UPC HOLDING B.V.

Condensed Consolidated Financial Statements
March 31, 2009

UPC Holding B.V.
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UPC HOLDING B.V.

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CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2009	December 31, 2008
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 56.6	€ 108.6
Trade receivables, net	286.3	427.1
Receivables – related party (note 10)	4.4	4.1
Deferred income taxes	46.9	44.7
Derivative instruments (note 5)	82.7	134.1
Other current assets	86.8	82.5
Total current assets	563.7	801.1
Restricted cash (note 8)	348.3	330.2
Investments (note 4)	32.4	31.1
Property and equipment, net (note 7)	3,919.3	3,977.5
Goodwill (note 7)	4,770.3	4,817.0
Intangible assets subject to amortization, net (note 7)	549.0	594.8
Other assets, net (note 5)	414.7	303.0
Total assets	€ 10,597.7	€ 10,854.7

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(unaudited)

	March 31, 2009	December 31, 2008
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable:		
Third party	€ 242.8	€ 266.4
Related party (note 10)	9.8	17.5
Accrued liabilities:		
Third party	471.5	503.4
Related party (note 10)	4.9	0.8
Deferred revenue and advance payments from subscribers and others	405.2	441.0
Derivative instruments (note 5)	293.2	274.8
Current portion of debt and capital lease obligations (note 8)	14.1	12.7
Total current liabilities	1,441.5	1,516.6
Long-term debt and capital lease obligations (note 8):		
Third party	7,880.7	7,775.1
Related party (note 10)	8,428.9	8,480.8
Deferred tax liabilities	73.5	87.1
Other long-term liabilities (notes 5 and 10)	766.2	671.5
Total liabilities	18,590.8	18,531.1
Commitments and contingencies (notes 9 and 11)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(8,156.8)	(7,762.4)
Accumulated other comprehensive earnings (loss), net of taxes	10.6	(52.4)
Total parent's deficit	(8,146.2)	(7,814.8)
Noncontrolling interests	153.1	138.4
Total owners' deficit	(7,993.1)	(7,676.4)
Total liabilities and owners' deficit	€ 10,597.7	€ 10,854.7

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Revenue (note 10)	€ 860.8	€ 870.1
Operating costs and expenses:		
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 9 and 10)	316.3	323.1
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 9 and 10)	149.8	162.4
Related-party fees and allocations, net (note 10)	(5.7)	(0.7)
Depreciation and amortization	265.1	270.3
Impairment, restructuring and other operating charges, net	3.6	2.7
	729.1	757.8
Operating income	131.7	112.3
Non-operating income (expense):		
Interest expense (note 8):		
Related party (note 10)	(160.5)	(159.2)
Third party	(89.8)	(112.0)
Interest income	6.2	7.2
Realized and unrealized losses on derivative instruments, net (notes 5 and 6)	(45.1)	(276.4)
Foreign currency transaction gains (losses), net	(241.1)	181.4
Unrealized gains due to changes in fair values of certain investments, net (notes 4 and 6)	1.4	0.5
Other income (expense), net	(0.6)	0.1
	(529.5)	(358.4)
Loss before income taxes	(397.8)	(246.1)
Income tax benefit (expense)	14.0	(8.0)
Net loss	(383.8)	(254.1)
Net loss (earnings) attributable to noncontrolling interests	4.0	(0.6)
Net loss attributable to parent	€ (379.8)	€ (254.7)

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended March 31,	
	2009	2008
	in millions	
Net loss	€ (383.8)	€ (254.1)
Other comprehensive earnings, net of taxes:		
Foreign currency translation adjustments	82.8	110.4
Pension related adjustments	—	0.5
Other comprehensive earnings	82.8	110.9
Comprehensive loss	(301.0)	(143.2)
Comprehensive earnings attributable to noncontrolling interests	(7.0)	(5.3)
Comprehensive loss attributable to parent	€ (308.0)	€ (148.5)

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UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENT OF OWNERS' DEFICIT
(unaudited)

	Parent's deficit				
	Distributions and accumulated losses in excess of 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	€ (7,762.4)	€ (52.4)	€ (7,814.8)	€ 138.4	€ (7,676.4)
Net loss	(379.8)	—	(379.8)	(4.0)	(383.8)
Other comprehensive earnings, net of taxes	—	71.8	71.8	11.0	82.8
Stock-based compensation, including related taxes (notes 9 and 10)	(8.1)	—	(8.1)	—	(8.1)
Capital charge in connection with the exercise of LGI stock incentive awards (note 10)	(1.1)	—	(1.1)	—	(1.1)
Adjustments due to changes in subsidiaries' equity and other, net	(5.4)	(8.8)	(14.2)	7.7	(6.5)
Balance at March 31, 2009	€ (8,156.8)	€ 10.6	€ (8,146.2)	€ 153.1	€ (7,993.1)

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2009	2008
	in millions	
Cash flows from operating activities:		
Net loss	€ (383.8)	€ (254.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	3.4	8.4
Related-party fees and allocations, net	(5.7)	(0.7)
Depreciation and amortization	265.1	270.3
Impairment, restructuring and other operating charges, net	3.6	2.7
Amortization of deferred financing costs and non-cash interest	162.8	161.5
Realized and unrealized losses on derivative instruments, net	45.1	276.4
Foreign currency transaction losses (gains), net	241.1	(181.4)
Unrealized gains due to changes in fair values of certain investments, net	(1.4)	(0.5)
Deferred income tax expense (benefit)	(16.5)	4.4
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(72.6)	(60.1)
Net cash provided by operating activities	241.1	226.9
Cash flows from investing activities:		
Capital expended for property and equipment	(223.7)	(210.0)
Cash paid in connection with acquisitions, net of cash acquired	(0.1)	(13.5)
Other investing activities, net	0.6	(0.2)
Net cash used by investing activities	(223.2)	(223.7)
Cash flows from financing activities:		
Repayments and repurchases of third-party debt and capital lease obligations	(0.6)	(3.4)
Net repayments of shareholder loan	(47.2)	(90.7)
Payment of deferred financing costs	(20.5)	—
Other financing activities, net	—	(4.0)
Net cash used by financing activities	(68.3)	(98.1)
Effect of exchange rates on cash	(1.6)	2.7
Net decrease in cash and cash equivalents	(52.0)	(92.2)
Cash and cash equivalents:		
Beginning of period	108.6	153.6
End of period	€ 56.6	€ 61.4
Cash paid for interest	€ 118.2	€ 258.5
Net cash paid for taxes	€ 2.5	€ 3.7

