# UPC HOLDING B.V.

## Consolidated Financial Statements
## December 31, 2009

Recasted to reflect the presentation of the centralization of the direct-to-home operations

**UPC Holding B.V.**
**Boeing Avenue 53**
**1119PE, Schiphol-Rijk**
**The Netherlands**

**UPC HOLDING B.V.**

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## Independent Auditor's Report

To the Board of Directors of UPC Holding B.V.

We have audited the accompanying consolidated balance sheets of UPC Holding B.V. (a B.V. registered in the Netherlands) and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive loss, owner's deficit, and cash flows for the years ended December 31, 2009, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UPC Holding B.V. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2, in 2008 UPC Holding B.V changed its method of accounting for certain investments. In 2007, UPC Holding B.V. changed its method of accounting for income tax uncertainties.

As discussed in note 2 (SFAS 160), UPC Holding B.V. adopted SFAS 160, "Non Controlling Interests in Consolidated Financial Statements" (SFAS 160), subsequently codified within FASB ASC Topic 810, Consolidation (FASB ASC 810) as of January 1, 2009 and recasted the consolidated financial statements for all periods presented to give retrospective effect to the adoption of SFAS 160.

As discussed in note 4, UPC Holding B.V. transferred 100% of its interest in two of its wholly-owned indirect subsidiaries, Liberty Global Europe BV (LG Europe) and Liberty Global Europe Ltd. (LGE Ltd.) to another indirect subsidiary of LGI and recasted the consolidated financial statements for all periods presented to give retrospective effect to the transfer.

As discussed in note 5, UPC Holding B.V. sold 100% of its interest in UPC Slovenia on July 15, 2009 and recasted the consolidated financial statements for all periods presented to give retrospective effect to the discontinued operations of UPC Slovenia.

As discussed in note 18, UPC Holding B.V. centralized the direct to home operations and recasted the information regarding their operating segments for all periods presented to give retrospective effect to the centralization of UPC Europe's direct to home operations.

Amstelveen, the Netherlands, March 23, 2010, except as to note 18, which is as of August 3, 2010.

KPMG ACCOUNTANTS N.V.

# UPC HOLDING B.V.
# CONSOLIDATED BALANCE SHEETS

| | December 31, | | | |
|---|---|---|---|---|
| | 2009 | | 2008 (a) | |
| | in millions | | | |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | € | 159.7 | € | 108.6 |
| Trade receivables, net | | 385.6 | | 427.1 |
| Receivables – related party (note 14) | | 7.5 | | 8.0 |
| Deferred income taxes (note 11) | | 49.0 | | 41.4 |
| Derivative instruments (note 7) | | 107.6 | | 134.1 |
| Other current assets | | 66.8 | | 78.9 |
| Total current assets | | 776.2 | | 798.1 |
| Restricted cash (note 10) | | 318.2 | | 330.2 |
| Investments (note 6) | | 30.7 | | 31.1 |
| Property and equipment, net (note 9) | | 3,864.3 | | 3,974.4 |
| Goodwill (note 9) | | 4,761.1 | | 4,817.0 |
| Intangible assets subject to amortization, net (note 9) | | 445.9 | | 594.8 |
| Other assets, net (notes 7, 9, and 11) | | 315.2 | | 302.9 |
| Total assets | € | 10,511.6 | € | 10,848.5 |

(a) As restated. See note 4.

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

## UPC HOLDING B.V.
## CONSOLIDATED BALANCE SHEETS — (Continued)

| | December 31, | | | |
|---|---|---|---|---|
| | 2009 | | 2008 (a) | |
| | in millions | | | |
| **LIABILITIES AND OWNERS' DEFICIT** | | | | |
| Current liabilities: | | | | |
| Accounts payable: | | | | |
| Third party | € | 184.6 | € | 265.5 |
| Related party (note 14) | | 12.6 | | 16.8 |
| Accrued liabilities: | | | | |
| Third party | | 481.9 | | 492.1 |
| Related party (note 14) | | 6.1 | | 3.6 |
| Deferred revenue and advance payments from subscribers and others | | 418.6 | | 441.0 |
| Current portion of debt and capital lease obligations (note 10) | | 14.4 | | 12.7 |
| Derivative instruments (note 7) | | 415.7 | | 274.8 |
| Total current liabilities | | 1,533.9 | | 1,506.5 |
| Long-term debt and capital lease obligations (note 10): | | | | |
| Third party | | 8,202.7 | | 7,775.1 |
| Related party (note 14) | | 8,331.4 | | 8,418.7 |
| Deferred tax liabilities (note 11) | | 10.9 | | 87.1 |
| Other long-term liabilities (note 7) | | 841.5 | | 671.5 |
| Total liabilities | | 18,920.4 | | 18,458.9 |
| Commitments and contingencies (notes 10, 11, 13 and 17) | | | | |
| Owners' deficit (note 12): | | | | |
| Parent's deficit: | | | | |
| Distributions and accumulated losses in excess of contributions | | (8,600.2) | | (7,699.2) |
| Accumulated other comprehensive earnings (loss), net of taxes (note 16) | | 30.7 | | (49.6) |
| Total parent's deficit | | (8,569.5) | | (7,748.8) |
| Noncontrolling interests | | 160.7 | | 138.4 |
| Total owners' deficit | | (8,408.8) | | (7,610.4) |
| Total liabilities and owners' deficit | € | 10,511.6 | € | 10,848.5 |

(a) As restated. See note 4.

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

**UPC HOLDING B.V.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| Revenue (note 14) | € 3,453.9 | € 3,472.9 | € 3,297.2 |
| Operating costs and expenses: | | | |
| Operating (other than depreciation and amortization) (including stock-based compensation) (notes 13 and 14) | 1,251.0 | 1,267.2 | 1,298.4 |
| Selling, general and administrative (SG&A) (including stock-based compensation) (notes 13 and 14) | 555.2 | 587.2 | 599.2 |
| Related-party fees and allocations, net (note 14) | 30.6 | 31.5 | 49.2 |
| Depreciation and amortization (note 9) | 1,048.5 | 1,079.9 | 1,062.8 |
| Impairment, restructuring and other operating charges, net (notes 9 and 15) | 90.5 | 118.9 | 20.3 |
| | 2,975.8 | 3,084.7 | 3,029.9 |
| Operating income | 478.1 | 388.2 | 267.3 |
| Other income (expense): | | | |
| Interest expense: | | | |
| Third party | (383.0) | (463.3) | (454.4) |
| Related party (note 14) | (568.1) | (616.5) | (513.0) |
| Interest income (note 14) | 16.0 | 23.2 | 46.3 |
| Realized and unrealized losses on derivative instruments, net (note 7) | (642.9) | (181.9) | (99.5) |
| Foreign currency transaction gains (losses), net | 102.6 | (185.3) | 138.8 |
| Unrealized gains (losses) due to changes in fair values of certain investments, net (notes 6 and 8) | 0.1 | (2.1) | — |
| Losses on debt modifications and extinguishments, net (note 10) | (17.7) | — | (16.8) |
| Other income (expense), net | 1.3 | (0.9) | (0.5) |
| | (1,491.7) | (1,426.8) | (899.1) |
| Loss from continuing operations before income taxes | (1,013.6) | (1,038.6) | (631.8) |
| Income tax benefit (expense) (note 11) | 124.8 | (62.0) | (12.6) |
| Loss from continuing operations | (888.8) | (1,100.6) | (644.4) |
| Discontinued operation (note 5): | | | |
| Earnings from discontinued operations, net of taxes (note 5) | 2.7 | 11.3 | 9.8 |
| Gain on disposal of discontinued operations | 15.2 | — | — |
| | 17.9 | 11.3 | 9.8 |
| Net loss | (870.9) | (1,089.3) | (634.6) |
| Net earnings attributable to noncontrolling interests | (16.8) | (20.1) | (9.2) |
| Net loss attributable to parent | € (887.7) | € (1,109.4) | € (643.8) |

(a) As restated. See note 4.

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

## UPC HOLDING B.V.
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| Net loss | € (870.9) | € (1,089.3) | € (634.6) |
| Other comprehensive earnings (loss), net of taxes (note 16): | | | |
| Foreign currency translation adjustments | 94.8 | 148.8 | (87.3) |
| Pension related adjustments | 9.8 | (14.9) | 7.6 |
| Other comprehensive earnings (loss) | 104.6 | 133.9 | (79.7) |
| Comprehensive loss | (766.3) | (955.4) | (714.3) |
| Comprehensive earnings attributable to noncontrolling interests | (32.3) | (4.8) | (6.4) |
| Comprehensive loss attributable to parent | € (798.6) | € (960.2) | € (720.7) |

(a) As restated. See note 4.

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

## UPC HOLDING B.V.
## CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

| | Parent's deficit | | | | |
|---|---|---|---|---|---|
| | Distributions and accumulated losses in excess of contributions | Accumulated other comprehensive loss, net of taxes | Total parent's deficit | Noncontrolling interests | Total owners' deficit |
| | | | in millions | | |
| Balance at January 1, 2007, before effect of accounting change (a) | € (1,950.3) | € (121.9) | € (2,072.2) | € 153.5 | € (1,918.7) |
| Accounting change (note 2) | (45.3) | — | (45.3) | — | (45.3) |
| Balance at January 1, 2007, as adjusted for accounting change (a) | (1,995.6) | (121.9) | (2,117.5) | 153.5 | (1,964.0) |
| Net loss | (643.8) | — | (643.8) | 9.2 | (634.6) |
| Other comprehensive loss, net of taxes (note 16) | — | (76.9) | (76.9) | (2.8) | (79.7) |
| Stock-based compensation, including related taxes (notes 3 and 13) | 12.0 | — | 12.0 | — | 12.0 |
| Consideration issued in connection with common control transactions (note 4) | (3,754.4) | — | (3,754.4) | — | (3,754.4) |
| Consideration received in connection with common control transactions (note 4) | 7.2 | — | 7.2 | — | 7.2 |
| Adjustment to goodwill due to utilization of tax benefits by a parent company (note 9) | (194.2) | — | (194.2) | — | (194.2) |
| Capital charge in connection with the exercise of LGI stock incentive awards (note 13 and 14) | (61.7) | — | (61.7) | — | (61.7) |
| Adjustments due to other changes in subsidiaries' equity and other, net | — | — | — | (4.9) | (4.9) |
| Balance at December 31, 2007 (a) | € (6,630.5) | € (198.8) | € (6,829.3) | € 155.0 | € (6,674.3) |

(a) As restated. See note 4.

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

# UPC HOLDING B.V.
## CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT — (Continued)

| | Parent's deficit | | | | |
|---|---|---|---|---|---|
| | Distributions and accumulated losses in excess of contributions | Accumulated other comprehensive loss, net of taxes | Total parent's deficit | Noncontrolling interests | Total owners' deficit |
| | | | in millions | | |
| Balance at January 1, 2008, before effect of accounting change (a) | € (6,630.5) | € (198.8) | € (6,829.3) | € 155.0 | € (6,674.3) |
| Accounting change (note 2) | 4.8 | — | 4.8 | — | 4.8 |
| Balance at January 1, 2008, as adjusted for accounting change (a) | (6,625.7) | (198.8) | (6,824.5) | 155.0 | (6,669.5) |
| Net loss | (1,109.4) | — | (1,109.4) | 20.1 | (1,089.3) |
| Other comprehensive earnings, net of taxes (note 16) | — | 149.2 | 149.2 | (15.3) | 133.9 |
| Stock-based compensation, including related taxes (notes 3 and 13) | 32.2 | — | 32.2 | — | 32.2 |
| Carrying value of assets transferred in connection with common control transactions (note 4) | 10.1 | — | 10.1 | — | 10.1 |
| Adjustment to goodwill due to changes in pre-acquisition income tax balances of a parent company (note 9) | 4.7 | — | 4.7 | — | 4.7 |
| Capital charge in connection with the exercise of LGI stock incentive awards (notes 13 and 14) | (11.1) | — | (11.1) | — | (11.1) |
| Adjustments due to other changes in subsidiaries' equity and other, net | — | — | — | (21.4) | (21.4) |
| Balance at December 31, 2008 (a) | € (7,699.2) | € (49.6) | € (7,748.8) | € 138.4 | € (7,610.4) |

(a) As restated. See note 4.

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

## UPC HOLDING B.V.
## CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT — (Continued)

| | Parent's deficit | | | | |
|---|---|---|---|---|---|
| | Distributions and accumulated losses in excess of contributions | Accumulated other comprehensive earnings (loss), net of taxes | Total parent's deficit | Noncontrolling interests | Total owners' deficit |
| | | | in millions | | |
| Balance at January 1, 2009 (a) | € (7,699.2) | € (49.6) | € (7,748.8) | € 138.4 | € (7,610.4) |
| Net loss | (887.7) | — | (887.7) | 16.8 | (870.9) |
| Other comprehensive earnings, net of taxes (note 16) | — | 89.1 | 89.1 | 15.5 | 104.6 |
| Stock-based compensation, including related taxes (notes 3 and 13) | 14.0 | — | 14.0 | — | 14.0 |
| Consideration received in connection with common control transactions (note 4) | 11.5 | — | 11.5 | — | 11.5 |
| Capital charge in connection with the exercise of LGI stock incentive awards (notes 13 and 14) | (46.3) | — | (46.3) | — | (46.3) |
| Disposal of UPC Slovenia (note 5) | — | — | — | (12.3) | (12.3) |
| Adjustments due to other changes in subsidiaries' equity and other, net | 7.5 | (8.8) | (1.3) | 2.3 | 1.0 |
| Balance at December 31, 2009 | € (8,600.2) | € 30.7 | € (8,569.5) | € 160.7 | € (8,408.8) |

(a) As restated. See note 4.

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

## UPC HOLDING B.V.
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| Cash flows from operating activities: | | | |
| Net loss | € (870.9) | € (1,089.3) | € (634.6) |
| Earnings from discontinued operations | (17.9) | (11.3) | (9.8) |
| Loss from continuing operations | (888.8) | (1,100.6) | (644.4) |
| Adjustments to reconcile loss from continuing operations to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 15.1 | 27.6 | 20.0 |
| Related-party fees and allocations, net | 30.6 | 31.5 | 49.2 |
| Depreciation and amortization | 1,048.5 | 1,079.9 | 1,062.8 |
| Impairment, restructuring and other operating charges | 90.5 | 118.9 | 20.3 |
| Non-cash interest on shareholder loan | 568.1 | 616.5 | 513.0 |
| Amortization of deferred financing costs and non-cash interest | 16.6 | 8.2 | 8.5 |
| Realized and unrealized losses on derivative instruments, net | 642.9 | 181.9 | 99.5 |
| Foreign currency transaction losses (gains), net | (102.6) | 185.3 | (138.8) |
| Unrealized losses (gains) due to changes in fair values of certain investments, net of dividends | (0.1) | 2.1 | — |
| Losses on debt modifications and extinguishments | 17.7 | — | 16.8 |
| Deferred income tax expense (benefit) | (134.5) | 54.6 | 2.5 |
| Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions: | | | |
| Receivables and other operating assets | 275.2 | 92.9 | 111.1 |
| Payables and accruals | (552.3) | (176.4) | (203.3) |
| Net cash provided by operating activities of discontinued operations | 7.2 | 17.9 | 14.2 |
| Net cash provided by operating activities | 1,034.1 | 1,140.3 | 931.4 |
| Cash flows from investing activities: | | | |
| Capital expended for property and equipment | (853.9) | (979.5) | (891.1) |
| Proceeds received upon disposition of discontinued operations, net of disposal costs | 118.5 | — | — |
| Cash paid in connection with acquisitions, net of cash acquired | (3.4) | (49.0) | (107.1) |
| Proceeds received upon dispositions of assets | 4.9 | 5.0 | 3.5 |
| Other investing activities, net | (2.6) | (3.1) | 8.0 |
| Net cash used by investing activities of discontinued operations | (6.9) | (15.4) | (29.5) |
| Net cash used by investing activities | € (743.4) | € (1,042.0) | € (1,016.2) |

(a) As restated. See note 4.

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

## UPC HOLDING B.V.
## CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| Cash flows from financing activities: | | | |
| Borrowings of third-party debt | € 1,249.3 | € 1,075.6 | € 1,541.7 |
| Repayments of third-party debt and capital lease obligations | (774.6) | (13.2) | (333.4) |
| Net repayments of shareholder loan | (641.6) | (1,175.6) | (1,547.8) |
| Change in cash collateral | 3.3 | 3.2 | (20.1) |
| Payment of financing costs | (61.4) | (5.3) | (11.4) |
| Other financing activities, net | (20.6) | (10.9) | 1.7 |
| Net cash used by financing activities of discontinued operations | — | (2.7) | (0.8) |
| Net cash used by financing activities | (245.6) | (128.9) | (370.1) |
| Effect of exchange rates on cash | 6.0 | (14.4) | (7.6) |
| Net increase (decrease) in cash and cash equivalents: | | | |
| Continuing operations | 50.8 | (44.8) | (446.4) |
| Discontinued operations | 0.3 | (0.2) | (16.1) |
| Net increase (decrease) in cash and cash equivalents | 51.1 | (45.0) | (462.5) |
| Cash and cash equivalents: | | | |
| Beginning of period | 108.6 | 153.6 | 616.1 |
| End of period | € 159.7 | € 108.6 | € 153.6 |
| Cash paid for interest | € 376.4 | € 583.8 | € 403.0 |
| Net cash paid for taxes | € 6.5 | € 12.0 | € 9.7 |

(a) As restated. See note 4.

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

## (1) Basis of Presentation

UPC Holding B.V. (UPC Holding), is an indirect wholly-owned subsidiary of Liberty Global Europe Holding BV (Liberty Global Europe) (formally known as Liberty Global Europe, NV). Liberty Global Europe is an indirect subsidiary of UnitedGlobalCom, Inc. (UGC), which in turn is an indirect wholly-owned subsidiary of Liberty Global, Inc. (LGI). LGI was formed for the purpose of effecting the combination of LGI International, Inc. (LGI International) and UGC (the LGI Combination). As a result of the LGI Combination, LGI International and UGC each became wholly-owned subsidiaries of LGI. LGI International is the predecessor to LGI and was formed in connection with the June 2004 spin-off of certain international cable television and programming subsidiaries and assets of Liberty Media Corporation (Liberty Media). The full amount of LGI's cost basis in UPC Holding, including the basis that resulted from the LGI Combination, is included in these consolidated financial statements. UPC Holding is an international provider of video, voice and broadband internet services, with consolidated broadband communications and/or direct-to-home (DTH) satellite operations at December 31, 2009 in nine European countries and in Chile. Our European broadband communications operations are collectively referred to as UPC Europe. Our broadband communications operations in Chile are provided through our 80%-owned indirect subsidiary, VTR Global Com SA (VTR). In the following text, the terms "we," "our," "our company," and "us" may refer, as the context requires, to UPC Holding or collectively to UPC Holding and its subsidiaries.

On July 15, 2009, one of our subsidiaries sold 100% of its interest in our Slovenian cable operations (UPC Slovenia). Accordingly, we have presented UPC Slovenia as a discontinued operation in our consolidated statements of operations and cash flows and related footnote disclosures. See note 5.

Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2009.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 23, 2009, the date of issuance.

## (2) Accounting Changes and Recent Accounting Pronouncements

### Accounting Changes

*SFAS 168*

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162), which identified the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with Accounting Principles Generally Accepted in the United States (U.S. GAAP). In June 2009, SFAS 162 was replaced by SFAS No. 168, *The FASB Accounting Standard Codification and the Hierarchy of Generally Accepted Accounting Principles – replacement of FASB Statement No. 162* (SFAS 168), subsequently codified within FASB Accounting Standards Codification (FASB ASC) Topic 105, *Generally Accepted Accounting Principles*. The FASB ASC is now the source of authoritative U.S. GAAP recognized by the FASB. We adopted SFAS 168 effective July 1, 2009 and such adoption did not have a material impact on our consolidated financial statements.

*SFAS 141(R)*

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)), subsequently codified within FASB ASC Topic 805, *Business Combinations*. SFAS 141(R) replaces SFAS 141, Business Combinations, and, among other items, generally requires an acquirer in a business combination to recognize (i) the assets acquired, (ii) the liabilities assumed (including those arising from contractual contingencies), (iii) any contingent consideration and (iv) any noncontrolling interest in the acquiree at the acquisition date, at fair values as of that date. The requirements of SFAS 141(R) will result in the recognition by the acquirer of goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) also provides that the acquirer shall not adjust the finalized accounting for business combinations, including business combinations completed prior to the effective date of SFAS 141(R), for changes in acquired tax uncertainties or changes in the valuation allowances for acquired deferred tax assets that occur subsequent to the effective date of SFAS 141(R). We prospectively adopted the provisions of SFAS 141(R) effective January 1, 2009.

*SFAS 157*

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), subsequently codified within various FASB ASC Topics, primarily FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (FASB ASC 820). SFAS 157 defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. SFAS 157 was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2007. However, the effective date of SFAS 157 was deferred to fiscal years beginning after November 15, 2008 and interim periods within those years as it relates to fair value measurement requirements for (i) nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis (e.g. asset retirement obligations, restructuring liabilities and assets and liabilities acquired in business combinations) and (ii) fair value measurements required for impairment assessments. We prospectively adopted SFAS 157 (exclusive of the deferred provisions discussed above) effective January 1, 2008 and we prospectively adopted the deferred provisions of SFAS 157 effective January 1, 2009.

*SFAS 160*

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), subsequently codified within FASB ASC Topic 810, *Consolidation* (FASB ASC 810). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also states that a noncontrolling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. In addition, SFAS 160 requires (i) that consolidated net income include the amounts attributable to both the parent and noncontrolling interest, (ii) that a parent recognize a gain or loss in net income in connection with changes in ownership that result in the consolidation of investees or the deconsolidation of subsidiaries and (iii) expanded disclosures that clearly identify and distinguish between the interests of the parent owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal years and interim periods beginning on or after December 15, 2008. We adopted SFAS 160 effective January 1, 2009 and such adoption resulted in the retrospective reclassification of minority interests in subsidiaries to noncontrolling interests within equity.

*SFAS 159*

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* subsequently codified within various FASB ASC Topics, primarily FASB ASC Topic 825, *Financial Instruments*, which permits entities to choose to measure financial assets and financial liabilities at fair value on an instrument-by-instrument basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. Effective January 1, 2008, we adopted the fair value method of accounting for certain equity method investments, and such adoption resulted in (i) an increase to our investments and a decrease to our parent's deficit of €4.8 million.

*FIN 48*

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* (FIN 48), subsequently codified within various FASB ASC Topics, primarily FASB ASC Topic 740. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes the recognition threshold and provides guidance for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition.

In connection with our January 1, 2007 adoption of FIN 48, we recognized (i) a €2.0 million decrease to our other long-term liabilities related to uncertain income tax positions, (ii) a €1.1 million decrease to our parent's deficit and (iii) a €9.0 million decrease to our goodwill. In addition, we recorded a €46.4 million increase to our parent's deficit and a €46.4 million decrease to our goodwill to reflect the allocation from a parent company of certain FIN 48 implementation adjustments related to income tax items that were originally recorded in connection with certain purchase accounting transactions.

*Other accounting changes*

In addition to the accounting changes described above, we adopted the following new accounting pronouncements during 2009 and such adoptions did not have a material impact on our consolidated financial statements:

- Effective January 1, 2009, FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3), subsequently codified within FASB ASC Topic 350, *Intangibles – Goodwill and Other*, and FASB ASC Topic 275, *Risks and Uncertainties;*

- Effective January 1, 2009, Emerging Issues Task Force Issue No. 08-06, *Equity Method Investment Accounting Considerations*, subsequently codified within FASB ASC Topic 323, *Investments – Equity Method and Joint Ventures*;

- Effective June 30, 2009, FSP No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, subsequently codified within FASB ASC 820; and

- Effective June 30, 2009, FSP No. 107, *Interim Disclosures about Fair Value of Financial Instruments*, subsequently codified within FASB ASC Topic 825, *Financial Instruments.*

### *Recent Accounting Pronouncements*

*SFAS 166*

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140* (SFAS 166). FASB Statement No. 140, as amended by SFAS 166, was subsequently codified within various FASB ASC Topics, primarily FASB ASC Topic 860, *Transfers and Servicing*. SFAS 166, among other matters, (i) eliminates the concept of a qualifying special-purpose entity, (ii) creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, (iii) clarifies other sale-accounting criteria and (iv) changes the initial measurement of a transferor's interest in transferred financial assets. SFAS 166 is applicable for fiscal years and interim periods beginning after November 15, 2009. We will adopt SFAS 166 effective January 1, 2010 and do not expect such adoption to have a material impact on our consolidated financial statements.

*SFAS 167*

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). FASB Interpretation No. 46(R) (FIN 46(R)), as amended by SFAS 167, was subsequently codified within various FASB ASC Topics, primarily FASB ASC 810. SFAS 167, among other matters, (i) eliminates the exceptions of FIN 46(R) with respect to the consolidation of qualifying special-purpose entities, (ii) contains new criteria for determining the primary beneficiary and (iii) increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also contains a new requirement that any term, transaction or arrangement that does not have a substantive effect on an entity's status as a variable interest entity, a company's power over a variable interest entity or a company's obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying the provisions of FASB Interpretation No. 46(R). SFAS 167 is applicable for fiscal years and interim periods beginning after November 15, 2009. We will adopt SFAS 167 effective January 1, 2010 and do not expect such adoption to have a material impact on our consolidated financial statements.

*ASU 2009-05*

In August 2009, the FASB issued Accounting Standards Update (FASB ASU) No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820) – Measuring Liabilities at Fair Value* (FASB ASU 2009-05). FASB ASU 2009-05 provides clarification in measuring the fair value of liabilities in circumstances in which a quoted price in an active market for the identical liability is not available and in circumstances in which a liability is restricted from being transferred. FASB ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. We will adopt FASB ASU 2009-05 effective January 1, 2010 and do not expect such adoption to have a material impact on our consolidated financial statements.

*ASU 2009-13*

In October 2009, the FASB issued ASU No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force* (FASB ASU 2009-13). FASB ASU 2009-13 provides amendments to the criteria for separating consideration in multiple-deliverable arrangements by establishing an expanded selling price hierarchy for determining the selling price of a deliverable. FASB ASU 2009-13 also replaces the term “fair value” in the revenue allocation guidance with “selling price” to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. FASB ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We will adopt FASB ASU 2009-13 effective January 1, 2010 and do not expect such adoption to have a material impact on our consolidated financial statements.

## (3) Summary of Significant Accounting Policies

### *Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets, stock-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

### *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

### *Principles of Consolidation*

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

### *Cash and Cash Equivalents and Restricted Cash*

Cash equivalents consist of all investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Restricted cash includes cash held in escrow and cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2009 and 2008, our current and long-term restricted cash balances aggregated €323.6 million and €336.0 million, respectively. For additional information concerning our restricted cash balances, see note 10.

Our significant non-cash investing and financing activities are disclosed in our statements of owners' deficit and in notes 4, 5, 9, and 10.

### *Trade Receivables*

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €76.1 million and €78.4 million at December 31, 2009 and 2008, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers and their dispersion across many different countries worldwide. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

### *Investments*

We make elections, on an investment-by-investment basis, as to whether we measure our investments at fair value. Such elections are generally irrevocable. We have elected the fair value method for most of our investments as we believe this method generally provides the most meaningful information to our investors. However, for investments over which we have significant influence, we have considered the significance of transactions between our company and our equity affiliates and other factors in determining whether the fair value method should be applied. In general, we have not elected the fair value option for those equity method investments with which UPC Holding or its consolidated subsidiaries have significant related-party transactions. For additional information regarding our fair value method investments, see notes 6 and 8.

Under the fair value method, investments are recorded at fair value and any changes in fair value are reported in net earnings or loss. All costs directly associated with the acquisition of an investment that is intended to be accounted for using the fair value method are expensed as incurred. Transfers between fair value hierarchies are recorded as of the end of the period in which the transfer occurs.

We continue to use the equity method for certain privately-held investments over which we have the ability to exercise significant influence. Generally, we exercise significant influence through a voting interest between 20% and 50%, or board representation and management authority. Under the equity method, an investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, with our recognition of losses generally limited to the extent of our investment in, and advances and commitments to, the investee. The portion of the difference between our investment and our share of the net assets of the investee that represents goodwill is not amortized, but continues to be considered for impairment. Intercompany profits on transactions with equity affiliates where assets remain on the balance sheet of UPC Holding or the investee are eliminated to the extent of our ownership in the investee.

We use the cost method for investments in certain non-marketable securities over which we do not have the ability to exercise significant influence. These investments are carried at cost, subject to an other-than-temporary impairment assessment.

Realized gains and losses are determined on an average cost basis. Securities transactions are recorded on the trade date.

### *Financial Instruments*

Due to the short maturities of cash and cash equivalents, short-term restricted cash, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair value of our debt, see note 10.

### *Derivative Instruments*

All derivatives, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings (loss) and subsequently reclassified into our consolidated statement of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. We generally do not apply hedge accounting to our derivative instruments.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Depreciation is computed using the straight-line method over estimated useful lives of 3 to 25 years for cable distribution systems, 10 to 40 years for buildings and leasehold improvements and 2 to 20 years for support equipment. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. The useful lives used to depreciate cable distribution systems are assessed periodically and are adjusted when warranted. The useful lives of systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. In addition, we recognize asset retirement obligations that arise from the European Union (EU) Directive on Waste Electrical and Electronic Equipment (WEEE Directive). The WEEE Directive creates certain legal obligations to dispose of electrical and electronic equipment, which incorporates equipment used in our European operations. The majority of our obligations under the WEEE Directive are related to customer premise equipment.

Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have always been granted. We also have obligations in lease agreements to restore the property to its original condition or remove our property at the end of the lease term. Sufficient information is not available to estimate the fair value of our asset retirement obligations in certain of our lease arrangements. This is the case in long-term lease arrangements in which the underlying leased property is integral to our operations, there is not an acceptable alternative to the leased property and we have the ability to indefinitely renew the lease. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2009 and 2008, the recorded value of our asset retirement obligations was €33.9 million and €31.7 million, respectively.

***Intangible Assets***

Our primary intangible assets are goodwill, customer relationships and trade names. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in business combinations. Customer relationships and trade names were originally recorded at their fair values in connection with business combinations.

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with definite lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

We do not amortize certain other intangible assets as these assets have indefinite-lives. Our customer relationship intangible assets are amortized on a straight line basis over estimated useful lives ranging from 3 to 10 years for broadband communications and DTH satellite customer relationships.

***Impairment of Property and Equipment and Intangible Assets***

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such events or changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, which is generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (i) sale prices for similar assets, (ii) discounted estimated future cash flows using an appropriate discount rate and/or (iii) estimated replacement costs. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and indefinite-lived intangible assets may not be recoverable. For purposes of the goodwill evaluation, we compare the fair values of our reporting units to their respective carrying amounts. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of other indefinite-lived intangible assets is also charged to operations as an impairment loss.

***Income Taxes***

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Certain of our valuation allowances and tax uncertainties are associated with entities that we acquired in business combinations. Through December 31, 2008, we accounted for any post-acquisition changes in these items as adjustments of the accounting for the respective business combinations, and accordingly, the tax impact of these changes was not recognized in our consolidated statements of operations. Effective January 1, 2009, the finalized accounting for business combinations, including business combinations completed prior to January 1, 2009, is no longer adjusted for these changes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense. UPC Holding and its Dutch subsidiaries are part of a Dutch tax fiscal unity with its indirect parent company Liberty Global Europe and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax paying Dutch entities and their parent company as one taxpayer for Dutch tax purposes. The income taxes of UPC Holding and its subsidiaries are presented in our consolidated financial statements on a separate return basis for each tax-paying entity or group based on the local tax law.

