5,940)	(304,275)
Capital expenditures	(177,725)	(253,202)
Acquisitions, net of cash acquired	(22,892)	(1,347,330)
Net cash flows from investing activities	(206,557)	(1,949,345)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from senior notes	-	1,594,161
Proceeds from short-term borrowings	-	267,962
Proceeds from long-term borrowings	200,000	139,491
Deferred financing costs	-	(31,764)
Repayments of long-term and short-term borrowings	(26,202)	(297,298)
Net cash flows from financing activities	173,798	1,672,552
EFFECT OF EXCHANGE RATES ON CASH	387	173
NET DECREASE IN CASH AND CASH EQUIVALENTS	(460,743)	(310,145)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,590,230	1,025,460
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,129,487	715,315

The accompanying notes are an integral part of these consolidated financial statements.

UNITED PAN-EUROPE COMMUNICATIONS N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS(2)

(STATED IN THOUSANDS OF EUROS, EXCEPT SHARE AND PER SHARE AMOUNTS)

(UNAUDITED)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Unrealized (gain) loss on investments	(38,038)	48,762
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	(189,211)	(102,715)
Cash received for interest	13,171	13,739

The accompanying notes are an integral part of these consolidated financial statements.

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF OPERATIONS

United Pan-Europe Communications N.V., formerly known as United and Philips Communications B.V. ("UPC" or the "Company"), was formed for the purpose of acquiring and developing multi-channel television and telecommunications systems in Europe. In 1995, UnitedGlobalCom, Inc. (formerly known as United International Holdings, Inc. ("United")), a United States of America corporation, and Philips Electronics N.V. ("Philips"), contributed their respective ownership interests in European and Israeli multi-channel television systems to UPC. In December, 1997, United acquired Philips' 50% interest in UPC (the "UPC Acquisition"), thereby making it an effectively wholly-owned subsidiary of United (subject to certain employee equity incentive compensation arrangements). Subsequently in February 1999, UPC had its initial public offering. As of March 31, 2001, United owns 53.3% of UPC. Through its broadband communications networks or services in 17 countries in Europe and in Israel, UPC currently offers communication services in many European countries through its three primary business units, UPC Distribution, UPC Media and Priority Telecom. UPC Distribution, which comprises the local operating systems, provides video, telephony and internet services for residential customers. UPC Media comprises the internet access and converging internet content and programming businesses. The third unit, PRIORITY TELECOM, focuses on providing network solutions to the business customer.

6

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

The following chart presents a summary of the Company's significant investments as of March 31, 2001.

	UPC'S OWNERSHIP
DISTRIBUTION:	
AUSTRIA:	
Telekabel Group	95.0%
BELGIUM:	
UPC Belgium	100.0%
CZECH REPUBLIC:	
KabelNet	100.0%
Kabel Plus	99.9%
FRANCE:	
UPC France	92.0%
GERMANY:	
EWT/TSS Group	51.0%
PrimaCom AG ("Primacom")	25.0%
HUNGARY:	
UPC Magyarorszag	100.0%
Monor Communications Group, Inc. ("Monor")	98.9%
THE NETHERLANDS:	
UPC Nederland	100.0%
Alkmaar	100.0%
NORWAY:	
UPC Norge AS ("UPC Norge")	100.0%

SWEDEN:	
UPC Sweden	100.0%
SLOVAK REPUBLIC:	
Trnavatel	95.0%
Kabeltel	100.0%
UPC Slovensko s.r.o	100.0%
ROMANIA:	
Eurosat	51.0%
AST Romania	70.0%
POLAND:	
UPC Polska, Inc ("UPC Polska")	100.0%
MEDIA:	
OTHER:	
CHELLO BROADBAND N.V. ("CHELLO")	100.0%
IRELAND:	
Tara Televison Limited	80.0%
U.K./CENTRAL EUROPE:	
UPC Broadcast Centre Ltd. ("UPC Broadcast Centre")	100.0%

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

	UPC'S OWNERSHIP
SPAIN:	
Iberian Programming Services ("IPS")	50.0%
UNITED KINGDOM:	
Xtra Music Ltd	50.0%
OTHER:	
SBS Broadcasting SA ("SBS")	23.5%
THE NETHERLANDS:	
UPC Programming B.V. ("UPCtv")	100.0%
CZECH/SLOVAK/HUNGARY:	
UPC Direct Programming B.V	100.0%
POLAND:	
Wizja TV B.V	100.0%
PRIORITY TELECOM:	
THE NETHERLANDS:	
Priority Telecom N.V. ("Priority Telecom")	83.4%
OTHER:	
ISRAEL:	
Tevel Israel International Communications Ltd. ("Tevel")	46.6%
MALTA:	
Melita Cable TV P.L.C. ("Melita")	50.0%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RISKS AND UNCERTAINTIES

The Company has incurred substantial operating losses and negative cash flows from operations which have been driven by the continuing development efforts including the introduction of new services such as digital video, telephone and internet. Additionally, substantial capital expenditures have been required to deploy these services and to acquire businesses. Management expects the Company to incur operating losses in 2001 and 2002 primarily as a result of the continued introduction of these new services which are in the early stages of deployment. The Company's business plan calls for substantial growth in the number of subscribers that will use these new services. This growth requires the availability of capital resources that are sufficient to fund expected capital expenditures. Growth in subscribers will also be required in order for the Company to achieve consolidated operating profitability and positive operating cash flows. Management believes that the Company can achieve the anticipated growth in subscribers and that the required capital resources will be available to fund expected capital expenditures and operating losses. However, if such subscriber growth is not achieved, management believes access to sources of capital will be sufficient to satisfy future cash needs. Management's estimates of the cash flows generated by these new services and the capital resources needed and available to complete their deployment could change, and such change could differ materially from the estimates used to evaluate the Company's ability to realize its investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The accompanying consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All amounts are stated in thousands of Euros, except where stated otherwise.

In management's opinion, all adjustments of a normal, recurring nature have been made which are necessary to present fairly the financial position of the Company as of March 31, 2001 and the results of its operations for the three months ended March 31, 2001 and 2000. For a more complete understanding of the Company's financial position and results of operations we refer to the consolidated financial statements of the Company included in the Company's annual report on Form 10-K for the year ended December 31, 2000.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of UPC and all subsidiaries where it exercises a controlling interest through the ownership of a majority voting interest. All significant intercompany accounts and transactions have been eliminated in consolidations.

ACCOUNTING CHANGE

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative and Hedging Activities" ("SFAS 133"), which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The adoption of SFAS 133 on January 1, 2001, resulted in a cumulative increase to income of Euro 35.3 million and a cumulative increase to Other Comprehensive Income ("OCI") of Euro 36.7 million. The increase to income was attributable to a loss of approximately Euro 36.7 million reclassified from OCI for the value of certain warrants held by the Company which are derivatives and are not designated as a hedging instrument, and income of approximately Euro 72.0 million related to gains associated with the cross currency swaps which are held by the Company which do not qualify as hedging instruments as defined by SFAS 133. The fair value of the compound swaps as of March 31, 2001 amounting to Euro 388.0 million (including both the fair value of the foreign currency part and the interest part of the swaps) has been recorded as an asset on the balance sheet. Of this amount Euro 268.4 has been added to the carrying value of the related long-term debt. The Company uses derivative instruments to manage exposures to foreign currency and interest rate risks.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified for comparability with the March 31, 2001 presentation.

3. ACQUISITIONS

ENECO K&T GROUP

In March 2000, UPC acquired the Eneco K&T Group ("K&T"), the cable interests of ENECO N.V., for a consideration of 1,046.3 million, including the repayment to ENECO N.V. and the assumption of debt from K&T to ENECO N.V. of 225.6 million. The acquisition was accounted for under purchase accounting. Effective March 31, 2000, UPC began consolidating its investment in K&T.

PRO FORMA INFORMATION

The following unaudited pro forma condensed consolidated operating results for the three months ended March 31, 2000 gives effect to UPC's acquisition of K&T as if this acquisition had occurred at the beginning of the period presented. This unaudited pro forma condensed consolidated financial information does not purport to represent what the Company's results of operations would actually have been if such transactions had in fact occurred on such date.

	FOR THE THREE MONTHS ENDED MARCH 31, 2000	
	HISTORICAL	PRO FORMA
Service and other revenue	199,600	216,844
Net loss	(467,371)	(516,359)
Weighted-average number of ordinary shares outstanding	435,608,107	435,608,107

Basic and diluted net loss per ordinary share..............	(1.07)	(1.19)
	===========	===========

ACQUISITION OF ALKMAAR

In January 2001, UPC acquired De Alkmaarse Kabel B.V., which owns and operates cable and broadband networks primarily in the Alkmaar region of the Netherlands, for a purchase price of 49.2 million. The purchase price was paid with cash of 22.9 million and an one-year note with interest of 8% per annum. The note is payable in cash or shares of UPC, at UPC's option.

ANNOUNCEMENT OF MERGER WITH PRIMACOM

On March 29, 2001, UPC announced an agreement with PrimaCom to merge its German assets, including EWT/TSS and the TeleColumbus option, as well as its Alkmaar subsidiary located in the Netherlands, with those of Primacom. The proposed transaction is subject to approval by the PrimaCom shareholders, as well as various regulatory and other approvals. The merger is expected to close in the third quarter of 2001.

10

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES, ACCOUNTED FOR UNDER THE EQUITY METHOD

	AS OF MARCH 31, 2001			
	INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES	CUMULATIVE DIVIDENDS RECEIVED	CUMULATIVE SHARE IN RESULTS OF AFFILIATED COMPANIES	CUMULATIV TRANSLATI ADJUSTMEN
Tevel......................	89,817	(5,500)	(54,383)	15,564
Melita.....................	12,688	-	(1,981)	814
Xtra Music.................	15,176	-	(7,162)	562
IPS........................	10,065	(2,742)	6,495	5,294
SBS........................	261,999	-	(51,121)	40,099
PrimaCom...................	345,096	-	(44,482)	-
Other, net.................	50,128	(707)	(13,067)	131
	-------	------	---------	------
Total......................	784,969	(8,949)	(165,701)	62,464
	=======	======	========	======

5. OTHER INVESTMENTS

MARKETABLE EQUITY SECURITIES OF UNITED, AT FAIR VALUE

As a result of the UPC Acquisition, a subsidiary of UPC acquired 6,338,302 of United's Class A common shares, as adjusted for United's 2:1 stock split in November 1999, valued at fair market value of 30.3 million as of December 11, 1997. In November 1998, UPC sold 769,062 shares. As of March 31, 2001, the fair value of the remaining 5,569,240 shares was 83.1 million resulting in a cumulative unrealized gain of 56.5 million as of March 31, 2001.