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

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding), is an indirect wholly-owned subsidiary of Liberty Global Europe, N.V. (Liberty Global Europe). Liberty Global Europe is an indirect wholly-owned subsidiary of UnitedGlobalCom, Inc. (UGC), which in turn is an indirect wholly-owned subsidiary of Liberty Global, Inc. (LGI). 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 March 31, 2009 in 10 European countries and in Chile. Our European broadband communications operations are collectively referred to as the UPC Broadband Division. Our broadband communications operations in Chile are provided through our 80%-owned indirect subsidiary, VTR GlobalCom S.A. (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.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2008 annual financial statements.

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 values of derivative instruments, financial instruments and investments, fair values of long-lived assets and any related impairments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets, actuarial liabilities associated with certain benefit plans and stock-based compensation. Actual results could differ from those estimates.

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

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

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

SFAS 141(R)

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), *Business Combinations* (SFAS 141(R)). 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). SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. 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). 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 impairments under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142) and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We prospectively adopted SFAS 157 (exclusive of the deferred provisions discussed above) effective January 1, 2008. 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). 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 when a subsidiary is deconsolidated 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 periods, and interim periods within those fiscal years, beginning on or after December 15, 2008. We adopted SFAS 160 effective January 1, 2009 and such adoption resulted in changes in the presentation of noncontrolling interests (formerly known as minority interests) in our condensed consolidated financial statements for all periods presented. In this regard, we have retrospectively reclassified the accumulated amount of noncontrolling interests to owners' deficit in our condensed consolidated balance sheets and condensed consolidated statement of owners' deficit and we have retrospectively recast our condensed consolidated statements of operations and condensed consolidated statements of comprehensive loss to separately present amounts attributable to controlling and noncontrolling interests.

FSP 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP 142-3). FSP 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS 142. This change is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other U.S. GAAP. FSP 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. FSP 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. We prospectively adopted the provisions of FSP 142-3 on January 1, 2009.

Recent Accounting Pronouncements

FSP 157-4

In April 2009, the FASB issued 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* (FSP 157-4). FSP 157-4 clarifies that transaction or quoted prices may not be determinative of fair value when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance with respect to the circumstances that indicate a transaction is not orderly and the resulting ramifications on the fair value measurement for the asset or liability. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009 and shall be applied prospectively. We will adopt FSP 157-4 effective June 30, 2009 and do not expect this adoption to have a material impact on our consolidated financial statements.

FSP 107-1

In April 2009, the FASB issued FSP No. 107, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1). FSP 107-1 amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP 107-1 also amends Accounting Principles Board Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. FSP 107-1 is effective for interim periods ending after June 15, 2009. We will adopt FSP 107-1 effective June 30, 2009 and do not expect this adoption to have a material impact on our consolidated financial statements.

(3) Common Control Transfer

Chellomedia Interactive Services Group

Effective April 1, 2008, the business activities and certain assets of Chellomedia Interactive Services Group were transferred from Chellomedia BV (Chellomedia), another subsidiary of Liberty Global Europe, 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.

(4) Investments

The details of our investments are set forth below:

Accounting Method	March 31, 2009	December 31, 2008
	in millions	
Fair value (a)	€ 28.6	€ 27.6
Equity	3.4	3.1
Cost	0.4	0.4
Total	€ 32.4	€ 31.1

(a) At March 31, 2009, investments accounted for using the fair value method include our investments in certain broadband communications operators in Switzerland.

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 note 6.

(5) 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 do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recorded in realized and unrealized gains (losses) on derivative instruments in our condensed consolidated statements of operations. The following table provides details of the fair values of our derivative instrument assets and liabilities:

	March 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)	€ 82.3	€ 277.6	€ 359.9	€ 130.1	€ 197.1	€ 327.2
Foreign currency forward contracts	0.4	—	0.4	3.8	—	3.8
Embedded derivatives	—	0.1	0.1	0.2	0.5	0.7
Total	€ 82.7	€ 277.7	€ 360.4	€ 134.1	€ 197.6	€ 331.7
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 290.2	€ 489.6	€ 779.8	€ 274.0	€ 553.5	€ 827.5
Foreign currency forward contracts	1.2	—	1.2	—	—	—
Embedded derivatives	1.8	1.5	3.3	0.8	0.7	1.5
Total	€ 293.2	€ 491.1	€ 784.3	€ 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 condensed consolidated balance sheets.

(b) As of March 31, 2009, the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €19.7 million and the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €58.8 million. 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. Based on our evaluation of market conditions and recent transactions, we may determine that interest rate spreads obtained from market quotations for our subsidiaries' debt instruments require adjustment in order to estimate credit spreads. These adjustments are intended to remove the impacts of estimated liquidity spreads and other factors, such as distressed sales, that cause market quotations to not be reflective of fair values. The change in the credit risk valuation adjustments associated with our derivative instruments resulted in a net loss of €27.3 million during the three months ended March 31, 2009, and this loss is included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statement of operations. For further information concerning our fair value measurements, see note 6.