### *Foreign Currency Translation and Transactions*

The reporting currency of our company is the euro. The functional currency of our foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries (including intercompany balances for which settlement is not anticipated in the foreseeable future) and equity method investees are translated at the spot rate in effect at the applicable reporting date, and our consolidated statement of operations and our company's share of the results of operations of our equity affiliates generally are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings (loss) in our consolidated statement of owners' deficit. Cash flows from our operations in foreign countries are translated at actual exchange rates when known or at the average rate for the applicable period. The effect of exchange rates on cash balances held in foreign currencies are separately reported in our consolidated statement of cash flows.

Transactions denominated in currencies other than our or our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheet related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statement of operations as unrealized (based on the applicable period end translation) or realized upon settlement of the transactions.

### *Revenue Recognition*

*Service Revenue – Cable Networks.* We recognize revenue from the provision of video, telephone and broadband internet services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period in which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

*Service Revenue – Other*. We recognize revenue from DTH, telephone and data services that are not provided over our cable network in the period the related services are provided. Installation revenue (including reconnect fees) related to services that are not provided over our cable network is deferred and amortized over the average expected subscriber life.

*Promotional Discounts.* For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

*Subscriber Advance Payments and Deposits.* Payments received in advance for distribution services are deferred and recognized as revenue when the associated services are provided.

*Sales, Use and Other Value Added Taxes*. Revenue is recorded net of applicable sales, use and other value added taxes.

***Stock-Based Compensation***

We recognize all share-based payments from LGI to our employees, including grants of employee stock options based on their grant-date fair values and LGI's estimates of forfeitures. We recognize the fair value of outstanding options as a charge to operations over the vesting period. The cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense are reported as a financing cash flow.

We use the straight-line method to recognize stock-based compensation expense for LGI's outstanding stock awards to our employees that do not contain a performance condition and the accelerated expense attribution method for our outstanding stock awards that contain a performance condition and vest on a graded basis.

LGI has calculated the expected life of options and stock appreciation rights (SARs) granted by LGI to employees based on historical exercise trends. The expected volatility for LGI options and SARs was based on the historical volatilities of LGI for a historical period equal to the expected average life of the LGI awards. LGI also considered the volatilities of certain other companies with characteristics similar to LGI in arriving at its determination of the expected volatility of LGI options and SARs granted prior to 2009.

## (4) Common Control Transfers and Acquisitions

We completed various acquisitions and transfers between entities under common control during 2009, 2008 and 2007. We accounted for the common control transfers at carryover basis and, unless otherwise indicated, our consolidated financial statements have been restated to give effect to these transactions for the periods in which the transferred entities were under the control of LGI.

***2009 Common Control Transfer of certain corporate and administrative subsidiaries***

On December 17, 2009, we transferred our 100% interests in two of our wholly-owned indirect subsidiaries, Liberty Global Europe BV (LG Europe) and Liberty Global Europe Ltd. (LGE Ltd.), to another indirect subsidiary of LGI. LG Europe and LGE Ltd. perform certain corporate and administrative functions. We recorded the consideration received of €11.5 million and €1 for the transfer of the LGE Ltd. and LG Europe interests, respectively, as capital transactions during 2009 in exchange for an €11.5 million decrease to our shareholder loan payable to Liberty Global Europe Financing B.V. (LGE Financing), a direct subsidiary of Liberty Global Europe. The net assets of LG Europe and LGE Ltd. were transferred at the €125.7 million carrying value of their aggregate net liabilities. Certain related changes to intercompany payable and receivable arrangements have also been given retroactive effect in our consolidated financial statements.

***2008 Common Control Transfer of Chellomedia Interactive Services Group***

Effective April 1, 2008, the business activities and certain assets of Chellomedia Interactive Services Group (ISG) were transferred from Chellomedia BV (Chellomedia) to UPC Holding for no material consideration. Chellomedia is a direct subsidiary of Liberty Global Europe. Due to the relative immateriality of the amounts involved, we did not restate our consolidated financial statements and as such we recorded the carrying value of the assets transferred of €10.1 million as a capital transaction during the three months ended June 30, 2008.

***2007 Common Control Transfers and Acquisitions***

During 2007, we completed the following common control transfers and significant acquisitions:

(i) On January 1, 2007, our 100% ownership interest in At Media Sp.z.o.o (At Media), a provider of programming services in Poland, was transferred by UPC Holding to Chellomedia Programming B.V. (Chellomedia Programming), another subsidiary of Liberty Global Europe;

(ii) On April 16, 2007, Liberty Global Europe transferred its 100% interest in Cablecom Holdings GmbH (Cablecom) to UPC Holding (the Cablecom Transfer);

(iii) On May 4, 2007, Liberty Global Europe transferred its 100% interest in Unite Holdco III B.V. (Unite Holdco), another subsidiary of Liberty Global Europe, to UPC Holding;

(iv) On May 23, 2007, Liberty Global Europe transferred its indirect 80% interest in VTR to UPC Holding (the VTR Transfer); and

(v) On October 2, 2007, our operating subsidiary in Austria acquired Telesystem Tirol GmbH & Co KG (Tirol), a broadband communications operator in Austria.

*At Media Common Control Transfer* — On January 1, 2007, our 100% ownership interest in At Media, was transferred by UPC Holding to Chellomedia Programming in exchange for a €7.2 million intercompany loan. We recorded the consideration received of €7.2 million and the transfer of the At Media interest as capital transactions in 2007.

*Cablecom and VTR Common Control Transfers* — In April and May 2007, in conjunction with the refinancing of the UPC Broadband Holding Bank Facility, (i) a 100% ownership interest in Cablecom and (ii) an indirect 80% ownership interest in VTR were transferred by certain of UGC's subsidiaries outside of UPC Holding to subsidiaries of UPC Holding (the Cablecom Transfer and the VTR Transfer, respectively). The consideration for the Cablecom Transfer consisted of a €2,370.0 million addition to our shareholder loan payable to LGE Financing. The consideration for the VTR Transfer consisted of a €960.0 million addition to our shareholder loan with LGE Financing and acceptance of a €96.5 million intercompany payable to our subsidiary, United Chile. We recorded the consideration issued of €2,370.0 million and €960.0 million for the transfer of the Cablecom and VTR interests, respectively, as capital transactions during 2007. The net assets of Cablecom were transferred at the October 31, 2005 carrying value of €1,849.7 million.

*Unite Holdco Common Control Transfer* — On May 4, 2007, Liberty Global Europe transferred its 100% interest in Unite Holdco to UPC Holding at its carrying amount in exchange for a €329.2 million increase to UPC Holding's shareholder loan with LGE Financing. At the time of the transfer, (i) we held 99% of the shares of Karneval Media s.r.o. and 97% of the shares of Forecable s.r.o. (together Karneval), which interests were transferred from Liberty Global Europe to our company in December 2006, as described below and (ii) Unite Holdco held the remaining 1% interest in Karneval Media s.r.o., the remaining 3% interest in Forecable s.r.o, and a €344.2 million loan receivable from Liberty Global Europe. Following the transfer of Unite Holdco, UPC Holding owns 100% of Karneval. The consideration issued of €329.2 million for the shares of Unite Holdco was reflected as a capital transaction in 2007. The net assets of Unite Holdco were transferred at the September 30, 2006 carrying value of €329.2 million and this transfer was reflected as a capital transaction in 2006.

*Tirol Acquisition* — On October 2, 2007, one of our operating subsidiaries in Austria acquired Tirol for cash consideration of €84.3 million, including working capital adjustments and direct acquisition costs. We have accounted for the Tirol acquisition using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of such identifiable net assets was allocated to goodwill.

## (5) Discontinued Operations and Dispositions

### *Discontinued Operations*

*UPC Slovenia* - On July 15, 2009, one of our subsidiaries sold 100% of its interest in UPC Slovenia to Mid Europa Partners for a cash purchase price of €119.5 million. As a result of this disposition, we have accounted for UPC Slovenia as a discontinued operation. In connection with the disposal of UPC Slovenia, we recognized a net gain of €15.2 million. This net gain is reflected in discontinued operations in our consolidated statement of operations for the year ended December 31, 2009. The operating results of UPC Slovenia that are classified as discontinued operations in our consolidated statements of operations are summarized in the following table:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | in millions | |
| Revenue | € 22.7 | € 43.2 | € 36.8 |
| Operating income | € 2.4 | € 12.1 | € 10.5 |
| Earnings before income taxes and noncontrolling interests | € 2.6 | € 12.3 | € 10.5 |

## (6) Investments

The details of our investments are set forth below:

| | December 31, | |
|---|---|---|
| | 2009 | 2008 |
| **Accounting Method** | in millions | |
| Fair value | € 26.9 | € 27.6 |
| Equity | 3.4 | 3.1 |
| Cost | 0.4 | 0.4 |
| Total | € 30.7 | € 31.1 |

### *Fair Value Method Investments*

On January 1, 2008, we elected the fair value option for certain of our investments, including our investments in broadband communications operators in Switzerland. The aggregate fair value of our fair value method investments as of January 1, 2008 was €26.0 million. For additional information regarding our fair value method investments, see note 8.

## (7) Derivative Instruments

Through our subsidiaries, we have entered into various derivative instruments to manage interest rate and foreign currency exposure with respect to the euro (€), the U.S. dollar ($), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN), the Romanian lei (RON), the Swiss franc (CHF) and the Chilean peso (CLP). We generally do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our other derivative instruments generally are recorded in realized and unrealized losses on derivative instruments, net, in our consolidated statements of operations. The following table provides details of the fair values of our derivative instrument assets and liabilities:

| | December 31, 2009 | | | December 31, 2008 | | |
|---|---|---|---|---|---|---|
| | Current | Long-term (a) | Total | Current | Long-term (a) | Total |
| | in millions | | | | | |
| Assets: | | | | | | |
| Cross-currency and interest rate derivative contracts (b) | € 107.0 | € 107.6 | € 214.6 | € 130.1 | € 197.1 | € 327.2 |
| Foreign currency forward contracts | — | — | — | 3.8 | — | 3.8 |
| Embedded derivatives | 0.6 | 0.4 | 1.0 | 0.2 | 0.5 | 0.7 |
| Total | € 107.6 | € 108.0 | € 215.6 | € 134.1 | € 197.6 | € 331.7 |
| Liabilities: | | | | | | |
| Cross-currency and interest rate derivative contracts (b) | € 411.9 | € 733.1 | € 1,145.0 | € 274.0 | € 553.5 | € 827.5 |
| Foreign currency forward contracts | 3.6 | — | 3.6 | — | — | — |
| Embedded derivatives | 0.2 | 0.7 | 0.9 | 0.8 | 0.7 | 1.5 |
| Total | € 415.7 | € 733.8 | € 1,149.5 | € 274.8 | € 554.2 | € 829.0 |

(a) Our long-term derivative assets and liabilities are included in other assets and other long-term liabilities, respectively, in our consolidated balance sheets.

(b) In 2008, we began considering credit risk in our fair value assessments. As of December 31, 2009 and 2008, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €3.9 million and €14.6 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €56.2 million and €81.0 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in a loss of €14.1 million during 2009 and a gain of €66.4 million during 2008, and these amounts are included in realized and unrealized losses on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 8.

The details of our realized and unrealized losses on derivative instruments, net, are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | in millions | |
| Cross-currency and interest rate derivative contracts | € (638.3) | € (179.1) | € (102.9) |
| Foreign currency forward contracts | (5.7) | 0.9 | 2.3 |
| Embedded derivatives | 1.1 | (3.7) | 1.1 |
| Total | € (642.9) | € (181.9) | € (99.5) |

The net cash received (paid) related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the classification of the applicable underlying cash flows. The classifications of these cash flows are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | in millions | |
| Operating activities | € (199.6) | € 105.4 | € (25.6) |
| Financing activities | (13.9) | 3.1 | 2.7 |
| Total | € (213.5) | € 108.5 | € (22.9) |

### *Counterparty Credit Risk*

We are exposed to the risk that the counterparties to our derivative contracts will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative contracts is spread across a relatively broad counterparty base of banks and financial institutions. We generally do not require counterparties to our derivative instruments to provide collateral or other security or to enter into master netting arrangements. At December 31, 2009, our exposure to credit risk included derivative assets with a fair value of €215.6 million.

Under our derivative contracts, the exercise of termination and set-off provisions is generally at the option of the non-defaulting party only. However, in an insolvency of a derivative counterparty, a liquidator may be able to force the termination of a derivative contract. In addition, mandatory set-off of amounts due under the derivative contract and potentially other contracts between our company and the relevant counterparty may be applied under the insolvency regime of the relevant jurisdiction. Accordingly, it is possible that certain amounts owing between our company and an insolvent counterparty could be set-off, even if that counterparty had previously defaulted on its obligations under a derivative contract with our company. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to novate our derivative contracts to different counterparties, no assurance can be given that we would be able to do this on terms or pricing that would be acceptable to us. If we are unable to, or choose not to, novate to a different counterparty, the risks that were the subject of the original derivative contract would no longer be hedged.

While we currently have no specific concerns about the creditworthiness of any particular counterparty, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations and financial condition.

### *Cross-currency and Interest Rate Derivative Contracts*

*Cross-currency Swaps:*

The terms of our outstanding cross-currency swap contracts at December 31, 2009 are as follows:

| Subsidiary (a) | Notional amount due from counterparty | | Notional amount due to counterparty | | Interest rate due from counterparty | Interest rate due to counterparty |
|---|---|---|---|---|---|---|
| | in millions | | | | | |
| UPC Holding: | | | | | | |
| April 2016 | $ | 400.0 | CHF | 441.8 | 9.88% | 9.87% |
| UPC Broadband Holding BV, a direct subsidiary of UPC Holding (UPC Broadband Holding): | | | | | | |
| July 2010 | € | 60.0 | CZK | 1,703.1 | 5.50% | 5.33% |
| July 2010 – December 2014 | € | 60.0 | CZK | 1,703.1 | 5.50% | 6.05% |
| February 2010 | € | 105.8 | CZK | 3,018.7 | 5.50% | 4.88% |
| February 2010 – December 2014 | € | 105.8 | CZK | 3,018.7 | 5.50% | 5.80% |
| December 2014 | € | 200.0 | CZK | 5,800.0 | 5.46% | 5.30% |
| December 2014 – December 2016 | € | 36.0 | CZK | 1,021.9 | 5.50% | 6.84% |
| July 2010 | € | 260.0 | HUF | 75,570.0 | 5.50% | 7.80% |
| July 2010 – December 2014 | € | 260.0 | HUF | 75,570.0 | 5.50% | 9.40% |
| December 2014 | € | 228.0 | HUF | 62,867.5 | 5.50% | 8.98% |
| December 2014 – December 2016 | € | 156.0 | HUF | 45,342.0 | 5.50% | 10.30% |
| July 2010 | € | 245.0 | PLN | 1,000.6 | 5.50% | 6.52% |
| July 2010 – December 2014 | € | 245.0 | PLN | 1,000.6 | 5.50% | 7.60% |
| December 2014 | € | 98.4 | PLN | 335.0 | 5.50% | 7.12% |
| December 2014 | € | 57.1 | PLN | 270.0 | 5.50% | 7.60% |
| December 2014 – December 2016 | € | 147.0 | PLN | 600.4 | 5.50% | 8.84% |
| December 2010 – December 2016 | € | 200.0 | RON | 709.1 | 5.50% | 11.38% |
| December 2016 | € | 31.9 | RON | 116.8 | 5.50% | 11.58% |
| September 2012 | € | 229.1 | CHF | 355.8 | 6 mo. EURIBOR + 2.50% | 6 mo. CHF LIBOR + 2.46% |
| December 2014 | € | 653.0 | CHF | 1,066.0 | 6 mo. EURIBOR + 2.00% | 6 mo. CHF LIBOR + 1.95% |
| December 2014 | € | 245.4 | CHF | 400.0 | 6 mo. EURIBOR + 0.82% | 6 mo. CHF LIBOR + 1.94% |
| December 2014 – December 2016 | € | 216.2 | CHF | 353.4 | 6 mo. EURIBOR + 3.75% | 6 mo. CHF LIBOR + 3.95% |
| December 2015 | € | 69.1 | CLP | 53,000.0 | 3.50% | 5.75% |
| December 2014 | $ | 171.5 | CHF | 187.1 | 6 mo. LIBOR + 2.75% | 6 mo. CHF LIBOR + 2.95% |
| December 2016 | $ | 340.0 | CHF | 370.9 | 6 mo. LIBOR + 3.50% | 6 mo. CHF LIBOR + 4.01% |

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2009, we present a range of dates that represents the period covered by the applicable derivative instrument.

*Cross-currency Interest Rate Swaps:*

The terms of our outstanding cross-currency interest rate swap contracts at December 31, 2009 are as follows:

| Subsidiary (a) | Notional amount due from counterparty | | Notional amount due to counterparty | | Interest rate due from counterparty | Interest rate due to counterparty |
|---|---|---|---|---|---|---|
| | in millions | | | | | |
| UPC Broadband Holding: | | | | | | |
| March 2013 | $ | 200.0 | € | 150.9 | 6 mo. LIBOR + 2.00% | 5.73% |
| December 2014 | $ | 725.0 | € | 547.3 | 6 mo. LIBOR + 1.75% | 5.74% |
| December 2016 | $ | 160.0 | € | 120.7 | 6 mo. LIBOR + 3.50% | 7.56% |
| December 2010 | $ | 292.0 | RON | 709.1 | 6 mo. LIBOR + 3.50% | 10.24% |
| December 2016 | $ | 84.1 | RON | 203.3 | 6 mo. LIBOR + 3.50% | 13.35% |
| December 2014 | $ | 340.0 | CLP | 181,322.0 | 6 mo. LIBOR + 1.75% | 8.76% |
| December 2014 | € | 134.3 | CLP | 107,800.0 | 6 mo. EURIBOR + 2.00% | 10.00% |
| VTR: | | | | | | |
| September 2014 | $ | 460.8 | CLP | 255,025.1 | 6 mo. LIBOR + 3.00% | 11.16% |

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2009, we present a range of dates that represents the period covered by the applicable derivative instrument.

*Interest Rate Swaps:*

The terms of our outstanding interest rate swap contracts at December 31, 2009 are as follows:

| Subsidiary (a) | | Notional amount in millions | Interest rate due from counterparty | Interest rate due to counterparty |
|---|---|---|---|---|
| UPC Broadband Holding: | | | | |
| January 2010 | € | 3,890.0 | 1 mo. EURIBOR + 2.00% | 6 mo. EURIBOR + 1.81% |
| January 2010 | € | 655.0 | 1 mo. EURIBOR + 2.25% | 6 mo. EURIBOR + 1.61% |
| January 2010 – January 2011 | € | 1,500.0 | 1 mo. EURIBOR + 3.40% | 6 mo. EURIBOR + 3.09% |
| April 2012 | € | 555.0 | 6 mo. EURIBOR | 3.32% |
| December 2014 | € | 659.5 | 6 mo. EURIBOR | 4.67% |
| July 2010 (b) | € | 31.6 | 5.50% | 5.67% |
| April 2010 | € | 1,000.0 | 6 mo. EURIBOR | 3.28% |
| April 2010 – December 2014 | € | 1,000.0 | 6 mo. EURIBOR | 4.66% |
| January 2011 | € | 193.5 | 6 mo. EURIBOR | 3.83% |
| January 2011 – December 2014 | € | 193.5 | 6 mo. EURIBOR | 4.68% |
| September 2012 | € | 500.0 | 3 mo. EURIBOR | 2.96% |
| December 2013 | € | 90.5 | 6 mo. EURIBOR | 3.84% |
| January 2014 | € | 185.0 | 6 mo. EURIBOR | 4.04% |
| April 2012 – July 2014 | € | 337.0 | 6 mo. EURIBOR | 3.94% |
| April 2012 - December 2015 | € | 263.0 | 6 mo. EURIBOR | 3.97% |
| January 2015 – December 2016 | € | 500.0 | 6 mo. EURIBOR | 4.32% |
| December 2010 | CHF | 618.5 | 6 mo. CHF LIBOR | 2.19% |
| January 2011 – December 2014 | CHF | 618.5 | 6 mo. CHF LIBOR | 3.56% |
| September 2012 | CHF | 711.5 | 6 mo. CHF LIBOR | 2.33% |
| October 2012 – December 2014 | CHF | 711.5 | 6 mo. CHF LIBOR | 3.65% |
| December 2014 | CHF | 1,050.0 | 6 mo. CHF LIBOR | 3.47% |
| January 2015 – December 2016 | CHF | 370.9 | 6 mo. CHF LIBOR | 3.82% |
| July 2013 | CLP | 98,400.0 | 6.77% | 6 mo. TAB |
| January 2010 | $ | 511.0 | 1 mo. LIBOR + 2.75% | 6 mo. LIBOR + 2.17% |
| January 2010 | $ | 1,900.0 | 1 mo LIBOR + 1.75% | 6 mo. LIBOR + 1.54% |
| July 2013 | HUF | 5,908.8 | 6 mo. BUBOR | 8.52% |
| July 2013 | PLN | 115.1 | 6 mo. WIBOR | 5.41% |
| VTR: | | | | |
| July 2013 | CLP | 98,400.0 | 6 mo. TAB | 7.78% |

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(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2009, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) This contract originated as a cross-currency interest rate swap involving the euro and the Slovakian koruna (SKK). As a result of Slovakia's January 1, 2009 conversion to the euro, the SKK notional amount was converted into euros at the entry rate of 30.126 SKK per euro.

### *UPC Holding Cross-Currency Options*

Pursuant to its cross-currency option contracts, we have the option to require the counterparty to deliver U.S. dollars in exchange for Swiss francs at a fixed exchange rate of 1.10 Swiss francs per one U.S. dollar, in the notional amounts listed below:

| Contract expiration date | Notional amount at December 31, 2009 in millions |
|---|---|
| October 13, 2016 | $ 19.8 |
| April 12, 2017 | $ 19.8 |
| October 12, 2017 | $ 19.8 |
| April 12, 2018 | $ 419.8 |

### *Foreign Currency Forwards*

The following table summarizes our outstanding foreign currency forward contracts at December 31, 2009:

| Subsidiary | | Currency purchased forward | | Currency sold forward | Maturity dates |
|---|---|---|---|---|---|
| | | in millions | | | |
| UPC Broadband Holding | € | 2.2 | HUF | 610.2 | January 2010 – July 2010 |
| UPC Broadband Holding | € | 0.7 | PLN | 2.9 | January 2010 – July 2010 |
| UPC Broadband Holding | € | 1.0 | CZK | 25.2 | January 2010 – March 2010 |
| VTR | $ | 63.2 | CLP | 34,686.9 | January 2010 — December 2010 |

## (8) Fair Value Measurements

We use the fair value method to account for (i) certain of our investments and (ii) our derivative instruments. The reported fair values of these assets and liabilities as of December 31, 2009 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In the case of the investments that we account for using the fair value method, the values we realize upon disposition will be dependent upon, among other factors, market conditions and the historical and forecasted financial performance of the investees at the time of any such disposition. With respect to our foreign currency and interest rate derivative instruments, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

All of our Level 2 inputs (interest rates, yield curves, dividend yields and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive fair value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

Our investments that we account for at fair value are privately-held companies, and therefore, quoted market prices are unavailable. The valuation technique we use for such investments is a combination of an income approach (discounted cash flow model based on forecasts) and a market approach (market multiples of similar businesses). With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used to value these investments are based on unobservable inputs derived from our assumptions. Therefore, the valuation of our privately-held investments falls under Level 3 of the fair value hierarchy.

As further described in note 7, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using cash flow models. All but one of the inputs to these cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we believe that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 7.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations typically involve the use of discounted cash flow analyses to assess enterprise values, the values of customer relationship intangible assets, the implied value of goodwill and the values of certain other assets and liabilities. With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. Accordingly, nonrecurring valuations that involve the use of discounted cash flow analyses fall under Level 3 of the fair value hierarchy. During 2009, we performed nonrecurring fair value measurements in connection with goodwill impairment assessments. For additional information, see note 9.

A summary of the assets and liabilities that are measured at fair value is as follows:

| | Fair value measurements at December 31, 2009 using: | | |
|---|---|---|---|
| **Description** | **December 31, 2009** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| | | **in millions** | |
| Assets: | | | |
| Derivative instruments | € 215.6 | € 215.6 | € — |
| Investments | 26.9 | — | 26.9 |
| Total assets | € 242.5 | € 215.6 | € 26.9 |
| Liabilities - Derivative instruments | € 1,149.5 | € 1,149.5 | € — |

| | Fair value measurements at December 31, 2008 using: | | |
|---|---|---|---|
| **Description** | **December 31, 2008** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| | | **in millions** | |
| Assets: | | | |
| Derivative instruments | € 331.7 | € 331.7 | € — |
| Investments | 27.6 | — | 27.6 |
| Total assets | € 359.3 | € 331.7 | € 27.6 |
| Liabilities - Derivative instruments | € 829.0 | € 829.0 | € — |

A reconciliation of the beginning and ending balances of our investments measured at fair value using significant unobservable, or Level 3, inputs is as follows (in millions):

| | |
|---|---|
| Balance at January 1, 2009 | € 27.6 |
| Gains included in net loss (a): | |
| Unrealized gains due to changes in fair values of certain investments, net | 0.1 |
| Foreign currency translation adjustments | (0.8) |
| Balance at December 31, 2009 | € 26.9 |

(a) All of the gains recognized during 2009 relate to investments that we continue to carry on our consolidated balance sheet as of December 31, 2009.

Our cash equivalents include amounts that are invested in money market funds. We record these funds at the net asset value reported by the investment manager as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

## (9) Long-lived Assets

### *Property and Equipment, Net*

The details of property and equipment and the related accumulated depreciation are set forth below:

| | December 31, 2009 | December 31, 2008 (a) |
|---|---|---|
| | in millions | |
| Cable distribution systems | € 6,306.3 | € 5,714.2 |
| Support equipment, buildings and land | 1,013.8 | 890.8 |
| | 7,320.1 | 6,605.0 |
| Accumulated depreciation | (3,455.8) | (2,630.6) |
| Total property and equipment, net | € 3,864.3 | € 3,974.4 |

(a) As restated. See note 4.

Depreciation expense related to our property and equipment was €910.1 million, €912.6 million and €896.8 million during 2009, 2008 and 2007, respectively.

At December 31, 2009 and 2008, the amount of property and equipment, net, recorded under capital leases was €23.0 million and €22.9 million, respectively. Most of these amounts relate to assets included in our cable distribution systems category. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2009, 2008 and 2007, we recorded €2.9 million, €3.5 million and €1.0 million of non-cash increases to our property and equipment, respectively, as a result of assets acquired under capital lease arrangements.

### *Goodwill*

Changes in the carrying amount of goodwill during 2009 are as follows:

| | January 1, 2009 | Acquisition-related adjustments | Impairments | Reclassified to discontinued operations | Foreign currency translation adjustments and other | December 31, 2009 |
|---|---|---|---|---|---|---|
| | | | in millions | | | |
| UPC Europe: | | | | | | |
| The Netherlands | € 917.5 | € — | € — | € — | € (5.4) | € 912.1 |
| Switzerland | 1,905.4 | 0.4 | — | — | 10.3 | 1,916.1 |
| Other Western Europe | 781.6 | — | — | — | — | 781.6 |
| Total Western Europe | 3,604.5 | 0.4 | — | — | 4.9 | 3,609.8 |
| Central and Eastern Europe | 912.8 | — | (84.7) | (39.6) | (4.4) | 784.1 |
| Total UPC Europe | 4,517.3 | 0.4 | (84.7) | (39.6) | 0.5 | 4,393.9 |
| VTR (Chile) | 299.7 | — | — | — | 67.5 | 367.2 |
| Total UPC Holding | € 4,817.0 | € 0.4 | € (84.7) | € (39.6) | € 68.0 | € 4,761.1 |

As further described below, we recorded a €107.0 million goodwill impairment charge during the fourth quarter of 2008 with respect to our broadband communications reporting unit in Romania. During June 2009, we concluded that an additional goodwill impairment charge was warranted for this reporting unit, due largely to adverse competitive and economic factors, including changes in foreign currency exchange rates that adversely impacted U.S. dollar and euro denominated cash outflows. These factors led to (i) lower than expected levels of revenue, cash flows and subscribers and (ii) declines in the forecasted cash flows of our Romanian reporting unit. Consistent with our approach to the valuation of this reporting unit during the fourth quarter of 2008, our June 2009 fair value assessment was based primarily on a discounted cash flow analysis due to the limited number of recent transactions involving businesses similar to our Romanian reporting unit. Based on this discounted cash flow analysis, which reflected the aforementioned declines in forecasted cash flows and a discount rate of 19%, we determined that an additional goodwill impairment charge of €84.7 million was necessary to reflect a further decline in the fair value of our Romanian reporting unit. This impairment charge is included in impairment, restructuring and other operating charges, net, in our consolidated statements of operations.

We continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity value declines or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

With the exception of impairment charges related to our broadband communications operations in Romania, as described above, we have not recorded any significant goodwill impairment charges since the later of January 1, 2002 or the date on which a new basis of accounting was established, as applicable. At January 1, 2008, December 31, 2008 and December 31, 2009 and based on exchange rates as of those dates, the amount of our accumulated impairments with respect to our broadband communications operations in Romania was nil, €104.3 million and €183.6 million, respectively.

Changes in the carrying amount of goodwill during 2008 are as follows:

| | January 1, 2008 | Acquisition-related adjustments | Impairments | Release of pre-acquisition valuation allowance and other income tax related adjustments (a) | Foreign currency translation adjustments and other (b) | December 31, 2008 |
|---|---|---|---|---|---|---|
| | | | in millions | | | |
| UPC Europe: | | | | | | |
| The Netherlands | € 937.5 | € 1.0 | € — | € (26.9) | € 5.9 | € 917.5 |
| Switzerland | 1,728.0 | — | — | (13.7) | 191.1 | 1,905.4 |
| Other Western Europe | 776.9 | 0.7 | — | (0.2) | 4.2 | 781.6 |
| Total Western Europe | 3,442.4 | 1.7 | — | (40.8) | 201.2 | 3,604.5 |
| Central and Eastern Europe | 1,049.2 | 23.6 | (107.0) | — | (53.0) | 912.8 |
| Total UPC Europe | 4,491.6 | 25.3 | (107.0) | (40.8) | 148.2 | 4,517.3 |
| VTR (Chile) | 367.7 | — | — | — | (68.0) | 299.7 |
| Total UPC Holding | € 4,859.3 | € 25.3 | € (107.0) | € (40.8) | € 80.2 | € 4,817.0 |

(a) Includes an increase of €4.7 million related to changes in pre-acquisition income tax balances of a parent company that is recorded as a decrease to parent's deficit.

(b) Amounts shown with respect to the Netherlands and Austria are related to the transfer of ISG to UPC Holding. See note 4.

During the fourth quarter of 2008, we concluded that the fair value of our broadband communications reporting unit in Romania was less than its carrying value and that the implied fair value of the goodwill related to this reporting unit was less than its carrying value. The fair value of the reporting unit was based on discounted cash flow analyses that contemplated, among other matters, (i) the current and expected future impact of competition in Romania, (ii) anticipated costs associated with requirements imposed by certain municipalities to move aerial cable to underground ducts and (iii) the impact of disruptions in the credit and equity markets on our weighted average cost of capital with respect to our Romanian reporting unit. Accordingly, we recorded a €107.0 million charge during the fourth quarter of 2008 to reflect this goodwill impairment. This impairment charge is included in impairment, restructuring and other operating charges, net, in our consolidated statement of operations.