TERAYON WARRANTS

UPC acquired warrants from Terayon Communication Systems, Inc. ("Terayon"), a public company, for 2 million shares of Terayon's common stock as a part of a relationship agreement entered into with Terayon in January 2000. The Company recorded the receipt of these warrants as an asset representing the fair value of the warrants at the date of receipt recorded in "other investments" and a credit recorded to "other long-term liabilities" which is being amortized to income over the term of the relationship agreement. For the three months period ended March 31, 2001, 3.1 million was amortized and has been reflected in "foreign exchange gain (loss) and other income (expense)" in the accompanying statement of operations.

11

6. PROPERTY, PLANT AND EQUIPMENT

	AS OF MARCH 31, 2001	AS OF DECEMBER 31, 2000
Cable distribution networks	3,202,827	3,089,342
Subscriber premises equipment and converters	540,015	440,015
DTH, MMDS and distribution facilities	221,541	218,568
Office equipment, furniture and fixtures	267,782	250,918
Buildings and leasehold improvements	134,020	132,092
Other	86,977	61,636
	4,453,162	4,192,571
Accumulated depreciation	(796,393)	(611,032)
Property, plant and equipment, net	3,656,769	3,581,539

7. GOODWILL AND OTHER INTANGIBLE ASSETS

	AS OF MARCH 31, 2001	AS OF DECEMBER 31, 2000
UPC Nederland	1,375,216	1,713,365
UPC Polska	1,090,419	1,024,469
UPC Germany	950,890	951,990
UPC Sweden	404,325	418,828
Priority Telecom	691,347	363,215
UPC NV	217,218	208,540
Telekabel Group	180,498	180,200
UPC France	177,262	176,639
UPC Magyarorszag	140,372	141,264

UPC Czech Republic	103,842	102,488
Priority Wireless Group	107,576	108,020
UPC Norge	86,544	72,427
Other	102,823	96,838
	5,628,332	5,558,283
Accumulated amortization	(538,802)	(438,391)
Goodwill and other intangible assets, net	5,089,530	5,119,892

8. LONG-TERM DEBT

	AS OF MARCH 31, 2001	AS OF DECEMBER 31, 2000
July 1999 Notes	1,767,070	1,567,212
October 1999 Notes	1,174,092	1,059,174
January 2000 Notes	1,898,246	1,761,130
UPC Distribution Bank Facility	2,585,260	2,395,998
UPC Bridge Facility	750,000	750,000
@Entertainment Notes	355,954	323,275
DIC loan	53,255	55,359
Other	166,575	183,953
	8,750,452	8,096,101
Less current portion	(20,501)	(17,832)
Total	8,729,951	8,078,269

The increase in the July 1999 Notes, October 1999 Notes, January 2000 Notes, as well as the UPC Distribution Bank Facility, is partly due to the adoption of SFAS 133 as further disclosed in Note 2. Under SFAS 133, Euro 268.4 million attributable to the compound swaps has been added to the carrying value of the related long-term debt, with a corresponding amount recorded as an asset on the balance sheet. This amount had previously been netted with the underlying debt balance.

UPC DISTRIBUTION BANK FACILITY

In October 2000, UPC closed a Euro 4.0 billion operating and term loan facility ("UPC Distribution Bank Facility"). The facility is guaranteed by existing cable operating companies, excluding Polish and German assets. The UPC Bank Facilities bear interest at EURIBOR +0.75%-4.0% depending on certain leverage ratios, and an annual commitment fee of 0.5% over the undrawn amount is applicable. The facility was widely syndicated to a group of more than 50 European and American (Banking) institutions. A first drawing was made in October 2000, to refinance existing operating company bank debt totaling

Euro 2.0 billion. The purpose of the UPC Distribution Bank Facility is to finance further digital rollout and triple play by UPC's existing cable companies, excluding Polish and German operations. Additional availability is linked to certain performance tests. Management expects the additional borrowing availability under this facility to increase throughout 2001. As customary for a financing of this nature, certain financial covenants and restrictions on UPC's cable companies' ability to make dividends and/or other payments to UPC, incur indebtedness, dispose of assets, merge and enter into affiliate transactions. UPC was in compliance with these covenants at March 31, 2001. Principal repayment will begin in 2004. The facility reaches final maturity in 2009. At March 31, 2001, Euro 2.6 billion was outstanding under this facility. The facility is structured in different tranches, with one tranche denominated in dollars for the amount of USD 347.5 million. Concurrent with the closing, UPC entered into a cross currency swap to predominantly hedge currency risk.

9. COMMITMENTS AND CONTINGENCIES

LEASES

UPC has entered into various short- and long-term agreements with third parties, varying in term from 3 to 15 years, for indefeasible rights of use ("IRU's") on fiber optic cable as well as for operational leases. Under these agreements UPC has commitments for discounted future minimum lease payments, and for operation and maintenance charges, which total approximately 27.9 million as of March 31, 2001.

A subsidiary of UPC leases DTH technical equipment, conduit and satellite transponder capacity, as well as several offices and warehouses. At March 2001, these leases had an aggregate maximum commitment of approximately USD 220.5 million (250.7 million) over the next seven years.

UPC has entered into an agreement for the long-term lease of satellite transponder capacity providing service from Europe to Europe, North America and South America. The term of the agreement is 156 months, with a minimum aggregate total cost of approximately USD 107.9 million (122.7 million) payable in monthly installments based on capacity used.

PROGRAMMING, BROADCAST AND EXHIBITION RIGHTS

A subsidiary of UPC has entered into long-term programming agreements and agreements for the purchase of certain exhibition or broadcast rights with a number of third-party content providers for its digital direct-to-home ("DTH") and cable systems. At March 31, 2001, these agreements had an aggregate minimum commitment of approximately USD 264.5 million (300.7 million) over the next seven years.

LITIGATION AND CLAIMS

From time to time, the Company is subject to various claims and suits arising out of the ordinary course of business. While the ultimate result of all such matters is not presently determinable, based upon current knowledge and facts, management does not expect that their resolution will have a material adverse effect on the Company's consolidated financial position or results of operations.

10. SHAREHOLDERS' EQUITY

At an extraordinary general meeting of shareholders in March 2000, the shareholders approved the amendment of UPC's Articles of Association to (i) split each ordinary share A, priority share, preference share A and preferred share B (as of December 31, 1999, with a nominal value of Euro 2.00 each) into three shares with a nominal value of Euro 1.00 each, (ii) split each ordinary share B (as of December 31, 1999, with a nominal value of Euro 0.02 each) into three shares with a nominal value of Euro 0.01 each and (iii) pay up an amount of Euro 145.2 million on account of the share premium reserve of the Company. All share and per share amounts in the accompanying consolidated financial statements and notes thereto have been retroactively restated to reflect the 3 for 1 share split.

11. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's business has historically been derived from cable television. Commencing in 1998, the Company began launching telephony and internet services over parts of its upgraded network. The Company is managed internally as three primary businesses, UPC Distribution, UPC Media and PRIORITY TELECOM. In addition, Corporate, IT and Other is a separate reporting segment. UPC Distribution

11. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

focuses on providing cable television, DTH, internet and telephony services to residential customers and is comprised of the local operating systems. cHELLO BROADBAND serves as the internet access provider, and was recently combined with the programming businesses led by UPCtv under one management team as UPC Media. PRIORITY TELECOM is focused on providing services to business customers. Amounts included in Corporate, IT and Other relate primarily to centralized activities which support multiple platforms/services.

The Company evaluates performance and allocates resources based on the results of these business units. The key operating performance criteria used in this evaluation includes revenue growth and net operating loss before depreciation, amortization and stock-based compensation expense ("Adjusted EBITDA"). Industry analysts generally consider EBITDA to be a helpful way to measure the performance of cable television operations and communications companies. Management believes Adjusted EBITDA helps investors to assess the cash flow from operations from period to period and thus value the Company's business. Adjusted EBITDA should not, however, be considered a replacement for net income, cash flows or any other measure of performance or liquidity under generally accepted accounting principles, or as an indicator of a company's operating performance. The presentation of Adjusted EBITDA may not be comparable to statistics with a similar name reported by other companies. Not all companies and analysts calculate Adjusted EBITDA in the same manner. As the Company increases its bundling of products, the allocation of indirect operating and SG&A expenses between individual products will become increasingly difficult and may not represent the actual Adjusted EBITDA for individual products.

A summary of the segment information by geographic area is as follows:

REVENUE FOR THE THREE MONTHS ENDED MARCH 31, 2		
CABLE	INTERNET/	CORPOR

	TELEVISION	TELEPHONY	DATA	DTH	PROGRAMMING	IT & O
Corporate..................	-	-	-	-	-	9
UPCtv......................	-	-	-	-	3,144	
CHELLO BROADBAND...........	-	-	13,209	-	-	
PRIORITY TELECOM...........	-	58,910	-	-	-	
Distribution:						
The Netherlands..........	61,358	15,696	15,469	-	-	10,0
Austria..................	20,845	10,618	11,066	-	-	2,7
Belgium..................	3,904	-	2,203	-	-	
Czech Republic...........	8,159	215	214	1,767	820	4
Norway...................	12,351	1,654	1,825	-	-	5
Hungary..................	14,463	5,802	476	1,851	2,402	
France...................	14,882	4,384	1,449	-	-	
Poland...................	20,356	-	223	17,581	17,453	
Sweden...................	8,439	-	2,415	-	-	
Germany..................	12,330	11	15	-	-	7
Other....................	8,218	-	157	516	1,698	
Total......................	185,305	97,290	48,721	21,715	25,517	15,4

15

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

	REVENUE FOR THE THREE MONTHS ENDED MARCH 31,					
	CABLE TELEVISION	TELEPHONY	INTERNET/ DATA	DTH	PROGRAMMING	CORPO IT &
Corporate..................	-	-	-	-	-	
UPCtv......................	-	-	-	-	511	
CHELLO BROADBAND...........	-	-	5,431	-	-	
PRIORITY TELECOM...........	-	9,552	-	-	-	
Distribution:						
The Netherlands...........	43,290	9,469	5,254	-	-	
Austria...................	20,697	5,754	5,597	-	-	
Belgium...................	3,644	278	812	-	-	
Czech Republic............	6,278	258	-	-	-	1,0
Norway....................	12,263	403	404	-	-	
Hungary...................	11,766	5,299	58	-	-	
France....................	14,080	1,875	409	-	-	
Poland....................	17,258	-	-	9,610	13,014	
Sweden....................	8,220	-	845	-	-	
Germany...................	-	-	-	-	-	
Other.....................	3,937	-	-	-	-	2
Total......................	141,433	32,888	18,810	9,610	13,525	1,2