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

	Three months ended March 31,	
	2009	2008
	in millions	
Cross-currency and interest rate derivative contracts	€ (38.0)	€ (280.1)
Foreign currency forward contracts	(4.7)	4.2
Embedded derivatives	(2.4)	(0.5)
Total	€ (45.1)	€ (276.4)

The net cash paid related to our derivative instruments was €119.2 million for the three months ended March 31, 2009 and the net cash received related to our derivative instruments was €28.1 million for the three months ended March 31, 2008. These amounts are classified as operating activities in our condensed consolidated statements of cash flows based on the classification of the applicable underlying cash flows.

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 March 31, 2009, our exposure to credit risk included derivative assets with a fair value of €360.4 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 we could be required to make payments to an insolvent counterparty 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 party, the risks that were the subject of the original derivative contract would no longer be hedged.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at March 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 + 2.0%	5.73%
December 2014		885.0		668.0	6 mo. LIBOR + 1.75%	5.72%
	$	1,085.0	€	818.9		
July 2009	€	60.0	CZK	1,703.1	5.50%	5.15%
July 2009 – July 2010		60.0		1,703.1	5.50%	5.33%
July 2010 – December 2014		60.0		1,703.1	5.50%	6.05%
February 2010		105.8		3,018.7	5.50%	4.88%
February 2010 – December 2014		105.8		3,018.7	5.50%	5.80%
December 2014		200.0		5,800.0	5.46%	5.30%
	€	591.6	CZK	16,946.7		
July 2009	€	260.0	HUF	75,570.0	5.50%	8.75%
July 2009 – July 2010		260.0		75,570.0	5.50%	7.80%
July 2010 – December 2014		260.0		75,570.0	5.50%	9.40%
December 2014		228.0		62,867.5	5.50%	8.98%
	€	1,008.0	HUF	289,577.5		
July 2009	€	245.0	PLN	1,000.6	5.50%	7.00%
July 2009 – July 2010		245.0		1,000.6	5.50%	6.52%
July 2010 – December 2014		245.0		1,000.6	5.50%	7.60%
December 2014		98.4		335.0	5.50%	7.12%
April 2009 – December 2014		57.1		270.0	5.50%	7.60%
	€	890.5	PLN	3,606.8		
December 2010	€	200.0	RON	709.1	5.50%	10.98%
December 2010 – December 2014		200.0		709.1	5.50%	10.69%
December 2014		89.1		320.1	5.50%	10.27%
	€	489.1	RON	1,738.3		
September 2012	€	229.1	CHF	355.8	6 mo. EURIBOR + 2.5%	6 mo. CHF LIBOR + 2.46%
December 2014		898.4		1,466.0	6 mo. EURIBOR + 2.0%	6 mo. CHF LIBOR + 1.94%
	€	1,127.5	CHF	1,821.8		
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 + 2.0%	10.0%
December 2014	$	511.5	CHF	558.0	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
VTR:						
September 2014	$	465.5	CLP	257,654.3	6 mo. LIBOR + 3.0%	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 March 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 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 March 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 + 2.0%	6 mo. EURIBOR + 1.81%
January 2010	655.0	1 mo. EURIBOR + 2.25	6 mo. EURIBOR + 1.61
April 2012	555.0	6 mo. EURIBOR	3.32%
December 2014	659.5	6 mo. EURIBOR	4.67%
July 2009 (b)	31.6	5.50%	6.58%
July 2009 – July 2010 (b)	31.6	5.50%	5.67%
September 2012 (b)	63.1	5.46%	6.04%
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%
	€ 9,048.3		
December 2010	CHF 618.5	6 mo. CHF LIBOR	2.19%
January 2011 – December 2014	618.5	6 mo. CHF LIBOR	3.56%
September 2012	711.5	6 mo. CHF LIBOR	2.33%
October 2012 – December 2014	711.5	6 mo. CHF LIBOR	3.65%
December 2014	1,050.0	6 mo. CHF LIBOR	3.47%
	CHF 3,710.0		
July 2013	CLP 110,700.0	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%
	$ 2,411.0		
July 2013	HUF 5,908.8	6 mo. BURBOR	8.52%
July 2013	PLN 115.1	6 mo. WIBOR	5.41%
VTR:			
July 2013	CLP 110,700.0	6 mo. TAB	7.78%

(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 March 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 2009, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) These contracts originated as cross-currency interest rate swaps involving the euro and the Slovakian koruna (SKK). As a result of Slovakia's January 1, 2009 conversion to the euro, the SKK notional amounts were converted into euros at the entry rate of 30.126 SKK per euro.

Foreign Currency Forward Contracts

Several of our subsidiaries have outstanding foreign currency forward contracts. Changes in the fair value of these contracts are recorded in realized and unrealized gains (losses) on derivative instruments in our condensed consolidated statements of operations. The following table summarizes our outstanding foreign currency forward contracts at March 31, 2009:

UPC Holding subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Broadband Holding	PLN	70.1	€	14.5	April 2009
UPC Broadband Holding	HUF	5,052.0	€	16.3	April 2009
UPC Broadband Holding	€	39.4	CHF	59.7	April 2009
UPC Broadband Holding	CHF	119.4	€	78.8	April 2009
UPC Broadband Holding	€	5.3	CZK	144.3	April 2009
UPC Broadband Holding	CZK	288.6	€	10.5	April 2009
VTR	$	51.3	CLP	31,549.2	April 2009 — March 2010

(6) 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 March 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 cross-currency interest rate swaps and our interest rate swaps, we expect that the values realized 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.

SFAS 157 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.