### *Intangible Assets Subject to Amortization, Net*

The details of our intangible assets subject to amortization are set forth below:

| | December 31, 2009 | December 31, 2008 |
|---|---|---|
| | in millions | |
| **Gross carrying amount:** | | |
| Customer relationships | € 1,088.4 | € 1,096.4 |
| Other | 8.1 | 45.8 |
| | € 1,096.5 | € 1,142.2 |
| **Accumulated amortization:** | | |
| Customer relationships | € (644.0) | € (504.4) |
| Other | (6.6) | (43.0) |
| | € (650.6) | € (547.4) |
| **Net carrying amount:** | | |
| Customer relationships | € 444.4 | € 592.0 |
| Other | 1.5 | 2.8 |
| | € 445.9 | € 594.8 |

Amortization of intangible assets with finite useful lives was €138.4 million, €167.3 million and €166.0 million during 2009, 2008 and 2007, respectively. Based on our amortizable intangible asset balances at December 31, 2009, we expect that amortization expense will be as follows for the next five years and thereafter. Amounts presented below represent euro equivalents based on December 31, 2009 exchange rates (in millions):

| | |
|---|---|
| 2010 | € 132.7 |
| 2011 | 91.9 |
| 2012 | 75.8 |
| 2013 | 55.9 |
| 2014 | 51.9 |
| Thereafter | 37.7 |
| Total | € 445.9 |

### *Indefinite-lived Intangible Assets*

At December 31, 2009 and 2008, other indefinite-lived intangible assets aggregating €13.2 million and €10.7 million, respectively, were included in other assets, net, in our consolidated balance sheets.

## (10) Debt

The euro equivalents of the components of our consolidated debt and capital lease obligations are as follows:

| | December 31, 2009 | | | Estimated fair value (c) | | Carrying value (d) | |
|---|---|---|---|---|---|---|---|
| | Weighted average interest rate (a) | Unused borrowing capacity (b) Borrowing currency | Unused borrowing capacity (b) Euro equivalent | December 31, 2009 | December 31, 2008 | December 31, 2009 | December 31, 2008 (e) |
| | | | | in millions | | | |
| Debt: | | | | | | | |
| Parent: | | | | | | | |
| Shareholder loan | 4.80% | € — | € — | (f) | (f) | € 8,331.4 | € 8,418.7 |
| UPC Holding Senior Notes | 8.80% | € — | € — | € 1,602.1 | € 818.0 | 1,548.3 | 1,100.0 |
| Subsidiaries: | | | | | | | |
| UPC Broadband Holding Bank Facility | 3.54% | € 439.1 | 439.1 | € 5,935.8 | € 5,349.3 | 6,316.5 | 6,323.5 |
| VTR Bank Facility (g) | 2.68% | CLP 13,837.5 | 19.0 | € 321.5 | € 333.6 | 321.5 | 333.6 |
| Other | 6.60% | — | — | € 6.6 | € 9.0 | 6.6 | 9.0 |
| Total debt | 4.65% | | € 458.1 | | | 16,524.3 | 16,184.8 |
| Capital lease obligations | | | | | | 24.2 | 21.7 |
| Total debt and capital lease obligations | | | | | | 16,548.5 | 16,206.5 |
| Current maturities | | | | | | (14.4) | (12.7) |
| Long-term debt and capital lease obligations | | | | | | € 16,534.1 | € 16,193.8 |

(a) Represents the weighted average interest rate in effect at December 31, 2009 for all borrowings outstanding pursuant to each debt instrument including the applicable margin. The interest rates presented represent stated rates and do not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate variable and fixed rate indebtedness was approximately 7.7% at December 31, 2009. For information concerning our derivative instruments, see note 7.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2009 without regard to covenant compliance calculations. At December 31, 2009, our availability under the UPC Broadband Holding Bank Facility (as defined below) was limited to €317.9 million. Additionally, when the December 31, 2009 bank reporting requirements have been completed and taking into account financing transactions completed subsequent to December 31, 2009, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €58.9 million. To the extent we were to draw on the VTR Bank Facility (as defined below) commitments, we would be required to set aside an equivalent amount of cash collateral. For additional information regarding amounts that became available for borrowing subsequent to December 31, 2009, see related discussion below.

(c) The estimated fair values of our debt instruments were determined using the average of the midpoint of applicable bid and ask prices or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models. The discount rates used in the cash flow models are based on the estimated credit spread of each entity, taking into account market data, to the extent available, and other relevant factors.

(d) Amounts include the impact of discounts, where applicable.

(e) As restated. See note 4.

(f) The fair value of the shareholder loan is not subject to reasonable estimation due to the related-party nature of the loan.

(g) Pursuant to the deposit arrangements with the lender in relation to VTR's amended and restated senior secured credit facility (the VTR Bank Facility), we are required to fund a cash collateral account in an amount equal to the outstanding principal and interest under the VTR Bank Facility. This cash collateral account had a balance of €321.5 million at December 31, 2009, of which €3.3 million is reflected as a current asset and €318.2 million is included in long-term restricted cash in our consolidated balance sheet.

### *Shareholder Loan*

UPC Holding has an unsecured shareholder loan with its immediate parent, LGE Financing, which is scheduled to be repaid in 2020 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshalling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rate in effect for the 12 month periods beginning October 1 2009, 2008 and 2007 were 4.80%, 7.58% and 7.06%, respectively. The net decrease in the shareholder loan balance during 2009 includes (i) cash payments of €2,535.1 million, (ii) cash borrowings of €1,893.5 million, (iii) additions of €568.1 million in non-cash accrued interest, (iv) consideration received of €11.5 million related to the transfer of LGE Ltd. and LG Europe (see note 4), (v) a €4.7 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (vi) individually insignificant net non-cash decreases aggregating €7.0 million. The net decrease in the shareholder loan balance during 2008 includes (i) cash payments of €1,729.4 million, (ii) cash borrowings of €553.8 million, (iii) additions of €616.5 million in non-cash accrued interest, (iv) a €11.1 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (v) individually insignificant net non-cash increases aggregating €9.4 million. During the three year period ending December 31, 2009, none of the debt repayments were payments of interest.

### *UPC Broadband Holding Bank Facility*

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. The security package for the UPC Broadband Holding Bank Facility includes a pledge over the shares of UPC Broadband Holding and the shares of certain of UPC Broadband Holding's majority-owned operating companies. The UPC Broadband Holding Bank Facility is also guaranteed by UPC Holding, the immediate parent of UPC Broadband Holding, and is senior to other long-term debt obligations of UPC Broadband Holding and UPC Holding. The agreement governing the UPC Broadband Holding Bank Facility contains covenants that limit, among other things, UPC Broadband Holding's ability to merge with or into another company, acquire other companies, incur additional debt, dispose of assets, make distributions or pay dividends, provide loans and guarantees and enter into hedging agreements. In addition to customary default provisions, including defaults on other indebtedness of UPC Broadband Holding and its subsidiaries, the UPC Broadband Holding Bank Facility provides that any event of default with respect to indebtedness of €50.0 million or more in the aggregate of (i) Liberty Global Europe, Inc. (an indirect subsidiary of UGC), (ii) any other company of which UPC Broadband Holding is a subsidiary and which is a subsidiary of Liberty Global Europe, Inc. and (iii) UPC Holding II B.V. (a direct subsidiary of UPC Holding) is an event of default under the UPC Broadband Holding Bank Facility.

The UPC Broadband Holding Bank Facility permits UPC Broadband Holding to transfer funds to its parent company (and indirectly to LGI) through loans, advances or dividends provided that UPC Broadband Holding maintains compliance with applicable covenants. If a Change of Control occurs, as defined in the UPC Broadband Holding Bank Facility, the facility agent may (if required by the majority lenders) cancel each facility and declare all outstanding amounts immediately due and payable. The UPC Broadband Holding Bank Facility requires compliance with various financial covenants such as: (i) Senior

Debt to Annualized EBITDA, (ii) EBITDA to Total Cash Interest, (iii) EBITDA to Senior Debt Service, (iv) EBITDA to Senior Interest and (v) Total Debt to Annualized EBITDA, each capitalized term as defined in the UPC Broadband Holding Bank Facility.

The covenant in the UPC Broadband Holding Bank Facility relating to disposals of assets includes a basket for permitted disposals of assets, the Annualized EBITDA of which does not exceed a certain percentage of the Annualized EBITDA of the Borrower Group, each capitalized term as defined in the UPC Broadband Holding Bank Facility. The UPC Broadband Holding Bank Facility includes a recrediting mechanism, in relation to the permitted disposals basket, based on the proportion of net sales proceeds that are (i) used to prepay facilities and (ii) reinvested in the Borrower Group, as defined in the UPC Broadband Holding Bank Facility.

The UPC Broadband Holding Bank Facility includes a mandatory prepayment requirement of four times Annualized EBITDA, as defined in the UPC Broadband Holding Bank Facility, of certain disposed assets. The prepayment amount may be allocated to one or more of the facilities at UPC Broadband Holding's discretion and then applied to the loans under the relevant facility on a pro rata basis. A prepayment may be waived by the majority lenders subject to the requirement to maintain pro forma covenant compliance. If the mandatory prepayment amount is less than €100 million, then no prepayment is required (subject to pro forma covenant compliance). No such prepayment is required to be made where an amount, equal to the amount that would otherwise be required to be prepaid, is deposited in a blocked account on terms that the principal amount deposited may only be released in order to make the relevant prepayment or to reinvest in assets in accordance with the terms of the UPC Broadband Holding Bank Facility, which expressly includes permitted acquisitions and capital expenditures. Any amounts deposited in the blocked account that have not been reinvested (or contracted to be so reinvested), within 12 months of the relevant permitted disposal, are required to be applied in prepayment in accordance with the terms of the UPC Broadband Holding Bank Facility.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of December 31, 2009 are summarized in the following table:

| | | December 31, 2009 | | | |
|---|---|---|---|---|---|
| Facility | Final maturity date | Interest rate | Facility amount (in borrowing currency) (a) | Unused borrowing capacity (b) | Carrying value (c) |
| | | | | in millions | |
| I | April 1, 2010 | EURIBOR + 2.50% | € 48.1 | € 48.1 | € — |
| L | July 3, 2012 | EURIBOR + 2.25% | € 129.7 | 129.7 | — |
| M | (d) | EURIBOR + 2.00% | € 954.2 | — | 954.2 |
| N | (d) | LIBOR + 1.75% | $ 1,400.0 | — | 976.9 |
| O | July 31, 2013 | (e) | (e) | — | 50.1 |
| P | September 2, 2013 | LIBOR + 2.75% | $ 511.5 | — | 356.9 |
| Q | (f) | EURIBOR + 2.75% | € 422.0 | 261.3 | 160.7 |
| R | (f) | EURIBOR + 3.25% | € 263.3 | — | 263.3 |
| S | (g) | EURIBOR + 3.75% | € 1,700.0 | — | 1,700.0 |
| T | (g) | LIBOR + 3.50% | $ 876.1 | — | 603.6 |
| U | (h) | EURIBOR + 4.00% | € 1,250.8 | — | 1,250.8 |
| Total | | | | € 439.1 | € 6,316.5 |

(a) Amounts represent total third-party commitments at December 31, 2009 without giving effect to the impact of discounts. Certain of the originally committed amounts under Facilities I, L, M and N have been novated to UPC Broadband Operations B.V. (UPC Broadband Operations), a direct subsidiary of UPC Broadband Holding, and, accordingly, such amounts are not included in the table above. Subsequent to December 31, 2009, we cancelled Facility I.

(b) At December 31, 2009, our availability under the UPC Broadband Holding Bank Facility was limited to €317.9 million. When the December 31, 2009 bank reporting requirements have been completed and taking into account financing transactions completed subsequent to December 31, 2009, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €58.9 million.

(c) The Facility T amount includes the impact of discounts.

(d) The final maturity date for Facilities M and N is the earlier of (i) December 31, 2014 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 (see below) fall due, if such Senior Notes have not been repaid, refinanced or redeemed prior to such date.

(e) The applicable interest payable under Facility O is 2.75% per annum plus the specified percentage rate per annum determined by the Polish Association of Banking Dealers - Forex Poland or the National Bank of Hungary, as appropriate for the relevant period. The principal amount of Facility O is comprised of (i) a HUF 5,962.5 million (€22.1 million) sub-tranche and (ii) a PLN 115.1 million (€28.0 million) sub-tranche.

(f) The final maturity dates for Facilities Q and R are the earlier of (i) July 31, 2014 and December 31, 2015, respectively, and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 (see below) fall due, if such Senior Notes have not been repaid, refinanced or redeemed prior to such date.

(g) The final maturity dates for Facilities S and T are the earlier of (i) December 31, 2016 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 (see below) fall due, if, on such date, such Senior Notes are outstanding in an aggregate principal amount of €250.0 million or more.

(h) The final maturity date for Facility U is the earlier of (i) December 31, 2017 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due in 2014 (see below) fall due, if, on such date, such Senior Notes are outstanding in an aggregate principal amount of €250.0 million or more.

*2009 Transactions*. During 2009, pursuant to various additional facility accession agreements, new Facilities Q, R, S, T and U (collectively, the New Facilities) were executed under the UPC Broadband Holding Bank Facility. Facility Q is a redrawable term loan facility. Facilities R, S, T and U are non-redrawable term loan facilities.

In connection with the completion of the New Facilities, certain of the lenders under the existing Facilities L, M and N novated their commitments to LG Europe (which commitments were subsequently novated by LG Europe to UPC Broadband Operations in December 2009) and entered into the New Facilities. As a result, total commitments of €700.3 million, €2,935.8 million and $500.0 million (€348.9 million) under Facilities L, M and N, respectively, were rolled into the New Facilities during 2009. Among other matters, the completion of the New Facilities resulted in the extension of a significant portion of the maturities under the UPC Broadband Holding Bank Facility.

During September and October 2009, Facility T was increased by $325.0 million (€226.8 million) through the addition of (i) a $25.0 million (€17.4 million) tranche issued at par and (ii) a $300.0 million (€209.3 million) tranche issued at a discount of 4%, resulting in net proceeds after discounts of $313.0 million (€218.4 million).

In November 2009, Facility Q was increased by a €35.0 million redrawable term loan facility (Facility Q5).

Fees and third-party costs incurred during 2009 in connection with the New Facilities included €25.1 million related to Facilities Q and R and €15.9 million related to Facilities S, T and U. In accordance with applicable guidance, (i) €27.0 million, representing the fees and third-party costs related to Facilities Q and R, and a portion of the fees and third-party costs related to Facility T, were capitalized as deferred financing costs and (ii) €14.0 million, representing the fees and third-party costs related to Facilities S and U, and a portion of the fees and third-party costs related to Facility T, were charged to expense and included in losses on debt modifications and extinguishments in our consolidated statement of operations.

*2008 Transactions*. In August and September 2008, two additional facility accession agreements (Facility O and Facility P, respectively) were entered into under the UPC Broadband Holding Bank Facility. Facility O is an additional term loan facility comprised of (i) a HUF 5,962.5 million (€22.1 million) sub-tranche and (ii) a PLN 115.1 million (€28.0 million) sub-tranche, and both sub-tranches were drawn in full in August 2008. Facility P is an additional term loan facility in the principal amount of $521.2 million (€363.7 million), of which only $511.5 million (€356.9 million) was received due to the failure of one of the lenders to fund a $9.7 million (€6.8 million) commitment. Certain of the lenders under Facility I, which was then a €250.0 million repayable and redrawable term loan under the UPC Broadband Holding Bank Facility, novated €202.0 million of their undrawn commitments to LG Europe (which commitments were subsequently novated by LG Europe to UPC Broadband Operations in December 2009) and entered into Facility P. Facility P was drawn on September 12, 2008. The proceeds of Facilities O and P were used for general corporate and working capital purposes.

*2007 Transactions*. In April and May 2007, the UPC Broadband Holding Bank Facility was amended and six additional facility accession agreements (collectively, the 2007 Accession Agreements) were executed. In connection with the execution of the 2007 Accession Agreements, each of which provided for an additional term loan under new Facilities M and N of the UPC Broadband Holding Bank Facility, the then-existing Facilities J1, J2, K1 and K2 were refinanced. Tranches 1, 2 and 3 under Facility M became effective on April 17, 2007, April 16, 2007 and May 18, 2007, respectively. The €1,695.0 million of proceeds received under Facility M – Tranche 1 were used to refinance all of the outstanding borrowings under Facility J1 and Facility K1 under the UPC Broadband Holding Bank Facility. The €1,175.0 million of proceeds received under Facility M – Tranche 2 were indirectly used, together with available cash of €207.2 million, to repay debt of certain subsidiaries of Cablecom, an indirect subsidiary through which we hold our broadband communications operations in Switzerland, and Liberty Global Switzerland, Inc., another indirect subsidiary and the then immediate parent of Cablecom. Effective April 16, 2007, Cablecom and its subsidiaries became subsidiaries of UPC Broadband Holding. The €520.0 million of proceeds received under Facility M – Tranche 3 were used to fund the cash collateral account that secures the VTR Bank Facility, and for general corporate and working capital purposes. Tranche 4 under Facility M became effective on May 14, 2007 and was drawn in full in September 2007. The €250.0 million of proceeds received under Facility M – Tranche 4 were used for general corporate purposes. Tranches 1 and 2 under Facility N became effective on May 16, 2007 and May 18, 2007, respectively. The $1,775.0 million (€1,238.6 million) of proceeds received under Facility N – Tranche 1 were used to refinance all of the outstanding borrowings under Facility J2 and Facility K2 under the UPC Broadband Holding Bank Facility. The $125.0 million (€87.2 million) of proceeds received under Facility N – Tranche 2 were used for general corporate and working capital purposes. Tranches 1, 2, 3, and 4 under Facility M and Tranches 1 and 2 under Facility N were subsequently combined into single Facilities M and N, respectively.

Pursuant to an amendment letter dated April 16, 2007, the UPC Broadband Holding Bank Facility was amended to permit the acquisition of LGI's indirect 80% interest in VTR (either directly or indirectly by the acquisition of its parent holding company) and its subsidiaries by a member of the Borrower Group, as defined in the UPC Broadband Holding Bank Facility (the VTR Transfer). The amendment letter also amended the terms of the UPC Broadband Holding Bank Facility to, among other things, permit security interests granted under VTR's then existing bank facilities, including any refinancing thereof, and over related deposits or similar arrangements and to permit the disposal of all or any part of any member of the VTR Group (consisting of VTR, its subsidiaries and its parent holding company) without impact on the ability to dispose of other assets in the Borrower Group, as defined in the UPC Broadband Holding Bank Facility, under applicable covenants. The VTR Transfer was completed on May 23, 2007, when certain of our subsidiaries that collectively own an 80% interest in VTR were transferred to a subsidiary of UPC Broadband Holding.

In connection with the refinancing of Facilities J1, J2, K1 and K2, as described above, we recognized debt extinguishment losses of €6.2 million, representing the write-off of unamortized deferred financing costs.

### *UPC Holding Senior Notes*

On July 29, 2005, UPC Holding issued €500 million principal amount of 7.75% senior notes (the 7.75% Senior Notes). On October 10, 2005, UPC Holding issued €300 million principal amount of 8.625% senior notes (the 8.625% Senior Notes). On April 17, 2007, the €300.0 million principal amount of 8.0% senior notes due 2016 (the 8.0% Senior Notes) issued on October 31, 2006 by Cablecom Luxembourg S.C.A. (Cablecom Luxembourg) became the direct obligation of UPC Holding on terms substantially identical (other than as to interest, maturity and redemption) to those governing UPC Holding's existing senior notes due 2014.

On April 30, 2009, UPC Holding issued €184.4 million aggregate principal amount of new 9.75% senior notes due April 2018 (the 9.75% Senior Notes), together with cash payments of €4.6 million and €4.1 million, respectively, in exchange for (i) €115.3 million aggregate principal amount of its existing 7.75% Senior Notes and (ii) €69.1 million aggregate principal amount of its existing 8.625% Senior Notes. In connection with this exchange transaction, UPC Holding paid the accrued interest on the exchanged senior notes and incurred applicable commissions and fees, including fees paid to third parties of $5.1 million (€3.6 million) that are included in losses on debt modifications and extinguishments in our consolidated statement of operations.

On April 30, 2009, UPC Holding also issued €65.6 million principal amount of additional 9.75% Senior Notes at an original issue discount of 16.5%, resulting in cash proceeds before commissions and fees of €54.8 million.

On May 29, 2009, UPC Holding issued €150.0 million principal amount of additional 9.75% Senior Notes at an original issue discount of 10.853% and $400.0 million (€279.1 million) principal amount of new 9.875% Senior Notes due April 2018 (the 9.875% Senior Notes, and together with the 7.75% Senior Notes, the 8.625% Senior Notes, the 8.0% Senior Notes and the 9.75% Senior Notes, the UPC Holding Senior Notes) at an original issue discount of 7.573%, resulting in cash proceeds before commissions and fees of €133.7 million and $369.7 million (€258.0 million), respectively. The net proceeds from the issuance of the 9.75% and 9.875% Senior Notes, after deducting applicable commissions and fees, were used for general corporate purposes.

Each issue of the UPC Holding Senior Notes are senior obligations that rank equally with all of the existing and future senior debt and are senior to all existing and future subordinated debt of UPC Holding. The UPC Holding Senior Notes are secured by pledges of the shares of UPC Holding. In addition, the UPC Holding Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indentures), including UPC Broadband Holding, is an event of default under the UPC Holding Senior Notes.

The details of the UPC Holding Senior Notes are summarized in the following table:

| | December 31, 2009 | | | |
|---|---|---|---|---|
| | Outstanding principal amount | | | |
| UPC Holding Senior Notes: | Borrowing currency | Euro equivalent | Estimated fair value | Carrying value (a) |
| | in millions | | | |
| 7.75% Senior Notes due January 2014 | € 384.6 | € 384.6 | € 375.2 | € 384.6 |
| 8.625% Senior Notes due January 2014 | € 230.9 | 230.9 | 232.6 | 230.9 |
| 8.0% Senior Notes due November 2016 | € 300.0 | 300.0 | 288.0 | 300.0 |
| 9.75% Senior Notes due April 2018 | € 400.0 | 400.0 | 413.2 | 374.0 |
| 9.875% Senior Notes due April 2018 | $ 400.0 | 279.1 | 293.1 | 258.8 |
| | | € 1,594.6 | € 1,602.1 | € 1,548.3 |

(a) Amounts include the impact of discounts, where applicable.

At any time prior to April 15, 2013 in the case of the 9.75% Senior Notes and April 15, 2014 in the case of the 9.875% Senior Notes, UPC Holding may redeem some or all of such Senior Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until April 15, 2013 or 2014, as the case may be, using the discount rate (as specified in the applicable indenture) as of the redemption date, plus 50 basis points. In addition, at any time prior to April 15, 2012, UPC Holding may redeem up to 35% of the 9.75% and 9.875% Senior Notes (at a redemption price of 109.75% and 109.875% of the principal amount, respectively) with the net proceeds from one or more specified equity offerings.

The UPC Holding Senior Notes contain an incurrence-based Consolidated Leverage Ratio test, as defined in the indentures.

UPC Holding may redeem some or all of the UPC Holding Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on July 15 in the case of the 7.75% and 8.625% Senior Notes, November 1 in the case of the 8.0% Senior Notes and April 15 in the case of the 9.75% and 9.875% Senior Notes of the years set out below:

| | Redemption price | | | | |
|---|---|---|---|---|---|
| Year | 7.75% Senior Notes | 8.625% Senior Notes | 8.0% Senior Notes | 9.75% Senior Notes | 9.875% Senior Notes |
| 2010 | 101.938% | 102.156% | 106.000% | N.A. | N.A. |
| 2011 | 100.000% | 100.000% | 104.000% | N.A. | N.A. |
| 2012 | 100.000% | 100.000% | 102.660% | N.A. | N.A. |
| 2013 | 100.000% | 100.000% | 101.330% | 104.875% | N.A. |
| 2014 | N.A. | N.A. | 100.000% | 102.437% | 104.938% |
| 2015 | N.A. | N.A. | 100.000% | 100.000% | 102.469% |
| 2016 and thereafter | N.A. | N.A. | 100.000% | 100.000% | 100.000% |

UPC Holding may redeem all of the UPC Holding Senior Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If UPC Holding or certain of its subsidiaries sell certain assets or experience specific changes in control, UPC Holding must offer to repurchase the UPC Holding Senior Notes at a redemption price of 101%.

### *VTR Bank Facility*

In connection with the VTR Transfer, a single lender acquired the interests and was subrogated to the rights of the lenders under the then existing fully-drawn $475.0 million (€331.5 million) U.S. dollar denominated Tranche B term loan under VTR's previous bank facility (the VTR Tranche B Term Loan). The VTR Tranche B Term Loan was then amended and restated pursuant to the VTR Bank Facility. The amendments included, among other things, a 100 basis point reduction in the interest rate margin payable under the VTR Tranche B Term Loan (from LIBOR plus 3.0% to Eurodollar Rate, as defined in the VTR Bank Facility, plus 2.0%) and the elimination of certain restrictive covenants and undertakings. VTR's then existing undrawn CLP 122.6 billion (€168.6 million) term loan (the VTR Tranche A Term Loan) and CLP 13.8 billion (€19.0 million) revolving loan (the VTR Revolving Loan) facilities were cancelled and replaced in the VTR Bank Facility on substantially the same terms. Effective November 20, 2009, the undrawn VTR Tranche A Term Loan was no longer available to be drawn. The VTR Tranche B Term Loan matures in September 2014 and the VTR Revolving Loan matures in March 2013. Any borrowings under the VTR Revolving Loan will bear interest at the Nominal TAB Rate, as defined in the VTR Bank Facility, plus 2.50%.

Pursuant to the deposit arrangements with the lender in relation to the VTR Bank Facility, we are required to fund a cash collateral account in an amount equal to the outstanding principal and interest payable under the VTR Bank Facility. In this regard, we used borrowings under Facility M of the UPC Broadband Holding Bank Facility to fund a deposit with the new lender securing VTR's obligations under the VTR Bank Facility. In connection with the refinancing of VTR's bank facilities, VTR recognized debt extinguishment losses of €14.4 million during the second quarter of 2007, representing the write-off of unamortized deferred financing costs.

### *Maturities of Debt and Capital Lease Obligations*

Maturities of our debt and capital lease obligations as of December 31, 2009 are presented below for the named entity and its subsidiaries, unless otherwise noted. Amounts presented below represent euro equivalents based on December 31, 2009 exchange rates:

*Debt:*

| | UPC Holding (excluding VTR) (a) | VTR (b) | Total third-party debt | Shareholder loan | Total debt |
|---|---|---|---|---|---|
| | in millions | | | | |
| Year ended December 31: | | | | | |
| 2010 | € 6.0 | € 3.3 | € 9.3 | € — | € 9.3 |
| 2011 | 0.2 | 3.3 | 3.5 | — | 3.5 |
| 2012 | 0.2 | 3.3 | 3.5 | — | 3.5 |
| 2013 | 1,022.8 | 3.3 | 1,026.1 | — | 1,026.1 |
| 2014 | 2,091.7 | 308.3 | 2,400.0 | — | 2,400.0 |
| Thereafter | 4,804.6 | — | 4,804.6 | 8,331.4 | 13,136.0 |
| Total debt maturities | 7,925.5 | 321.5 | 8,247.0 | 8,331.4 | 16,578.4 |
| Unamortized discount | (54.1) | — | (54.1) | — | (54.1) |
| Total debt | € 7,871.4 | € 321.5 | € 8,192.9 | € 8,331.4 | € 16,524.3 |
| Current portion | € 6.0 | € 3.3 | € 9.3 | € — | € 9.3 |
| Noncurrent portion | € 7,865.4 | € 318.2 | € 8,183.6 | € 8,331.4 | € 16,515.0 |

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(a) For purposes of this table, we have assumed that (i) the €615.5 million outstanding principal amount of the UPC Holding Senior Notes due 2014 will be repaid, refinanced or redeemed in 2013, (ii) Facilities M, N and Q of the UPC Broadband Holding Bank Facility will be repaid in 2014, (iii) Facility R of the UPC Holding Broadband Holding Bank Facility will be repaid in 2015, (iv) Facilities S and T of the UPC Broadband Holding Bank Facility will be repaid in 2016 and (v) Facility U of the UPC Broadband Holding Bank Facility will be repaid in 2017.

(b) Amounts represent borrowings under the VTR Credit Facility, for which the source of repayment is expected to be the related cash collateral account.

*Capital lease obligations (in millions):*

| | | |
|---|---|---|
| Year ended December 31: | | |
| 2010 | € | 6.5 |
| 2011 | | 3.1 |
| 2012 | | 2.7 |
| 2013 | | 2.3 |
| 2014 | | 2.0 |
| Thereafter | | 20.6 |
| | | 37.2 |
| Amounts representing interest | | (13.0) |
| Present value of net minimum lease payments | € | 24.2 |
| Current portion | € | 5.1 |
| Noncurrent portion | € | 19.1 |

***Non-cash Refinancing Transactions***

During 2009, 2008 and 2007, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €4,094.9 million, €250.0 million and €3,857.1 million, respectively.

***Subsequent Events***

For information regarding a financing transaction completed subsequent to December 31, 2009, see note 19.

## (11) Income Taxes

UPC Holding and its Dutch subsidiaries ("UPC Holding group") are part of a Dutch tax fiscal unity with its indirect parent company Liberty Global Europe and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax paying Dutch entities and their parent company as one taxpayer for Dutch tax purposes. The income taxes of subsidiaries not included within this fiscal unity are presented in our financial statements on a separate return basis for each tax-paying entity or group based on the local tax law.

For tax purposes, UPC Holding's net operating losses for the year can be offset with taxable income of non-UPC Holding subsidiaries within the Dutch fiscal unity. UPC Holding and Liberty Global Europe do not operate under a tax sharing agreement and no cash payments are made between the companies related to Dutch tax liabilities.

Income tax benefit (expense) consists of:

| | Current | Deferred | Total |
|---|---|---|---|
| | | in millions | |
| Year ended December 31, 2009: | | | |
| Domestic | € — | € (0.8) | € (0.8) |
| Foreign | (9.7) | 135.3 | 125.6 |
| | € (9.7) | € 134.5 | € 124.8 |
| Year ended December 31, 2008 (a): | | | |
| Domestic | € 0.1 | € 0.8 | € 0.9 |
| Foreign | (7.5) | (55.4) | (62.9) |
| | € (7.4) | € (54.6) | € (62.0) |
| Year ended December 31, 2007 (a): | | | |
| Domestic | € 0.3 | € (1.3) | € (1.0) |
| Foreign | (10.4) | (1.2) | (11.6) |
| | € (10.1) | € (2.5) | € (12.6) |

(a) As restated. See note 4.

Income tax benefit (expense) attributable to our loss from continuing operations before income taxes differs from the amounts computed by applying the Dutch income tax rate of 25.5%, as a result of the following:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| Computed "expected" tax benefit | € 258.5 | € 264.8 | € 161.1 |
| Non-deductible or non-taxable interest and other expenses | (91.6) | (113.6) | (96.4) |
| International rate differences | (32.4) | (25.5) | (15.0) |
| Impairment and write-off of goodwill | (13.5) | (17.1) | — |
| State and local income taxes | (3.7) | (5.2) | — |
| Change in valuation allowance | 3.1 | (162.2) | (154.5) |
| Enacted tax law and rate changes | (1.7) | (0.5) | (32.9) |
| Differences in the treatment of items associated with investments in subsidiaries and affiliates | — | (0.5) | 133.3 |
| Other, net.. | 6.1 | (2.2) | (8.2) |
| | € 124.8 | € (62.0) | € (12.6) |

(a) As restated. See note 4.