ADJUSTED EBITDA FOR THE THREE MONTHS ENDED MARCH 3

	CABLE TELEVISION	TELEPHONY	INTERNET/ DATA	DTH	PROGRAMMING	C I
Corporate......................	-	-	-	-	-	
UPCtv..........................	-	-	-	-	(15,364)	
CHELLO BROADBAND...............	-	-	(20,197)	-	-	
PRIORITY TELECOM...............	-	(21,552)	-	-	-	
Distribution:						
The Netherlands..............	29,820	(4,323)	(4,343)	-	-	
Austria......................	8,603	1,278	2,356	-	-	
Belgium......................	1,572	-	(493)	-	-	
Czech Republic...............	2,684	(29)	(297)	(1,415)	(487)	
Norway.......................	4,220	(1,393)	(842)	-	-	
Hungary......................	5,036	3,177	(398)	(1,338)	(1,339)	
France.......................	60	(4,550)	(1,952)	-	-	
Poland.......................	443	-	(1,308)	(1,982)	(9,375)	
Sweden.......................	1,990	-	(938)	-	-	
Germany......................	6,215	(10)	(164)	-	-	
Other........................	3,224	-	142	(790)	(974)	
Total..........................	63,867	(27,402)	(28,434)	(5,525)	(27,539)	

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

ADJUSTED EBITDA FOR THE THREE MONTHS ENDED MARCH 3

	CABLE TELEVISION	TELEPHONY	INTERNET/ DATA	DTH	PROGRAMMING	C I
Corporate......................	-	-	-	-	-	
UPCtv..........................	-	-	-	-	(7,647)	
CHELLO BROADBAND...............	-	-	(27,149)	-	-	
PRIORITY TELECOM...............	-	(2,649)	-	-	-	
Distribution:						
The Netherlands..............	21,472	(11,939)	(5,279)	-	-	
Austria......................	11,244	(1,126)	168	-	-	
Belgium......................	1,461	(141)	(1,134)	-	-	
Czech Republic...............	928	23	-	-	-	
Norway.......................	4,905	(1,863)	(849)	-	-	
Hungary......................	3,644	2,940	(1,069)	-	-	
France.......................	1,517	(2,746)	(986)	-	-	
Poland.......................	1,072	-	-	(4,343)	(14,609)	
Sweden.......................	3,736	(705)	(2,086)	-	-	
Germany......................	-	-	-	-	-	
Other........................	1,667	(180)	(1,699)	-	(64)	
Total..........................	51,646	(18,386)	(40,083)	(4,343)	(22,320)	

====== ======= ======= ====== =======

Following is a reconciliation of Adjusted EBITDA to UPC's net loss before income taxes:

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
Adjusted EBITDA	(60,808)	(57,405)
Depreciation and amortization	(245,179)	(130,703)
Stock-based compensation	(1,062)	(52,038)
Net operating loss	(307,049)	(240,146)
Interest income	15,755	13,373
Interest expense	(218,219)	(140,393)
Foreign exchange gain (loss) and other income (expense), net	(55,105)	(79,953)
Net loss before income taxes and other items	(564,618)	(447,119)
Share in results of affiliated companies, net	(46,096)	(21,215)
Minority interests in subsidiaries	18,841	984
Net loss before income tax benefit (expense) and cumulative effect of change in accounting principle	(591,873)	(467,350)

UNITED PAN-EUROPE COMMUNICATIONS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

	TOTAL ASSETS	
	AS OF MARCH 31,	AS OF DECEMBER 31,
	2001	2000
Corporate	2,759,338	2,775,411
UPCtv	80,939	70,043
CHELLO BROADBAND	108,891	118,746
PRIORITY TELECOM	1,055,322	630,418
Distribution:		
The Netherlands	2,487,544	2,929,364
Austria	471,578	464,174
Belgium	46,619	46,463
Czech Republic	232,968	231,122
Norway	322,400	319,324
Hungary	370,037	376,722

France	923,998	914,385
Poland	1,346,925	1,316,945
Sweden	432,794	453,231
Germany	1,030,272	1,044,344
Other	128,451	111,679
Total	11,798,076	11,802,371

The total assets of Priority Wireless are included in PRIORITY TELECOM, as historically Priority Wireless was included in PRIORITY TELECOM as an out-reach technology.

12. COMPREHENSIVE INCOME (LOSS)

The components of total comprehensive income (loss) are as follows:

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
Net loss	(556,434)	(467,371)
Other comprehensive income (loss):		
Change in cumulative translation adjustments	16,283	36,101
Change in unrealized gain (loss) on investments	38,038	48,762
Total comprehensive income (loss)	(502,113)	(382,508)

13. BASIC NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
Net loss	(556,434)	(467,371)
Accretion of Series 1 convertible preferred stock	(29,761)	--
Basic net loss attributable to common shareholders	(586,195)	(467,371)

18

ITEM 2--MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion, contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements may include statements concerning our plans, objectives and future economic prospects, expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements involve both known and unanticipated risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from what we say or imply with the forward-looking statements. These factors include, among other things, changes in television viewing preferences and habits by our subscribers and potential subscribers, their acceptance of new technology, programming alternatives and new video services we may offer. They also include our ability to complete announced transactions, our ability to secure adequate capital to fund system growth, new businesses and acquisitions and to manage and grow our newer telephony, digital and internet/data services. These forward-looking statements apply only as of the time of this report and we have no obligation or plans to provide updates or revisions to these forward-looking statements or any other changes in events or circumstances on which these forward-looking statements are based. The following discussion and analysis of financial condition and results of operations covers the three months ended March 31, 2001 and 2000, and should be read together with our consolidated financial statements and related notes included elsewhere herein. These consolidated financial statements provide additional information regarding our financial activities and condition.

INTRODUCTION

We own and operate broadband communications networks or services in 17 countries in Europe and in Israel. Our operations are organized into three principal divisions. UPC Distribution, which comprises our local operating systems, delivers video, telephony and internet services to our residential customers. UPC Media comprises our internet access and converging internet content and programming businesses, which provide their products and services to us, as well as to third parties. PRIORITY TELECOM, which will target the business market, is our third principal division. Our subscriber base is the largest of any group of broadband communications networks operated across Europe. Our goal is to enhance our position as a leading pan-European distributor of video programming services and to become a leading pan-European provider of telephony, internet and enhanced video services, offering a one-stop shopping solution for residential and business communication needs. We plan to achieve this goal by increasing the penetration of our new services, such as digital video, telephony and internet.

Since formation, we have developed largely through acquisitions. The most recent acquisitions have resulted in significant growth in our consolidated revenues and expenditures.

The following table summarizes our larger acquisitions since January 1, 2000.

OPERATING COMPANIES	INTEREST ACQUIRED	LOCATION	CLOSING DATE
Primacom AG................	25.0%	Germany	December 1999 - March 2000
SBS........................	10.2%	pan-European	February 2000
Intercomm(5)...............	100%	France	February 2000
Tebecai....................	100%	The Netherlands	February 2000
ElTele stfold / Vestfold...	100%	Norway	March 2000
Kabel Haarlem B.V..........	100%	The Netherlands	March 2000
Eneco K&T Group............	100%	The Netherlands	March 2000
UPC Magyarorszag(1)........	20.75%	Hungary	March 2000

DattelKabel................	100%	Czech Republic	July 2000
EWT/TSS Group(3)...........	100%	Germany	October 2000
Cignal Global Communications(4)........	100%	United States of America	November 2000
Alkmaar....................	100%	The Netherlands	January 2001

----

(1) We acquired the 20.75% of UPC Magyarorszag which we did not already own.

(2) Including acquisition of loans to former shareholder.

(3) We acquired 100% of EWT/TSS through our 51% owned subsidiary UPC Germany for a preliminary purchase price of 238.4 million in cash and 49% of UPC Germany.

(4) We acquired 100% of Cignal Global Communications in exchange for a 16% interest in our subsidiary Priority Telecom in a stock-based transaction.

(5) We acquired 100% of Intercomm France Holding S.A., in exchange for a 8% interest in UPC France and 36.0 million in cash.

ANNOUNCEMENT OF MERGER WITH PRIMACOM

On March 29, 2001, we announced an agreement with PrimaCom to merge our German assets, including EWT/TSS and the Telecolumbus option, as well as our Alkmaar subsidiary located in the Netherlands, with those of PrimaCom. The proposed transaction is subject to approval by the PrimaCom shareholders, as well as various regulatory and other approvals. The merger is expected to close in the third quarter of 2001. If PrimaCom is deemed the "acquirer" for purposes of accounting for this proposed transaction, our investment in the merged companies would be required to be recorded at fair value as of the date of the transaction. Our carrying value of EWT/TSS could be significantly higher than the fair value of our investment in the merged companies if and when the transaction is consummated.

SERVICES

To date, our primary source of revenue has been analog video entertainment services to residential customers. We believe that an increasing percentage of our future revenues will come from telephony, internet and digital video services within the residential market, as well as expanding to the business customer. These are forward-looking statements and will not be fulfilled unless our new services grow dramatically. Capital constraints, technological limitations, competition, lack of programming, loss of personnel, adverse regulation and many other factors could prevent our new services from growing as we expect. The introduction of telephony services and internet services had a significant negative impact on Adjusted EBITDA during 2000 and 1999. We expected this negative impact due to the high costs associated with obtaining subscribers, branding and launching these new services against the incumbent operator. This negative impact is expected to decline. We intend for these new businesses to be Adjusted EBITDA positive after two to three years following introduction of the service, but there can be no assurance this will occur. We believe that our new services will continue to have a negative impact on Adjusted EBITDA due to the one-time costs associated with obtaining customers.

UPC DISTRIBUTION-VIDEO. We currently offer our subscribers a wide choice of pay-tv services. We plan to continue to improve our expanded basic tier offerings by adding new channels and where possible, migrating popular commercial channels into an expanded basic tier service. In addition, we plan to offer subscribers additional choice by offering thematic groupings of tiered video services in a variety of genres. In many systems, we have introduced impulse pay-per view services.

We are currently launching digital services in some of our markets. The increased channel capacity in digitalisation will enable us to offer subscribers more choice in pay-tv services, as well as transactional television and interactive services. We intend to offer transactional television services, such as near-video-on-demand (``NVOD") and video-on-demand (``VOD"). We have launched NVOD in the Netherlands. We plan to offer interactive services, such as electronic program guides (``EPG"), walled garden, basic email functionality and interactive television games. We also intend to provide our subscribers with customisable programming guides that would enable them to program their favorite channels and also allow parents to restrict their children's viewing habits. The increased channel capacity provided by digitalisation will enable subscribers to customer their subscriptions to our services to suit their lifestyles.