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

Description	March 31, 2009	Fair value measurements at March 31, 2009 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments	€ 360.4	€ 360.4	€ —
Investments	28.6	—	28.6
Total assets	€ 389.0	€ 360.4	€ 28.6
Liabilities:			
Derivative instruments	€ 784.3	€ 784.3	€ —

Description	December 31, 2008	Fair value measurements at December 31, 2008 using: 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 (losses) included in net loss (a):	
Unrealized gains due to changes in fair values of certain investments, net	1.4
Foreign currency translation adjustments	(0.4)
Balance at March 31, 2009	€ 28.6

(a) All of the gains (losses) recognized during the three months ended March 31, 2009 relate to investments that we continue to carry on our condensed consolidated balance sheet as of March 31, 2009.

(7) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2009	December 31, 2008
	in millions	
Distribution systems	€ 5,819.9	€ 5,714.2
Support equipment, buildings and land	920.8	899.5
	6,740.7	6,613.7
Accumulated depreciation	(2,821.4)	(2,636.2)
Total property and equipment, net	€ 3,919.3	€ 3,977.5

Goodwill

Changes in the carrying amount of goodwill for the three months ended March 31, 2009 were as follows:

	January 1, 2009	Foreign currency translation adjustments and other	March 31, 2009
		in millions	
UPC Broadband Division:			
The Netherlands	€ 917.5	€ (5.4)	€ 912.1
Switzerland	1,905.4	(27.1)	1,878.3
Austria	603.1	—	603.1
Ireland	178.5	—	178.5
Total Western Europe	3,604.5	(32.5)	3,572.0
Hungary	275.4	(37.8)	237.6
Other Central and Eastern Europe	637.4	(21.7)	615.7
Total Central and Eastern Europe	912.8	(59.5)	853.3
Total UPC Broadband Division	4,517.3	(92.0)	4,425.3
VTR (Chile)	299.7	45.3	345.0
Total UPC Holding	€ 4,817.0	€ (46.7)	€ 4,770.3

Based on business conditions and market values that existed at March 31, 2009, we concluded that no circumstances or events occurred that would require us to test goodwill or other long-lived assets for impairment. However, the market value of the publicly-traded equity of LGI remains at historically low levels and 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 further 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. Depending on (i) LGI's equity value, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

Intangible Assets Subject to Amortization, Net

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

	March 31, 2009	December 31, 2008
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,076.2	€ 1,096.4
Other	45.6	45.8
	€ 1,121.8	€ 1,142.2
Accumulated amortization:		
Customer relationships	€ (528.7)	€ (504.4)
Other	(44.1)	(43.0)
	€ (572.8)	€ (547.4)
Net carrying amount:		
Customer relationships	€ 547.5	€ 592.0
Other	1.5	2.8
	€ 549.0	€ 594.8

(8) Debt and Capital Lease Obligations

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

	March 31, 2009				
	Weighted average interest rate (a)	Unused borrowing capacity (b)		Carrying value	
		Borrowing currency	Euro equivalent	March 31, 2009	December 31, 2008
			in millions		
Debt:					
Parent:					
Shareholder loan	7.58%	€ —	€ —	€ 8,428.9	€ 8,480.8
UPC Holding 7.75% Senior Notes due 2014 (c)	7.75%	—	—	500.0	500.0
UPC Holding 8.625% Senior Notes due 2014 (c)	8.63%	—	—	300.0	300.0
UPC Holding 8.0% Senior Notes due 2016	8.00%	—	—	300.0	300.0
Subsidiaries:					
UPC Broadband Holding Bank Facility	3.08%	€ 223.0	223.0	6,412.0	6,323.5
VTR Bank Facility (d)	3.86%	CLP 136,391.6	176.2	351.9	333.6
Other	6.60%	—	—	8.8	9.0
Total debt	5.76%		€ 399.2	16,301.6	16,246.9
Capital lease obligations				22.1	21.7
Total debt and capital lease obligations				16,323.7	16,268.6
Current maturities				(14.1)	(12.7)
Long-term debt and capital lease obligations				€ 16,309.6	€ 16,255.9

(a) Represents the weighted average interest rate in effect at March 31, 2009 for all borrowings outstanding pursuant to each debt instrument including the applicable margin. The interest rates presented do not include the impact of our interest rate derivative agreements, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at March 31, 2009 without regard to covenant compliance calculations. At March 31, 2009, the full amount of unused borrowing capacity was available to be borrowed under each of the respective facilities. However, based on the March 31, 2009 covenant compliance calculations, our availability under the UPC Broadband Holding Bank Facility will be limited to €217.2 million when the March 31, 2009 bank reporting requirements have been completed. 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.

(c) Subsequent to March 31, 2009, UPC Holding (i) completed an exchange offer with respect to a portion of the borrowings outstanding under the UPC Holding Senior Notes due 2014 and (ii) issued new Senior Notes due 2018. For additional information, see note 13.

(d) 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 €351.9 million at March 31, 2009, of which €3.6 million is reflected as a current asset and €348.3 million is presented as a long-term asset in our condensed consolidated balance sheet.

Shareholder Loan

UPC Holding has an unsecured shareholder loan with LGE Financing, which is scheduled to be repaid in 2020 and which is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (a) a total or partial liquidation, dissolution or winding up of UPC Holding, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (c) an assignment for the benefit of creditors or (d) any marshalling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities and is added to the principal at the end of each fiscal year. The interest rate is 7.58% and 7.06% for the three months ended March 31, 2009 and March 31, 2008, respectively, and is reviewed on an annual basis. The net decrease in the shareholder loan includes (i) cash payments of €553.0 million, (ii) cash borrowings of €505.8 million, (iii) a €1.1 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 (iv) individually insignificant net non-cash decreases aggregating €5.8 million.