The current and non-current components of our deferred tax assets (liabilities) are as follows:

| | December 31, | |
|---|---|---|
| | 2009 | 2008 (a) |
| | in millions | |
| Current deferred tax assets | € 49.0 | € 41.4 |
| Non-current deferred tax assets | 100.2 | 32.3 |
| Current deferred tax liabilities | (0.2) | — |
| Non-current deferred tax liabilities | (10.9) | (87.1) |
| Net deferred tax asset (liability) | € 138.1 | € (13.4) |

(a) As restated. See note 4.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

| | December 31, | |
|---|---|---|
| | 2009 | 2008 (a) |
| | in millions | |
| **Deferred tax assets:** | | |
| Net operating loss and other carryforwards | € 1,115.2 | € 1,153.3 |
| Property and equipment, net | 53.1 | 28.9 |
| Derivative instruments | 12.2 | 5.7 |
| Intangible assets, net | 7.2 | 6.5 |
| Other future deductible amounts | 87.8 | 85.6 |
| Deferred tax assets | 1,275.5 | 1,280.0 |
| Valuation allowance | (1,007.2) | (1,106.8) |
| Deferred tax assets, net of valuation allowance | 268.3 | 173.2 |
| **Deferred tax liabilities:** | | |
| Intangible assets | (90.6) | (117.8) |
| Property and equipment, net | (38.2) | (67.2) |
| Other future taxable amounts | (1.4) | (1.6) |
| Deferred tax liabilities | (130.2) | (186.6) |
| Net deferred tax asset (liability) | € 138.1 | € (13.4) |

(a) As restated. See note 4.

Our deferred income tax valuation allowance decreased €99.6 million in 2009. This decrease reflects the net effect of (i) the net tax benefit recorded in our consolidated statement of operations of €3.1 million, (ii) the reversal of valuation allowances against expired net operating loss carryforwards of €98.0 million, (iii) foreign currency translation adjustments and (iv) other.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2009 are as follows:

| Country | Tax loss carryforward | Related tax asset | Expiration date |
|---|---|---|---|
| | in millions | | |
| The Netherlands | € 3,050.2 | € 777.9 | 2012-2019 |
| France | 480.9 | 165.5 | Indefinite |
| Ireland | 352.7 | 44.1 | Indefinite |
| Switzerland | 318.7 | 66.5 | 2010-2013 |
| Austria | 119.3 | 29.8 | Indefinite |
| Hungary | 72.6 | 13.8 | Indefinite |
| Chile | 56.0 | 9.5 | Indefinite |
| Romania | 43.4 | 6.9 | 2010-2014 |
| Slovakia | 6.1 | 1.2 | 2011-2013 |
| Total | € 4,499.9 | € 1,115.2 | |

Our tax loss carryforwards within each jurisdiction combine all companies' tax losses (both capital and ordinary losses) in that jurisdiction, however, certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group. Some losses are limited in use due to change in control or same business tests. In addition, the pre-fiscal unity losses in the Netherlands of Liberty Global Europe and of UPC Holding and its subsidiaries can only be offset with profits that occur within these groups. Losses that relate to UPC Holding and its subsidiaries can also be offset against profits of other entities within the fiscal unity of Liberty Global Europe

Although we intend to take reasonable tax planning measures to limit our tax exposures, there can be no assurance we will be able to do so.

With a few exceptions in certain foreign jurisdictions, tax returns filed by our company or our subsidiaries for years prior to 2004 are no longer subject to examination by tax authorities. Certain of our foreign subsidiaries are currently involved in income tax examinations in various foreign jurisdictions in which we operate, including Chile (2002 through 2005), Czech Republic (2006 and 2007), Hungary (2003 through 2007) and Romania (2007). Any adjustments that might arise from the foregoing examinations are not expected to have a material impact on our consolidated financial position or results of operations.

The changes in our unrecognized tax benefits during 2009 are summarized below (in millions):

| | |
|---|---|
| Balance at January 1, 2009 | € 27.8 |
| Reductions for tax positions of prior years | (22.2) |
| Additions for tax positions of prior years | 3.8 |
| Additions based on tax positions related to the current year | 3.2 |
| Lapse of statute of limitations | (0.2) |
| Foreign currency translation | (0.3) |
| Balance at December 31, 2009 | € 12.1 |

No assurance can be given that any of these tax benefits will be recognized or realized.

As of December 31, 2009, our unrecognized tax benefits included €8.2 million of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

During 2010, it is reasonably possible that the resolution of currently ongoing examinations by tax authorities could result in changes to our unrecognized tax benefits related to tax positions taken as of December 31, 2009. We do not expect that any such changes will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of any other changes in our unrecognized tax positions during 2010.

## (12) Owners' Deficit

UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousands euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2009 and 2008, respectively, two hundred shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law. A shareholder wishing to transfer one or more of his shares must first offer his shares to co-shareholders in a written notification to the Management Board, stating the number of shares to be transferred. Management is required to give notice within two weeks after the notification to the co-shareholders. Co-shareholders have the possibility to notify management of a decision to purchase the shares within two weeks after the notification by the Management Board. If the company itself is a co-shareholder, it can only be entitled to act as an interested party with the consent of the offer or of the shares. Each shareholder has the right of pre-emption in proportion to the aggregate nominal value of its shares subject to certain limitations including as prescribed by Dutch Law. No preference or priority rights exist for profit distribution, voting or dissolution and liquidation.

## (13) Stock Incentive Awards

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans. Stock-based compensation expense allocated to our company by LGI is reflected as a decrease of parent's deficit. The following table summarizes the U.S. dollar and euro equivalent (convenience translations at the applicable average rate for the period) of our stock-based compensation expense:

| | 2009 | | 2008 (a) | | 2007 (a) | |
|---|---|---|---|---|---|---|
| | U.S. dollar | Euro equivalent | U.S. dollar | Euro equivalent | U.S. dollar | Euro equivalent |
| | | | in millions | | | |
| LGI common stock: | | | | | | |
| LGI Performance Plans | $ 5.4 | € 3.9 | $ 35.0 | € 23.8 | $ 9.5 | € 6.9 |
| Stock options, SARs, restricted stock and restricted stock units | 13.5 | 9.7 | 12.5 | 8.5 | 7.0 | 5.1 |
| Total LGI common stock | 18.9 | 13.6 | 47.5 | 32.3 | 16.5 | 12.0 |
| Other | 2.1 | 1.5 | (6.9) | (4.7) | 11.0 | 8.0 |
| Total | $ 21.0 | € 15.1 | $ 40.6 | € 27.6 | $ 27.5 | € 20.0 |
| Included in: | | | | | | |
| Operating expense | $ 3.6 | € 2.6 | $ 6.9 | € 4.7 | $ 4.7 | € 3.4 |
| SG&A expense | 17.4 | 12.5 | 33.7 | 22.9 | 22.8 | 16.6 |
| Total | $ 21.0 | € 15.1 | $ 40.6 | € 27.6 | $ 27.5 | € 20.0 |

(a) As restated. See note 4.

The following table provides certain information related to stock-based compensation not yet recognized as of December 31, 2009:

| | LGI Series A and Series C common stock (a) | | LGI Performance Plans (b) | |
|---|---|---|---|---|
| | U.S. $ | Euro equivalent (c) | U.S. $ | Euro equivalent (c) |
| Total compensation expense not yet recognized (in millions) | $ 22.8 | € 15.9 | $ 12.1 | € 8.4 |
| Weighted average period remaining for expense recognition (in years) | 2.6 | | 1.8 | |

(a) Amounts relate to the LGI incentive plans and the UGC incentive plans described below.

(b) Amounts relate to the LGI Performance Plans described below.

(c) The U.S. dollar amounts have been translated into euros at the December 31, 2009 spot rate.

The following table summarizes certain information related to the incentive awards granted and exercised pursuant to the LGI and UGC incentive plans described below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| **LGI common stock:** | | | |
| Assumptions used to estimate fair value of awards granted: | | | |
| Risk-free interest rate | 1.42 – 2.97% | 3.24 – 3.78% | 4.56 – 4.61% |
| Expected life | 3.2 – 4.2 years | 4.5 years | 4.5 years |
| Expected volatility | 47.5 – 56.8% | 24.0 – 25.1% | 22.7 – 22.8% |
| Expected dividend yield | none | none | none |
| Weighted average grant-date fair value per share of awards granted: | | | |
| Options | $ — | $ — | $ 9.98 |
| SARs | $ 6.21 | $ 9.85 | $ 10.12 |
| Restricted stock | $ 13.24 | $ 35.29 | $ 36.40 |
| Total intrinsic value of awards exercised (in millions): | | | |
| Options | $ 0.1 | $ 2.2 | $ 5.1 |
| SARs | $ 2.7 | $ 4.8 | $ 22.1 |
| Cash received from exercise of options (in millions) | $ 0.8 | $ 3.7 | $ 7.0 |
| Income tax expense (benefit) related to stock-based compensation (in millions) | $ (0.3) | $ 0.1 | $ (1.2) |

(a) As restated. See note 4.

### *Stock Incentive Plans – LGI Common Stock*

*The LGI Incentive Plan*

The Liberty Global, Inc. 2005 Incentive Plan, as amended and restated effective October 31, 2006 (the LGI Incentive Plan) is administered by the compensation committee of LGI's board of directors. The compensation committee of LGI's board of directors has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. The compensation committee may grant non-qualified stock options, SARs, restricted shares, stock units, cash awards, performance awards or any combination of the foregoing under the incentive plan (collectively, awards).

The maximum number of shares of LGI common stock with respect to which awards may be issued under the incentive plan is 50 million, subject to anti-dilution and other adjustment provisions of the LGI Incentive Plan, of which no more than 25 million shares may consist of LGI Series B common stock. With limited exceptions, no person may be granted in any calendar year awards covering more than four million shares of LGI common stock, of which no more than two million shares may consist of LGI Series B common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million. Shares of LGI common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by LGI. Options and SARs under the LGI Incentive Plan issued prior to the LGI Combination generally vest at the rate of 20% per year on each anniversary of the grant date and expire 10 years after the grant date. Options and SARs under the LGI Incentive Plan issued after the LGI Combination generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. The LGI Incentive Plan had 25,682,950 shares available for grant as of December 31, 2009 before considering any shares that might be issued in satisfaction of LGI's obligations under the LGI Performance Plans, as described below. These shares may be awarded at or above fair value in any series of stock, except that no more than 23,372,168 shares may be awarded in LGI Series B common stock.

*UGC Equity Incentive Plan, UGC Director Plans and UGC Employee Plan*

Options, restricted stock and SARs were granted to employees and directors of UGC prior to the LGI Combination under these plans. No new grants will be made under these plans.

***Stock Award Activity – LGI Common Stock***

The following tables summarize the LGI stock award activity during 2009 under the LGI and UGC incentive plans held by employees of our subsidiaries, as described above.

| **Options — LGI Series A common stock:** | **Number of shares** | **Weighted average exercise price** | **Weighted average remaining contractual term in years** | **Aggregate intrinsic value in millions** |
|---|---|---|---|---|
| Outstanding at January 1, 2009 (a) | 659,555 | $ 24.50 | | |
| Granted | — | $ — | | |
| Expired or canceled | (78,450) | $ 38.99 | | |
| Forfeited | (71,311) | $ 25.54 | | |
| Exercised | (14,450) | $ 18.63 | | |
| Outstanding at December 31, 2009 | 495,344 | $ 22.23 | 2.7 | $ 0.6 |
| Exercisable at December 31, 2009 | 482,029 | $ 22.28 | 2.6 | $ 0.6 |

| Options — LGI Series C common stock: | Number of shares | Weighted average exercise price | Weighted average remaining contractual term in years | Aggregate intrinsic value in millions |
|---|---|---|---|---|
| Outstanding at January 1, 2009 (a) | 699,065 | $ 22.92 | | |
| Granted | — | $ — | | |
| Expired or canceled | (78,450) | $ 36.27 | | |
| Forfeited | (71,311) | $ 24.11 | | |
| Exercised | (25,700) | $ 19.96 | | |
| Outstanding at December 31, 2009 | 523,604 | $ 20.91 | 2.8 | $ 0.9 |
| Exercisable at December 31, 2009 | 510,289 | $ 20.94 | 2.8 | $ 0.9 |

| Restricted stock and restricted stock units — LGI Series A common stock: | Number of shares | Weighted average grant-date fair value per share | Weighted average remaining contractual term in years |
|---|---|---|---|
| Outstanding at January 1, 2009 (a) | 215,944 | $ 32.61 | |
| Granted | 592,362 | $ 13.29 | |
| Expired or canceled | — | $ — | |
| Forfeited | (51,962) | $ 28.58 | |
| Released from restrictions | (514,180) | $ 14.95 | |
| Outstanding at December 31, 2009 | 242,164 | $ 23.71 | 2.7 |

| Restricted stock and restricted stock units — LGI Series C common stock: | Number of shares | Weighted average grant-date fair value per share | Weighted average remaining contractual term in years |
|---|---|---|---|
| Outstanding at January 1, 2009 (a) | 215,944 | $ 30.68 | |
| Granted | 575,958 | $ 13.18 | |
| Expired or canceled | — | $ — | |
| Forfeited | (51,746) | $ 27.10 | |
| Released from restrictions | (497,992) | $ 14.66 | |
| Outstanding at December 31, 2009 | 242,164 | $ 22.78 | 2.7 |

| SARs — LGI Series A common stock: | Number of shares | Weighted average base price | Weighted average remaining contractual term in years | Aggregate intrinsic value in millions |
|---|---|---|---|---|
| Outstanding at January 1, 2009 (a) | 1,391,846 | $ 26.51 | | |
| Granted | 753,540 | $ 15.87 | | |
| Expired or canceled | (541,589) | $ 37.03 | | |
| Forfeited | (114,532) | $ 28.85 | | |
| Exercised | (126,940) | $ 14.19 | | |
| Outstanding at December 31, 2009 | 1,362,325 | $ 17.39 | 4.6 | $ 6.8 |
| Exercisable at December 31, 2009 | 710,318 | $ 18.62 | 3.1 | $ 3.0 |

| SARs — LGI Series C common stock: | Number of shares | Weighted average base price | Weighted average remaining contractual term in years | Aggregate intrinsic value in millions |
|---|---|---|---|---|
| Outstanding at January 1, 2009 (a) | 1,414,782 | $ 24.84 | | |
| Granted | 753,540 | $ 15.69 | | |
| Expired or canceled | (541,589) | $ 34.62 | | |
| Forfeited | (114,532) | $ 27.31 | | |
| Exercised | (202,226) | $ 12.52 | | |
| Outstanding at December 31, 2009 | 1,309,975 | $ 17.21 | 4.7 | $ 6.4 |
| Exercisable at December 31, 2009 | 657,968 | $ 18.56 | 3.3 | $ 2.5 |

(a) As restated. See note 4.

At December 31, 2009, total SARs outstanding included 36,654 LGI Series A common stock capped SARs and 36,654 LGI Series C common stock capped SARs, all of which were exercisable. The holder of an LGI Series A common stock capped SAR will receive the difference between $6.84 and the lesser of $10.90 or the market price of LGI Series A common stock on the date of exercise. The holder of an LGI Series C common stock capped SAR will receive the difference between $6.48 and the lesser of $10.31 or the market price of LGI Series C common stock on the date of exercise.

### *Exchange Offer for LGI Options and SARs*

On May 13, 2009, LGI commenced an option and SAR exchange offer for certain outstanding LGI equity awards (Eligible Awards) granted under the LGI Incentive Plan. Under the terms of the exchange offer, certain LGI employees, other than those of our senior executives who hold Eligible Awards, were given the opportunity to exchange Eligible Awards for the grant of new SARs on a 2-for-1 basis (exchange two existing options or SARs for one new SAR). Pursuant to the exchange offer, which was completed on June 16, 2009, eligible participants tendered, and LGI accepted for cancellation and exchange, Eligible Awards consisting of options and SARs covering an aggregate of 1,789,210 shares of LGI Series A common stock and 1,787,810 shares of LGI Series C common stock (including 608,424 shares of both LGI Series A and Series C common stock cancelled and exchanged by employees of our subsidiaries) from 170 participants (including 42 participants from our subsidiaries), representing approximately 99% of the total Series A and Series C shares (100% of the total shares held by the employees of our subsidiaries) underlying the options and SARs eligible for exchange. On June 16, 2009, after the cancellation of the tendered Eligible Awards, LGI granted new SARs to the exchange offer participants in respect of 894,627 shares of LGI Series A common stock and 893,927 shares of LGI Series C common stock (including 304,212 shares of both LGI Series A and Series C common stock granted to employees of our subsidiaries), as applicable. The new SARs have a base price equal to $14.73 per share and $14.50 per share of LGI Series A and Series C common stock, respectively, which represents the closing price of such stock on June 16, 2009. The new SARs (i) vest 12.5% on November 1, 2009 and then vest at a rate of 6.25% each quarter thereafter and (ii) expire on May 1, 2016. This exchange did not have a significant impact on our stock-based compensation expense for the year ended December 31, 2009.

### *LGI Performance Plans*

During the fourth quarter of 2006, the compensation committee of LGI's board of directors and LGI's board of directors authorized the implementation of a new performance-based incentive plan for LGI's senior executives (the LGI Senior Executive Performance Plan) pursuant to the LGI 2005 Incentive Plan. In January 2007, the compensation committee authorized the implementation of a similar performance-based incentive plan (the LGI Management Performance Plan and together with the LGI Senior Executive Performance Plan, the LGI Performance Plans) pursuant to the LGI Incentive Plan, for certain management-level employees not participating in the LGI Senior Executive Performance Plan. Certain of our employees participate in the LGI Performance Plans.

The LGI Performance Plans are five-year plans, with a two-year performance period, beginning January 1, 2007, and a three-year service period beginning January 1, 2009. At the end of the two-year performance period, each participant became eligible to receive varying percentages of the maximum achievable award specified for such participant based on LGI's achievement of specified compound annual growth rates (CAGR) in consolidated operating cash flow (see note 18), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the performance period.

Earned awards are payable in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances. Further, the compensation committee has the discretion to reduce the unpaid balance of an earned award based on an assessment of the participant's individual job performance during the service period. Each installment of the earned awards may be settled in cash, unrestricted shares of LGI Series A and Series C common stock, or any combination of the foregoing, or restricted share units may be issued at any time in respect of all or any portion of the remaining balance of an earned award, in each case at the discretion of the compensation committee. With the exception of an initial equity incentive award granted to a new hire in 2007, participants in the LGI Senior Executive Performance Plan were not eligible to receive and were not granted any equity incentive awards during the two-year performance period.

Following completion of the performance period, on February 18, 2009, the compensation committee determined that an OCF CAGR of approximately 15.5% had been achieved during the performance period. Based on this determination and after deducting forfeited awards, participants in the LGI Performance Plans (including certain employees of our subsidiaries) that met minimum annual performance rating levels earned $317.9 million (€221.8 million) or 87.4% of their aggregate maximum achievable awards. After deducting the first two semi-annual payments made during 2009 in respect of these earned awards, the remaining amount of unpaid earned awards was $208.4 million (€145.4 million) at December 31, 2009.

On February 18, 2009, the compensation committee also determined the method of payment for the March 31, 2009 and September 30, 2009 installments of the earned awards. In accordance with the compensation committee's determination, LGI (i) paid cash aggregating $56.2 million (€39.2 million) (including $14.6 million (€10.2 million) paid to employees of our subsidiaries) and granted on February 18, 2009 9,464 restricted share units with respect to LGI Series A common stock and 9,094 restricted share units with respect to LGI Series C common stock to settle the first installment of the awards earned under the LGI Performance Plans and (ii) granted restricted share units on February 18, 2009 with respect to 2,002,597 shares of LGI Series A common stock and 1,924,050 shares of LGI Series C common stock (including 418,122 and 401,718, respectively, granted to employees of our subsidiaries) to settle the second installment of the awards earned under the LGI Performance Plans. The restricted share units granted in partial satisfaction of the first installment of the awards vested on March 31, 2009, and the restricted share units granted in satisfaction of the second installment of the awards vested on September 30, 2009. For purposes of determining the number of restricted share units to be granted, the compensation committee assigned a value of $13.50 to each restricted share unit, which represented a premium of approximately 13.5% to the closing price of LGI Series A common stock on February 18, 2009. As required by the terms of the LGI Performance Plans, the restricted share units were allocated between LGI Series A and Series C common stock in the same relative proportions as the then outstanding LGI Series A and Series C common stock (51%/49%). The €0.8 million difference between the February 18, 2009 grant date market value of the restricted share units issued and the value assigned to the restricted share units by the compensation committee is reflected as a reduction of our stock-based compensation expense for the year ended December 31, 2009. Our stock-based compensation expense for the year ended December 31, 2009 also includes a reduction of €8.2 million related to the first quarter 2009 forfeiture of certain awards under the LGI Performance Plans.

On February 16, 2010, the compensation committee determined the method of payment for the four remaining installments of the awards that had been earned. In accordance with the compensation committee's determination, LGI (i) will pay cash aggregating $50.9 million (€35.5 million) (including $10.2 million (€7.1 million) to be paid to employees of our subsidiaries), together with 32,802 restricted plan shares (as defined in the performance plans) with respect to LGI Series A common stock and 31,708 restricted plan shares with respect to LGI Series C common stock to settle the March 31, 2010 installment, and (ii) granted 3,248,061 restricted plan shares of LGI Series A common stock and 3,139,707 restricted plan shares of LGI Series C common stock (including 630,684, and 609,639, respectively, granted to employees of our subsidiaries), relating to the final three installments of each participant's earned award. In accordance with the provisions of the LGI Performance Plans, restricted plan shares may be restricted shares or restricted share units. The restricted plan shares issued in relation to the March 31, 2010 installment will vest in full on March 31, 2010. The restricted plan shares issued in relation to the balance of the earned awards will vest in three equal installments on each of September 30, 2010, March 31, 2011 and September 30, 2011. For purposes of determining the number of restricted plan shares to be granted, the compensation committee valued the restricted plan shares at the respective closing market prices for LGI Series A and Series C common stock on February 16, 2010.

Compensation expense under the LGI Performance Plans is (i) recognized using the accelerated attribution method based on our assessment of the awards that are probable to be earned and (ii) reported as stock-based compensation in our consolidated statements of operations, notwithstanding the fact that the compensation committee has elected to cash settle a portion of the vested awards under the LGI Performance Plans. We began recording stock-based compensation with respect to the LGI Performance Plans on January 1, 2007, the date after which all awards were granted and the date that the requisite vesting periods began.

The LGI Senior Executive Performance Plan provides for the accelerated payment of awards under certain circumstances following the occurrence of specified change in control-type transactions. In the event any such acceleration gives rise to the imposition of certain excise taxes on participants in the LGI Senior Executive Performance Plan who are U.S. tax payers, we have agreed to make additional payments in amounts that are sufficient to fully reimburse such participants for these excise taxes after consideration of all taxes due on the additional payments.

***Stock Incentive Plans – Other Subsidiaries***

***VTR Phantom SARs Plan***

In April 2006, VTR's board of directors adopted a phantom SARs plan with respect to 1,000,000 shares of VTR's common stock (the VTR Plan). SARs granted under the VTR Plan vest in equal semi-annual installments over a two- to four-year period. Certain of these SARs expire on July 1, 2010 and the remainder expire on July 1, 2011. Vested SARs are exercisable within 60 days of receipt of an annual valuation report as defined in the VTR Plan. Upon exercise, the SARs are payable in cash or, for any such time as VTR is publicly traded, cash or shares of VTR or any combination thereof, in each case at the election of the compensation committee that administers the VTR Plan. As the outstanding SARs under this plan currently must be settled in cash, we use the liability method to account for the VTR phantom SARs.

A summary of the VTR Plan activity during 2009 is as follows:

| SARs — VTR common stock: | Number of shares | Weighted average base price | Weighted average remaining contractual term in years | Aggregate intrinsic value in millions |
|---|---|---|---|---|
| Outstanding at January 1, 2009 | 707,894 | CLP 11,438 | | |
| Granted | — | CLP — | | |
| Expired or canceled | — | CLP — | | |
| Forfeited | (43,791) | CLP 10,254 | | |
| Exercised | (51,930) | CLP 10,059 | | |
| Outstanding and exercisable at December 31, 2009 (a) | 612,173 | CLP 11,640 | 1.0 | CLP 1,981.0 |

(a) The fair value of these awards at December 31, 2009 was calculated using an expected volatility of 48.4%, an expected life of 1.0 year and a risk-free return of 2.55%. In addition, we were required to estimate the fair value of VTR common stock at December 31, 2009. The fair value of these awards is remeasured each reporting period, and compensation expense is adjusted to reflect the updated fair value.

### *United Chile Synthetic Option Plan*

Pursuant to a synthetic option plan (the United Chile Synthetic Option Plan) that was adopted in December 2006 to replace the former UIH Latin America, Inc. Stock Option Plan, one of LGI's directors and certain of our executive officers and employees, hold an aggregate of 381,300 synthetic options with respect to hypothetical shares of United Chile LLC (United Chile), the owner of our 80% ownership interest in VTR. These synthetic options represent a 1.9% fully diluted equity interest in United Chile. For purposes of determining the value attributable to these synthetic options, United Chile is assumed to have a specified share capital and intercompany indebtedness. These assumptions are designed to replicate at United Chile the share capital and indebtedness, net of the value of certain assets that UIH Latin America, Inc. would have had absent certain intercompany transactions that occurred in 2006. All of the synthetic options outstanding under the United Chile Synthetic Option Plan are fully vested and expire in 2010 and 2011. These synthetic options had no intrinsic value and minimal fair value at December 31, 2009. No new grants may be made under the United Chile Synthetic Option Plan. We account for the United Chile Synthetic Option Plan awards as liability-based awards.

## (14) Related-Party Transactions

Our related-party transactions consist of the following:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| Revenue | € 10.5 | € 13.3 | € 15.2 |
| Operating expenses | (62.6) | (63.6) | (68.9) |
| SG&A expenses | (2.7) | (4.7) | (2.7) |
| Allocated stock-based compensation expense | (13.6) | (32.3) | (12.0) |
| Fees and allocations, net | (30.6) | (31.5) | (49.2) |
| Included in operating income | (99.0) | (118.8) | (117.6) |
| Interest expense | (568.1) | (616.5) | (513.0) |
| Interest income | — | — | 20.2 |
| Included in net loss | € (667.1) | € (735.3) | € (610.4) |

(a) As restated. See note 4.

*Revenue.* Amounts consist primarily of construction and programming services provided to our equity method affiliates and, to a lesser extent programming services provided to Chellomedia for all periods and certain transitional network services provided in 2007 to Telenet Group Holding NV, another indirect subsidiary of Liberty Global Europe.

*Operating expenses*. Amounts consist primarily of programming and digital interactive services provided by Chellomedia and, to a lesser extent, programming services provided by Pramer S.C.A., an indirect subsidiary of LGI, in the aggregate amounts of €52.6 million, €53.9 million and €59.7 million during the years ended December 31, 2009, 2008 and 2007, respectively. In addition, operating expenses include costs for programming costs and interconnect fees charged by certain of LGI's equity method affiliates of €10.0 million, €9.7 million and €9.2 million during the years ended December 31, 2009, 2008, and 2007, respectively.

*SG&A expenses*. Amounts consist primarily of marketing and other administrative charges primarily between UPC Holding, Chellomedia, LG Europe and Priority Telecom N.V.

*Allocated stock-based compensation expense*. As further described in note 13, LGI allocates stock-based compensation expense to our company.

*Fees and allocations, net*. UPC Holding recorded net credits primarily related to cost allocations between UPC Holding and LGI for services performed and costs incurred on behalf of the other party of €15.2 million, €9.3 million and €28.3 million during the years ended December 31, 2009, 2008 and 2007, respectively. The amounts allocated in connection with services performed include salary, stock-based compensation and other personnel and general and administrative costs. These allocations (i) are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year, and (ii) are reflected as a reduction of our shareholder loan with LGE Financing or periodically settled in cash. UPC Holding also recorded net credits for services provided to Chellomedia and Liberty Global Europe of €5.6 million, €3.7 million and €4.0 million during the years ended December 31, 2009, 2008 and 2007, respectively. In addition, UPC Holding recorded expenses for services provided by LG Europe and LGE Ltd. of €51.4 million, €44.5 million and €81.5 million during the years ended December 31, 2009, 2008, and 2007, respectively.

*Interest expense*. Amount includes interest accrued on UPC Holding's shareholder loan. The interest expense is not paid in cash, but accrued in other long-term liabilities during the year and then added to the shareholder loan balance at the end of the year. See note 10.

*Interest Income*. Related-party interest income for the year ended December 31, 2007 includes €20.0 million and €0.2 million earned on related-party loans between Unite Holdco and Liberty Global Europe and between Cablecom and LG Switzerland, respectively. The related-party interest income charged by Unite Holdco to Liberty Global Europe was accrued prior to the November 29, 2007 settlement of Unite Holdco loan receivable with Liberty Global Europe.

Although we believe that the intercompany fees and allocations described above are reasonable, no assurance can be given that the costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a stand-alone basis.

The following table provides details of the related-party balances of UPC Holding as of December 31, 2009 and 2008:

| | December 31, | |
|---|---|---|
| | 2009 | 2008 (a) |
| | in millions | |
| Receivables | € 7.5 | € 8.0 |
| Accounts payable | € 12.6 | € 16.8 |
| Accrued liabilities | 6.1 | 3.6 |
| Shareholder loan (note 10) | 8,331.4 | 8,418.7 |
| Total | € 8,350.1 | € 8,439.1 |

(a) As restated. See note 4.

During 2009, 2008 and 2007, (i) LGI charged €4.7 million, €11.1 million and €61.7 million, respectively, to our company in connection with the exercise of LGI SARS and stock options and the vesting of LGI restricted stock awards held by employees of our subsidiaries and (ii) we paid €41.6 million during 2009 to LGI as a reimbursement of the amounts paid by LGI to employees of our subsidiaries pursuant to the LGI Performance Plans. These charges and reimbursements are reflected as capital charges and distributions in connection with LGI stock incentive awards in our consolidated statements of owners' deficit.

## (15) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2009 is set forth in the table below:

| | Employee severance and termination | Office closures | Programming and lease contract termination | Total |
|---|---|---|---|---|
| | | in millions | | |
| Restructuring liability as of January 1, 2009 | € 9.0 | € 9.4 | € — | € 18.4 |
| Restructuring charges | 7.5 | 0.5 | 0.1 | 8.1 |
| Cash paid | (13.0) | (3.2) | (0.1) | (16.3) |
| Other | — | (0.1) | — | (0.1) |
| Foreign currency translation adjustments | 0.2 | — | — | 0.2 |
| Restructuring liability as of December 31, 2009 | € 3.7 | € 6.6 | € — | € 10.3 |
| Short-term portion | € 3.3 | € 3.3 | € — | € 6.6 |
| Long-term portion | 0.4 | 3.3 | — | 3.7 |
| Total | € 3.7 | € 6.6 | € — | € 10.3 |

Our 2009 restructuring charges are primary related to reorganization and integration activities in certain of our European operations.

A summary of changes in our restructuring liabilities during 2008 is set forth in the table below:

| | Employee severance and termination | Office closures | Programming and lease contract termination | Total |
|---|---|---|---|---|
| | | in millions | | |
| Restructuring liability as of January 1, 2008 | € 5.1 | € 11.3 | € — | € 16.4 |
| Restructuring charges | 11.2 | 1.7 | 0.8 | 13.7 |
| Cash paid | (9.2) | (3.6) | (0.8) | (13.6) |
| Acquisitions and other | 1.9 | — | — | 1.9 |
| Restructuring liability as of December 31, 2008 | € 9.0 | € 9.4 | € — | € 18.4 |
| Short-term portion | € 8.5 | € 3.5 | € — | € 12.0 |
| Long-term portion | 0.5 | 5.9 | — | 6.4 |
| Total | € 9.0 | € 9.4 | € — | € 18.4 |

Our 2008 restructuring charges include (i) aggregate charges of €8.4 million related to reorganization and integration activities in certain of our European operations and (ii) a charge of €4.3 million related to the reorganization of certain of VTR's administrative and operational functions.