UPC DISTRIBUTION-VOICE. We provide local national and international long distance voice telephony services to residential customers. Our operating systems offer a full complement of telephony services to residential customers, including caller ID, call waiting, call forwarding, call blocking, distinctive ringing and three-way calling.

UPC DISTRIBUTION-INTERNET. We operate our internet business locally through our operating companies. Our local operating companies provide subscribers with high-speed internet access via their cable modem. We provide subscribers cable-based internet access that is always-on for a flat fee. In 2001, we plan to introduce network monitoring tools. These tools will allow us to comprehensively monitor our stated fair-use policy, and will also enable us to offer more sophisticated products for heavy users.

UPC MEDIA. We recently combined the management of our internet access and content group, CHELLO BROADBAND, and our programming business led by UPCtv, to form a new division, UPC Media. In addition to internet access and pay television, UPC Media will develop interactive services and transactional tv for our digital product.

CHELLO BROADBAND provides our local operating companies and non-affiliated local operators with access to the internet gateway and additional services, such as high speed connectivity, caching, local language broadband portals, and marketing support, through franchise agreements. During 1999 and 2000, substantially all of CHELLO's revenues were subscription based and derived from our local operating companies. These intercompany revenues have been eliminated in our consolidated operating results. We believe we have an opportunity to increase non-affiliated revenue through the CHELLO BROADBAND service in future years. We cannot predict whether our products and services, including broadband internet services in general, will become accepted or profitable in these markets. At March 31, 2001, CHELLO BROADBAND had approximately 401,400 subscribers, including 17,500 non-UPC affiliates.

We plan to deploy interactive products which will support our planned digital roll-out across Europe, including broadband portal services, interactive/enhanced television, walled garden, e-commerce and entertainment and internet on the television. We also plan to deploy transactional television services, which include NVOD and VOD. In addition, UPCtv has developed and launched eight pay-per-view channels of various genres since May 1999. We have constructed a pan-European digital distribution platform designed for the state of the art production and the digital distribution of our new channels and other signals to our upgraded networks. During 1999 and 2000, substantially all of our programming businesses' revenues were subscription-based and derived from our local operating companies. These intercompany revenues have been eliminated in our consolidated operating results.

We believe we have an opportunity to grow non-affiliated revenue through the media group's service in future years. We cannot predict whether our products and services, will become accepted or profitable in these markets. We believe these businesses will become increasingly inter-dependent and overlapping.

PRIORITY TELECOM. PRIORITY TELECOM offers telephony services to business customers. Services vary per country, covering the range of voice, data, IP and hosting. In the course of 2000, PRIORITY TELECOM brought together a separate management team responsible for the provisioning of these services to business customers. At March 31, 2001, PRIORITY TELECOM had approximately 6,000 customers.

PRICING

UPC DISTRIBUTION-VIDEO. We usually charge a one-time installation fee when we connect video subscribers, a monthly subscription fee that depends on whether basic or expanded basic tier service is offered, and incremental amounts for those subscribers purchasing pay-per-view and premium programming. For our digital set-top computer, we anticipate collecting a customer deposit as security.

UPC DISTRIBUTION-VOICE. Revenue from residential telephony services usually consists of a flat monthly line rental and a usage charge based upon minutes. In order to achieve high-growth from early market entry, we price our telephony service at a discount compared to services offered by incumbent telecommunications operators. Initially, we will also waive or substantially discount installation fees.

UPC DISTRIBUTION-INTERNET. To date, virtually all of our revenues have been derived from monthly subscription fees. Most local operators have chosen to waive installation charges, although in most instances we collect a customer deposit. In the future, we expect to generate revenues from advertising and e-commerce as we develop our digital set-top computer services. Currently, our services are offered to residential subscribers at flat subscription fees. Following the introduction of bandwidth monitoring tools, we anticipate charging tiered pricing levels which more accurately reflect the individual consumption of bandwidth. For business subscribers to services other than our standard broadband internet access services, we generally agree the pricing with local operators on a case by case basis, depending on the size and capacity requirements of the businesses.

UPC MEDIA. CHELLO BROADBAND provides internet access and other services for a fee based upon a percentage of subscription revenue. For our programming channels, including our UPCtv and some Wizja TV channels, we charge cable operators on a per-subscriber basis. Charges for transactional television are per transaction.

PRIORITY TELECOM. Pricing may differ per type of service rendered. Revenue from voice services usually consist of a flat monthly fee plus a usage based charge. Data, IP and hosting services are typically billed flat by month.

COSTS OF OPERATIONS

UPC DISTRIBUTION-VIDEO. Direct operating costs include the costs of programming, which are variable, based on the number of subscribers. The cost per subscriber is established by negotiation between us and the program supplier or rates negotatiated by cable associations. Indirect operating costs include franchise fees and operating expenses necessary to provide service to the subscriber. Franchise fees, where applicable, are typically based upon a percentage of revenue. Other operating expenses include personnel, service vehicles, maintenance and facilities. Selling, general and administrative expenses includes branding, marketing and customer acquisition costs, personnel related costs, such as stock-based compensation expense, legal and accounting, human resources, office facilities and other overhead costs.

UPC DISTRIBUTION-VOICE. Direct operating costs include interconnection costs and number portability fees. Interconnection costs are variable based upon usage as determined through negotiated interconnection agreements. Indirect operating costs include network operations, customer operations and customer care. Selling, general and administrative expenses includes branding, marketing and customer acquisition costs, personnel related costs, such as stock-based compensation expense, legal and accounting, human resources, office facilities and other overhead costs.

UPC DISTRIBUTION-INTERNET. Direct operating costs for our local operating companies include the franchise fee paid to CHELLO BROADBAND for internet access. Indirect operating costs include personnel, service vehicles, maintenance and facilities. Selling, general and administrative expenses include branding, marketing, customer acquisition costs, personnel-related costs, including stock-based compensation expenses, legal and accounting, office facilities and other overhead.

UPC MEDIA. Operating costs for CHELLO BROADBAND'S access consist primarily of leased-line and network related costs. Operating costs for our interactive television, transactional services and pay television groups within UPC Media include the costs of programming rights, portal design and development, production costs, and distribution costs, including transponder fees and operating costs. A significant portion of these costs are fixed in nature through contracts commitments. Selling, general and administrative expenses include branding, marketing, personnel-related costs, legal and accounting, office facilities and other overhead costs.

PRIORITY TELECOM. Operating costs include costs of installation of our customers and costs of ownership and management of our part of the network. Selling, general and administrative expenses include branding, marketing, customer acquisition costs, personnel-related costs, including stock-based compensation expenses, legal and accounting, office facilities and other overhead.

The following table presents an overview of our revenue and Adjusted EBITDA by segment for the three months ended March 31, 2001 and 2000.

	FOR THE THREE MONTHS ENDED MARCH 31, 2001	FOR THE THREE MONTHS ENDED MARCH 31, 2000
	(IN THOUSANDS OF EUROS)	
Revenue:		
UPC Distribution		
Cable tv	185,305	141,433

Telephone(2)	38,380	23,336
Internet	35,512	13,379
DTH	21,715	9,610
Other	14,532	1,281
Intercompany Eliminations	(12,793)	-
Total Distribution	282,651	189,039
PRIORITY TELECOM(2)	58,910	9,552
CHELLO BROADBAND	13,209	5,431
Programming	25,517	13,525
Corporate, IT and Other	905	-
Intercompany Eliminations	(47,744)	(17,947)
	333,448	199,600
Adjusted EBITDA(1):		
UPC Distribution		
Cable tv	63,867	51,646
Telephone(2)	(5,850)	(15,737)
Internet	(8,237)	(12,934)
DTH	(5,525)	(4,343)
Other	(13,085)	(1,218)
Total Distribution	31,170	17,414
PRIORITY TELECOM(2)	(21,552)	(2,649)
CHELLO BROADBAND	(20,197)	(27,149)
Programming	(27,539)	(22,320)
Corporate, IT and Other	(22,690)	(22,701)
	(60,808)	(57,405)

(1) Adjusted EBITDA represents net operating loss before depreciation, amortization and stock-based compensation charges. Industry analysts generally consider EBITDA to be a helpful way to measure the performance of cable television operations and communications companies. Management believes Adjusted EBITDA helps investors to assess the cash flow from operations from period to period and thus value the Company's business. Adjusted EBITDA should not, however, be considered a replacement for net income, cash flows or any other measure of performance or liquidity under generally accepted accounting principles, or as an indicator of a company's operating performance. The presentation of Adjusted EBITDA may not be comparable to statistics with a similar name reported by other companies. Not all companies and analysts calculate Adjusted EBITDA in the same manner.

24

(2) For the three months ended March 31, 2000, the revenue and Adjusted EBITDA for our CLEC activities in the Netherlands, Austria and Belgium has been reclassified from UPC Distribution-Telephony to Priority CLEC, which is consistent with the presentation for the three months ended March 31, 2001.

UPC DISTRIBUTION

REVENUE

For the three months ended March 31, 2001, revenue from UPC Distribution increased 93.7 million to 282.7 million, from 189.0 million for the three months ended March 31, 2000, a 49.6% increase. Of the increase, 43.9 million is from cable television, 15.1 million is from telephony, 22.1 million is from internet, 12.1 million is from DTH and 0.5 million is from other, net of related intercompany eliminations. The increase in cable television revenue of 43.9 million is primarily due to increased subscribers from our acquisition of K&T (the Netherlands), which we include in our consolidated results effective March 31, 2000, and our acquisition of EWT (Germany), which we include in our consolidated results effective October 1, 2000. Cable television revenue from K&T and EWT included in our consolidated results for the three months ended March 31, 2001, totalled 28.4 million, compared to nil for the three months ended March 31, 2000. The remaining increase in cable television revenue relates to organic subscriber growth, and to a lesser extent increased rates.

The increase in telephony revenue of 15.1 million primarily relates to organic subscriber growth. Residential telephony subscribers increased from approximately 253,000 at March 31, 2000 to approximately 440,000 at March 31, 2001.

The increase in internet revenue of 22.1 million primarily relates to organic subscriber growth. Internet subscribers increased from approximately 177,000 at March 31, 2000 to approximately 409,000 at March 31, 2001. We continued to increase subscribers in systems where we had launched internet services prior to January 1, 2000. In addition, we launched internet in the second half of 2000, in Poland, Hungary and the Czech Republic.