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. In March 2009, two additional facility accession agreements (Facilities Q and R) were entered into under the UPC Broadband Holding Bank Facility. Facility Q is a redrawable term loan facility with an initial principal amount of €267.0 million. Facility R is a non-redrawable term loan facility with an initial principal amount of €236.0 million. Both Facility Q and Facility R closed on March 25, 2009 (the Closing Date). On the Closing Date, certain of the lenders under the €830.0 million Facility L, which was fully drawn at the Closing Date, novated, in whole or in part, their drawn commitments (in the aggregate amount of €503.0 million) to Liberty Global Europe BV, a direct subsidiary of UPC Broadband Holding, and entered into either the new Facility Q or new Facility R. Therefore, total third-party commitments under Facility L on the Closing Date totaled €327.0 million. Subsequent to March 31, 2009, we increased the sizes of Facilities Q and R and third-party commitments under Facility L were further reduced. For additional information, see note 13.

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

		March 31 ,2009						
Facility	**Final maturity date**	**Interest rate**	**Facility amount (in borrowing currency) (a)**		**Unused borrowing capacity**		**Outstanding principal amount**	
					in millions			
I	April 1, 2010	EURIBOR + 2.50%	€	48.0	€	48.0	€	—
L	July 3, 2012	EURIBOR + 2.25%	€	327.0		175.0		152.0
M	(b)	EURIBOR + 2.00%	€	3,890.0		—		3,890.0
N	(b)	LIBOR + 1.75%	$	1,900.0		—		1,436.3
O	July 31, 2013	(c)		(c)		—		44.1
P	September 2, 2013	LIBOR + 2.75%	$	511.5		—		386.6
Q	(d)	EURIBOR + 2.75%	€	267.0		—		267.0
R	(d)	EURIBOR + 3.25%	€	236.0		—		236.0
Total					€	223.0	€	6,412.0

(a) The total committed amounts of Facilities I and L are €250.0 million and €830.0 million, respectively, however, €202.0 million and €503.0 million, respectively, had been novated to Liberty Global Europe BV at March 31, 2009. Therefore, total third-party commitments at March 31, 2009 under Facilities I and L were €48.0 million and €327.0 million, respectively.

(b) 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 fall due if such Senior Notes have not been repaid, refinanced or redeemed prior to such date. Subsequent to March 31, 2009, we completed and launched certain refinancing transactions with respect to Facilities M and N. For additional information, see note 13.

(c) 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 (€19.4 million) sub-tranche and (ii) a PLN 115.1 million (€24.7 million) sub-tranche.

(d) 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 fall due, if such Senior Notes have not been repaid, refinanced or redeemed prior to such date.

Maturities of Third-party Debt and Capital Lease Obligations

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

Third-party debt:

	UPC Holding (excluding VTR) (a)	VTR(b)	Total
		in millions	
Year ended December 31:			
Remainder of 2009	€ 7.0	€ 3.6	€ 10.6
2010	1.4	3.6	5.0
2011	0.1	3.6	3.7
2012	152.1	3.6	155.7
2013	1,230.9	3.6	1,234.5
2014	5,593.3	333.9	5,927.2
Thereafter	536.0	—	536.0
Total debt	€ 7,520.8	€ 351.9	€ 7,872.7
Current portion	€ 7.0	€ 3.6	€ 10.6
Noncurrent portion	€ 7,513.8	€ 348.3	€ 7,862.1

(a) For purposes of this table, we have assumed that (i) the €800.0 million principal amount of the UPC Holding Senior Notes due 2014 will be repaid, refinanced or redeemed prior to October 17, 2013, (ii) Facilities M and N of the UPC Broadband Holding Bank Facility will be repaid on December 31, 2014, (iii) Facility Q of the UPC Broadband Holding Bank Facility will be repaid on July 31, 2014 and (iv) Facility R of the UPC Broadband Holding Bank Facility will be repaid on December 31, 2015. Subsequent to March 31, 2009, (i) we refinanced a portion of the borrowings outstanding under the UPC Holding Senior Notes due 2014 and (ii) we refinanced portions of Facility L, Facility M and Facility N of the UPC Broadband Holding Bank Facility. For additional information, see note 13.

(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:		
Remainder of 2009	€	4.4
2010		3.1
2011		2.5
2012		2.2
2013		2.0
2014		1.9
Thereafter		19.3
		35.4
Amounts representing interest		(13.3)
Present value of net minimum lease payments	€	22.1
Current portion	€	3.5
Noncurrent portion	€	18.6

Non-cash Refinancing Transactions

During the three months ended March 31, 2009 and 2008, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €503.0 million and nil, respectively.

(9) 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:

	Three months ended March 31,			
	2009		2008	
	in millions			
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
LGI common stock:				
LGI Performance Plans	$ (2.1)	€ (1.6)	$ 12.0	€ 8.0
Stock options, stock appreciation rights (SARs), restricted shares and restricted share units	5.9	4.5	4.2	2.8
Total LGI common stock	3.8	2.9	16.2	10.8
Other	0.7	0.5	(3.5)	(2.4)
Total	$ 4.5	€ 3.4	$ 12.7	€ 8.4
Included in:				
Operating expense	$ 0.8	€ 0.6	$ 2.1	€ 1.4
SG&A expense	3.7	2.8	10.6	7.0
Total	$ 4.5	€ 3.4	$ 12.7	€ 8.4