A summary of changes in our restructuring liabilities during 2007 is set forth in the table below:

| | Employee severance and termination | Office closures | Other | Total |
|---|---|---|---|---|
| | | in millions | | |
| Restructuring liability as of January 1, 2007 | € 10.2 | € 8.0 | € 1.2 | € 19.4 |
| Restructuring charges | 7.5 | 5.5 | — | 13.0 |
| Cash paid | (10.9) | (2.4) | (1.1) | (14.4) |
| Acquisitions and other | (1.6) | 0.1 | — | (1.5) |
| Foreign currency translation adjustments | (0.1) | 0.1 | (0.1) | (0.1) |
| Restructuring liability as of December 31, 2007 | € 5.1 | € 11.3 | € — | € 16.4 |
| Short-term portion | € 3.8 | € 2.5 | € — | € 6.3 |
| Long-term portion | 1.3 | 8.8 | — | 10.1 |
| Total | € 5.1 | € 11.3 | € — | € 16.4 |

Our 2007 restructuring charges include (i) €6.3 million related primarily to the cost of terminating certain employees in connection with the integration of our business-to-business (B2B) and broadband communications operations in the Netherlands and (ii) €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland.

## (16) Accumulated Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in our consolidated balance sheets and statements of owners' deficit reflect the aggregate of foreign currency translation adjustments and pension related adjustments. The changes in the components of accumulated other comprehensive earnings (loss), net of taxes, are summarized below. We were not required to provide income taxes on the amounts recorded in other comprehensive earnings (loss) for the periods presented in the table below.

| | Parent | | | | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Pension related adjustments | Total parent's accumulated other comprehensive earnings (loss) | Noncontrolling interests | Total accumulated other comprehensive earnings (loss) |
| | | | in millions | | |
| Balance at January 1, 2007 (a) | € (121.9) | € — | € (121.9) | € — | € (121.9) |
| Other comprehensive loss | (84.5) | 7.6 | (76.9) | (2.8) | (79.7) |
| Balance at December 31, 2007 (a) | (206.4) | 7.6 | (198.8) | (2.8) | (201.6) |
| Other comprehensive earnings | 164.1 | (14.9) | 149.2 | (15.3) | 133.9 |
| Balance at December 31, 2008 (a) | (42.3) | (7.3) | (49.6) | (18.1) | (67.7) |
| Other comprehensive earnings | 79.3 | 9.8 | 89.1 | 15.5 | 104.6 |
| Other | (8.8) | — | (8.8) | — | (8.8) |
| Balance at December 31, 2009 | € 28.2 | € 2.5 | € 30.7 | € (2.6) | € 28.1 |

(a) As restated. See note 4.

## (17) Commitments and Contingencies

### *Commitments*

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, satellite carriage commitments, purchases of customer premise equipment and other items. As of December 31, 2009, the euro equivalents (based on December 31, 2009 exchange rates) of such commitments that are not reflected in our consolidated balance sheet are as follows:

| | Payments due during: | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter | Total |
| | | | | in millions | | | |
| Operating leases | € 75.5 | € 37.2 | € 26.1 | € 18.8 | € 12.3 | € 49.0 | € 218.9 |
| Programming, satellite and other purchase obligations | 131.8 | 40.5 | 24.5 | 9.2 | 1.6 | 3.4 | 211.0 |
| Other Commitments | 17.4 | 13.1 | 11.4 | 10.0 | 7.4 | 59.5 | 118.8 |
| | € 224.7 | € 90.8 | € 62.0 | € 38.0 | € 21.3 | € 111.9 | € 548.7 |

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems, or (iii) whether we discontinue our premium movie and sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. Satellite commitments consist of obligations associated with satellite carriage services provided to our company. Other purchase obligations include commitments to purchase customer premise equipment that are enforceable and legally binding on us. Other commitments include fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments and agreements with programming vendors and other third parties pursuant to which we expect to make payments in future periods. We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband distribution systems. Such amounts are not included in the above table because they are not fixed or determinable due to various factors.

Rental expense under non-cancelable operating lease arrangements amounted to €74.0 million, €71.3 million and €73.0 million in 2009, 2008 and 2007, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense for matching contributions under the various defined contribution employee benefit plans was €10.4 million, €12.5 million and €12.0 million in 2009, 2008 and 2007, respectively.

Certain of our indirect subsidiaries maintain various employee benefit plans that are accounted for as defined benefit pension plans. Certain assumptions and estimates must be made in order to determine the costs and future benefits that will be associated with these plans. These assumptions include (i) the estimated long-term rates of return to be earned by plan assets, (ii) the estimated discount rates used to value the projected benefit obligations and (iii) estimated wage increases. We estimate discount rates annually based upon the yields on high-quality fixed-income investments available at the measurement date and expected to be available during the period to maturity of the pension benefits. For the long-term rates of return, we use a model portfolio based on the subsidiaries' targeted asset allocation. Plan assets include investments in debt securities, equity securities, guarantee investment contracts and other assets. To the extent that net actuarial gains or losses exceed 10% of the greater of plan assets or plan liabilities, such gains or losses are amortized over the average future service period of plan participants.

As of December 31, 2009 and 2008, (i) the aggregate projected benefit obligation of these plans was €140.3 million and €142.1 million, respectively, (ii) the aggregate fair value of the assets held by these plans was €111.0 million and €101.2 million, respectively, and (iii) the aggregate net liability included in our other long-term liabilities related to these plans was €29.3 million and €40.9 million, respectively. During 2009, 2008 and 2007, our consolidated statements of operations include net periodic pension costs related to these plans of €6.8 million, €5.5 million and €8.6 million, respectively. Our subsidiaries' contributions to their respective plans in 2010 are expected to aggregate €7.4 million.

### *Contingent Obligations*

In September 2009, VTR Móvil SA (VTR Móvil), a wholly-owned subsidiary of VTR, was officially notified by the Undersecretary of Telecommunications of Chile's Ministry of Transport and Telecommunications that VTR Móvil had been awarded one of three "3G" mobile licenses recently auctioned by the Chilean government pursuant to a public bidding process. The term "3G" refers to a set of mobile technologies that allow mobile telephony providers to offer, among other things, higher-speed internet access, data and video services. The purchase price for the 3G license is CLP 1,669 million (€2.3 million). In order to guarantee its compliance with the terms of the 3G license, VTR Móvil was required to post a performance bond in the amount of CLP 35.6 billion (€49.0 million). This performance bond, which is fully guaranteed by VTR, was posted in October 2009. The definitive granting of the 3G license to VTR is still subject to the rejection of certain oppositions filed against such grant.

### *Guarantees and Other Credit Enhancements*

In the ordinary course of business, we have provided indemnifications to purchasers of certain of our assets, our lenders, our vendors and certain other parties. In addition, we have provided performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

### *Legal and Regulatory Proceedings and Other Contingencies*

*The Netherlands Regulatory Developments* — During 2008, the Dutch national regulatory authority (OPTA) conducted a second round analysis of certain markets to determine if any operator or service provider has "Significant Market Power" within the meaning of certain directives originally promulgated by the European Union (EU) in 2003. With respect to television services, OPTA issued a draft decision on August 5, 2008, again finding our broadband communications operations in the Netherlands (UPC Netherlands) as well as other cable operators, to have Significant Market Power in the market for wholesale broadcasting transmission services and imposing new obligations. Following a national consultation procedure, OPTA issued a revised decision and submitted it to the EU Commission on January 9, 2009. On February 9, 2009, the EU Commission informed OPTA of its approval of the draft decision. The decision became effective on March 17, 2009. UPC Netherlands filed an appeal against the decision on April 15, 2009 with College van Beroep voor het bedrijfsleven (CBb), the Dutch Supreme Administrative Court. Pending the outcome of this appeal, UPC Netherlands will be required to comply with the decision. The appeal hearing took place on March 18, 2010 and a decision of the CBb is not expected before the end of 2010.

The new market analysis decision imposes on the four largest cable operators in the Netherlands a number of access obligations in respect of television services. The two largest cable operators, including UPC Netherlands, have a number of additional access obligations. The access obligations imposed on UPC Netherlands consist of (i) access to capacity for the transmission of the television signal (both analog and digital), (ii) resale of the analog television signal and, in conjunction with any such resale, the provision of customer connection, and (iii) access to UPC Netherlands' digital conditional access system, including access to its operational supporting systems and co-location. OPTA has stated that any operator with its own infrastructure, such as Royal KPN NV, the incumbent telecommunications operator in the Netherlands, will not be allowed to resell the analog television signal or avail itself of access to UPC Netherlands' digital platform.

The resale obligation will enable third parties to take over the customer relationship as far as the analog television signal is concerned. The decision includes the possibility for resale of an analog package that is not identical to the analog packages offered by UPC Netherlands. Potential resellers will need to negotiate the relevant copyrights directly with program providers in order to resell the analog television signals. In case of non-identical resale, the decision imposes a number of preconditions, including that the reseller must bear the costs of filtering and that OPTA will determine the reasonableness of such request on a case by case basis.

In respect of transmission of the analog television signal, a number of preconditions were established to ensure that such transmission will not cause unreasonable use of scarce capacity. A request for transmission of analog signals that are not included in UPC Netherlands' analog television package, as well as parallel transmission of analog signals that are already part of the analog package, will in principle be deemed unreasonable.

Regarding digital, the new market analysis decision requires UPC Netherlands to enable providers of digital television signals to supply their digital signals using their own or UPC Netherlands' digital conditional access system. This allows the third parties to have their own customer relationship for those digital television signals and to bundle their offer with the resale of the analog television signal.

Pricing of the wholesale offer for analog and digital transmission capacity will be at cost-oriented prices. Pricing of the wholesale offer for resale of the analog package, including access to UPC Netherlands' transmission platform for purposes of resale, will be based on a discount to UPC

Netherlands' retail rates, at a level to be determined by OPTA and, if no retail offer of UPC Netherlands is available, on cost-oriented basis. Both access obligations come with the obligation to provide access to the relevant network elements and facilities, including set-top boxes, co-location, software systems and operational supporting systems, at cost-oriented prices if no relevant retail tariff is available to define the retail minus tariff.

UPC Netherlands was required to develop cost models for both the wholesale offer for analog resale as well as digital transmission capacity. OPTA reviewed the cost model-resale and published a draft tariff decision on November 26, 2009. The draft tariff decision was subject to national consultation and European Commission notification. UPC Netherlands submitted comments to the draft decision on January 7, 2010. The review of the cost model-digital transmission capacity has been postponed by OPTA.

UPC Netherlands was also required to publish reference offers regarding the wholesale offer for analog resale as well as digital transmission capacity. UPC Netherlands published the reference offer-resale on May 18, 2009, and the reference offer-digital transmission capacity on November 2, 2009. In respect of the reference offer-resale, OPTA published a draft implementation decision on October 30, 2009. The draft implementation decision was subject to national consultation and European Commission notification. The European Commission issued comments on December 14, 2009, which OPTA should take into account in the final decision. UPC Netherlands also submitted comments to the draft decision. OPTA initiated Industry Group meetings with respect to the reference offer-digital transmission capacity, which commenced at the end of November 2009 and are ongoing. Furthermore, UPC Netherlands will not be allowed to discriminate between third parties and its own retail business in making these services available. This includes, for example, a prohibition on offering loyalty discounts to its own customers.

OPTA issued its final implementation decision and its final tariff decision on analog resale on March 10, 2010. Both decisions are similar to OPTA's draft decisions. The tariff decision set a wholesale rate of €8.83 per month or 62.5% of UPC Netherlands' retail rate. The wholesale rate is subject to annual adjustments for cost of living increases beginning in April 2010. UPC Netherlands will appeal both decisions.

UPC Netherlands is required to begin offering its analog cable package (together with the requested access) to resellers in (i) June 2010 with respect to existing analog-only customers and (ii) November 2010 with respect to all of its customers. As the wholesale rate that UPC Netherlands will receive from resellers will be lower than UPC Netherlands' current retail rate for analog cable services, UPC Netherlands' average monthly subscription revenue for each analog cable customer and revenue from analog cable services are expected to be adversely impacted to the extent that existing retail analog cable customers of UPC Netherlands become retail analog cable customers of resellers. The extent of any such adverse impact is dependent on (i) the number of UPC Netherlands' existing analog cable customers who elect to receive their service from a reseller and (ii) the results of the appeal or any interim injunction process with respect to OPTA's final tariff decision.

*Chilean Antitrust Matter* – On December 12, 2006, Liberty Media announced publicly that it had agreed to acquire an approximate 39% interest in The DirecTV Group, Inc. (DirecTV). On August 1, 2007, VTR received formal written notice from the Chilean Federal Economic Prosecutor (FNE) that Liberty Media's acquisition of the DirecTV interest would violate one of the conditions imposed by the Chilean Antitrust Court on VTR's combination with Metrópolis prohibiting VTR and its control group from participating, directly or indirectly through related persons, in Chilean satellite or microwave television businesses. On March 10, 2008, following the closing of Liberty Media's investment in DirecTV, the FNE commenced an action before the Chilean Antitrust Court against John C. Malone who is chairman of LGI's board of directors and of Liberty Media's board of directors. In this action, the FNE alleges that Mr. Malone is a controller of VTR and either controls or indirectly participates in DirecTV's satellite operations in Chile, thus violating the condition. The FNE requests the Antitrust Court to impose a fine on Mr. Malone and order him to effect the transfer of the shares, interests or other assets that are necessary to restore the independence, in ownership and administration, of VTR and DirecTV. We currently are unable to predict the outcome of this matter or its impact on VTR.

*Other Regulatory Issues* — Video distribution, broadband internet, telephony and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the EU. Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

*Other* – In addition to the foregoing items, we have contingent liabilities related to (i) legal proceedings, (ii) wage, property, sales and other tax issues, (iii) disputes over interconnection fees and (iv) other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial position or results of operations.

## (18) Information about Operating Segments

We own a variety of international subsidiaries and investments that provide broadband communications services, and to a lesser extent, video programming services. We generally identify our reportable segments as those consolidated subsidiaries that represent 10% or more of our revenue, operating cash flow (as defined below), or total assets. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and operating cash flow. In addition, we review non-financial measures such as subscriber growth, as appropriate.

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Operating cash flow is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization, and impairment, restructuring and other operating charges or credits). Other operating charges or credits include gains and losses on the disposition of long-lived assets and due diligence, legal, advisory and other third-party costs directly related to our efforts to acquire controlling interests in entities. Our internal decision makers believe operating cash flow is a meaningful measure and is superior to other available U.S. GAAP measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (i) readily view operating trends, (ii) perform analytical comparisons and benchmarking between segments and (iii) identify strategies to improve operating performance in the different countries in which we operate. We believe our operating cash flow measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other public companies. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings (loss), cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of total segment operating cash flow to our loss from continuing operations before income taxes is presented below.

During 2009, we made the following changes to our reportable segments:

- During the fourth quarter, we (i) combined Ireland and Austria into one reportable segment (Other Western Europe) and (ii) combined Hungary and our Other Central and Eastern Europe into one reportable segment (Central and Eastern Europe). Previously, Ireland, Austria and Hungary were reported as separate reportable segments;

- During the fourth quarter and as further described in note 4, we transferred two of our subsidiaries that perform certain corporate and administrative functions to another indirect subsidiary of Liberty Global Europe; and

- During the first quarter, we changed our reporting such that we no longer include video-on-demand costs within the central operations category of UPC Europe. Instead, we present these costs within the individual operating segments of UPC Europe.

During the first quarter of 2010, we initiated the process of centralizing UPC Europe's DTH operations into a Luxembourg-based organization and began reporting the DTH operations under a centralized management structure within UPC Europe's Central and Eastern Europe reportable segment. Previously, these operations, which provide DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia, were managed by the respective local management in these countries with support from UPC Europe's central operations, and accordingly, were included in the results of UPC Europe's Central and Eastern Europe and central operations segments. As a result of this change, the DTH operating results that were previously reported in UPC Europe's central operations are now reported within UPC Europe's Central and Eastern Europe segment.

Segment information for all periods presented has been restated to reflect the above-described changes and to present UPC Slovenia as a discontinued operation. Previously, UPC Slovenia was included in our Central and Eastern Europe segment. We present only the reportable segments of our continuing operations in the tables below.

We have identified the following consolidated operating segments as our reportable segments:

- UPC Europe:
  - The Netherlands
  - Switzerland
  - Other Western Europe
  - Central and Eastern Europe

- VTR (Chile)

All of the reportable segments set forth above derive their revenue primarily from broadband communications services, including video, voice and broadband internet services. Certain segments also provide business-to-business (B2B) services. At December 31, 2009, our operating segments in UPC Europe provided services in nine European countries. Our Other Western Europe segment includes our operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. VTR provides broadband communications services in Chile. UPC Europe's central operations category includes billing systems, network operations, technology, marketing, facilities, finance and other administrative costs.

### *Performance Measures of Our Reportable Segments*

The amounts presented below represent 100% of each of our reportable segment's revenue and operating cash flow. As we have the ability to control VTR, we consolidate 100% of the revenue and expenses of VTR in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The noncontrolling owner's interest in the operating results of VTR is reflected in net earnings attributable to noncontrolling interests in our consolidated statements of operations.

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2007 | |
| | Revenue | Operating cash flow | Revenue | Operating cash flow (a) | Revenue | Operating cash Flow (a) |
| | in millions | | | | | |
| UPC Europe: | | | | | | |
| The Netherlands | € 817.5 | € 477.0 | € 803.7 | € 457.2 | € 773.5 | € 400.3 |
| Switzerland | 731.9 | 404.8 | 692.7 | 368.3 | 637.1 | 305.2 |
| Other Western Europe | 599.0 | 281.0 | 607.4 | 282.1 | 591.0 | 248.8 |
| Total Western Europe | 2,148.4 | 1,162.8 | 2,103.8 | 1,107.6 | 2,001.6 | 954.3 |
| Central and Eastern Europe | 803.1 | 411.8 | 883.7 | 461.6 | 830.7 | 419.7 |
| Central operations | 0.1 | (118.2) | 0.4 | (124.0) | 2.3 | (135.8) |
| Total UPC Europe | 2,951.6 | 1,456.4 | 2,987.9 | 1,445.2 | 2,834.6 | 1,238.2 |
| VTR (Chile) | 502.3 | 206.4 | 485.0 | 200.9 | 462.6 | 181.4 |
| Total UPC Holding | € 3,453.9 | € 1,662.8 | € 3,472.9 | € 1,646.1 | € 3,297.2 | € 1,419.6 |

(a) As restated. See note 4.

The following table provides a reconciliation of total segment operating cash flow to loss from continuing operations before income taxes:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | in millions | | |
| Total segment operating cash flow | € 1,662.8 | € 1,646.1 | € 1,419.6 |
| Stock-based compensation expense | (15.1) | (27.6) | (20.0) |
| Related-party fees and allocations, net | (30.6) | (31.5) | (49.2) |
| Depreciation and amortization | (1,048.5) | (1,079.9) | (1,062.8) |
| Impairment, restructuring and other operating charges, net | (90.5) | (118.9) | (20.3) |
| Operating income | 478.1 | 388.2 | 267.3 |
| Interest expense: | | | |
| Third party | (383.0) | (463.3) | (454.4) |
| Related party | (568.1) | (616.5) | (513.0) |
| Interest income | 16.0 | 23.2 | 46.3 |
| Realized and unrealized losses on derivative instruments, net | (642.9) | (181.9) | (99.5) |
| Foreign currency transaction gains (losses), net | 102.6 | (185.3) | 138.8 |
| Unrealized gains (losses) due to changes in fair values of certain investments, net | 0.1 | (2.1) | — |
| Losses on debt modifications and extinguishments, net | (17.7) | — | (16.8) |
| Other income (expense), net | 1.3 | (0.9) | (0.5) |
| Loss from continuing operations before income taxes | € (1,013.6) | € (1,038.6) | € (631.8) |

(a) As restated. See note 4.

### *Balance Sheet Data of our Reportable Segments*

Selected balance sheet data of our reportable segments is set forth below:

| | Long-lived assets (a) | | Total assets (a), (b) | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| | 2009 | 2008 | 2009 | 2008 |
| | in millions | | | |
| UPC Europe: | | | | |
| The Netherlands | € 1,837.3 | € 1,939.5 | € 1,902.2 | € 2,001.6 |
| Switzerland | 3,043.9 | 3,095.4 | 3,375.2 | 3,376.1 |
| Other Western Europe | 1,477.0 | 1,482.5 | 1,527.6 | 1,533.3 |
| Total Western Europe | 6,358.2 | 6,517.4 | 6,805.0 | 6,911.0 |
| Central and Eastern Europe | 1,756.4 | 1,910.6 | 1,842.3 | 2,017.7 |
| Central operations | 145.2 | 173.7 | 842.3 | 950.9 |
| Total UPC Europe | 8,259.8 | 8,601.7 | 9,489.6 | 9,879.6 |
| VTR (Chile) | 824.7 | 672.7 | 1,022.0 | 838.7 |
| Total UPC Holding – continuing operations | 9,084.5 | 9,274.4 | 10,511.6 | 10,718.3 |
| Discontinued operations | — | 122.5 | — | 130.2 |
| Total UPC Holding | € 9,084.5 | € 9,396.9 | € 10,511.6 | € 10,848.5 |

(a) As restated. See note 4.

(b) Intercompany receivable balances that are eliminated within the LGI consolidated group are included in the central operations category.

### *Capital Expenditures of our Reportable Segments*

The capital expenditures of our reportable segments, excluding amounts subject to capital lease arrangements, are set forth below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 (a) | 2007 (a) |
| | | in millions | |
| UPC Europe: | | | |
| The Netherlands | € 106.8 | € 157.7 | € 148.7 |
| Switzerland | 184.3 | 168.0 | 153.6 |
| Other Western Europe | 171.4 | 150.1 | 149.5 |
| Total Western Europe | 462.5 | 475.8 | 451.8 |
| Central and Eastern Europe | 213.3 | 282.8 | 215.3 |
| Central operations | 65.5 | 97.6 | 108.8 |
| Total UPC Europe | 741.3 | 856.2 | 775.9 |
| VTR (Chile) | 112.6 | 123.3 | 115.2 |
| Total UPC Holding | € 853.9 | € 979.5 | € 891.1 |

(a) As restated. See note 4.

### *Revenue by Major Category*

Our revenue by major category is set forth below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | in millions | |
| Subscription revenue (a): | | | |
| Video | € 1,727.9 | € 1,758.2 | € 1,699.8 |
| Broadband internet | 856.5 | 838.6 | 748.3 |
| Telephony | 482.5 | 483.5 | 428.1 |
| Total subscription revenue | 3,066.9 | 3,080.3 | 2,876.2 |
| Other revenue (b) | 387.0 | 392.6 | 421.0 |
| Total UPC Holding | € 3,453.9 | € 3,472.9 | € 3,297.2 |

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the allocation of bundling discounts may vary somewhat among our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue (including B2B and installation fee revenue).

### *Geographic Segments*

*Revenue*

The revenue of our geographic segments is set forth below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | in millions | |
| Europe: | | | |
| UPC Europe: | | | |
| The Netherlands | € 817.5 | € 803.7 | € 773.5 |
| Switzerland | 731.9 | 692.7 | 637.1 |
| Austria | 347.3 | 365.5 | 366.9 |
| Ireland | 251.7 | 241.9 | 224.1 |
| Hungary | 232.9 | 275.6 | 275.2 |
| Poland | 198.8 | 212.5 | 166.8 |
| Czech Republic | 188.4 | 193.3 | 165.2 |
| Romania | 123.4 | 144.8 | 173.2 |
| Slovakia | 53.8 | 51.7 | 45.2 |
| Other (a) | 5.9 | 6.2 | 7.4 |
| Total Europe | 2,951.6 | 2,987.9 | 2,834.6 |
| Chile | 502.3 | 485.0 | 462.6 |
| Total UPC Holding | € 3,453.9 | € 3,472.9 | € 3,297.2 |

(a) Primarily represents certain revenue related to UPC Europe's DTH operations.

*Long-lived assets*

The long-lived assets of our geographic segments are set forth below:

| | December 31, 2009 | December 31, 2008 (a) |
|---|---|---|
| | in millions | |
| Europe: | | |
| UPC Europe: | | |
| The Netherlands | € 1,837.3 | € 1,939.5 |
| Switzerland | 3,043.9 | 3,095.4 |
| Austria | 921.6 | 943.9 |
| Ireland | 555.4 | 538.6 |
| Hungary | 541.8 | 567.8 |
| Poland | 283.3 | 268.1 |
| Czech Republic | 620.2 | 645.3 |
| Romania | 201.2 | 313.2 |
| Slovakia | 106.6 | 111.9 |
| Other (b) | 148.5 | 178.0 |
| Total Europe | 8,259.8 | 8,601.7 |
| Chile | 824.7 | 672.7 |
| Total UPC Holding – continuing operations | 9,084.5 | 9,274.4 |
| Discontinued operations | — | 122.5 |
| Total UPC Holding | € 9,084.5 | € 9,396.9 |

(a) As restated. See note 4.

(b) Primarily represents long-lived assets of our central operations, which are located primarily in the Netherlands.

The revenue and operating cash flow of our reportable segments for each quarter of 2009, as restated to give effect to the centralization of UPC Europe's DTH operations and the common control transfers of LG Europe and LGE Ltd., are presented in the following tables:

| | Revenue | | | |
|---|---|---|---|---|
| | Three months ended | | | |
| | March 31, 2009 | June 30, 2009 | September 30, 2009 | December 31, 2009 |
| | in millions | | | |
| UPC Europe: | | | | |
| The Netherlands | € 204.5 | € 203.6 | € 201.6 | € 207.8 |
| Switzerland | 182.5 | 182.4 | 181.0 | 186.0 |
| Other Western Europe | 148.9 | 148.7 | 147.8 | 153.6 |
| Total Western Europe | 535.9 | 534.7 | 530.4 | 547.4 |
| Central and Eastern Europe | 194.6 | 198.7 | 205.2 | 204.6 |
| Central operations | (0.5) | (0.1) | 0.2 | 0.5 |
| Total UPC Europe | 730.0 | 733.3 | 735.8 | 752.5 |
| VTR (Chile) | 119.4 | 126.8 | 125.7 | 130.4 |
| Total | € 849.4 | € 860.1 | € 861.5 | € 882.9 |

| | Operating Cash Flow | | | |
|---|---|---|---|---|
| | Three months ended | | | |
| | March 31, 2009 | June 30, 2009 | September 30, 2009 | December 31, 2009 |
| | in millions | | | |
| UPC Europe: | | | | |
| The Netherlands | € 117.0 | € 116.9 | € 122.2 | € 120.9 |
| Switzerland | 100.1 | 101.8 | 103.2 | 99.7 |
| Other Western Europe | 67.9 | 69.3 | 69.3 | 74.5 |
| Total Western Europe | 285.0 | 288.0 | 294.7 | 295.1 |
| Central and Eastern Europe | 99.5 | 99.6 | 109.3 | 103.4 |
| Central operations | (31.7) | (25.3) | (27.0) | (34.2) |
| Total UPC Europe | 352.8 | 362.3 | 377.0 | 364.3 |
| VTR (Chile) | 47.0 | 51.5 | 52.2 | 55.7 |
| Total | € 399.8 | € 413.8 | € 429.2 | € 420.0 |

## (19) Subsequent Events

### *UPCB Finance Senior Secured Notes*

On January 20, 2010, UPCB Finance Limited (UPCB Finance), a special purpose financing company created for the primary purpose of issuing senior notes and owned 100% by a charitable trust, issued €500.0 million principal amount of 7.625% senior secured notes (the UPCB Senior Secured Notes) at an original issue discount of 0.862%, resulting in cash proceeds before commissions and fees of €495.7 million. UPCB Finance used the proceeds from the UPCB Senior Secured Notes to fund a new additional facility (Facility V) under the UPC Broadband Holding Bank Facility, with UPC Financing Partnership (UPC Financing), a direct subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility V to reduce outstanding amounts under Facilities M and Q under the UPC Broadband Holding Bank Facility through (i) the novation of €152.7 million of commitments under Facility M to UPC Broadband Operations and (ii) the use of the remaining €347.3 million to repay borrowings under Facility Q.

UPCB Finance is dependent on payments from UPC Financing under Facility V in order to service its payment obligations under the UPCB Senior Secured Notes. Although UPC Financing has no equity or voting interest in UPCB Finance, the Facility V loan creates a variable interest in UPCB Finance for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance following the issuance of the UPCB Senior Secured Notes. Accordingly, the amounts outstanding under Facility V will eliminate in UPC Holding's consolidated financial statements.

The UPCB Senior Secured Notes have been issued pursuant to an indenture (the Indenture), dated January 20, 2010. Facility V is made pursuant to an Additional Facility V Accession Agreement (the Facility V Accession Agreement). Pursuant to the Facility V Accession Agreement, the call provisions, maturity and applicable interest rate for Facility V are the same as those of the UPCB Senior Secured Notes. UPCB Finance, as a lender under the UPC Broadband Holding Bank Facility, will be treated the same as the other lenders under the UPC Broadband Holding Bank Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the Indenture and the security interests over (i) all of the issued shares of UPCB Finance and (ii) Facility V, granted to secure UPCB Finance's obligations under the UPCB Senior Secured Notes, the holders of the UPCB Senior Secured Notes will be provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance as a lender under the UPC Broadband Holding Bank Facility.

UPCB Finance is prohibited from incurring any additional indebtedness, subject to certain exceptions under the Indenture.

The UPCB Senior Secured Notes are non-callable until January 15, 2015. At any time prior to January 15, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility V), UPCB Finance will redeem an aggregate principal amount of the UPCB Senior Secured Notes equal to the amount of Facility V prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on January 1, 2015, as set forth in the table below, plus (2) all required remaining scheduled interest payments due through January 1, 2015, computed using the discount rate specified in the Indenture, over (b) the principal amount of the UPCB Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after January 15, 2015, upon the occurrence of an Early Redemption Event (as defined in the Indenture), UPCB Finance will redeem an aggregate principal amount of the Senior Secured Notes equal to the principal amount of Facility V prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve month period commencing on January 15 of the years set forth below:

| Year | Redemption Price |
|---|---|
| 2015 | 103.813% |
| 2016 | 102.542% |
| 2017 | 101.271% |
| 2018 and thereafter | 100.000% |

### *Chile Earthquake*

On February 27, 2010, areas served by our cable television systems in Chile experienced a significant earthquake. As a result, for certain areas of our network near the epicenter of the earthquake, we expect to (i) experience reductions in our revenue and increases in our operating, bad debt and other costs as a result of the dislocation caused by the earthquake, (ii) incur costs associated with the restoration of our cable systems and (iii) incur losses associated with the write-off of damaged property and equipment. We maintain limited property insurance and no business interruption insurance with respect to our operations in Chile. We do not believe that the impacts of this earthquake will have a material adverse effect on our consolidated financial condition or results of operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read in conjunction with our consolidated financial statements. This discussion is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2009, 2008 and 2007.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated cash flow statements and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms, "we," "our," "our company" and "us" may refer, as the context requires, to UPC Holding or collectively to UPC Holding and its subsidiaries.

Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2009.

## Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product, foreign currency and finance strategies, our capital expenditure priorities, subscriber growth and retention rates, competitive and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we, and the entities in which we have interests, operate;

- the competitive environment in the broadband communications and programming industries in the countries in which we, and the entities in which we have interests, operate;

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

- fluctuations in currency exchange rates and interest rates;

- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;

- changes in consumer television viewing preferences and habits;

- consumer acceptance of existing service offerings, including our digital video, voice and broadband internet services;
- consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital video, voice and broadband internet services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- the outcome of any pending or threatened litigation;
- continued consolidation of the foreign broadband distribution industry;
- changes in, or failure or inability to comply with, government regulations in the countries in which we, and the entities in which we have interests, operate and adverse outcomes from regulatory proceedings;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, as well as our ability to satisfy conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- government intervention that opens our broadband distribution networks to competitors;
- our ability to successfully negotiate rate increases with local authorities;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in countries in which we, or the entities in which we have interests, operate;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we acquire;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;
- the availability of attractive programming for our digital video services at reasonable costs;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

## Overview

We are an indirect subsidiary of LGI and an international provider of video, voice and broadband internet services with consolidated broadband communications and/or DTH satellite operations at December 31, 2009 in nine European countries and in Chile. Our European broadband communications operations are collectively referred to as UPC Europe. Our broadband communications operations in Chile are provided through VTR.

Our analog video service offerings include basic programming and, in some markets, expanded basic programming. We tailor both our basic channel line-up and our additional channel offerings to each system according to culture, demographics, programming preferences and local regulation. Our digital video service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including video-on-demand and near video-on-demand), digital video recorders and high definition programming.

We offer broadband internet services in all of our broadband communications markets. Our residential subscribers generally access the internet via cable modems connected to their personal computers at various speeds depending on the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, data limits, market conditions and other factors. We currently offer ultra high-speed internet services in most of our European markets with download speeds ranging up to 120 Mbps. We expect to continue to expand the availability of ultra high-speed internet services throughout our European broadband communications markets.

We offer voice-over-internet-protocol, or “VoIP” telephony services in all of our broadband communications markets. In Austria, Chile, Hungary and the Netherlands, we also provide circuit-switched telephony services. In select markets we also offer mobile telephony services using third-party networks.

As further described in note 4 to our consolidated financial statements, our consolidated financial statements give retroactive effect to various common control transfers that were completed during 2009 and 2007, such that our consolidated financial statements reflect the effects of these common control transfer for all periods presented in which such entities were controlled by LGI.

As further described in note 4 to our consolidated financial statements, we have completed a number of transactions that impact the comparability of our 2009, 2008 and 2007 results of operations. On October 2, 2007, we completed the acquisition of Tirol, a broadband communications operator in Austria. In addition, we completed a number of less significant acquisitions in Europe during 2009, 2008 and 2007.

As further discussed in note 5 to our consolidated financial statements, our consolidated financial statements have been reclassified to present UPC Slovenia as a discontinued operation. In the following discussion and analysis, the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated.

During the first quarter of 2010, we initiated the process of centralizing UPC Europe’s DTH operations into a Luxembourg-based organization, which we refer to as “Luxco DTH,” and began reporting the DTH operations under a centralized management structure within UPC Europe’s Central and Eastern Europe reportable segment. Previously, these operations, which provide DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia, were managed by the respective local management in these countries with support from UPC Europe’s central operations, and accordingly, were included in the results of UPC Europe’s Central and Eastern Europe and central operations segments. As a result of this change, the DTH operating results that were previously reported in UPC Europe’s central operations are now reported within UPC Europe’s Central and Eastern Europe segment. In the below discussion and analysis, references to the financial amounts and operating statistics of the applicable individual countries within our Central and Eastern Europe reportable segment include the Luxco DTH amounts that are associated with the subscribers that reside in the respective countries.

From a strategic perspective, we are seeking to build broadband communications and video programming businesses that have strong prospects for future growth in revenue and operating cash flow (as defined in note 18 to our consolidated financial statements). As discussed further under *Liquidity and Capital Resources — Capitalization* below, we also seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk.

We focus on achieving organic revenue and customer growth in our broadband communications operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our networks where appropriate. As we use the term, organic growth excludes foreign currency translation effects (FX) and the estimated impact of acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet and telephony services with existing customers through product bundling and upselling, or by migrating analog cable customers to digital cable services that include various incremental service offerings, such as video-on-demand, digital video recorders and high definition programming. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

At December 31, 2009, we owned and operated networks that passed 16,535,000 homes and served 16,046,600 revenue generating units (RGUs), consisting of 9,420,100 video subscribers, 3,949,300 broadband internet subscribers and 2,677,200 telephony subscribers.

Including the effects of acquisitions, our continuing operations added a total of 375,800 RGUs during 2009. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition RGU additions, our continuing operations added 365,800 RGUs during 2009, as compared to 476,600 RGUs that were added on an organic basis during 2008. The organic RGU growth during 2009 is attributable to the growth of our (i) digital cable services, which added 894,100 RGUs, (ii) broadband internet services, which added 344,400 RGUs, (iii) telephony services, which added 290,400 RGUs and (iv) DTH video services, which added 12,100 RGUs. The growth of our digital cable, telephony, broadband internet and DTH video services was partially offset by (i) a decline in our analog cable RGUS of 1,160,700 and (ii) a decline in our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs of 14,500.

We are experiencing significant competition in all of our broadband communications markets, particularly in Europe. This significant competition, together with the effects of weakened economic conditions and the maturation of certain of our markets, has contributed to:

(i) a decline in the organic growth rate for our consolidated revenue from 4.2% during 2008 to 1.6% during 2009, each as compared to the corresponding prior year;

(ii) organic declines in overall revenue in Hungary during the fourth quarter of 2009, as compared to the third quarter of 2009;

(iii) organic declines in (a) subscription revenue in Austria and Hungary and (b) overall revenue in Austria, Hungary and Romania during 2009, as compared to 2008;

(iv) organic declines in (a) video revenue in Hungary, Austria and the Czech Republic and (b) internet revenue in Austria, Switzerland and Hungary during the fourth quarter of 2009, as compared to the third quarter of 2009;

(v) organic declines in (a) video revenue in Ireland, Hungary, the Czech Republic, Romania and Slovakia, (b) internet revenue in Austria, Hungary and Slovakia and (c) telephony revenue in Chile, Switzerland and Austria during 2009, as compared to 2008;

(vi) A lower number of net organic RGU additions during 2009, as compared to 2008, despite an increase in net organic RGU additions during the fourth quarter of 2009, as compared to the fourth quarter of 2008;

(vii) an organic decline in RGUs in (a) Switzerland, during the fourth quarter of 2009, and (b) Hungary and Switzerland, during the full year 2009;

(viii) organic declines in video RGUs in most of our European markets during the quarter and full year ended December 31, 2009; and

(ix) organic declines in the average monthly subscription revenue per average RGU (ARPU) in several of our markets during the quarter and full year ended December 31, 2009, each as compared to the corresponding period in 2008.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive, economic and, to a lesser extent, regulatory factors. In this regard, most of our broadband communications markets experienced declines in ARPU from broadband internet and telephony services during 2009, as compared to 2008. These declines were largely mitigated by (i) the impact of increased digital cable RGUs and other improvements in our RGU mix and (ii) the implementation of rate increases for analog cable and, to a lesser extent, other product offerings in certain markets.

We continue to face difficult economic environments in most of the countries in which we operate. These economic environments have an adverse impact on our ability to (i) attract new subscribers, (ii) prevent certain of our subscribers from downgrading or disconnecting their services and (iii) maintain or increase ARPUs. Accordingly, our ability to increase, or in certain cases maintain, the revenue, RGUs, operating cash flow, operating cash flow margins and liquidity of our operating subsidiaries could be adversely affected to the extent that relevant economic environments remain weak or decline further. We are currently unable to predict the extent of any of these potential adverse effects.

Over the next few years, we believe that we will continue to be challenged to maintain or improve our organic revenue, RGU and operating cash flow growth rates as we expect that competition will remain strong and that certain of our markets will continue to mature. However, with advanced digital cable offerings and ultra high-speed broadband internet offerings available in most of our markets, we believe that we are well positioned to meet the competition and that we will continue to show growth. Along these lines, we expect that the growth of our broadband communications subsidiaries during this time frame will primarily result from increases in RGUs, as we expect that ARPU will remain relatively unchanged. In this regard, we expect that increases in digital cable, broadband internet and telephony RGUs will more than offset decreases in our analog cable RGUs, and that the positive impact on ARPU from improvements in our product mix, due primarily to the migration of cable subscribers from analog to digital services, will be largely offset by the negative impacts of decreases in our telephony and, to a lesser extent, our broadband internet ARPU. We also believe that during this time frame we will see (i) modest improvements in OCF margins and (ii) declines in aggregate capital expenditures and capital lease additions, as a percentage of revenue. As a result of the competitive and economic environments in which we operate, we also expect that we will continue to be challenged to maintain or improve current subscriber retention rates. To the extent that we experience higher subscriber disconnect rates, it will likely be more difficult to control certain components of our operating, marketing and capital costs. Our expectations with respect to the items discussed in this paragraph are subject to competitive, economic, technological and regulatory developments and other factors outside of our control. Accordingly, no assurance can be given that actual results in future periods will not differ materially from our expectations.

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies or adverse regulatory or economic developments could cause us to decide to undertake previously unplanned upgrades of our broadband communications networks in the impacted markets. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed. For information regarding our capital expenditures, see *Liquidity and Capital Resources – Consolidated Cash Flow Statements*, below.

## Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2009, 2008 and 2007 is affected by acquisitions. In the following discussion, we quantify the impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as certain of our operating segments have functional currencies other than the euro. Our primary exposure to FX risk is currently to the Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in the exchange rates for other local currencies in Europe. In this regard, 57.3% of our euro revenue during 2009 was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

The amounts presented and discussed below represent 100% of each operating segment's revenue and operating cash flow. As we have the ability to control VTR, we consolidate 100% of the revenue and expenses of VTR in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The noncontrolling owner's interest in the operating results of VTR are reflected in net earnings attributable to noncontrolling interests in our consolidated statements of operations.

## Discussion and Analysis of our Reportable Segments

All of the reportable segments set forth below derive their revenue primarily from broadband communications services, including video, voice and broadband internet services. Certain segments also provide B2B services. At December 31, 2009, our operating segments in UPC Europe provided services in nine European countries. Our Other Western Europe segment includes our operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. VTR provides broadband communications services in Chile. UPC Europe's central operations category includes billing systems, network operations, technology, marketing, facilities, finance and other administrative costs.

During 2009, we made certain changes to our reportable segments. Segment information for all periods presented has been reclassified to reflect these changes. For additional information concerning these changes and for other information concerning our reportable segments, including a discussion of our performance measures and a reconciliation of total segment operating cash flow to our loss from continuing operations before income taxes, see note 18 to our consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise operating cash flow (revenue, operating expenses and SG&A expenses, excluding allocable stock-based compensation expense in accordance with our definition of operating cash flow) as well as an analysis of operating cash flow by reportable segment for (i) 2009 as compared to 2008 and (ii) 2008 as compared to 2007. These tables present (i) the amounts reported by each of our reportable segments for the comparative periods, (ii) the euro change and percentage change from period to period and (iii) the percentage change from period to period, after removing FX. The comparisons that exclude FX assume that exchange rates remained constant at the prior year rate during the comparative periods that are included in each table. We have significant exposure to movements in foreign currency exchange rates. We also provide a table showing the operating cash flow margins of our reportable segments for 2009, 2008 and 2007 at the end of this section.

The revenue of our reportable segments includes amounts received from subscribers for ongoing services, installation fees, advertising revenue, mobile telephony revenue, channel carriage fees, telephony interconnect fees, late fees and amounts received for B2B services. Consistent with the presentation of our revenue categories in note 18 to our consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue.

The rates charged for certain video services offered by our broadband communications operations in Europe and Chile are subject to rate regulation. Additionally, in Europe, our ability to bundle or discount our services may be constrained if we are held to be dominant with respect to any product we offer. The amounts we charge and incur with respect to telephony interconnection fees are also subject to regulatory oversight in many of our markets. Adverse outcomes from rate regulation or other regulatory initiatives could have a significant negative impact on our ability to maintain or increase our revenue.

***Revenue of our Reportable Segments***

*Revenue – 2009 compared to 2008*

| | Year ended December 31, 2009 | Year ended December 31, 2008 | Increase (decrease) € | Increase (decrease) % | Increase (decrease) excluding FX % |
|---|---|---|---|---|---|
| | in millions | | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 817.5 | € 803.7 | € 13.8 | 1.7 | 1.7 |
| Switzerland | 731.9 | 692.7 | 39.2 | 5.7 | 0.6 |
| Other Western Europe | 599.0 | 607.4 | (8.4) | (1.4) | (1.4) |
| Total Western Europe | 2,148.4 | 2,103.8 | 44.6 | 2.1 | 0.5 |
| Central and Eastern Europe | 803.1 | 883.7 | (80.6) | (9.1) | 2.3 |
| Central operations | 0.1 | 0.4 | (0.3) | (75.0) | (75.0) |
| Total UPC Europe | 2,951.6 | 2,987.9 | (36.3) | (1.2) | 1.0 |
| VTR (Chile) | 502.3 | 485.0 | 17.3 | 3.6 | 5.7 |
| Total UPC Holding | € 3,453.9 | € 3,472.9 | € (19.0) | (0.5) | 1.6 |

*The Netherlands.* The Netherlands' revenue increased €13.8 million or 1.7% during 2009, as compared to 2008. This increase is attributable to an increase in subscription revenue that was partially offset by a decrease in non-subscription revenue. The increase in subscription revenue during 2009 reflects the net effect of (i) the positive impacts of higher ARPU and a slightly higher number of average RGUs and (ii) the impact of a €4.8 million decrease that is primarily related to favorable analog cable rate settlements with certain municipalities that we recognized in 2008, with €3.1 million of the decrease occurring in the fourth quarter. ARPU increased during 2009, as compared to 2008, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to higher proportions of digital cable, telephony and broadband internet RGUs, (ii) January 2009 price increases for certain video, broadband internet and telephony services and (iii) growth in the Netherlands' digital cable services, including increased revenue from customers selecting higher-priced tiers of service and premium digital services and products, were only partially offset by the negative impacts of (a) competition, (b) lower ARPU from telephony services, due primarily to lower telephony call volumes, and (c) a higher proportion of customers selecting lower-priced tiers of broadband internet services. The slight increase in the average number of RGUs during 2009 is attributable to the net effect of increases in the average numbers of digital cable, telephony and broadband internet RGUs and a decline in the average number of analog RGUs. The decline in the Netherlands' average number of analog cable RGUs is primarily attributable to (i) the effects of significant competition from the incumbent telecommunications operator in the Netherlands and (ii) the migration of analog cable customers to digital cable services. We expect that we will continue to face significant competition from the incumbent telecommunications operator in future periods. The decrease in the Netherlands' non-subscription revenue is primarily attributable to (i) a decrease in revenue from B2B services, due largely to the loss of certain B2B contracts during the latter part of 2008, and (ii) lower interconnect revenue, due largely to January 1, 2009 and July 1, 2009 reductions in termination rates imposed by regulatory authorities.

For information concerning potential adverse impacts on ARPU and revenue from analog cable services as a result of regulatory developments in the Netherlands, see note 17 to our consolidated financial statements.

*Switzerland.* Switzerland's revenue increased €39.2 million or 5.7% during 2009, as compared to 2008. Excluding the effects of FX, Switzerland's revenue increased €4.2 million or 0.6%. This increase is attributable to an increase in subscription revenue that was partially offset by a slight decrease in non-subscription revenue. The increase in subscription revenue is due to an increase in the average number of RGUs and slightly higher ARPU. The increase in the average number of RGUs during 2009 is attributable to the net effect of increases in the average numbers of digital cable, broadband internet and telephony RGUs and a decline in the average number of analog cable RGUs. The decline in the average number of Switzerland's analog cable RGUs is primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. During 2009, competition in Switzerland contributed to a net organic decline in total RGUs, as declines in analog cable and telephony RGUs were only partially offset by increases in digital cable and broadband internet RGUs. ARPU increased slightly during 2009, as compared to 2008, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, and (ii) increased revenue from premium digital services and products more than offset the negative impacts of (a) competition, (b) lower ARPU from telephony services, due primarily to lower telephony call volumes, and (c) lower ARPU from broadband internet services, due primarily to an increase in the proportion of broadband internet subscribers selecting lower-priced tiers of service. The negative effect of the decline in Switzerland's telephony ARPU contributed to an organic decline in revenue from telephony services during 2009, as compared to 2008. The slight decrease in Switzerland's non-subscription revenue is primarily attributable to the net effect of (i) lower revenue from B2B construction services and equipment sales and (ii) an increase in revenue from late fees.

*Other Western Europe.* Other Western Europe's revenue decreased €8.4 million or 1.4% during 2009, as compared to 2008. This decrease is net of an increase of €1.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions, Other Western Europe's revenue decreased €9.9 million or 1.6%. This decrease is attributable to a decrease in subscription revenue that was only partially offset by an increase in non-subscription revenue. The decrease in subscription revenue during 2009 is due to the net effect of lower ARPU and a higher average number of RGUs. The decline in subscription revenue in Other Western Europe, which is largely attributable to the significant competition we are experiencing in Austria and Ireland, includes declines in (i) revenue from broadband internet and telephony services in Austria, and (ii) revenue from video services in Ireland. The declines in Austria's revenue from broadband internet and telephony services led to declines in Austria's subscription and overall revenue during 2009. ARPU decreased in Other Western Europe during 2009, as compared to 2008, due primarily to the negative impacts of (i) competition, (ii) a higher proportion of subscribers selecting lower-priced tiers of digital cable service and fewer premium digital products and services, (iii) a higher proportion of customers selecting lower-priced tiers of broadband internet services and, in Austria, telephony services (including usage-based calling plans) and (iv) in Austria, lower telephony call volumes and an increase in the proportion of subscribers selecting VoIP telephony service, which generally is priced lower than Austria's circuit-switched telephony service. These negative factors were partially offset by the positive impacts of (a) an improvement in RGU mix, primarily attributable to higher proportions of digital cable RGUs, (b) rate increases for certain analog cable, digital cable and broadband internet services and (c) higher telephony call volume and a higher proportion of customers selecting higher-priced tiers of telephony services in Ireland. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by decreases in the average numbers of analog cable and, to a lesser extent, MMDS RGUs. The decline in the average number of analog cable RGUs is primarily attributable to (i) the migration of analog cable customers to digital cable services and (ii) the effects of competition. The negative impact of lower average numbers of analog cable and MMDS RGUs contributed to an organic decline in the average number of video RGUs in Other Western Europe during 2009, as compared to 2008. During the fourth quarter of 2009, Ireland experienced a sequential increase in revenue from premium digital services, due largely to steps taken during the latter part of 2009 to combat signal theft. Other Western Europe's non-subscription revenue increased during 2009, primarily attributable to increases in (i) B2B revenue, due primarily to growth in the number of business broadband internet and telephony customers, and (ii) installation revenue.

*Central and Eastern Europe.* Central and Eastern Europe's revenue decreased €80.6 million or 9.1% during 2009, as compared to 2008. This decrease is net of a €1.4 million increase attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, Central and Eastern Europe's revenue increased €19.0 million or 2.2%. Most of this increase is attributable to an increase in subscription revenue as the positive impact of a higher average number of RGUs was only partially offset by the negative impact of a decrease in ARPU. The increase in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs, which is attributable primarily to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition, led to a decline in the average number of total video RGUs in Central and Eastern Europe during 2009, as compared to 2008. This decline includes average video RGU decreases in Romania, Hungary, the Czech Republic and, to a lesser extent, Slovakia that were only partially offset by a small increase in Poland. The decline in average video RGUs in Romania, Hungary, the Czech Republic and Slovakia led to organic declines in revenue from video services in each of these countries during 2009, as compared to 2008. ARPU decreased in our Central and Eastern Europe segment during 2009, as the negative impacts of (i) competition, (ii) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers of service, (iii) lower analog and digital cable revenue from premium video services and products and (iv) lower telephony call volumes and other changes in telephony subscriber calling patterns were only partially offset by the positive impacts of (a) an improvement in RGU mix, primarily attributable to higher proportions of digital cable and broadband internet RGUs, and (b) rate increases for certain video and telephony services in several countries. Decreases in ARPU from broadband internet services in Hungary and Slovakia led to organic declines in revenue from broadband internet services in each of these countries during 2009, as compared to 2008. Central and Eastern Europe's non-subscription revenue increased during 2009, as compared to 2008, as a decrease in revenue from B2B services in Romania was more than offset by (i) an increase in interconnect revenue, (ii) higher installation revenue and (iii) a net increase resulting from individually insignificant changes in other non-subscription revenue categories.

Although competition is a factor throughout Central and Eastern Europe, we are experiencing particularly intense competition in Hungary and Romania. In Hungary, competition, including competition from a competitor that has overbuilt nearly half of Hungary's broadband communications network, has contributed to declines during the quarter and full year ended December 31, 2009 in (i) video, broadband internet and overall revenue and (ii) ARPU, each as compared to the corresponding period in 2008. In addition, competition has contributed to a decline in the total number of RGUs in Hungary during 2009. In Romania, competition contributed to declines in video revenue and overall revenue during 2009, as compared to 2008. In response to the competition in Hungary and Romania, we have implemented aggressive pricing and marketing strategies. We expect that we will continue to experience significant competition in future periods in Hungary, Romania and other markets within Central and Eastern Europe.

*VTR (Chile).* VTR's revenue increased €17.3 million or 3.6% during 2009, as compared to 2008. Excluding the effects of FX, VTR's revenue increased €27.6 million or 5.7%. Most of this increase is attributable to an increase in subscription revenue that resulted primarily from a higher average number of RGUs. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. ARPU remained relatively constant during 2009 as (i) an improvement in VTR's RGU mix, attributable to a higher proportion of digital cable and broadband internet RGUs, and (ii) increases due to various inflation and other price adjustments for certain video, broadband internet and telephony services were offset by (a) a decrease due to competition, particularly from the incumbent telecommunications operator in Chile, and (b) a decrease due to higher proportions of subscribers selecting lower-priced tiers of video, broadband internet and telephony services. A decline in VTR's telephony ARPU contributed to an organic decline in revenue from telephony services during 2009, as compared to 2008.

*Revenue – 2008 compared to 2007*

| | Year ended December 31, 2008 | Year ended December 31, 2007 | Increase (decrease) € | Increase (decrease) % | Increase (decrease) excluding FX % |
|---|---|---|---|---|---|
| | | in millions | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 803.7 | € 773.5 | € 30.2 | 3.9 | 3.9 |
| Switzerland | 692.7 | 637.1 | 55.6 | 8.7 | 4.9 |
| Other Western Europe | 607.4 | 591.0 | 16.4 | 2.8 | 2.8 |
| Total Western Europe | 2,103.8 | 2,001.6 | 102.2 | 5.1 | 3.9 |
| Central and Eastern Europe | 883.7 | 830.7 | 53.0 | 6.4 | 3.6 |
| Central operations | 0.4 | 2.3 | (1.9) | (82.6) | (82.6) |
| Total UPC Europe | 2,987.9 | 2,834.6 | 153.3 | 5.4 | 3.7 |
| VTR (Chile) | 485.0 | 462.6 | 22.4 | 4.8 | 11.6 |
| Total UPC Holding | € 3,472.9 | € 3,297.2 | € 175.7 | 5.3 | 4.8 |

*The Netherlands.* The Netherlands' revenue increased €30.2 million or 3.9% during 2008, as compared to 2007. This increase is attributable to an increase in subscription revenue that was partially offset by a decrease in non-subscription revenue. The increase in subscription revenue is due to (i) higher ARPU and (ii) a higher number of average RGUs during 2008, as compared to 2007. ARPU was higher during 2008, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to a higher proportion of telephony, digital cable and broadband internet RGUs, (ii) January 2008 price increases for certain video, broadband internet and telephony services and (iii) growth in the Netherlands' digital cable services, including increased revenue from premium digital services and products, were only partially offset by the negative impacts of (a) increased competition, (b) changes in telephony subscriber calling patterns and an increase in the proportion of telephony subscribers selecting fixed-rate calling plans and (c) an increase in the proportion of customers selecting lower-priced tiers of broadband internet services. The increase in average RGUs is attributable to an increase in average telephony, digital cable and broadband internet RGUs that was only partially offset by a decline in average analog cable RGUs. The decline in the Netherlands' average analog cable RGUs is primarily attributable to (i) the migration of certain analog cable customers to digital cable services and (ii) the effects of significant competition from the incumbent telecommunications operator in the Netherlands. We expect that we will continue to face significant competition from the incumbent telecommunications operator in future periods. The increase in subscription revenue during 2008 also includes the impact of a €4.8 million increase that is primarily related to favorable analog cable rate settlements with certain municipalities, with €3.1 million of the impact relating to the fourth quarter of 2008. The decrease in the Netherlands' non-subscription revenue is primarily attributable to (i) a decrease in revenue from B2B services, as increased competition has led to the loss of certain B2B contracts, and (ii) lower revenue from installation fees as a result of higher discounting and lower subscriber additions.

*Switzerland.* Switzerland's revenue increased €55.6 million or 8.7% during 2008, as compared to 2007. Excluding the effects of FX, Switzerland's revenue increased €31.2 million or 4.9%. This increase is attributable to an increase in subscription revenue, due to (i) a higher number of average RGUs and (ii) higher ARPU during 2008. The increase in average RGUs is attributable to increases in average digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in average analog cable RGUs. ARPU was higher during 2008, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to a higher proportion of digital cable, telephony and broadband internet RGUs, (ii) a January 2008 price increase for analog and digital cable services and (iii) Switzerland's digital migration efforts were only partially offset by the negative impacts of (a) increased competition, (b) lower telephony call volume, (c) an increase in the proportion of customers selecting lower-priced tiers of broadband internet services and (d) a lower-priced tier of digital cable services and a decrease in the rental price charged for digital cable set-top boxes that Switzerland began offering in April 2007 to comply with the regulatory framework established by the Swiss Price Regulator in November 2006. Switzerland's non-subscription revenue remained relatively constant during 2008, as a decrease in interconnect revenue was offset by a net increase resulting from individually insignificant changes in other components of non-subscription revenue. The decrease in interconnect revenue primarily is attributable to reductions in interconnect tariffs that were imposed by a regulatory authority during the fourth quarter of 2008. These tariff reductions, which were retroactive to January 1, 2007, resulted in decreases in interconnect revenue of €1.6 million for the year ended December 31, 2008 and €3.0 million for the fourth quarter of 2008, each as compared to the corresponding prior year period.

*Other Western Europe.* Other Western Europe's revenue increased €16.4 million or 2.8% during 2008, as compared to 2007. This increase includes €16.0 million attributable to the impacts of the October 2007 Tirol acquisition and another less significant acquisition. Excluding the effects of these acquisitions, Other Western Europe's revenue increased €0.4 million or 0.1%. This increase is attributable to an increase in subscription revenue, as the positive impact of a higher number of average RGUs during 2008, as compared to 2007, was only partially offset by lower ARPU. The increase in Other Western Europe's average RGUs is attributable to increases in the average number of digital cable, telephony and broadband internet RGUs that were only partially offset by declines in average analog cable and MMDS video RGUs. ARPU decreased during 2008, as the positive impacts of (i) an improvement in Other Western Europe's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, (ii) January 2008 price increases for certain analog cable, digital cable and MMDS video services and (iii) a July 2008 price increase in Ireland for certain broadband internet services were more than offset by the negative impacts of (a) increased competition, (b) lower telephony call volume and (c) an increase in the proportion of subscribers selecting VoIP telephony service, which generally is priced lower than circuit-switched telephony service. In Austria, subscription revenue decreased during 2008, as compared to 2007. This decrease, which is largely related to the significant competition we are experiencing in Austria, includes declines in revenue from broadband internet and telephony services that were only partially offset by an increase in revenue from video services. Other Western Europe's non-subscription revenue decreased slightly during 2008, as compared to 2007, as a decrease in installation revenue in Austria was only partially offset by a net increase resulting from individually insignificant changes in other components of Other Western Europe's non–subscription revenue.

*Central and Eastern Europe.* Central and Eastern Europe's revenue increased €53.0 million or 6.4% during 2008, as compared to 2007. This increase includes €4.3 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, Central and Eastern Europe's revenue increased €25.2 million or 3.0%. Most of this increase is attributable to an increase in subscription revenue as a result of the positive impact of higher average RGUs during 2008 that was only partially offset by the negative impact of lower ARPU. The increase in average RGUs is attributable to increases in average broadband internet RGUs (mostly in Poland, Romania, Hungary and the Czech Republic) and telephony RGUs (mostly related to the expansion of VoIP telephony services in Hungary, the Czech Republic, Poland and Romania), that were only partially offset by a decline in average video RGUs. The decline in average video RGUs is attributable to decreases in Romania and, to a lesser extent, the Czech Republic, Hungary and Slovakia that were only partially offset by a small increase in Poland. ARPU declined in Central and Eastern Europe during 2008, as compared to 2007, as the positive impacts of (i) an improvement in RGU mix, primarily attributable to a higher proportion of digital cable (due in part to the second quarter 2008 launch of digital cable services in Poland and Slovakia) and broadband internet RGUs, and (ii) rate increases for video services in certain countries were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers of service and (c) changes in telephony subscriber calling patterns and an increase in the proportion of telephony subscribers selecting fixed-rate calling plans. An increase in non-subscription revenue also contributed to the increase in revenue during 2008, primarily attributable to increases in installation, interconnect and B2B revenue.

In Romania, competition contributed to (i) an organic decline in total RGUs during the three months ended December 31, 2008 and (ii) declines in ARPU, video revenue and overall revenue during 2008, as compared to 2007. In response to the elevated level of competition in Romania, we implemented aggressive pricing and marketing strategies. These strategies, which contributed to the organic decline in Romania's revenue during 2008, were implemented with the objective of maintaining our market share in Romania and enhancing our prospects for continued revenue growth in future periods. In Hungary, competition contributed to a decline in subscription revenue during 2008, as compared to 2007, as a decline in revenue from video services was only partially offset by increases in revenue from broadband internet and telephony services. In the case of the Czech Republic, competition has contributed to declines during 2008, as compared to 2007, in (i) ARPU from all product categories and (ii) revenue from video services.

*VTR (Chile).* VTR's revenue increased €22.4 million or 4.8% during 2008, as compared to 2007. Excluding the effects of FX, VTR's revenue increased €53.4 million or 11.6%. This increase is attributable to an increase in subscription revenue, due primarily to higher average numbers of broadband internet, telephony and video RGUs during 2008 and, to a lesser extent, a slight increase in ARPU. ARPU increased slightly during 2008, as the positive impacts of (i) an improvement in VTR's RGU mix, attributable to a higher proportion of digital cable and broadband internet RGUs, (ii) various inflation adjustments for certain video, broadband internet and telephony services and (iii) the continued migration of certain telephony subscribers to an unlimited fixed-rate calling plan were only partially offset by the negative impacts of (a) increased competition, particularly from the incumbent telecommunications operator in Chile, and (b) an increase in the proportion of subscribers selecting lower-priced tiers of analog video services.