The increase in DTH revenue of 12.1 million primarily relates to organic subscriber growth. DTH subscribers increased from approximately 304,000 at March 31, 2000 to approximately 466,000 at March 31, 2001. The majority of the increase relates to our Polish DTH system, which we acquired and began consolidating effective August 1, 1999. In addition, in the second half of 2000, we launched DTH service in our systems in Hungary, the Czech Republic and the Slovak Republic, leveraging off our existing DTH platform in Poland.

Other revenue for the three months ended March 31, 2001, is primarily revenue recognized for the provision of network related services to PRIORITY TELECOM. UPC Distribution and PRIORITY TELECOM have entered into agreements for the provision by UPC Distribution of network, maintenance and operations. This intercompany revenue eliminates in our consolidated results. For the three months ended March 31, 2000, other revenue primarily relates to the rental of facilities and other.

ADJUSTED EBITDA

For the three months ended March 31, 2001, Adjusted EBITDA from UPC Distribution increased 13.8 million to 31.2 million, from 17.4 million for the three months ended March 31, 2000, a 79.3% increase. Of the increase, 12.3 million is from cable television, 9.8 million is from telephony and 4.7 million is from internet. These increases were partially offset by decreases of 1.2 million in DTH and 11.9 million in other. The increase in cable television Adjusted EBITDA of 12.3 million is primarily due to our acquisition of K&T (the Netherlands), which we include in our consolidated results effective March 31, 2000, and our acquisition of EWT (Germany), which we include in our consolidated results effective October 1, 2000. Cable television Adjusted EBITDA from K&T and EWT

25

included in our consolidated results for the three months ended March 31, 2001, totaled 16.4 million, compared to nil for the three months ended March 31, 2000.

The increase in telephony and internet Adjusted EBITDA of 9.8 million and 4.7 million, respectively primarily relates to organic subscriber growth, which has allowed us to realize economies of scale. In addition, we have realized costs savings from continued integration and restructuring of operations, as well as lower start-up costs.

The decrease in DTH Adjusted EBITDA of 1.2 million primarily relates to start-up costs for the launch of DTH in our systems in Hungary, the Czech Republic and the Slovak Republic in the second half of 2000. The decrease in Adjusted EBITDA for these systems was partially offset by increased Adjusted EBITDA in our Polish system from subscriber growth, as well as a decrease in costs.

Other Adjusted EBITDA for the three months ended March 31, 2001, is primarily related to development and start-up costs for our digital services, as well as regional costs. In the fourth quarter of 2000 we soft-launched our digital product in the Netherlands. Adjusted EBITDA associated with the launch of our digital services includes costs related to sales and marketing, training, and customer care and totalled for the three months ended March 31, 2001, to a negative 13.6 million. For the three months ended March 31, 2000, other Adjusted EBITDA primarily relates to regional office cost.

PRIORITY TELECOM

REVENUE

For the three months ended March 31, 2001, revenue from PRIORITY TELECOM increased 49.3 million to 58.9 million, from 9.6 million for the three months ended March 31, 2000. The increase in revenue is primarily due to acquisitions. In November 2000, we completed the acquisition of Cignal and began consolidating its operations. In addition, UPC Distribution acquired K&T and began consolidating its results effective March 31, 2000. The CLEC related assets of K&T have been spun-off to PRIORITY TELECOM, and its revenue is included in PRIORITY TELECOM's results for the three months ended March 31, 2001.

ADJUSTED EBITDA

For the three months ended March 31, 2001, Adjusted EBITDA from PRIORITY TELECOM decreased 19.0 million to a negative 21.6 million, from a negative 2.6 million for the three months ended March 31, 2000. The decrease is primarily due to the acquisition of Cignal and costs for the development and launch of products within its markets. For the three months ended March 31, 2000, Adjusted EBITDA primarily related to limited CLEC operations, as well as costs for PRIORITY WIRELESS. Historically, PRIORITY WIRELESS was included in PRIORITY TELECOM as an out-reach technology.

CHELLO BROADBAND

REVENUE

For the three months ended March 31, 2001, revenue from CHELLO BROADBAND increased 7.8 million to 13.2 million, from 5.4 million for the three months ended March 31, 2000. The increase in revenue is primarily due to increased internet subscribers. We continued to increase internet subscribers in UPC Distributions' systems, which have a franchise agreement with CHELLO BROADBAND. In addition, UPC Distribution launched CHELLO BROADBAND's services in Poland and Hungary in the second half of 2000.

In general, CHELLO BROADBAND receives 40% of subscription-based revenue for its services from the local operator. Intercompany revenues are eliminated in our consolidated operating results. Intercompany revenues for the three months ended March 31, 2001 and 2000 were 12.7 million and nil million, respectively.

ADJUSTED EBITDA

For the three months ended March 31, 2001, Adjusted EBITDA from CHELLO BROADBAND increased 6.9 million to a negative 20.2 million, from a negative 27.1 million for the three months ended March 31, 2000. The improvement in Adjusted EBITDA primarily relates to continued subscriber growth, as well as decreased start-up and development costs for launching a new service, and costs efficiencies from the integration and restructuring of operations.

PROGRAMMING

REVENUE

For the three months ended March 31, 2001, revenue from our programming businesses increased 12.0 million to 25.5 million, from 13.5 million for the three months ended March 31, 2000. The increase primarily relates to increased revenue from the launch of sports channels in Central and Eastern Europe, increased revenue from our Polish programming, as well as increased revenue from UPCtv. Our Central and Eastern Europe sports channels were launched in the second half of 2000. For the three months ended March 31, 2000, programming revenue was primarily from our Polish programming.

In general, programming revenue relates to programming provided to UPC Distribution. Intercompany revenues are eliminated in our consolidated operating results. Intercompany revenues for the three months ended March 31, 2001 and 2000 were 23.4 million and 12.6 million, respectively.

ADJUSTED EBITDA

For the three months ended March 31, 2001, Adjusted EBITDA from our programming business decreased 5.2 million to a negative 27.5 million, from a negative 22.3 million for the three months ended March 31, 2000. The decrease in Adjusted EBITDA primarily relates to costs related to the development of our channel business, UPCtv. In addition, the launch of the sports channels in Central and Eastern Europe in the second half of 2000 contributed to the decrease in Adjusted EBITDA.

CORPORATE, IT AND OTHER

ADJUSTED EBITDA

For both the three months ended March 31, 2001 and the three months ended March 31, 2000, Adjusted EBITDA from corporate, IT and other was a negative 22.7 million. Adjusted EBITDA for corporate, IT and other includes costs of our corporate functions, such as corporate development, investor relations, finance, legal, regulatory and marketing. Adjusted EBITDA for corporate, IT and other also includes costs related to the development and roll-out of our pan-European financial and customer care systems. Other costs include in corporate, IT and other include development costs, such as costs related to the development of our digital set-top computer, and investigation of new technologies, such as NVOD, voice-over IP telephony and satellite.

DEPRECIATION AND AMORTIZATION

During the three months ended March 31, 2001, our depreciation and amortization expense increased 114.5 million to 245.2 million from 130.7 million for the three months ended March 31, 2000, a 87.6% increase. Of this increase, approximately 36.4 million, relates to increased amortization expense for goodwill created in connection with acquisitions in 2000. Depreciation expense also increased due to the acquisitions which closed during 2000, which we have consolidated, as well as additional depreciation expense on capital expenditures to upgrade the network in our Western European systems and new-build for developing systems.

INTEREST INCOME

During the three months ended March 31, 2001 as compared to the three months ended March 31, 2000, interest income increased 2.4 million to 15.8 million from 13.4 million, a 17.9% increase. The increase is due to a higher average cash balance during the three months ended March 31, 2001.

INTEREST EXPENSE

During the three months ended March 31, 2001 as compared to the three months ended March 31, 2000, interest expense increased 77.8 million to 218.2 million from 140.4 million, a 55.4% increase. The increase in 2001 is primarily due to our borrowings under the UPC Distribution Bank Facility and the UPC Bridge Facility. A significant amount of our interest expense in 2001 relates to accretion on our discount notes, which is not currently cash pay.

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
Cash Current Pay:		
Bank	(74,518)	(11,786)
Senior Notes	(72,150)	(71,837)
Other	-	(749)
	(146,668)	(84,372)
Non-Cash Accretion:		
Discount Notes	(62,901)	(49,289)
Redeemed DIC Loan	-	(3,092)
New DIC Loan	(169)	-
Deferred Financing	(8,481)	(3,640)
	(71,551)	(56,021)
Total Interest Expense	(218,219)	(140,393)

FOREIGN EXCHANGE GAIN (LOSS) AND OTHER INCOME (EXPENSE)

Foreign exchange gain (loss) and other income (expense), net, reflected a loss of 55.1 million for the three months ended March 31, 2001, compared to a loss of 80.0 million for the three months ended March 31, 2000. The decrease was primarily due to a gain of 47.5 million relating to the valuation of the compound swaps in connection with the adoption of SFAS 133. This gain was partially offset by a foreign exchange loss during the three months ended March 31, 2001 from the increased value of the US dollar against the Euro, subsequent to December 31, 2000.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Effective January 1, 2001, we adopted SFAS 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The adoption of SFAS 133 on January 1, 2001, resulted in a cumulative increase to income of 35.3 million and a cumulative increase to other Comprehensive Income (``OCI") of 36.7 million. The increase to income was attributable to a loss of approximately 36.7 million reclassified from OCI for value of certain warrants held by the Company which are derivatives which are not designated as a hedging instrument and income of approximately 72.0 million related to gains associated with the cross currency swaps which are held by

us which do not qualify as hedging instruments as defined by SFAS 133. We use derivative instruments to manage exposures to foreign currency and interest rate risks.

SHARE IN RESULTS OF AFFILIATED COMPANIES, NET

For the three months ended March 31, 2001, our share in net losses of affiliated companies increased 24.9 million to 46.1 million from 21.2 million for the three months ended March 31, 2000, a 117.5% increase. The increase was primarily due to increased losses from SBS, Primacom and Tevel.

STATEMENTS OF CASH FLOWS

We had cash and cash equivalents of 1,129.5 million as of March 31, 2001, an increase of 414.2 million from 715.3 million as March 31, 2000.

CASH FLOWS FROM OPERATING ACTIVITIES

During the three months ended March 31, 2001, net cash flow used in operating activities was 428.4 million compared to a use of 33.5 million for the comparable period in 2000. This increase was primarily related to increased increased inventory and decreased current liabilities.

CASH FLOWS FROM INVESTING ACTIVITIES

We used 206.6 million of net cashflow in investing activities during the three months ended March 31, 2001, compared to 1,949.3 million for the three months ended March 31, 2000. During the period ended March 31, 2001 cash was used to acquire Alkmaar for 22.9 million, net of cash acquired. Capital expenditures represented 177.7 million, excluding approximately 34.6 million relating to increased inventory, that once placed in service will be transferred to property, plant and equipment.