LGI Performance Plans

On February 18, 2009, the compensation committee of LGI's board of directors determined the method of payment for the March 31, 2009 and September 30, 2009 installments of the awards that had been earned by participants in LGI's senior executive performance incentive plan and management incentive plan (the LGI Performance Plans). These installments represent the first two of six equal semi-annual installments beginning on March 31, 2009. In accordance with the compensation committee's determination, LGI (i) paid cash aggregating \$56.4 million (€42.6 million) (including \$23.4 million (€17.7 million) paid to employees of our subsidiaries) 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 2,016,351 shares of LGI Series A common stock and 1,937,265 shares of LGI Series C common stock (including 750,970 and 721,510, respectively, granted to employees of our subsidiaries) to settle the second installment of the awards earned under the LGI Performance Plans. The \$23.4 million cash payment to employees of our subsidiaries includes \$3.4 million (€2.6 million) that was paid subsequent to March 31, 2009. 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 vest 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 Series A and Series C common stock (51%/49%). The compensation committee has not determined the method of payment of the remaining four installments of the earned awards. The decision by the compensation committee to settle the second installment of each earned award with restricted share units represents a modification that results in the reclassification of this portion of the earned awards from a liability to parent's deficit. The €1.4 million difference between the February 18, 2009 grant date market value of the restricted share units granted to employees of our subsidiaries and the value assigned to these restricted share units by the compensation committee is reflected as a reduction of our stock-based compensation expense for the three months ended March 31, 2009. Our stock-based compensation expense for the three-months ended March 31, 2009 also includes a reduction of €8.2 million as a result of the forfeiture of certain awards under the LGI Performance Plans.

(10) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Revenue	€ 0.5	€ 0.4
Operating expenses	(15.2)	(16.1)
SG&A expenses	(0.4)	(1.0)
Allocated stock-based compensation expense	(2.9)	(10.8)
Fees and allocations, net	5.7	0.7
Included in operating income	(12.3)	(26.8)
Interest expense	(160.5)	(159.2)
Included in net loss	€ (172.8)	€ (186.0)

Revenue. The related-party revenue is recognized from Chellomedia, its subsidiaries and equity method affiliates for programming services provided to Chellomedia.

Operating expenses. Related-party operating expenses are recognized primarily for 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 €13.2 million and €14.2 million during the three months ended March 31, 2009 and 2008, respectively. In addition, operating expenses include costs for programming charged by certain of LGI's equity method affiliates of €2.0 million and €1.9 million during the three months ended March 31, 2009 and 2008, respectively.

SG&A expenses. Related-party SG&A expenses include marketing and other administrative charges between UPC Holding, Chellomedia, and Priority Telecom N.V.

Allocated stock-based compensation expense. As further described in note 9, 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 €4.6 million and €1.4 million during the three months ended March 31, 2009 and 2008, 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 periodically settled in cash or, in the case of allocations of stock-based compensation costs, reflected as a reduction of our shareholder loan with LGE Financing. UPC Holding also recorded net credits (charges) for services provided by UPC Holding to Chellomedia for programming services provided by Chellomedia, and services provided to and by Liberty Global NV of €1.1 million and (€0.7 million) during the three months ended March 31, 2009 and 2008, respectively.

Interest expense. Related-party interest expense 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 8.

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 condensed 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:

	March 31, 2009	December 31, 2008
	in millions	
Receivables	€ 4.4	€ 4.1
Accounts payable	€ 9.8	€ 17.5
Accrued liabilities	4.9	0.8
Other long-term liabilities	160.5	—
Shareholder loan (note 8)	8,428.9	8,480.8
Total liabilities	€ 8,604.1	€ 8,499.1

LGI charged €1.1 million and €7.4 million during the three months ended March 31, 2009 and 2008, respectively, to our company in connection with LGI stock incentive awards exercised by employees of our subsidiaries and certain other Liberty Global Europe subsidiaries. These charges are reflected as adjustments of parent's deficit in our condensed consolidated statements of owners' deficit.

(11) Commitments and Contingencies

Commitments

In the ordinary 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, purchases of customer premise equipment and other items. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

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 UPC Nederland BV (UPC NL), 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. 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 NL, have a number of additional access obligations.

The access obligations 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 NL's 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 NL's 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 NL. Potential resellers will need to negotiate the relevant copyrights directly with program providers in order to resell the identical or almost identical 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 NL's 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 NL to enable providers of digital television signals to supply their digital signals using their own or UPC NL's 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 NL's transmission platform for purposes of resale, will be based on a discount to UPC NL's retail rates, at a level to be determined by OPTA and, if no retail offer of UPC NL 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 NL will also be required to make its tariffs publicly available on a rate card. Furthermore, UPC NL 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.

We believe that the proposed measures are unnecessary and disproportionate and we filed an appeal against the decision on April 15, 2009. Pending the outcome of this appeal, UPC NL will be required to comply with the decision.

Chilean Antitrust Matter – On December 12, 2006, Liberty Media Corporation (Liberty Media), the former parent company of our predecessor, 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.

(12) Segment Reporting

We own a variety of international subsidiaries and investments that provide broadband communications services, and to a lesser extent, video programming services. We 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 and to decide how to allocate resources to segments. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization, and impairment, restructuring and other operating charges or credits). We believe operating cash flow is meaningful because it provides investors a means to evaluate the operating performance of our segments and our company on an ongoing basis using criteria that is used by our internal decision makers. Our internal decision makers believe operating cash flow is a meaningful measure and is superior to other available U.S. GAAP measures because it represents a transparent view of our recurring operating performance 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. For example, our internal decision makers believe that the inclusion of impairment and restructuring charges within operating cash flow would distort the ability to efficiently assess and view the core operating trends in our segments. In addition, our internal decision makers believe our measure of operating cash flow is important because analysts and investors use it to compare our performance to other companies in our industry. However, our definition of operating cash flow may differ from cash flow measurements provided 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 before income taxes is presented below.

During the first quarter of 2009, we changed our reporting such that we no longer include video-on-demand costs within the central and corporate operations category of the UPC Broadband Division. Instead, we present these costs within the individual operating segments of the UPC Broadband Division. Segment information for all periods presented has been restated to reflect the reclassification of these costs.