***Operating Expenses of our Reportable Segments***

*Operating expenses – 2009 compared to 2008*

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX |
|---|---|---|---|---|---|
| | 2009 | 2008 | € | % | % |
| | in millions | | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 249.3 | € 253.3 | € (4.0) | (1.6) | (1.6) |
| Switzerland | 221.4 | 220.8 | 0.6 | 0.3 | (4.6) |
| Other Western Europe | 228.8 | 236.5 | (7.7) | (3.3) | (3.3) |
| Total Western Europe | 699.5 | 710.6 | (11.1) | (1.6) | (3.1) |
| Central and Eastern Europe | 296.5 | 314.1 | (17.6) | (5.6) | 6.4 |
| Central operations | 37.5 | 35.5 | 2.0 | 5.6 | 6.5 |
| Total UPC Europe | 1,033.5 | 1,060.2 | (26.7) | (2.5) | 0.1 |
| VTR (Chile) | 214.9 | 202.3 | 12.6 | 6.2 | 8.2 |
| Total operating expenses excluding stock-based compensation expense | 1,248.4 | 1,262.5 | (14.1) | (1.1) | 1.4 |
| Stock-based compensation expense | 2.6 | 4.7 | (2.1) | (44.7) | |
| Total UPC Holding | € 1,251.0 | € 1,267.2 | € (16.2) | (1.3) | |

*General.* Operating expenses include programming, network operations, interconnect, customer operations, customer care, stock-based compensation expense and other direct costs. We do not include stock-based compensation in the following discussion and analysis of the operating expenses of our reportable segments as stock-based compensation expense is not included in the performance measures of our reportable segments. Stock-based compensation expense is discussed under the *Discussion and Analysis of Our Consolidated Operating Results* below. Programming costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of the expansion of service offerings and the potential for price increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments (non-functional currency expenses). Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins.

*UPC Europe.* UPC Europe's operating expenses (exclusive of stock-based compensation expense) decreased €26.7 million or 2.5% during 2009, as compared to 2008. This decrease is net of a €1.2 million increase attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses decreased €0.6 million or 0.1%. This decrease includes the following factors:

- An increase in programming and related costs of €16.0 million or 6.7%, due primarily to (i) growth in digital cable services, predominantly in the Netherlands, Poland, Romania and Austria, and (ii) FX with respect to non-functional currency expenses associated with certain programming contracts in Central and Eastern Europe, particularly in Romania, Poland and Hungary. These increases were partially offset by a decrease in programming and related costs in Ireland as a result of (i) a lower average number of video cable RGUs and (ii) the impact of subscribers selecting lower-priced tiers of digital cable services and products;

- A decrease in interconnect and access costs of €13.1 million or 10.6%, due primarily to the net effect of (i) lower interconnect and access rates in the Netherlands and Austria, (ii) lower B2B volume in the Netherlands and (iii) higher interconnect rates and growth in the number of telephony and internet subscribers in Ireland. These decreases were partially offset by the impact of interconnect tariff reductions that were imposed by a regulatory authority in Switzerland during the fourth quarter of 2008. The fourth quarter 2008 adjustments that we recorded to reflect these tariff reductions, which were retroactive to January 1, 2007, gave rise to increases in interconnect expense of €2.1 million and €1.0 million during the quarter and year ended December 31, 2009, respectively;

- An increase in network and information technology related expenses of €12.3 million or 9.8%, due primarily to (i) higher maintenance costs in UPC Europe's central operations, the Netherlands and Poland, (ii) higher utility costs in Poland and (iii) an increase relating to the impact of a €1.9 million energy tax credit received by the Netherlands during the fourth quarter of 2008;

- A decrease associated with lower levels of B2B construction services and equipment sales in Switzerland of €9.0 million;

- A decrease in personnel costs of €5.1 million or 2.4%, due primarily to certain restructuring activities in Austria and lower staffing levels in Romania;

- A decrease in bad debt and collection expenses of €2.1 million, due largely to decreases in bad debt expenses in Romania and Ireland that were only partially offset by increases in Switzerland and Austria. The decrease in bad debt expense in Romania, which amounted to €6.7 million, was due primarily to Romania's improved credit and collection policies; and

- A net increase resulting from individually insignificant changes in other operating expense categories.

*VTR (Chile).* VTR's operating expenses (exclusive of stock-based compensation expense) increased €12.6 million or 6.2% during 2009, as compared to 2008. Excluding the effects of FX, VTR's operating expenses increased €16.7 million or 8.2%. This increase includes the following factors:

- An increase in programming and related costs of €9.5 million or 15.4%, due primarily to (i) growth in VTR's digital cable services and (ii) foreign currency exchange fluctuations with respect to VTR's U.S. dollar denominated programming contracts. Most of VTR's programming costs are denominated in U.S. dollars;

- An increase in bad debt expense of €5.9 million, due primarily to (i) an increase in VTR's customer base and (ii) the impact of difficult economic conditions. An increase associated with the €2.3 million impact of a second quarter 2008 reversal of a bad debt reserve in connection with the settlement of an interconnect fee dispute also contributed to the increase;

- A decrease in interconnect and access costs of €5.8 million or 13.3%, due primarily to the net effect of (i) decreases associated with lower tariff rates and call volumes and (ii) increases associated with higher average numbers of broadband internet and telephony subscribers; and

- An increase in network-related expenses of €5.1 million or 20.3%, due primarily to higher maintenance and materials costs.

*Operating expenses – 2008 compared to 2007*

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX |
|---|---|---|---|---|---|
| | 2008 | 2007 | € | % | % |
| | | in millions | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 253.3 | € 269.9 | € (16.6) | (6.2) | (6.2) |
| Switzerland | 220.8 | 226.7 | (5.9) | (2.6) | (5.8) |
| Other Western Europe | 236.5 | 246.1 | (9.6) | (3.9) | (3.9) |
| Total Western Europe | 710.6 | 742.7 | (32.1) | (4.3) | (5.3) |
| Central and Eastern Europe | 314.1 | 300.4 | 13.7 | 4.6 | 3.0 |
| Central operations | 35.5 | 53.2 | (17.7) | (33.3) | (33.3) |
| Total UPC Europe | 1,060.2 | 1,096.3 | (36.1) | (3.3) | (4.4) |
| VTR (Chile) | 202.3 | 198.7 | 3.6 | 1.8 | 8.5 |
| Total operating expenses excluding stock-based compensation expense | 1,262.5 | 1,295.0 | (32.5) | (2.5) | (2.4) |
| Stock-based compensation expense | 4.7 | 3.4 | 1.3 | 38.2 | |
| Total UPC Holding | € 1,267.2 | € 1,298.4 | € (31.2) | (2.4) | |

*UPC Europe.* UPC Europe's operating expenses (exclusive of stock-based compensation expense) decreased €36.1 million or 3.3% during 2008, as compared to 2007. This increase includes €7.3 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses decreased €55.3 million or 5.0%. This decrease includes the following factors:

- A decrease in interconnect and access costs of €21.6 million or 11.9%, due primarily to (i) lower interconnect and access rates in Austria, Switzerland and the Netherlands, (ii) lower B2B volume in the Netherlands, (iii) decreased telephony usage in Austria and (iv) reductions in interconnect tariffs in Switzerland that were imposed by a regulatory authority during the fourth quarter of 2008. These tariff reductions, which were retroactive to January 1, 2007, resulted in decreases in interconnect expense of €1.0 million for the year ended December 31, 2008 and €1.9 million for the fourth quarter of 2008, each as compared to the corresponding prior year period;

- A decrease in personnel costs of €12.3 million or 5.6%, due largely to (i) decreased staffing levels, particularly in (a) the Netherlands, in connection with the integration of certain components of the Netherlands' operations, (b) Switzerland and Austria, in connection with the increased usage of third parties to manage excess call volume and (c) Romania, in connection with certain restructuring activities, and (ii) an increase in personnel and related costs allocable to capital activities, such as the installation of customer premise equipment for digital cable services;

- A decrease in network related expenses of €6.9 million or 6.1%, due primarily to (i) cost containment efforts in Switzerland and the Netherlands and (ii) the impact of a €1.9 million energy tax credit received by the Netherlands during the fourth quarter of 2008;

- A decrease in management fees of €6.4 million, due primarily to the renegotiation of an agreement with the noncontrolling interest owner of one of our operating subsidiaries in Austria;

- An increase in outsourced labor and consulting fees of €6.2 million or 7.5%, associated with the use of third parties to manage excess call center volume, primarily in Switzerland, Austria and the Czech Republic. This increase, which was due in part to growth in digital cable services, was partially offset by a decrease in Ireland associated with higher costs during 2007 related to a billing system conversion and the integration of certain call center operations;

- An increase in programming and related costs of €3.1 million or 1.4%, due primarily to growth in digital cable services, predominantly in the Netherlands, Austria and Switzerland. These increases were partially offset by decreases in programming and related costs as a result of lower analog cable RGUs in Romania, Hungary, the Czech Republic and Ireland;

- A decrease in bad debt expense of €1.0 million, due primarily to reductions in bad debt expense in Switzerland, Austria and to a lesser extent, the Czech Republic, the Netherlands, and Ireland, due largely to improved credit and collection procedures. These decreases were largely offset by a €5.5 million increase in bad debt expense in Romania; and

- A net decrease resulting from individually insignificant changes in other operating expense categories.

*VTR (Chile).* VTR's operating expenses (exclusive of stock-based compensation expense) increased €3.6 million or 1.8% during 2008, as compared to 2007. Excluding the effects of FX, VTR's operating expenses increased €17.0 million or 8.5%. This increase includes the following factors:

- An increase in programming and related costs of €9.1 million or 17.3%, due primarily to increases in the average number of VTR's video RGUs, an increasing proportion of which consists of digital cable RGUs;

- An increase in interconnect and access charges of €6.0 million or 14.7%, due primarily to (i) a higher volume of traffic associated with increases in VTR's telephony RGUs and (ii) increased costs associated with (a) increased usage of broadband internet services, due in part to speed upgrades that were completed in March 2008 and November 2008, and (b) an increase in VTR's broadband internet RGUs;

- An increase in personnel costs of €2.3 million or 5.9%, largely due to periodic wage increases, including inflation adjustments; and

- An increase in bad debt expense of €1.2 million, as increases associated with RGU growth and weak economic conditions in Chile were only partially offset by a €2.4 million decrease associated with the impact of the second quarter 2008 reversal of a bad debt reserve in connection with the settlement of an interconnect fee dispute.

### SG&A Expenses of our Reportable Segments

*SG&A expenses – 2009 compared to 2008*

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX |
|---|---|---|---|---|---|
| | 2009 | 2008 | € | % | % |
| | | in millions | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 91.2 | € 93.2 | € (2.0) | (2.1) | (2.1) |
| Switzerland | 105.7 | 103.6 | 2.1 | 2.0 | (2.9) |
| Other Western Europe | 89.2 | 88.8 | 0.4 | 0.5 | 0.5 |
| Total Western Europe | 286.1 | 285.6 | 0.5 | 0.2 | (1.6) |
| Central and Eastern Europe | 94.8 | 108.0 | (13.2) | (12.2) | (0.9) |
| Central operations | 80.8 | 88.9 | (8.1) | (9.1) | (9.0) |
| Total UPC Europe | 461.7 | 482.5 | (20.8) | (4.3) | (2.8) |
| VTR (Chile) | 81.0 | 81.8 | (0.8) | (1.0) | 1.7 |
| Total SG&A expenses excluding stock-based compensation expense | 542.7 | 564.3 | (21.6) | (3.8) | (2.1) |
| Stock-based compensation expense | 12.5 | 22.9 | (10.4) | (45.4) | |
| Total UPC Holding | € 555.2 | € 587.2 | € (32.0) | (5.4) | |

*General.* SG&A expenses include human resources, information technology, general services, management, finance, legal and marketing costs, stock-based compensation and other general expenses. We do not include stock-based compensation in the following discussion and analysis of the SG&A expenses of our reportable segments as stock-based compensation expense is not included in the performance measures of our reportable segments. Stock-based compensation expense is discussed under the *Discussion and Analysis of Our Consolidated Operating Results* below. As noted under *Operating Expenses* above, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to non-functional currency expenses.

*UPC Europe.* UPC Europe's SG&A expenses (exclusive of stock-based compensation expense) decreased €20.8 million or 4.3% during 2009, as compared to 2008. This decrease is net of a €0.2 million increase attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses decreased €13.7 million or 2.8%. This decrease includes the following factors:

- A decrease in outsourced labor and professional fees of €5.0 million or 24.0%, due primarily to (i) a decrease in system implementation and other information technology costs incurred by UPC Europe's central operations, (ii) a decrease related to costs incurred during 2008 associated with a billing system migration in Switzerland and (iii) a decrease in consulting costs in the Netherlands related to sales and marketing and information technology activities;

- A €3.1 million increase due to the impact of a favorable settlement of a value added tax contingency in Switzerland during the fourth quarter of 2008;

- A decrease in sales and marketing costs of €2.8 million or 2.0%, due largely to lower marketing expenditures in Austria, the Netherlands, Hungary and the Czech Republic; and

- A net decrease resulting from individually insignificant changes in telecommunications, travel and entertainment, personnel and other SG&A expense categories, due largely to cost containment efforts.

*VTR (Chile).* VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €0.8 million or 1.0% during 2009, as compared to 2008. Excluding the effects of FX, VTR's SG&A expenses increased €1.4 million or 1.7%. This increase includes the following factors:

- An increase in sales and marketing costs of €2.2 million or 10.2%, due primarily to (i) higher sales commissions and (ii) an increase in marketing efforts;

- A decrease in labor and related costs of €1.7 million or 5.2%, due primarily to reduced staffing levels; and

- A net increase resulting from individually insignificant changes in other SG&A expense categories, including a decrease associated with legal fees incurred during the second quarter 2008 in connection with the settlement of an interconnect fee dispute.

*SG&A expenses – 2008 compared to 2007*

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX |
|---|---|---|---|---|---|
| | **2008** | **2007** | **€** | **%** | **%** |
| | | in millions | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 93.2 | € 103.3 | € (10.1) | (9.8) | (9.8) |
| Switzerland | 103.6 | 105.2 | (1.6) | (1.5) | (5.7) |
| Other Western Europe | 88.8 | 96.1 | (7.3) | (7.6) | (7.6) |
| Total Western Europe | 285.6 | 304.6 | (19.0) | (6.2) | (7.7) |
| Central and Eastern Europe | 108.0 | 110.6 | (2.6) | (2.4) | (4.2) |
| Central operations | 88.9 | 84.9 | 4.0 | 4.7 | 4.7 |
| Total UPC Europe | 482.5 | 500.1 | (17.6) | (3.5) | (4.8) |
| VTR (Chile) | 81.8 | 82.5 | (0.7) | (0.8) | 4.8 |
| Total SG&A expenses excluding stock-based compensation expense | 564.3 | 582.6 | (18.3) | (3.1) | (3.4) |
| Stock-based compensation expense | 22.9 | 16.6 | 6.3 | 38.0 | |
| Total UPC Holding | € 587.2 | € 599.2 | € (12.0) | (2.0) | |

N.M. – Not Meaningful.

*UPC Europe.* UPC Europe's SG&A expenses (exclusive of stock-based compensation expense) decreased €17.6 million or 3.5% during 2008, as compared to 2007. This decrease is net of an increase of €2.6 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses decreased €26.6 million or 5.3%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €12.5 million or 8.7%, due primarily to decreases related to (i) the Netherlands' continued emphasis during the 2008 periods on more efficient marketing strategies, (ii) cost containment efforts in Hungary and Austria and (iii) decreased costs due to a UPC rebranding campaign during 2007. These decreases were partially offset by (i) an increase in the costs incurred in Poland to support the launch of digital cable services and (ii) an increase associated with the impact of a favorable first quarter 2007 settlement related to number porting charges in Switzerland;

- A decrease in outsourced labor and professional fees of €9.5 million or 22.1%, due primarily to decreases in certain central costs and certain costs incurred in the Netherlands, Ireland, Switzerland and Romania;

- A €3.1 million decrease associated with the impact of a favorable settlement of a value added tax contingency in Switzerland during the fourth quarter of 2008; and

- A decrease in personnel costs of €1.6 million or 0.8%, as increases in personnel and related costs allocable to capital activities, such as the installation of billing and support systems were only partially offset by the impacts of increases in staffing levels and annual wage increases.

*VTR (Chile).* VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €0.7 million or 0.8% during 2008, as compared to 2007. Excluding the effects of FX, VTR's SG&A expenses increased €4.0 million or 4.8%. This increase includes (i) an increase in legal fees of €1.2 million, due primarily to the second quarter 2008 settlement of an interconnect fee dispute, (ii) an increase in personnel costs of €0.9 million or 3.1%, due largely to periodic wage increases, including inflation adjustments, and (iii) a net increase in utility costs and other individually insignificant changes in other expense categories.

### *Operating Cash Flow of our Reportable Segments*

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization, and impairment, restructuring and other operating charges or credits). For additional information concerning this performance measure and for a reconciliation of total segment operating cash flow to our loss from continuing operations before income taxes, see note 18 to our consolidated financial statements.

*Operating Cash Flow – 2009 compared to 2008*

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX |
|---|---|---|---|---|---|
| | 2009 | 2008 | € | % | % |
| | in millions | | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 477.0 | € 457.2 | € 19.8 | 4.3 | 4.3 |
| Switzerland | 404.8 | 368.3 | 36.5 | 9.9 | 4.7 |
| Other Western Europe | 281.0 | 282.1 | (1.1) | (0.4) | (0.4) |
| Total Western Europe | 1,162.8 | 1,107.6 | 55.2 | 5.0 | 3.2 |
| Central and Eastern Europe | 411.8 | 461.6 | (49.8) | (10.8) | 0.3 |
| Central operations | (118.2) | (124.0) | 5.8 | 4.7 | 4.4 |
| Total UPC Europe | 1,456.4 | 1,445.2 | 11.2 | 0.8 | 3.0 |
| VTR (Chile) | 206.4 | 200.9 | 5.5 | 2.7 | 4.7 |
| Total | € 1,662.8 | € 1,646.1 | € 16.7 | 1.0 | 3.2 |

*Operating Cash Flow – 2008 compared to 2007*

| | Year ended December 31, | | Increase | | Increase excluding FX |
|---|---|---|---|---|---|
| | 2008 | 2007 | € | % | % |
| | in millions | | | | |
| UPC Europe: | | | | | |
| The Netherlands | € 457.2 | € 400.3 | € 56.9 | 14.2 | 14.2 |
| Switzerland | 368.3 | 305.2 | 63.1 | 20.7 | 16.5 |
| Other Western Europe | 282.1 | 248.8 | 33.3 | 13.4 | 13.4 |
| Total Western Europe | 1,107.6 | 954.3 | 153.3 | 16.1 | 14.7 |
| Central and Eastern Europe | 461.6 | 419.7 | 41.9 | 10.0 | 6.0 |
| Central operations | (124.0) | (135.8) | 11.8 | 8.7 | 8.7 |
| Total UPC Europe | 1,445.2 | 1,238.2 | 207.0 | 16.7 | 14.3 |
| VTR (Chile) | 200.9 | 181.4 | 19.5 | 10.7 | 17.9 |
| Total | € 1,646.1 | € 1,419.6 | € 226.5 | 16.0 | 14.8 |

*Operating Cash Flow Margin – 2009, 2008 and 2007*

The following table sets forth the operating cash flow margins of our reportable segments:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | | % | |
| UPC Europe: | | | |
| The Netherlands | 58.3 | 56.9 | 51.8 |
| Switzerland | 55.3 | 53.2 | 47.9 |
| Other Western Europe | 46.9 | 46.4 | 42.1 |
| Total Western Europe | 54.1 | 52.6 | 47.7 |
| Central and Eastern Europe | 51.3 | 52.2 | 50.5 |
| Total UPC Europe, including central operations | 49.3 | 48.4 | 43.7 |
| VTR (Chile) | 41.1 | 41.4 | 39.2 |

While we experienced improvement in the operating cash flow margins of most of our reportable segments during 2009, as compared to 2008, competitive and economic factors have resulted in (i) a decline in the operating cash flow margin of Central and Eastern Europe and (ii) relatively flat operating cash flow margins for Other Western Europe and VTR. Foreign currency impacts associated with non-functional currency expenses have also negatively impacted our operating cash flow margins, particularly in Central and Eastern Europe and VTR. The improvements in the operating cash flow margins of the Netherlands and Switzerland are largely a function of increased operational leverage resulting from (i) revenue growth that is more than offsetting the accompanying increases in operating and SG&A expenses and/or (ii) cost containment efforts. For additional discussion of the factors contributing to the changes in the operating cash flow margins of our reportable segments, see the above analyses of the revenue, operating expenses and SG&A expenses of our reportable segments. As compared to 2009, we currently expect that during 2010 (i) the operating cash flow margins of VTR will improve slightly and (ii) the operating cash flow margins of UPC Europe will remain relatively constant. Our expectations with respect to the operating cash flow margins of VTR do not take into account the impacts of the February 27, 2010 earthquake in Chile. For additional information, see note 19 to our consolidated financial statements. As discussed under *Overview* and *Discussion and Analysis of our Reportable Segments* above, most of our broadband communications operations are experiencing significant competition and difficult economic conditions. Sustained or increased competition, particularly in combination with difficult economic conditions, could adversely affect our ability to maintain or improve the operating cash flow margins of our reportable segments.

## Discussion and Analysis of our Consolidated Operating Results

### *General*

For more detailed explanations of the changes in our revenue, operating expenses and SG&A expenses, see the *Discussion and Analysis of Reportable Segments* that appears above.

### *2009 compared to 2008*

*Revenue*

Our revenue by major category is set forth below:

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX | Increase (decrease) excluding acquisitions and FX |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | € | % | % | % |
| | in millions | | | | | |
| Subscription revenue (a): | | | | | | |
| Video | € 1,727.9 | € 1,758.2 | € (30.3) | (1.7) | 0.8 | 0.7 |
| Broadband internet | 856.5 | 838.6 | 17.9 | 2.1 | 4.9 | 4.7 |
| Telephony | 482.5 | 483.5 | (1.0) | (0.2) | 1.4 | 1.4 |
| Total subscription revenue | 3,066.9 | 3,080.3 | (13.4) | (0.4) | 2.0 | 1.9 |
| Other revenue (b) | 387.0 | 392.6 | (5.6) | (1.4) | (1.3) | (1.3) |
| Total UPC Holding | € 3,453.9 | € 3,472.9 | € (19.0) | (0.5) | 1.6 | 1.6 |

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the methodology used to allocate bundling discounts may vary somewhat between our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue (including B2B and installation revenue).

*Total revenue.* Our consolidated revenue decreased €19.0 million during 2009, as compared to 2008. This decrease is net of an increase of €2.9 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €54.4 million or 1.6%.

*Subscription revenue.* Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €59.5 million or 1.9% during 2009, as compared to 2008. This increase is attributable to (i) a €39.8 million or 4.7% increase in subscription revenue from broadband internet services, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) a €12.9 million or 0.7% increase in subscription revenue from video services, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs and (iii) a €6.8 million or 1.4% increase in subscription revenue from telephony services, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

*Other revenue.* Excluding the effects of acquisitions and FX, our consolidated other revenue decreased €5.1 million, or 1.3%, during 2009, as compared to 2008. This decrease is primarily attributable to the net effect of (i) decreases in B2B and interconnect revenue and (ii) higher installation revenue.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of Reportable Segments – Revenue – 2009 compared to 2008* above. For information regarding the competitive environment in certain of our markets, see *Overview* and *Discussion and Analysis of our Reportable Segments* above.

*Operating expenses*

Our operating expenses decreased €16.2 million during 2009, as compared to 2008. This decrease is net of an increase of €1.2 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €2.1 million during 2009. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, total consolidated operating expenses increased €16.1 million or 1.3% during 2009, as compared to 2008. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses – 2009 compared to 2008* above, this increase generally reflects the net impact of (i) increases in programming and other direct costs, (ii) decreases in interconnect and access charges, (iii) increases in network and information technology related expenses and (iv) less significant net decreases in other operating expense categories.

*SG&A expenses*

Our SG&A expenses decreased €32.0 million during 2009, as compared to 2008. This decrease is net of an increase of €0.2 million increase that is attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €10.4 million during 2009. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and stock-based compensation expense, total consolidated SG&A expenses decreased €12.3 million or 2.2% during 2009, as compared to 2008. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses – 2009 compared to 2008* above, this decrease generally reflects the net impact of (i) net decreases in outsourced labor and professional fees, (ii) decreases in personnel costs and (iii) less significant net decreases in other SG&A expense categories.

*Stock-based compensation expense (included in operating and SG&A expenses)*

Our stock-based compensation includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with stock incentive awards held by employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

| | Year ended December 31, 2009 | Year ended December 31, 2008 |
|---|---|---|
| | in millions | |
| LGI common stock: | | |
| LGI Performance Plans (a) | € 3.9 | € 23.8 |
| Stock options, SARs, restricted stock and restricted stock units | 9.7 | 8.5 |
| Total LGI common stock | 13.6 | 32.3 |
| Other | 1.5 | (4.7) |
| Total | € 15.1 | € 27.6 |
| Included in: | | |
| Operating expense | € 2.6 | € 4.7 |
| SG&A expense | 12.5 | 22.9 |
| Total | € 15.1 | € 27.6 |

(a) The stock-based compensation expense related to the LGI Performance Plans during 2009 includes a €0.8 million reduction associated with the first quarter 2009 settlement of the second installment of awards under the LGI Performance Plans and a €8.2 million reduction related to the first quarter 2009 forfeiture of certain awards.

For additional information concerning our stock-based compensation, see note 13 to our consolidated financial statements.

*Depreciation and amortization expense*

Our depreciation and amortization expense decreased €31.4 million during 2009, as compared to 2008. Excluding the effect of FX, depreciation and amortization expense decreased €8.8 million or 0.8%. This decrease is due primarily to the net effect of (i) decreases associated with certain assets becoming fully depreciated, primarily in Switzerland and Hungary, (ii) increases associated with capital expenditures related to the installation of customer premise equipment, the expansion and upgrade of our networks and other capital initiatives and (iii) increases associated with acquisitions.

*Impairment, restructuring and other operating charges, net*

We recognized impairment, restructuring and other operating charges, net, of €90.5 million and €118.9 million during 2009 and 2008, respectively. As further described below, these amounts include impairment charges of €84.7 million and €107.0 million, respectively, to reduce the carrying value of the goodwill associated with our Romanian reporting unit. The 2009 period also includes restructuring charges of €8.1 million. The 2008 period also includes the net effect of (i) restructuring charges aggregating €13.7 million, including (a) aggregate charges of €8.4 million related to reorganization and integration activities in certain of our European operations and (b) a €4.3 million charge related to the reorganization of certain of VTR's administrative and operational functions.

During the fourth quarter of 2008, we concluded that the fair value of our broadband communications reporting unit in Romania was less than its carrying value and that the implied fair value of the goodwill related to this reporting unit was less than its carrying value. The fair value of the reporting unit was based on discounted cash flow analyses that contemplated, among other matters, (i) the current and expected future impact of competition in Romania, (ii) anticipated costs associated with requirements imposed by certain municipalities to move aerial cable to underground ducts and (iii) the impact of disruptions in the credit and equity markets on our weighted average cost of capital with respect to our Romanian reporting unit. Accordingly, we recorded a €107.0 million charge during the fourth quarter of 2008 to reflect this goodwill impairment.

During June 2009, we concluded that an additional goodwill impairment charge was warranted for our reporting unit in Romania, due largely to adverse competitive and economic factors, including changes in foreign currency exchange rates that adversely impacted U.S. dollar and euro denominated cash outflows. These factors have led to (i) lower than expected levels of revenue, cash flows and subscribers and (ii) declines in the forecasted cash flows of our Romanian reporting unit. Consistent with our approach to the valuation of this reporting unit during the fourth quarter of 2008, our June 2009 fair value assessment was based primarily on a discounted cash flow analysis due to the limited number of recent transactions involving businesses similar to our Romanian reporting unit. Based on this discounted cash flow analysis, which reflected the aforementioned declines in forecasted cash flows and a discount rate of 19%, we determined that an additional goodwill impairment charge of €84.7 million was necessary to reflect a further decline in the fair value of our Romanian reporting unit.

We continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity value declines or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant. For additional information, see related discussion under *Critical Accounting Policies, Judgments and Estimates* below.

For additional information concerning our restructuring charges, see note 15 to our consolidated financial statements.

*Interest expense – third party*

Our third-party interest expense decreased €80.3 million during 2009, as compared to 2008. Excluding the effects of FX, third-party interest expense decreased €80.0 million as a decrease associated with a lower weighted average interest rate during 2009 more than offset an increase associated with a higher average outstanding debt balance. The decline in our weighted average interest rates is due primarily to lower interest rates on the UPC Broadband Holding Bank Facility and our other variable-rate indebtedness.

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates incurred on our variable-rate indebtedness could increase in future periods. We use derivative instruments to manage our interest rate risks.

*Interest expense – related party*

Our consolidated related-party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related-party interest expense decreased €48.4 million during 2009 as compared to 2008. The decrease during 2009 reflects the effect of (i) decrease in the weighted average interest rate on our shareholder loan and (ii) a decrease in the average outstanding balance of our shareholder loan during the 2009 period, as compared to the corresponding prior year period. For additional information, see notes 10 and 14 to our consolidated financial statements.

*Interest income*

Our interest income decreased €7.2 million during 2009, as compared to 2008. This decrease primarily is attributable to the net impact of (i) a lower weighted average interest return and (ii) higher average cash balances invested.

*Realized and unrealized losses on derivative instruments, net*

Our realized and unrealized losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the underlying contracts are fully or partially settled and (ii) realized gains (losses) upon the full or partial settlement of the underlying contracts. The details of our realized and unrealized losses on derivative instruments, net, are as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2009 | 2008 |
| | in millions | |
| Cross-currency and interest rate derivative contracts (a) | € (638.3) | € (179.1) |
| Foreign currency forward contracts | (5.7) | 0.9 |
| Embedded derivatives | 1.1 | (3.7) |
| Total | € (642.9) | € (181.9) |

(a) The loss during 2009 primarily is attributable to the net effect of (i) losses associated with increases in the values of the Chilean peso, euro and Swiss franc, relative to the U.S. dollar, (ii) losses associated with decreases in market interest rates in the euro, Swiss franc, Romanian lei and Hungarian forint markets, (iii) losses associated with increases in the values of the Chilean peso and Swiss franc relative to the euro and (iv) gains associated with increases in market interest rates in the Polish zloty, U.S. dollar, Czech koruna and Chilean peso markets. In addition, the 2009 loss includes a loss of €14.1 million resulting from changes in our credit risk valuation adjustments, as further described in notes 7 and 8 to our consolidated financial statements. The loss during 2008 primarily is attributable to the net effect of (i) losses associated with decreases in market interest rates in all of our currency markets, (ii) gains associated with decreases in the values of the Polish zloty and Romanian lei relative to the euro, (iii) a gain associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (iv) a loss associated with an increase in the value of the Swiss franc relative to the euro and (v) a loss associated with an increase in the value of the euro relative to the U.S. dollar. In addition, the 2008 loss includes a gain of €66.4 million related to credit risk valuation adjustments, as further described in notes 7 and 8 to our consolidated financial statements.

For additional information concerning our derivative instruments, see note 7 to our consolidated financial statements.

*Foreign currency transaction gains (losses), net*

Our foreign currency transaction gains (losses) primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains (losses) are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

| | Year ended December 31, 2009 | 2008 |
|---|---|---|
| | in millions | |
| U.S. dollar denominated debt issued by a Latin American subsidiary | € 78.4 | € (78.5) |
| U.S. dollar denominated debt issued by European subsidiaries | 36.1 | (55.1) |
| Cash and restricted cash denominated in a currency other than the entity's functional currency | (11.7) | 3.1 |
| Intercompany notes denominated in a currency other than the entity's functional currency (a) | (2.8) | (53.0) |
| Other | 2.6 | (1.8) |
| Total | € 102.6 | € (185.3) |

(a) Amounts are related to (i) loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary. Accordingly, these gains (losses) are a function of movements of the euro against (a) the U.S. dollar and (b) other local currencies in Europe.