During the three months ended March 31, 2000, cash was used principally for acquisitions, including K&T, for 1,046.3 million, net of cash acquired, UPC Magyaroszag for 63.9 million, net of cash acquired, Tebecai for 62.2 million, net of cash acquired, Haarlem for 62.2 million, net of cash acquired and other acquisitions totaling 112.7 million, net of cash acquired. Capital expenditures represented 253.2 million. During this period we made a net investment in affiliates of 304.3 million, including our acquisitions of an additional 10.5% interest in SBS for 162.5 million, shares in Primacom AG for 123.6 million and other investments in affiliates of 18.2 million. We also made a net investment in @Entertainment bonds and other securities of 44.5 million.

CASH FLOWS FROM FINANCING ACTIVITIES

We had 173.8 million of cash flows from financing activities during the three months ended March 31, 2001, compared to 1,672.6 million for three months ended March 31, 2000. The principal source of cash was a drawdown of

200.0 million from the UPC Distribution Bank Facility. We paid down 26.2 million of various long and short-term debt facilities.

The principal source of cash for the three months ended March 31, 2000, was net proceeds from our senior notes and discount notes offering in January 2000 of 1,594.2 million. Additional sources of cash were from long-term and short-term borrowings of 139.5 million and 268.0 million, respectively. Long-term borrowings included borrowings under the UPC Senior Credit Facility of 62.5 million and other borrowings of 77.0 million. We used proceeds of 231.4 million from the New A2000 Facility to pay off the existing A2000 Facilities. We had additional proceeds from short-term debt of 36.6 million, including 32.9 million from the GelreVision facility. We paid down other long-term and short-term loans of 297.3 million. During the three months ended March 31, 2000 we incurred deferred financing costs of 31.8 million.

29

CONSOLIDATED CAPITAL EXPENDITURES

Since 1995, we have been upgrading our existing cable television system infrastructure and constructing our new-build infrastructure with two-way high capacity technology to support digital video, telephony and internet/data services. Capital expenditures for the upgrade and new-build construction can be reduced at our discretion, although such reductions require lead-time in order to complete work-in-progress and can result in higher total costs of construction.

In addition to the network infrastructure and related equipment and capital resources described above, development of our newer businesses, CHELLO BROADBAND, PRIORITY TELECOM, our digital distribution platform and DTH, including expansion into Central Europe, construction and development of our pan-European distribution and programming facilities, including our origination facility, network operating center and related support systems and equipment require capital expenditures.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our operations and acquisitions primarily from:

- cash contributed by United upon our formation,
- debt financed at the UPC corporate level and project debt financed at the operating company level,
- equity raised in our initial public offering, secondary offering and private offering of convertible preference shares,
- debt raised in our July 1999, October 1999 and January 2000 offering of senior notes and senior discount notes, and
- operating cash flow.

Our distribution business has historically been funded by bank loans and will continue to be in the future, primarily from the UPC Distribution Bank Facility. Our service divisions, including CHELLO BROADBAND, programming and PRIORITY TELECOM have been funded through equity and bonds.

RESTRICTIONS UNDER OUR JULY 1999, OCTOBER 1999 AND JANUARY 2000 INDENTURES

Our activities are restricted by the covenants of our indentures dated July 30, October 29, 1999 and January 20, 2000, under which senior notes and senior discount notes were issued. Among other things, our indentures place certain limitations on our ability, and the ability of our subsidiaries, to borrow money, pay dividends or repurchase stock, make investments, create certain liens, engage in certain transactions with affiliates, and sell certain assets or merge with or into other companies.

Under the terms of our indentures, if we raise additional paid-in equity, we will be permitted to incur additional debt.

RESTRICTIONS UNDER UNITED INDENTURES

As a subsidiary of United, our activities are restricted by the covenants in United's indentures dated February 5, 1998 and April 29, 1999. Among other things, the United indentures place certain limitations on our ability, and the ability of our subsidiaries, to borrow money, pay dividends or repurchase stock, make investments, create certain liens, engage in certain transactions with affiliates, and sell certain assets or merge with or into other companies. The United indentures generally place limitations on the additional amount of debt that we or our subsidiaries or controlled affiliates may borrow, preferred shares that we or they may issue, and the amount and type of investments we may make.

30

SOURCES OF CAPITAL

We had 1,129.5 million of unrestricted cash and cash equivalents on hand as of March 31, 2001. In addition, we had borrowing capacity at the corporate and project debt level. In 2000, we raised approximately 7.6 billion, and gained access to an additional 2.8 billion from a combination of banks, bonds and equity markets. We intend to continue to access these sources of capital, as well as other less traditional sources including vendor financing, equity partners, and leasing structures. We believe our access to sources of capital will be sufficient to satisfy future cash requirements, although there can be no assurance that this will be the case.

On January 20, 2000, we closed an offering of our 11 1/2% senior notes due 2010, our 11 1/4% senior notes due 2010 and our 13 3/4% senior discount notes due 2010. The offering generated gross proceeds of approximately Euro 1.6 billion. Proceeds from the bond offering were used for working capital and other general corporate purposes, including acquisitions of businesses and possible investments.

In January 2000, UPC Nederland (A2000), refinanced its existing bank facilities with a one year term-loan bridge facility of 231.4 million and a one year revolving credit bridge facility of 49.9 million, subject to certain availability covenants. In October 2000, we repaid this facility with the proceeds from the UPC Distribution Bank Facility.

At the end of March 2000 a fully committed Euro 2 billion stand-by revolving credit facility was provided. The facility is guaranteed by UPC and certain subsidiaries. The facility bears interest at EURIBOR +6.0%-7.0%, stepping up after March 31, 2001, with periodic increases capped at an annual rate of 18.0%. An annual commitment fee of 0.5% is applicable over the undrawn amount. A drawing fee ranging from 1.5% to 2.0% is applicable for each drawing. The commitment terminated on December 31, 2000, and the facility reaches maturity on March 29, 2007. We borrowed 750 million on this facility prior to December 31, 2000.

On April 7, 2000, Mediareseaux refinanced its existing debt and the existing debt of Videopole and RCF with a Euro 250 million bridge facility. The refinancing of the Rhone Vision Cable Credit Facility with this facility was completed in the fourth quarter of 2000. In October 2000, we repaid this facility with the proceeds from the UPC Distribution Bank Facility.

In connection with the Eneco K&T acquisition, UPC Nederland received a short-term bridge loan of Euro 500 million secured with guarantees of certain of our Dutch assets. Drawdowns of the UPC Bridge Loan refinanced certain existing inter-company loans from UPC N.V. In October 2000, we repaid this facility with the proceeds from the UPC Distribution Bank Facility.

In October 2000, we closed a Euro 4.0 billion operating and term loan facility ("The UPC Distribution Bank Facility"). The facility is guaranteed by existing cable operating companies, excluding Polish and German assets. The UPC Distribution Bank Facility bears interest at EURIBOR +0.75%-4.0% depending on certain leverage ratios, and we pay an annual commitment fee of 0.5% over the undrawn amount. The facility was widely syndicated to a group of more then 50 European and American (Banking) institutions. A first drawing was made in October 2000, to refinance existing operating company bank debt totaling Euro 2.0 billion. The UPC Distribution Bank Facility will finance further digital rollout and triple play by our existing cable companies, excluding Polish and German operations, subject to availability. Additional availability is linked to certain performance tests. We believe that additional availability by the end of 2001 will increase to a level equal to approximately one-half of the undrawn amount under this facility at the end of 2000. The facility also contains certain leverage and revenue covenants. Principal repayment will begin in 2004. The facility reaches final maturity in 2009. At March 31, 2001, Euro 2.6 billion was outstanding under this facility.

In December 2000, we sold Euro 1.43 billion worth of convertible preference shares and warrants for cash, to a group of investors, including United.

31

RIGHTS OFFERING

On February 23, 2001, UPC announced a Euro 1.0 billion shareholder rights offering and the Euro 1.0 billion "backstop" subscription commitment of United, our majority shareholder. The rights offering and United's subscription commitment are subject to completion of a separate transaction between United and Liberty Media Corp. ("Liberty"), also announced on 23 February. UPC understands that United and Liberty have agreed in principle to revised terms to their planned transaction. While UPC must await disclosure of the outcome of this agreement before providing definitive guidance on this proposed capital raising, it remains confident that it will receive Euro 1.0 billion, or the equivalent in another currency, of financing in connection with the Liberty/United transaction.

CERTAIN DUTCH TAX ISSUES

One of our Dutch systems was assessed for a transfer tax on immovable property in the amount of Euro 0.8 million for the purchase of a cable network. We have always regarded our cable networks as movable property and not subject to such transfer tax. We are appealing this tax assessment. Should we be unsuccessful, our Dutch systems may be assessed for taxes on similar transactions. We cannot predict the extent to which the taxes could be assessed retroactively or the amount of tax that our systems may be assessed for, although it may be substantial, being 6% of the value attributable to our systems at the date of transfer. Because we own 100% of UPC Nederland, any tax liabilities assessed against our Dutch systems will be consolidated with our results. We believe that, if our appeal is unsuccessful, most cable television companies and other utilities in The Netherlands would become subject to similar tax liabilities. If this happens, we expect these entities would lobby the Dutch tax authorities with us against such tax assessments. We cannot assure that such lobbying would be successful.

In October 1999, the Dutch tax authorities issued an assessment on the 1995 tax return of one of our subsidiaries. The assessment, on a taxable amount of approximately 36.3 million, resulted in a tax payable of approximately 12.7 million. The Dutch tax authorities indicated that this assessment was issued to reserve the rights of the Dutch tax authorities pending expiration of time under the statute of limitations. The assessment does not express an opinion of the Dutch tax authorities on the taxes due and is still subject to discussion. We filed an appeal against the assessment to defend our tax filing position.

INFLATION AND FOREIGN CURRENCY EXCHANGE RATE LOSSES

To date, we have not been impacted materially by inflation.

The value of our monetary assets and liabilities is affected by fluctuations in foreign currency exchange rates as accounts payable for certain equipment purchases and certain operating expenses, such as DTH and programming expenses, are denominated in currencies other than the functional currency of the entity making such payments. We and some of our operating companies have notes payable and notes receivable that are denominated in, and loans payable that are linked to, a currency other than their own functional currency, exposing us to foreign currency exchange risks on these monetary assets and liabilities. Historically, we and our operating companies have not hedged our exposure to foreign currency exchange rate operating risks. Accordingly, from time to time, we will experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. In connection with our offerings of senior notes in July 1999, October 1999 and January 2000, we entered into cross-currency swap agreements, exchanging dollar-denominated notes for Euro-denominated notes.