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

- UPC Broadband Division:
  - The Netherlands
  - Switzerland
  - Austria
  - Ireland
  - Hungary
  - Other 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 Competitive Local Exchange Carrier (CLEC) and other business-to-business (B2B) services. At March 31, 2009, our operating segments in the UPC Broadband Division provided services in 10 European countries. Our Other Central and Eastern Europe segment includes our operating segments in the Czech Republic, Poland, Romania, Slovakia and Slovenia. VTR provides broadband communications services in Chile. The UPC Broadband Division's central and corporate operations category includes billing systems, network operations, technology, marketing, facilities, finance, legal 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, U.S. GAAP requires that we consolidate 100% of the revenue and expenses of VTR in our condensed consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The third-party owner's interests in the operating results of VTR and other less significant majority-owned subsidiaries are reflected in net earnings attributable to noncontrolling interests in our condensed consolidated statements of operations. When reviewing and analyzing our operating results, it is important to note that a third-party entity owns a significant interest in VTR.

	Three months ended March 31,			
	2009		2008	
Performance Measures	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions			
UPC Broadband Division:				
The Netherlands	€ 204.5	€ 117.0	€ 200.7	€ 110.8
Switzerland	182.5	100.1	168.2	88.1
Austria	87.8	44.4	93.2	45.6
Ireland	61.1	23.5	58.9	22.6
Total Western Europe	535.9	285.0	521.0	267.1
Hungary	58.5	29.4	66.7	34.2
Other Central and Eastern Europe	145.9	74.8	156.7	79.5
Total Central and Eastern Europe	204.4	104.2	223.4	113.7
Central and corporate operations	1.1	(38.1)	1.3	(38.2)
Total UPC Broadband Division	741.4	351.1	745.7	342.6
VTR (Chile)	119.4	47.0	124.4	50.4
Total UPC Holding	€ 860.8	€ 398.1	€ 870.1	€ 393.0

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

	Three months ended March 31,	
	2009	2008
	in millions	
Total segment operating cash flow	€ 398.1	€ 393.0
Stock-based compensation expense	(3.4)	(8.4)
Related-party fees and allocations, net	5.7	0.7
Depreciation and amortization	(265.1)	(270.3)
Impairment, restructuring and other operating charges, net	(3.6)	(2.7)
Operating income	131.7	112.3
Interest expense:		
Related party	(160.5)	(159.2)
Third party	(89.8)	(112.0)
Interest income	6.2	7.2
Realized and unrealized losses on derivative instruments, net	(45.1)	(276.4)
Foreign currency transaction gains (losses), net	(241.1)	181.4
Unrealized gains due to changes in fair values of certain investments, net	1.4	0.5
Other income (expense), net	(0.6)	0.1
Loss before income taxes	€ (397.8)	€ (246.1)

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Subscription revenue (a):		
Video	€ 435.6	€ 445.4
Broadband internet	212.0	207.0
Telephony	121.1	120.9
Total subscription revenue	768.7	773.3
Other revenue (b)	92.1	96.8
Total UPC Holding	€ 860.8	€ 870.1

(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

The revenue of our geographic segments is set forth below:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Europe:		
UPC Broadband Division:		
The Netherlands	€ 204.5	€ 200.7
Switzerland	182.5	168.2
Austria	87.8	93.2
Ireland	61.1	58.9
Hungary	58.5	66.7
Poland	45.5	48.9
Czech Republic	45.0	46.8
Romania	30.6	38.5
Slovakia	13.4	12.0
Slovenia	11.4	10.5
Central and corporate operations (a)	1.1	1.3
Total Europe	741.4	745.7
Chile	119.4	124.4
Total UPC Holding	€ 860.8	€ 870.1

(a) The central and corporate operations are located primarily in the Netherlands.

(13) Subsequent Events

UPC Holding New Senior Notes

On April 30, 2009, UPC Holding (i) exchanged €115.4 million aggregate principal amount of its existing 7.75% Senior Notes due 2014 for an equal aggregate principal amount of new 9.75% Senior Notes due April 2018 (the Exchange Notes) plus a cash payment of €4.6 million and (ii) €69.1 million aggregate principal amount of its 8.625% Senior Notes due 2014 for an equal aggregate principal amount of Exchange Notes plus a cash payment of €4.1 million. In connection with this exchange transaction, UPC Holding paid to the exchanging noteholders the accrued interest on the exchanged Senior Notes and incurred applicable commissions and fees.

On April 30, 2009, UPC Holding also issued €65.6 million principal amount of the new 9.75% Senior Notes due April 2018 at an original issue discount of 16.5%, resulting in cash proceeds before commissions and fees of €54.8 million. The net proceeds from the issuance of the new 9.75% Senior Notes, after deducting applicable commissions and fees, will be used for general corporate purposes.

UPC Broadband Holding Bank Facility Transactions

Upsizing of Facilities Q and R. On April 27, 2009, UPC Broadband Holding entered into two new facility accession agreements to increase the sizes of Facility Q and Facility R under the UPC Broadband Holding Bank Facility by €70.0 million to €337.0 million and €27.3 million to €263.2 million, respectively. In connection with these new accession agreements, certain lenders under the €830.0 million Facility L novated, in whole or in part, their drawn commitments in the amount of €97.3 million to Liberty Global Europe BV and entered into either Facility Q or Facility R. As a result, total third-party commitments under Facility L as of April 27, 2009 totaled €229.7 million.