*Losses on debt modifications and extinguishments, net*

We recognized losses on debt modifications and extinguishments, net, of €17.7 million during 2009. These losses include (i) a €14.3 million loss recognized in connection with the execution of Facilities S, T and U under the UPC Broadband Holding Bank Facility during the second quarter of 2009 and (ii) a €3.8 million loss recognized in connection with the April 2009 exchange of UPC Holding Senior Notes. For additional information, see note 10 to our consolidated financial statements.

*Income tax expense*

We recognized income tax benefit of €124.8 million and income tax expense of €62.0 million during 2009 and 2008, respectively.

The income tax benefit during 2009 differs from the expected income tax benefit of €258.5 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (ii) differences between the statutory and local tax rates in certain jurisdictions in which we operate, (iii) a permanent difference associated with the impairment of goodwill in our Romanian reporting unit. Changes in our valuation allowances did not significantly impact our effective tax rate as the positive impact of a tax benefit of €119.6 million recognized by Switzerland upon the release of valuation allowances during the fourth quarter of 2009 was largely offset by the negative impact of increases in valuation allowances established against currently arising deferred tax assets in certain jurisdictions.

The income tax expense during 2008 differs from the expected income tax benefit of €264.8 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) differences between the statutory and local tax rates in certain jurisdictions in which we operate, (iv) a permanent difference associated with the impairment of goodwill in our Romanian reporting unit.

For additional information concerning our income taxes, see note 11 to our consolidated financial statements.

*Loss from continuing operations*

During 2009 and 2008, we reported a loss from continuing operations of €888.8 million and €1,100.6 million, respectively, including (i) operating income of €478.1 million and €388.2 million, respectively, and (ii) non-operating expense of €1,491.7 million and €1,426.8 million, respectively. Gains or losses associated with (i) the disposition of assets and changes in ownership, (ii) changes in the fair values of derivative instruments and (iii) movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings from continuing operations is largely dependent on our ability to increase our aggregate operating cash flow to a level that more than offsets the aggregate amount of our (a) stock-based compensation expense, (b) depreciation and amortization, (c) impairment, restructuring and other operating charges, net, (d) interest expense, (e) other net non-operating expenses and (f) income tax expenses.

Due largely to the fact that we seek to maintain our debt at levels that provide for attractive equity returns, as discussed under *Liquidity and Capital Resources – Capitalization* below, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

*Net earnings attributable to noncontrolling interests*

Net earnings attributable to noncontrolling interests decreased €3.3 million during 2009, as compared to 2008. This decrease is primarily attributable to the effect of a decline in the results of operations of VTR.

***2008 compared to 2007***

*Revenue*

Our revenue by major category is set forth below:

| | Year ended December 31, | | Increase (decrease) | | Increase (decrease) excluding FX | Increase (decrease) excluding acquisitions and FX |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | € | % | % | % |
| | in millions | | | | | |
| Subscription revenue (a): | | | | | | |
| Video | € 1,758.2 | € 1,699.8 | € 58.4 | 3.4 | 2.8 | 2.1 |
| Broadband internet | 838.6 | 748.3 | 90.3 | 12.1 | 11.4 | 10.5 |
| Telephony | 483.5 | 428.1 | 55.4 | 12.9 | 13.6 | 13.1 |
| Total subscription revenue | 3,080.3 | 2,876.2 | 204.1 | 7.1 | 6.6 | 5.9 |
| Other revenue (b) | 392.6 | 421.0 | (28.4) | (6.7) | (7.5) | (7.6) |
| Total UPC Holding | € 3,472.9 | € 3,297.2 | € 175.7 | 5.3 | 4.8 | 4.2 |

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the methodology used to allocate bundling discounts may vary somewhat between our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue (including B2B and installation revenue).

Our consolidated revenue increased €175.7 million during 2008, as compared to 2007. This increase includes €20.4 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €138.4 million or 4.2%.

*Subscription revenue.* Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €170.3 million or 5.9% during 2008, as compared to 2007. This increase is attributable to (i) a €78.2 million or 10.5% increase in subscription revenue from broadband internet services, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) a €56.1 million or 13.1% increase in subscription revenue from telephony services, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services and (iii) a €36.0 million or 2.1% increase in subscription revenue from video services, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs.

*Other revenue.* Excluding the effects of acquisitions and FX, our consolidated other revenue decreased €31.9 million, or 7.6%, during 2008, as compared to 2007. This decrease is primarily attributable to the net effect of (i) lower B2B and installation revenue and (ii) less significant net increases in other non-subscription revenue categories.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of Reportable Segments – Revenue – 2008 compared to 2007* above. For information regarding the competitive environment in certain of our markets, see *Overview* and *Discussion and Analysis of our Reportable Segments* above.

*Operating expenses*

Our operating expenses decreased €31.2 million during 2008, as compared to 2007. This decrease is net of an increase of €7.3 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which increased €1.3 million during 2008. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, total consolidated operating expenses decreased €38.3 million or 3.0% during 2008, as compared to 2007. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses – 2008 compared to 2007* above, this increase generally reflects the net impact of (i) net decreases in interconnect and access charges, (ii) increases in programming and other direct costs, (iii) net decreases in personnel costs and (iv) less significant net decreases in other operating expense categories.

*SG&A expenses*

Our SG&A expenses decreased €12.0 million during 2008, as compared to 2007. This decrease is net of an increase of €2.6 million increase that is attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which increased €6.3 million during 2008. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and stock-based compensation expense, total consolidated SG&A expenses decreased €22.6 million or 3.9% during 2008, as compared to 2007. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses – 2008 compared to 2007* above, this decrease generally reflects the net impact of (i) net decreases in sales and marketing costs, (ii) net decreases in outsourced labor and professional fees, and (ii) less significant net decreases in other SG&A expense categories.

*Stock-based compensation expense (included in operating and SG&A expenses)*

Our stock-based compensation includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with stock incentive awards held by employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

| | Year ended December 31, 2008 | Year ended December 31, 2007 |
|---|---|---|
| | in millions | |
| LGI common stock: | | |
| LGI Performance Plans | € 23.8 | € 6.9 |
| Stock options, SARs, restricted stock and restricted stock units | 8.5 | 5.1 |
| Total LGI common stock | 32.3 | 12.0 |
| Other | (4.7) | 8.0 |
| Total | € 27.6 | € 20.0 |
| Included in: | | |
| Operating expense | € 4.7 | € 3.4 |
| SG&A expense | 22.9 | 16.6 |
| Total | € 27.6 | € 20.0 |

For additional information concerning our stock-based compensation, see note 13 to our consolidated financial statements.

*Depreciation and amortization expense*

Our depreciation and amortization expense increased €17.1 million during 2008, as compared to 2007. Excluding the effect of FX, depreciation and amortization expense increased €11.3 million or 1.1%. This increase is due primarily to the net effect of (i) increases associated with capital expenditures related to the installation of customer premise equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) increases associated with acquisitions, primarily in Austria and (iii) decreases associated with certain assets in Switzerland and Chile becoming fully depreciated.

*Impairment, restructuring and other operating charges, net*

We recognized impairment, restructuring and other operating charges, net, of €118.9 million and €20.3 million during 2008 and 2007, respectively. The 2008 amount includes the net effect of (i) a €107.0 million charge associated with the impairment of the goodwill of our Romanian reporting unit, (ii) restructuring charges aggregating €13.7 million, including (a) aggregate charges of €8.4 million related to reorganization and integration activities in certain of our European operations and (b) a €4.3 million charge related to the reorganization of certain of VTR's administrative and operational functions. For additional information concerning the impairment of the goodwill of our Romanian reporting unit, see note 9 to our consolidated financial statements. The 2007 amount includes (i) restructuring charges of €6.3 million related primarily to the cost of terminating certain employees in connection with integration of our B2B and broadband communications operations in the Netherlands and (ii) restructuring charges of €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland.

For additional information concerning our restructuring charges, see note 15 to our consolidated financial statements.

*Interest expense – third party*

Our consolidated third-party interest expense increased €8.9 million during 2008 as compared to 2007. Excluding the effects of foreign currency exchange rate fluctuations, third-party interest expense increased €10.1

million or 2.2% during 2008. These changes reflect the net effect of (i) an increase in our average outstanding indebtedness and (ii) a slight decrease in our weighted average interest rate. The slight decrease in our weighted average interest rate is due primarily to a decrease in the weighted average interest rate of our UPC Broadband Holding Bank Facility. For additional information, see note 10 to our consolidated financial statements.

*Interest expense – related party*

Our consolidated related-party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related-party interest expense increased €103.5 million during 2008 as compared to 2007. The increase during 2008 reflects the effect of (i) a higher average outstanding balance of our shareholder loan during the 2008 period, as compared to the corresponding prior year period and (ii) the interest rate on our shareholder loan being adjusted on October 1, 2007 from 6.44% to 7.06%, and again to 7.58% on October 1, 2008. For additional information, see notes 10 and 14 to our consolidated financial statements.

*Interest income*

Our interest income decreased €23.1 million during 2008, as compared to 2007. This decrease is primarily attributable to €20.0 million in related-party interest income earned during 2007 on Unite Holdco's loan receivable from Liberty Global Europe. The loan agreement was entered into on December 28, 2006 and was repaid on November 29, 2007. The remainder of the decrease is attributable to a decrease in our average consolidated cash and cash equivalent and restricted cash balances. Our weighted average interest rate remained relatively constant during 2008, as compared to 2007, as lower weighted average interest rates on most of our cash and cash equivalent balances were offset by the full year impact of a higher interest rate earned on our restricted cash collateral account associated with the VTR Bank Facility. This cash collateral account, which was initially funded in May 2007, earns interest at a rate that is significantly higher than the average rate earned by the remainder of our cash and cash equivalent and restricted cash balances. For additional information , see note 14 to our consolidated financial statements.

*Realized and unrealized losses on derivative instruments, net*

Our realized and unrealized losses on derivative instruments, net, include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the underlying contracts are fully or partially settled and (ii) realized gains (losses) upon the full or partial settlement of the underlying contracts. The details of our realized and unrealized losses on derivative instruments, net, are as follows:

| | Year ended December 31, 2008 | Year ended December 31, 2007 |
|---|---|---|
| | in millions | |
| Cross-currency and interest rate derivative contracts (a) | € (179.1) | € (102.9) |
| Embedded derivatives | (3.7) | 1.1 |
| Foreign currency forward contracts | 0.9 | 2.3 |
| Total | € (181.9) | € (99.5) |

(a) The loss during 2008 primarily is attributable to the net effect of (i) losses associated with decreases in market interest rates in all of our currencies, (ii) gains associated with decreases in the values of the Polish zloty and Romanian lei relative to the euro, (iii) a gain associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (iv) a loss associated with an increase in the value of the Swiss franc relative to the euro and (v) a loss associated with an increase in the value of the euro relative to the U.S. dollar. In addition, the 2008 loss includes a gain of €66.4 million related to credit risk valuation adjustments, as further described in notes 7 and 8 to our consolidated financial statements. The loss during 2007 primarily is attributable to the net effect of (i) a loss associated with a decrease in the value of the U.S. dollar relative to the euro, (ii) gains associated with increases in market interest rates in the euro market, (iii) a gain associated with a decrease in the value of the Swiss franc relative to the euro and (iv) a loss associated with an increase in the value of the Chilean peso relative to the U.S. dollar.

For additional information concerning our derivative instruments, see note 7 to our consolidated financial statements.

*Foreign currency transaction gains (losses), net*

Our foreign currency transaction gains (losses) primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains (losses) are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

| | Year ended December 31, | |
|---|---|---|
| | **2008** | **2007** |
| | **in millions** | |
| U.S. dollar denominated debt issued by a Latin American subsidiary | € (78.5) | € 24.1 |
| U.S. dollar denominated debt issued by a European subsidiary | (55.1) | 135.9 |
| Intercompany notes denominated in a currency other than the entity's functional currency (a) | (53.0) | 23.0 |
| Cash and restricted cash denominated in a currency other than the entity's functional currency | 3.1 | (37.4) |
| Swiss franc denominated debt issued by a European subsidiary | — | 16.1 |
| Euro denominated debt issued by a Swiss subsidiary | — | (10.9) |
| Other | (1.8) | (12.0) |
| Total | € (185.3) | € 138.8 |

(a) Amounts are related to (i) loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating. Accordingly, these gains (losses) are a function of movements of the euro against other local currencies in Europe.

*Losses on debt modifications and extinguishments, net*

We recognized losses on debt modifications and extinguishments, net, of €16.8 million during 2007. These losses include (i) a €14.4 million loss resulting from the write-off of unamortized deferred financing costs in connection with the May 2007 refinancing of the VTR Bank Facility, (ii) an €6.2 million loss resulting from the write-off of unamortized deferred financing costs in connection with the second quarter 2007 refinancing of the UPC Broadband Holding Bank Facility and (iv) a €3.8 million gain on the April 2007 redemption of Cablecom Luxembourg's 9.375% senior notes due 2014. For additional information, see note 10 to our consolidated financial statements.

*Income tax expense*

We recognized income tax expense of €62.0 million and €12.6 million during 2008 and 2007, respectively.

The income tax expense during 2008 differs from the expected income tax benefit of €264.8 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) differences between the statutory and local tax rates in certain jurisdictions in which we operate, (iv) a permanent difference associated with the impairment of goodwill in our Romanian reporting unit.

The income tax expense for 2007 differs from the expected income tax benefit of €161.1 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions. (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) a reduction in deferred tax assets in the Netherlands due to an enacted change in tax law and (iv) differences between the statutory and local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items associated with investments in subsidiaries and intercompany loans.

For additional information concerning our income taxes, see note 11 to our consolidated financial statements.

*Loss from continuing operations*

During 2008 and 2007, we reported a loss from continuing operations of €1,100.6 million and €644.4 million, respectively, including (i) operating income of €388.2 million and €267.3 million, respectively, and (ii) non-operating expense of €1,426.8 million and €899.1 million, respectively. Gains or losses associated with the disposition of assets and changes in ownership, changes in the fair values of derivative instruments and movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income.

*Net earnings attributable to noncontrolling interests*

Net earnings attributable to noncontrolling interests increased €10.9 million during 2008, as compared to 2007. This increase is primarily attributable to improvements in the results of operations of VTR and certain operating subsidiaries in Austria and Switzerland.

## Liquidity and Capital Resources

### *Sources and Uses of Cash*

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of certain of these subsidiaries, including UPC Broadband Holding and VTR, may restrict our ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for substantially all of our consolidated cash and cash equivalents at December 31, 2009. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax considerations, the presence of noncontrolling interests and other factors.

*Cash and cash equivalents*

The details of the euro equivalent balances of our consolidated cash and cash equivalents at December 31, 2009 are set forth in the following table. With the exception of UPC Holding, which is reported on a stand-alone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

| | |
|---|---|
| Cash and cash equivalents held by: | |
| UPC Holding | € — |
| UPC Broadband Holding (excluding VTR) | 70.2 |
| VTR | 89.5 |
| Total cash and cash equivalents | € 159.7 |

*Liquidity of UPC Holding*

As UPC Holding typically does not hold significant amounts of cash and cash equivalents at the parent level, UPC Holding's primary source of liquidity is proceeds received from UPC Broadband Holding (and indirectly from UPC Broadband Holding's subsidiaries) in the form of loans or distributions. As noted above, various factors may limit the ability of UPC Holding's direct and indirect subsidiaries to loan or distribute cash to UPC Holding. From time to time, UPC Holding may also supplement its sources of liquidity with net proceeds received in connection with the issuance of debt instruments.

The ongoing cash needs of UPC Holding include (i) corporate general and administrative expenses, (ii) interest payments on the UPC Holding Senior Notes and (iii) any net reimbursements required to be paid to LGI related to services performed or costs incurred by LGI on behalf of UPC Holding and its subsidiaries. From time to time, UPC Holding may also require cash in connection with (i) the repayment of outstanding debt (including net repayments to LGE Financing pursuant to the shareholder loan), (ii) the funding of loans or distributions to LGE Financing (and ultimately LGI and other LGI subsidiaries), (iii) the satisfaction of contingent liabilities, (iv) acquisitions or (v) other investment opportunities. No assurance can be given that any external funding would be available on favorable terms, or at all.

*Liquidity of Subsidiaries*

The cash and cash equivalents of our significant subsidiaries are detailed in the table above. In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding and VTR, borrowing availability under their respective debt instruments. For the details of the borrowing availability of such entities at December 31, 2009, see note 10 to our consolidated financial statements. Our subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or (iii) capital distributions to UPC Holding and other equity owners of UPC Holding's subsidiaries. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

For a discussion of our consolidated capital expenditures and cash provided by operating activities, see the discussion under *Consolidated Cash Flow Statements* below.

### *Capitalization*

We seek to maintain our debt at levels that provide for attractive returns without assuming undue risk. In this regard, we strive to cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow. The ratio of our December 31, 2009 Senior Debt to Annualized EBITDA (last two quarters annualized) for UPC Holding was 3.81 to 1.00 and the ratio of our December 31, 2009 Total Debt to Annualized EBITDA (last two quarters annualized) was 4.75 to 1.00, with each ratio defined and calculated in accordance with the UPC Broadband Holding Bank Facility.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 7 to our consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In this regard, if the operating cash flow of UPC Broadband Holding were to decline, we could be required to repay or limit our borrowings under the UPC Broadband Holding Bank Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

At December 31, 2009, our outstanding consolidated third-party debt and capital lease obligations aggregated €8,217.1 million, including €14.4 million that is classified as current in our consolidated balance sheet and €8,192.4 million that is due in 2013 or thereafter. For additional information concerning the maturities of our debt and capital lease obligations, see note 10 to our consolidated financial statements.

We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. For information concerning certain refinancing transactions in 2009 and 2010 that have resulted in the extension of our and our subsidiaries' debt maturities, see notes 10 and 19 to our consolidated financial statements. No assurance can be given that we will be able to complete additional refinancing transactions or otherwise extend our debt maturities in light of current market conditions. In this regard, it is not possible to predict how the current state of the credit and equity markets and the associated difficult economic conditions could impact our future financial position. However, (i) the financial failure of any or our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with weakened economies, could adversely impact our cash flows and liquidity.

At December 31, 2009, €6,668.8 million of our third-party consolidated debt and capital lease obligations had been borrowed or incurred by our subsidiaries. For additional information concerning our debt balances at December 31, 2009, see note 10 to our consolidated financial statements.

### *Consolidated Cash Flow Statements*

Our cash flows are subject to significant variations due to FX. All of the cash flows discussed below are those of our continuing operations.

*2009 Consolidated Cash Flow Statement*

*General.* During 2009, we used net cash provided by our operating activities of €1,026.9 million to fund (i) net cash used by our investing activities of €736.5 million, (ii) net cash used by our financing activities of €245.6 million and (iii) a €44.8 million increase in our existing cash and cash equivalents balances (excluding a €6.0 million increase due to changes in FX).

*Operating Activities.* Net cash provided by our operating activities decreased €95.5 million, from €1,122.4 million during 2008 to €1,026.9 million during 2009. This decrease is primarily attributable to the net effect of (i) an increase in cash paid related to certain derivative instruments, (ii) an increase in the cash provided by our operating cash flow and related working capital items, (iii) lower cash payments for interest, (iv) a decrease in net cash payments for taxes and (v) an increase in the reported net cash provided by operating activities due to FX.

*Investing Activities.* Net cash used by our investing activities decreased €290.1 million, from €1,026.6 million during 2008 to €736.5 million during 2009. This decrease is due primarily to the net effect of (i) a decrease in capital expenditures of €125.6 million, due in part to FX, (ii) an increase in cash received related to the disposition of discontinued operations of €118.5 million and (iii) a decrease in cash paid in connection with acquisitions of €45.6 million.

UPC Europe accounted for €741.3 million and €856.2 million of our consolidated capital expenditures during 2009 and 2008, respectively. The decrease in the capital expenditures of UPC Europe is due primarily to the net effect of (i) a decrease in expenditures for new build and upgrade projects to expand services, (ii) a decrease in expenditures for support capital such as information technology upgrades and general support systems, (iii) a decrease due to FX and (iv) a decrease in expenditures for the purchase and installation of customer premise equipment. During 2009 and 2008, UPC Europe's capital expenditures represented 25.1% and 28.7%, respectively, of its revenue.

VTR accounted for €112.6 million and €123.3 million of our consolidated capital expenditures during 2009 and 2008, respectively. The decrease in the capital expenditures of VTR is due primarily to the net effect of (i) a decrease in expenditures for new build and upgrade projects, (ii) a decrease due to FX, (iii) a decrease in expenditures for support capital, such as information technology upgrades and general support systems and (iv) an increase in expenditures for the purchase and installation of customer premise equipment. During 2009 and 2008, VTR's capital expenditures represented 22.4% and 25.4%, respectively, of its revenue.

We expect the percentage of revenue represented by our aggregate capital expenditures (including capital lease additions) to decline during 2010, as compared to 2009, with the 2010 percentage expected to range from (i) 21% to 23% for UPC Europe and (ii) 21% to 23% for VTR. As further described in note 17, VTR was awarded a 3G license in September 2009, subject to the rejection of certain oppositions. The 2010 estimated range of VTR's capital expenditures includes the estimated expenditures related to the regulatory requirement of the 3G license, but does not include any expenditure that would be required for commercial deployment of a 3G network. In addition, our expectations with respect to VTR's capital expenditures do not take into account the impacts of the February 27, 2010 earthquake in Chile. For additional information, see 19 to our consolidated financial statements. The actual amount of the 2010 capital expenditures of UPC Europe and VTR may vary from the expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results, and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual capital expenditures will not vary materially from our expectations. In terms of the composition of the aggregate 2010 capital expenditures of our broadband communications subsidiaries, we expect that 35% to 40% will be used to purchase and install customer premise equipment and that the remainder will be used to fund the rebuild and upgrade of portions of our broadband distribution systems and other capital requirements.

*Financing Activities.* Net cash used by our financing activities increased €119.4 million, from €126.2 million during 2008 to €245.6 million during 2009. This increase is due primarily to the net effect of (i) a €587.7 million decrease in cash received from net borrowings, (ii) a €534.0 million decrease in net repayments of the shareholder loan and (iii) a €56.1 million decrease related to higher payments of financing costs.

*2008 Consolidated Cash Flow Statement*

*General.* During 2008, we used net cash provided by our operating activities of €1,122.4 million and €30.4 million of our existing cash and cash equivalent balances (excluding a €14.4 million decrease due to changes in FX) to fund net cash used by our investing activities of €1,026.6 million and net cash used by our financing activities of €126.2 million.

*Operating Activities.* Net cash provided by our operating activities increased €205.2 million, from €917.2 million during 2007 to €1,122.4 million during 2008. This increase primarily is attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital items, (ii) an increase in cash received related to certain derivative instruments, (iii) a decrease in net cash provided by operating activities due to higher cash payments for interest and (iv) an increase in the reported net cash provided by operating activities due to FX.

*Investing Activities.* Net cash used by our investing activities increased €39.9 million, from €986.7 million during 2007 to €1,026.6 million during 2008. This increase is due primarily to the net effect of (i) an increase in capital expenditures of €88.4 million, due in part to FX and (ii) a decrease in cash paid in connection with acquisitions of €58.1 million.

UPC Europe accounted for €856.2 million and €775.9 million of our consolidated capital expenditures during 2008 and 2007, respectively. The increase in the capital expenditures of UPC Europe is due primarily to the net effect of (i) an increase in expenditures for new build and upgrade projects to expand services, (ii) an increase in expenditures for the purchase and installation of customer premise equipment, (iii) an increase due to FX and (iv) a decrease in expenditures for support capital such as information technology upgrades and general support systems. During 2008 and 2007, UPC Europe's capital expenditures represented 28.7% and 27.4%, respectively, of its revenue.

VTR accounted for €123.3 million and €115.2 million of our consolidated capital expenditures during 2008 and 2007, respectively. The increase in the capital expenditures of VTR is due primarily to the net effect of (i) an increase in expenditures for new build and upgrade projects, (ii) a decrease due to FX, (iii) an increase in expenditures for the purchase and installation of customer premise equipment and (iv) an increase in expenditures for support capital, such as information technology upgrades and general support systems. During 2008 and 2007, VTR's capital expenditures represented 25.4% and 24.9%, respectively, of its revenue.

*Financing Activities.* Net cash used by our financing activities decreased €243.1 million, from €369.3 million during 2007 to €126.2 million during 2008. This change primarily is attributable to the net effect of (i) a €372.2 million decrease in the net repayments of the shareholder loan and (ii) a €145.9 million net decrease in third-party borrowings.

## Off Balance Sheet Arrangements and Aggregate Contractual Obligations

### *Off Balance Sheet Arrangements*

In the ordinary course of business, we have provided indemnifications to purchasers of certain of our assets, our lenders, our vendors and certain other parties. In addition, we have provided performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

### *Contractual Commitments*

As of December 31, 2009, the euro equivalent (based on December 31, 2009 exchange rates) of our consolidated contractual commitments are as follows:

| | Payments due during: | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | Thereafter | Total |
| | | | | in millions | | | |
| Debt (excluding interest): | | | | | | | |
| Third party | € 9.3 | € 3.5 | € 3.5 | € 1,018.3 | € 2,400.0 | € 4,758.3 | € 8,192.9 |
| Related party | — | — | — | — | — | 8,331.4 | 8,331.4 |
| Capital leases (excluding interest) | 5.1 | 1.8 | 1.5 | 1.2 | 1.0 | 13.6 | 24.2 |
| Operating leases | 75.5 | 37.2 | 26.1 | 18.8 | 12.3 | 49.0 | 218.9 |
| Programming, satellite and other purchase obligations | 131.8 | 40.5 | 24.5 | 9.2 | 1.6 | 3.4 | 211.0 |
| Other commitments | 17.4 | 13.1 | 11.4 | 10.0 | 7.4 | 59.5 | 118.8 |
| Total (a) | € 239.1 | € 96.1 | € 67.0 | € 1,057.5 | € 2,422.3 | € 13,215.2 | € 17,097.2 |
| Projected cash interest payments on debt and capital lease obligations (b) | € 371.0 | € 371.8 | € 371.4 | € 362.5 | € 373.2 | € 328.0 | € 2,177.9 |

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2009 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€3.0 million at December 31, 2009) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.

(b) Amounts are based on interest rates and contractual maturities in effect as of December 31, 2009. The amounts presented do not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees, without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems, or (iii) whether we discontinue our premium film or sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. Satellite commitments consist of obligations associated with satellite carriage services provided to our company. Other purchase obligations include commitments to purchase customer premise equipment that are enforceable and legally binding on us. Other commitments include fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments and agreements with programming vendors and other third parties pursuant to which we expect to make payments in future periods. We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband distribution systems. Such amounts are not included in the above table because they are not fixed or determinable. For additional information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during the past three years, see note 7 to our consolidated financial statements.

## Critical Accounting Policies, Judgments and Estimates

In connection with the preparation of our consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property and equipment and intangible assets;
- Costs associated with construction and installation activities;
- Useful lives of long-lived assets;
- Fair value measurements;
- Income tax accounting;

For additional information concerning our accounting policies, see note 3 to our consolidated financial statements.

### *Impairment of Property and Equipment and Intangible Assets*

*Carrying Value.* The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 86.4% of our total assets at December 31, 2009.

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such events or changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (i) sale prices for similar assets, (ii) discounted estimated future cash flows using an appropriate discount rate and/or (iii) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and indefinite-lived intangible assets may not be recoverable. For purposes of the goodwill evaluation, we compare the fair values of our reporting units to their respective carrying amounts. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of indefinite-lived intangible assets is also charged to operations as an impairment loss.

Considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. For certain of our non-publicly traded reporting units, fair value substantially exceeded carrying value in the 2008 impairment test, and no events or changes in circumstance have occurred in 2009 with respect to these reporting units that would suggest that there has been any meaningful decline in fair value of these reporting units in 2009. As such, for these reporting units, we have carried forward the 2008 estimated fair value of the reporting unit for purposes of completing the 2009 annual impairment test. For the remainder of our reporting units, we typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans or, in some cases, a market-based approach. For purposes of our 2009 annual impairment test, we relied primarily on the income-based approach due to the limited number of recent transactions involving businesses similar to our broadband communications and programming businesses. With respect to our discounted cash flow analysis, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected capital expenditures. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. The discount rates used in determining the fair values of our reporting units for purposes of our 2009 impairment test ranged from 10% to 19%. The aggregate fair values used in our 2009 impairment tests exceeded our average market capitalization, as determined over a representative period, by an amount which we believe to be reasonable in light of the fact that our equity, and the equity of other companies within our industry, have historically traded at comparable discounts to private market valuations and transactions.

Based on the results of the 2009 annual impairment test, most of our reporting units have fair values that are at least 20% greater than their respective carrying values, including all of our large reporting units. As of our October 1, 2009 impairment test date, certain of our smaller reporting units, including Hungary and the Czech Republic, had an excess of fair value over carrying value of less than 20%. As of this date, these reporting units had goodwill aggregating approximately €600 million. In order to assess the sensitivity of the reporting unit fair value determinations used for our 2009 impairment calculation, we applied a hypothetical decrease of 20% to the estimated fair value of each reporting unit. A hypothetical 20% decrease in the fair value of each of our reporting units would have resulted in an estimated goodwill impairment associated with five of our reporting units ranging, in aggregate, from €100 million to €350 million. A hypothetical 30% decrease in the fair value of each of our reporting units would have resulted in an estimated goodwill impairment associated with five of our reporting units ranging, in aggregate, from €200 million to €400 million.

During 2009, 2008 and 2007, we recorded impairments of our property and equipment and intangible assets (including goodwill) aggregating €84.7 million, €107.0 million and €2.1 million, respectively. The 2009 and 2008 impairments are primarily due to goodwill impairments recorded in June 2009 and December 2008 with respect to our Romanian reporting unit. For additional information, see note 9 to our consolidated financial statements.

***Costs Associated with Construction and Installation Activities***

We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality control costs, vehicle-related costs, certain warehouse expenses and tools. We continuously monitor the appropriateness of our capitalization policy and update the policy when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

***Useful Lives of Long-Lived Assets***

We depreciate our property and equipment on a straight-line basis over the estimated economic useful life of the assets. The determination of the economic useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological change, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with definite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment, and is primarily based on historical and forecasted churn rates, adjusted when necessary for risk associated with demand, competition, technical changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with definite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during 2009, 2008 and 2007 was €1,048.5 million, €1,079.9 million and €1,062.8 million, respectively. A 10% increase in the aggregate amount of our depreciation and amortization expense during 2009 would have resulted in a €104.9 million or 21.9% decrease in our 2009 operating income.

### *Fair Value Measurements*

U.S. GAAP provides guidance with respect to the recurring and non-recurring fair value measurements and for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

*Recurring Valuations.* We perform recurring fair value measurements with respect to our derivative instruments and fair value method investments, all of which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments and fair value method investments, see note 8 to our consolidated financial statements. See also notes 6 and 7 to our consolidated financial statements for information concerning our fair value method investments and derivative instruments, respectively.

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2009, 2008 and 2007, we reported in our statements of operations net losses of €642.8 million, €184.0 million and €99.5 million, respectively, attributable to changes in the fair value of these items.

As further described in note 8 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments and disposal of our fair value method investments may differ materially from the recorded fair values at December 31, 2009.

*Non-recurring Valuations.* Our non-recurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. For additional information, see notes 4, 8 and 9 to our consolidated financial statements.

### *Income Tax Accounting*

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2009, the aggregate valuation allowance provided against deferred tax assets was €1,007.2 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2009 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax position as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in the financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2009, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €12.1 million, of which €8.2 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

We are required to continually assess our tax positions, and the results of tax examinations or changes in judgment can result in substantial changes to our unrecognized tax benefits.

For additional information concerning our income taxes, see note 11 to our consolidated financial statements.