The functional currency for our operations generally is the applicable local currency for each operating company. We have consolidated operations in countries outside of the European Monetary Union including Norway, Sweden, Poland, Hungary, Romania, the Czech Republic and the Slovak

Republic and operations which report in US dollars. Assets and liabilities of foreign subsidiaries are translated at the exchange rates in effect at period-end, and the statements of operations are translated at the average exchange rates during the period. Exchange rate fluctuations on translating foreign currency financial statements into Euros result in unrealized gains or losses referred to as translation adjustments. Cumulative translation adjustments are recorded as a separate component of shareholders' equity. Transactions denominated in currencies other than the local currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in income as unrealized, based on period-end translations, or realized upon settlement of the transactions.

Cash flows from our operations in foreign countries are translated based on their reporting currencies. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not agree with changes in the corresponding balances on the consolidated balance sheets. The effects of exchange rate changes on cash balances held in foreign currencies are reported as a separate line below cash flows from financing activities.

EUROPEAN ECONOMIC AND MONETARY UNION

On January 1, 1999, eleven of the fifteen member countries of the European

Union established fixed conversion rates between their existing sovereign currencies and the Euro. The participating countries adopted the Euro as their common legal currency on that day. The Euro trades on currency exchanges and is available for non-cash transactions during the transition period between January 1, 1999 and January 1, 2002. During this transition period, the existing currencies are scheduled to remain legal tender in the participating countries as denominations of the Euro and public and private parties may pay for goods and services using either the Euro or the participating countries' existing currencies.

During the transition period, within countries who have adopted the Euro, all operating companies' billing systems will include amounts in Euro as well as the respective country's existing currency. We do not expect the introduction of the Euro to affect materially our cable television and other operations.

33

ITEM 3--QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

INVESTMENT PORTFOLIO

As of March 31, 2001, we have cash and cash equivalents of approximately 1,129.5 million. We have invested this cash in highly liquid instruments, which meet high credit quality standards with original maturities at the date of purchase of less than three months. These investments will be subject to interest rate risk and foreign exchange fluctuations (with respect to amounts invested in currencies outside the European Monetary Union) however, the Company does not expect any material losses with respect to its investment portfolio.

IMPACT OF FOREIGN CURRENCY RATE CHANGES

We are exposed to foreign exchange rate fluctuations related to our monetary assets and liabilities, including those of our operating subsidiaries, which are denominated in currencies outside of the European Monetary Union. Our exposure to foreign exchange rate fluctuations also arises from intercompany charges.

The table below provides information about UPC's and its consolidated subsidiaries' foreign currency exchange risk for debt which is denominated in foreign currencies outside of the European Monetary Union as of December 31, 2001, including cash flows based on the expected repayment date and related weighted-average interest rates for debt. The information is presented in Euro equivalents, which is the Company's reporting currency. The instruments' actual cash flows are denominated in US Dollars.

	AMOUNT OUTSTANDING AS OF MARCH 31, 2001		EXPECTED REPAYME AS OF DECEMBER 3		
	BOOK VALUE	FAIR VALUE	2001	2002	2003
			(EUROS, IN THOUSANDS)		
DOLLAR DENOMINATED FACILITIES					
UPC SENIOR DISCOUNT NOTES DUE 2009............................	557,669	284,086	-	-	-
Average interest rate............	12.50%	22.44%			
UPC SENIOR DISCOUNT NOTES DUE 2009............................	341,596	179,319	-	-	-
Average interest rate............	13.375%	22.28%			
UPC SENIOR DISCOUNT NOTES DUE 2010............................	683,207	363,776	-	-	-

Average interest rate............	13.750%	21.71%			
UPC SENIOR NOTES DUE 2010..........	677,557	446,762	-	-	-
Average interest rate............	11.25%	18.80%			
UPC DISTRIBUTION BANK FACILITY USD TRANCHE..........................	122,206	122,206	-	-	-
LIBOR +4%					
Average interest rate............	10.20%	10.20%			
PCI NOTES..........................	17,138	17,138	-	-	17,138
Average interest rate............	9.875%	15.6%			
@ENTERTAINMENT 1998 SENIOR DISCOUNT NOTES............................	170,219	108,017	-	-	-
Average interest rate............	14.50%	24.73%			
@ENTERTAINMENT 1999 SENIOR DISCOUNT NOTES............................	151,905	91,191	-	-	-
Average interest rate............	14.50%	24.73%			
@ENTERTAINMENT 1999 SERIES C SENIOR DISCOUNT NOTES...................	16,692	16,692	-	-	-
Average interest rate............	7%	14.2%			

Occasionally we will execute hedge transactions to reduce our exposure to foreign currency exchange rate risks. In connection with our offerings of senior notes in July 1999, October 1999, January 2000 and the UPC Distribution Bank Facility, we entered into cross-currency swap agreements, exchanging dollar-denominated debt for Euro denominated debt.

INTEREST RATE SENSITIVITY

The table below provides information about our financial instruments that are sensitive to changes in interest rates as of March 31, 2001, including cash flows based on the expected repayment dates and the related weighted-average interest rates. The information is presented in Euro equivalents, as the Euro is our reporting currency.

	AMOUNT OUTSTANDING AS OF MARCH 31, 2001		EXPECTED REPAYMEN AS OF DECEMBER 31		
	BOOK VALUE	FAIR VALUE	2001	2002	2003
			(EUROS, IN THOUSANDS)		
VARIABLE RATE FACILITIES					
UPC 10.875% SENIOR NOTES DUE 2009...........................	909,401	584,315	-	-	-
EURIBOR + 4.15% and 8.54%, average rate in 2001 of 9.07% and 8.54%					
Average interest rate...........	10.875%	18.88%			
UPC 10.875% SENIOR NOTES DUE 2007...........................	227,350	146,647	-	-	-
EURIBOR + 4.8% and 9.92%, average rate in 2001 of 10% and 9.92%					
Average interest rate...........	10.875%	19.77%			
UPC 11.25% SENIOR NOTES DUE 2009...	284,646	184,775	-	-	-
EURIBOR + 4.8% and 9.92%, average rate in 2001 of 10% and 9.92%					
Average interest rate...........	11.25%	18.93%			
UPC BRIDGE FACILITY................	750,000	750,000	-	-	-

EURIBOR + 7%						
Average interest rate...........	11.85%	11.85%				
UPC DISTRIBUTION BANK FACILITY.....	2,585,260	2,585,260	-	-	-	3
EURIBOR/USD LIBOR + 0.75%-4%						
Average interest rate...........	8.09%	8.09%				

	AMOUNT OUTSTANDING AS OF MARCH 31, 2001		EXPECTED REPAYME AS OF DECEMBER 3		
	BOOK VALUE	FAIR VALUE	2001	2002	2003
			(EUROS, IN THOUSANDS)		
FIXED RATE FACILITIES					
UPC SENIOR NOTES DUE 2009..........	300,000	195,000	-	-	-
Average interest rate............	10.875%	19.54%			
UPC SENIOR DISCOUNT NOTES DUE 2009............................	557,669	284,086	-	-	-
Average interest rate............	12.5%	22.44%			
UPC SENIOR DISCOUNT NOTES DUE 2009............................	341,596	179,319	-	-	-
Average interest rate............	13.375%	22.28%			
UPC SENIOR DISCOUNT NOTES DUE 2009............................	120,140	66,850	-	-	-
Average interest rate............	13.375%	22.16%			
UPC SENIOR NOTES DUE 2007..........	100,000	67,000	-	-	-
Average interest rate............	10.875%	19.59%			
UPC SENIOR NOTES DUE 2009..........	100,360	64,640	-	-	-
Average interest rate............	11.25%	19.74%			
UPC SENIOR DISCOUNT NOTES DUE 2010............................	683,207	363,776	-	-	-
Average interest rate............	13.75%	21.71%			
UPC SENIOR NOTES DUE 2010..........	338,800	223,381	-	-	-
Average interest rate............	11.50%	18.82%			
UPC SENIOR NOTES DUE 2010..........	677,557	446,762	-	-	-
Average interest rate............	11.25%	18.80%			
UPC SENIOR NOTES DUE 2009..........	198,682	132,000	-	-	-
Average interest rate............	11.25%	19.12%			
PCI NOTES..........................	17,138	17,138	-	-	17,138
Average interest rate............	9.875%	15.6%			
@ENTERTAINMENT 1998 SENIOR DISCOUNT NOTES............................	170,219	104,986	-	-	-
Average interest rate............	14.5%	24.73%			
@ENTERTAINMENT 1999 SENIOR DISCOUNT NOTES............................	151,905	104,921	-	-	-
Average interest rate............	14.5%	24.73%			
@ENTERTAINMENT 1999 SERIES C SENIOR DISCOUNT NOTES...................	16,692	16,692	-	-	-
Average interest rate............	7%	14.2%			
DIC LOAN...........................	53,255	53,255	-	53,255	-
Average interest rate............	10.0%	10.0%			

EQUITY PRICES

As of March 31, 2001, we are exposed to equity price fluctuations related to our investment in equity securities. Our investment in United is classified as available for sale. Changes in the price of the stock are reflected as unrealized gains (losses) in our statement of shareholders' equity, until such

time as the stock is sold and any unrealized gain (loss) will be reflected in the statement of operations. Our investments in PrimaCom and SBS are accounted for under the equity method of accounting.

	NUMBER OF SHARES	FAIR VALUE AS OF MARCH 31, 2001
	(STATED IN THOUSANDS OF EUROS, EXCEPT SHARE AMOUNTS)	
United	5,569,240	83,097
PrimaCom AG	4,948,039	74,221
SBS	6,000,000	132,153
Terayon(1)	2,000,000	10,373

----

(1) Represents warrants to acquire shares. Fair value based on Black and Scholes model as of March 31, 2001.

As of March 31, 2001, we are also exposed to equity price fluctuations related to our debt which is convertible into our ordinary shares. The table below provides information about our convertible debt, including expected cash flows and related weighted-average interest rates.

	AMOUNT OUTSTANDING AS OF MARCH 31, 2001		EXPECTED REPAYMEN AS OF DECEMBE	
	BOOK VALUE	FAIR VALUE	2001	
		(EUROS, THOUSANDS)		
CONVERTIBLE DEBT				
DIC LOAN	53,255	53,255	-	5
10% per annum				

PART II--OTHER INFORMATION

ITEM 5--OTHER INFORMATION

SUMMARY OPERATING DATA 2001

The operating data set forth below reflect the aggregate statistics of the operating systems in which the Company has an ownership interest.

AS AT MARCH 31, 2001

	UPC PAID-IN OWNERSHIP	HOMES IN SERVICE AREA	HOMES PASSED	TWO WAY HOMES PASSED(1)	BASIC SUBSCRIBERS	B PENE
MULTI-CHANNEL TV:						
CONSOLIDATED COMPANIES:						
Norway..................	100.0%	529,000	474,400	143,800	331,600	6
Sweden..................	100.0%	770,000	421,600	238,600	255,300	6
Belgium.................	100.0%	530,000	152,100	152,100	123,800	8
France..................	92.0%	2,653,200	1,240,300	430,900	405,900	3
The Netherlands.........	100.0%	2,578,800	2,465,400	2,030,300	2,272,800	9
The Netherlands (Alkmaar)............	100.0%	47,700	44,100	44,100	40,100	9
Austria.................	95.0%	1,168,700	919,700	916,400	488,400	5
Germany (EWT/TSS).......	51.0%	781,800	781,800	9,300	575,500	7
Poland..................	100.0%	1,950,000	1,855,200	151,800	1,045,400	5
Hungary.................	98.9-100.0%	1,001,100	876,800	271,800	636,900	7
Czech Republic..........	99.9-100.0%	913,000	786,400	179,400	379,100	4
Romania.................	51.0-70.0%	648,500	450,700	-	287,600	6
Slovak Republic.........	95.0-100.0%	517,800	370,800	17,300	318,600	8
Total consolidated....		14,089,600	10,839,300	4,585,800	7,161,000	
NON-CONSOLIDATED COMPANIES:						
Germany (Primacom) (2)...................	25.0%	1,916,900	1,916,900	411,000	1,301,700	6
Israel..................	46.6%	645,300	645,300	400,500	445,000	6
Malta...................	50.0%	179,400	179,400	-	83,800	4
Total non-consolidated....		2,741,600	2,741,600	811,500	1,830,500	
Total..................		16,831,200	13,580,900	5,397,300	8,991,500	

38

SUMMARY OPERATING DATA 2001 (CONTINUED)

AS AT MARCH 31, 2001

	UPC PAID-IN OWNERSHIP	SUBSCRIBERS		
		RESIDENTIAL	BUSINESSES	RESIDE
CABLE TELEPHONY				
CONSOLIDATED COMPANIES:				
Norway.....................................	100.0%	16,700	-	18
France.....................................	92.0%	47,000	-	49
The Netherlands............................	100.0%	145,100	-	177
Austria....................................	95.0%	114,600	-	115
Germany-EWT/TSS............................	51.0%	100	-	

Total cable		323,500	-	360
NON-CABLE TELEPHONY				
CONSOLIDATED COMPANIES:				
The Netherlands (3)	100.0%	44,300	8,800	
Czech Republic (4)	99.9-100.0%	3,500	-	3
Hungary (4)	98.9-100.0%	69,000	-	74
Total non-cable		116,800	8,800	77
Total		440,300	8,800	438

AS AT MARCH 31, 2001

	UPC PAID-IN OWNERSHIP	SUBSCRIBERS RESIDENTIAL	SUBSCRIBERS BUSINESSES	3RD PA ISP SUBSCRIB RESIDEN
INTERNET				
CONSOLIDATED COMPANIES:				
Norway	100.0%	18,600	-	
Sweden	100.0%	37,600	-	
Belgium	100.0%	17,100	1,100	
France	92.0%	16,300	-	
The Netherlands	100.0%	172,600	-	22,2
The Netherlands (Alkmaar)	100.0%	-	-	3,0
Austria	95.0%	112,200	1,700	
Germany (EWT/TSS)	51.0%	-	-	1
Poland	100.0%	1,600	-	
Hungary	98.9-100.0%	5,100	-	
Czech Republic	99.9-100.0%	-	-	2,6
Total consolidated		381,100	2,800	27,9
NON-CONSOLIDATED COMPANIES:				
Germany (Primacom) (2)	25.0%	-	-	20,5
Total non-consolidated		-	-	20,5
Total		381,100	2,800	48,4

39

SUMMARY OPERATING DATA 2000

The operating data set forth below reflects the aggregate statistics of the operating systems in which the Company has an ownership interest.

	AS AT MARCH 31, 2000					
	UPC PAID-IN OWNERSHIP	HOMES IN SERVICE AREA	HOMES PASSED	TWO WAY HOMES PASSED(1)	BASIC SUBSCRIBERS	BASI PENETRA
MULTI-CHANNEL TV:						
CONSOLIDATED COMPANIES:						
Norway.............	100.0%	529,000	468,300	63,800	330,000	70
Sweden.............	100.0%	770,000	421,600	227,000	246,100	58
Belgium............	100.0%	530,000	150,400	147,900	125,600	83
France.............	92.0%	2,105,500	1,081,000	120,600	375,300	34
The Netherlands....	100.0%	2,513,700	2,421,100	1,945,200	2,255,000	93
Austria............	95.0%	1,080,600	907,900	824,300	476,000	52
Poland.............	100.0%	1,950,000	1,769,600	-	1,023,400	57
Hungary............	98.9-100.0%	1,001,100	750,300	185,200	550,800	73
Czech Republic.....	99.9-100.0%	868,300	776,900	17,700	364,300	46
Romania............	51.0-70.0%	509,300	391,700	-	261,600	66
Slovak Republic....	95.0-100.0%	417,800	309,200	-	247,500	80
Total consolidated.....		12,275,300	9,448,000	3,531,700	6,255,600	
NON-CONSOLIDATED COMPANIES:						
Germany (Primacom) (6)..............	25.1%	1,422,800	1,422,800	30,500	919,600	64
Israel.............	46.6%	660,000	617,000	385,400	431,400	69
Malta..............	50.0%	177,000	175,200	-	77,300	44
		2,259,800	2,215,000	415,900	1,428,300	
Total non-consolidated.........						
Total............		14,535,100	11,663,000	3,947,600	7,683,900	

40

SUMMARY OPERATING DATA 2000 (CONTINUED)

	AS AT MARCH 31, 2000			
	UPC PAID-IN OWNERSHIP	SUBSCRIBERS		
		RESIDENTIAL	BUSINESSES	RESIDENTI
CABLE TELEPHONY				
CONSOLIDATED COMPANIES:				
Norway....................................	100.0%	5,300	-	6,000
France....................................	92.0%	18,300	-	18,900
The Netherlands...........................	100.0%	82,300	100	95,400
Austria...................................	95.0%	52,600	500	54,100
Total cable...............................		158,500	600	174,400

NON-CABLE TELEPHONY				
CONSOLIDATED COMPANIES:				
The Netherlands (3)........................	80.0%	23,300	8,400	-
Mundi Telecom..............................	51.0%	3,200	2,200	-
Czech Republic (4).........................	99.9-100.0%	3,600	-	3,600
Hungary (Monor) (4)........................	97.1%	64,800	3,300	66,900
Total non-cable..........................		94,900	13,900	70,500
Total....................................		253,400	14,500	244,900

SUMMARY OPERATING DATA 2000 (CONTINUED)

	AS AT MARCH 31, 2000			
	UPC PAID-IN OWNERSHIP	SUBSCRIBERS RESIDENTIAL	SUBSCRIBERS BUSINESSES	3RD ISP SUBS RESIDENTIA
INTERNET				
CONSOLIDATED COMPANIES:				
Norway.....................................	100.0%	4,900	100	-
Sweden.....................................	100.0%	11,500	-	-
Belgium....................................	100.0%	8,900	800	-
France.....................................	92.0%	5,000	-	-
The Netherlands............................	100.0%	80,400	1,900	11,300
Austria....................................	95.0%	54,500	1,300	-
Hungary....................................	100.0%	300	-	-
Total consolidated.......................		165,500	4,100	11,300
NON-CONSOLIDATED COMPANIES:				
Germany (Primacom) (6).....................	25.1%	200	-	-
Total non-consolidated...................		200	-	-
Total....................................		165,700	4,100	11,300

SUMMARY OPERATING DATA 2000 AND 2001

RESIDENTIAL RGU'S (7)

The operating data set forth below reflect the aggregate statistics of the operating systems in which the Company has an ownership interest.

	AS OF MARCH 31, 2001 TOTAL RGU'S	AS OF MARCH TOTAL RG
Norway	366,900	340,2
Sweden	292,900	257,6
Belgium	140,900	134,5
France	478,000	398,6
The Netherlands (8)	2,681,000	2,452,3
The Netherlands (Alkmaar)	43,500	
Austria	715,200	583,1
Germany (EWT/TSS)	575,700	
Poland	1,435,800	1,327,1
Hungary	746,600	615,9
Czech Republic	415,600	367,9
Romania	287,600	261,6
Slovak Republic	330,100	247,5
Mundi Telecom (9)	-	3,2
Total consolidated	8,509,800	6,989,5

42

SUMMARY OPERATING DATA 2000 AND 2001 (CONTINUED)

(1) Two way homes passed represents the number of homes passed where customers can request and receive an installation of a two-way addressable set top and ``normal" customer services (e.g. the service is launched, customers are billed and normal service activity is available).

(2) Statistics of Primacom are as of December 31, 2000.

(3) UTH's 100% subsidiary Uniport was sold in April 2001. As of March 31, 2000, UTH owned 80% of Uniport.

(4) Monor and Czech Republic offer traditional telephony service.

(5) Internet subscribers who are not served by CHELLO BROADBAND.

(6) Statistics of Primacom are as of December 31, 1999.

(7) RGU's is the sum of Basic Cable, Digital, Residential Internet, Residential Telephony and DTH subscribers.

(8) The Netherlands RGU's include 44,300 Uniport Carrier Select Telephony subscribers at March 31, 2001 and 23,300 at March 31, 2000. Uniport was sold in April 2001.

(9) In 2001 Mundi Telecom subscribers are included in PRIORITY TELECOM.

43

ITEM 6--EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits--none

(b) Reports on Form 8-K filed during the Quarter

DATE FILED	DATE OF EVENT	ITEM REPORTED
January 26, 2001	January 16, 2001	Item 5--Commencement of consent solicitation by UPC Polska and Poland Communications, Inc, with respect to their outstanding bonds.
March 5, 2001*	February 23, 2001	Item 5--Amendment of United/Liberty Transaction and Announcement of Rights Offering.

----

* As amended on March 6, 2001 to include an exhibit inadvertantly excluded from the filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED PAN-EUROPE COMMUNICATIONS N.V.

By: /S/ CHARLES H.R. BRACKEN

BOARD OF MANAGEMENT MEMBER AND CHI
FINANCIAL OFFICER (AND PRINCIPAL
ACCOUNTING OFFICER)
Date: May 14, 2001