Additional Facilities S and T. In May 2009, UPC Broadband Holding refinanced portions of Facility M and Facility N under the UPC Broadband Holding Bank Facility. Existing Facility M commitments, in an aggregate amount of €1.67 billion were rolled into a new Facility S, a non-redrawable term loan facility denominated in euros and existing Facility N commitments, in an aggregate amount of $500.0 million (€378.0 million), were rolled into a new Facility T, a non-redrawable term loan facility denominated in U.S. dollars. The Facility M and Facility N lenders that have agreed to roll their commitments (the Rolling Lenders) are novating their existing Facility M and Facility N commitments to Liberty Global Europe BV and will enter into the new Facility S or Facility T, as applicable. Liberty Global Europe BV was the initial lender under Facility S and Facility T and entered into an Additional Facility S Accession Agreement and Additional Facility T Agreement, each dated May 6, 2009. Liberty Global Europe BV is novating its Facility S and Facility T commitments to the Rolling Lenders. The final maturity date for each of Facility S and Facility T will be 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 are currently scheduled to fall due, if, on such date, such notes are outstanding in an aggregate amount of €250.0 million or more. Facility S will bear interest at a rate of EURIBOR plus 3.75%. Facility T will bear interest at a rate of LIBOR plus 3.50%. The completion of these transactions is subject to the execution of novation certificates by the relevant parties.

Additional Facility U. On May 15, 2009, UPC Broadband Holding launched a request to the existing Facility M lenders under the UPC Broadband Holding Bank Facility to roll their existing Facility M commitments into a new Facility U, a non-redrawable term loan facility denominated in euros. The Facility M lenders that decide to roll their commitments (the Facility M Rolling Lenders) will novate their existing Facility M commitments to Liberty Global Europe BV and will enter into the new Facility U. Liberty Global Europe BV will be the initial lender under Facility U and will enter into an additional facility accession agreement for Facility U. Liberty Global Europe BV will novate its Facility U commitments to the Facility M Rolling Lenders. The final maturity date for Facility U will be the earlier of (i) December 2017 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 are currently scheduled to fall due, if, on such date, such notes are outstanding in an aggregate amount of €250.0 million or more. Facility U will bear interest at a rate of EURIBOR plus 4.00%. The completion of the above transactions is subject to the execution of the additional facility accession agreement, novation certificates and related documentation by the relevant parties.

Agreement to Sell Our Slovenian Operations

In April 2009, one of our subsidiaries entered into an agreement to sell 100% of the stock of the holding company of our Slovenian cable operations to Mid Europa Partners for a cash purchase price of €119.5 million, subject to working capital adjustments. Consummation of the sale is subject to customary closing conditions, including conditions precedent to the funding of Mid Europa Partners' financing commitments and the receipt of regulatory approval.

Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis, which should be read in conjunction with the discussion and analysis included in our 2008 annual financial statements, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and 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.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three months ended March 31, 2009 and 2008.
- *Material Changes in Financial Condition.* This section provides an analysis of our corporate and subsidiary liquidity, condensed consolidated cash flow statements and our off balance sheet arrangements.

The capitalized terms used below have been defined in the notes to our condensed 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 March 31, 2009.

Forward-Looking Statements

Certain statements in this quarterly report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this quarterly 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, acquisition, disposition 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 risk 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. In addition to the risk factors described in our 2008 annual financial statements, 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 credit;
- 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 monthly 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;
- 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 or 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 ventures; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics or other similar events.

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this quarterly 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 wholly-owned subsidiary of LGI and an international provider of video, voice and broadband internet services with consolidated broadband communications and/or DTH satellite operations at March 31, 2009 in 10 European countries and in Chile. Our European broadband communications operations are collectively referred to as the UPC Broadband Division. Our broadband communications operations in Chile are provided through VTR.

We completed a number of minor acquisitions in Europe since the beginning of 2008 that impact the comparability of our 2009 and 2008 results.

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 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 March 31, 2009, our consolidated subsidiaries owned and operated networks that passed 16,482,600 homes and served 15,994,500 revenue generating units (RGUs), consisting of 9,760,400 video subscribers, 3,739,000 broadband internet subscribers and 2,495,100 telephony subscribers.

We added a total of 80,200 RGUs on an organic basis during the first quarter of 2009, as compared to 171,000 RGUs that were added on an organic basis during the first quarter of 2008. Organic changes in RGUs exclude RGUs of acquired entities at the date of acquisition but include the impact of changes in RGUs from the date of acquisition. Our organic RGU growth during the first quarter of 2009 is attributable to the growth of our telephony services, which added 84,500 RGUs, and our broadband internet services, which added 80,000 RGUs. We experienced a net organic decline of 84,300 video RGUs during the first quarter of 2009, as decreases in our analog cable RGUs of 377,800, our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs of 3,900 and our DTH video RGUs of 6,800 were not fully offset by an increase in our digital cable RGUs of 304,200.

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, has contributed to:

(i) a decline in the organic growth rate for our consolidated revenue from 4.2% during the full year 2008 to 2.3% during the first quarter of 2009, each rate as compared to the corresponding prior year period;

(ii) decreases in the number of our consolidated net organic RGU additions during the first quarter of 2009, as compared to the first and fourth quarters of 2008;

(iii) slight organic declines in RGUs in Hungary and the Netherlands during the first quarter of 2009;

(iv) organic declines in video RGUs in the Netherlands, Austria, Ireland, Hungary, Poland, the Czech Republic, Slovakia and Slovenia during the first quarter of 2009;

(v) organic declines in revenue in Switzerland, Austria, Hungary and Chile (VTR) during the first quarter of 2009, as compared to the fourth quarter of 2008;

(vi) organic declines in revenue in Austria, Romania and Hungary during the first quarter of 2009, as compared to the first quarter of 2008; and

(vii) organic declines in the average monthly subscription revenue earned per average RGU (ARPU) in the majority of our markets during the first quarter of 2009, as compared to the first quarter of 2008.

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

Due largely to the recent disruption in the worldwide credit and equity markets, we are facing difficult economic environments in most of the countries in which we operate. These economic environments have made it (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. Accordingly, our ability to increase, or in certain cases, maintain the revenue, RGUs, operating cash flow and liquidity of our operating segments could be adversely affected to the extent that relevant economic environments remain weak or decline further. We currently are unable to predict the extent of any of these potential adverse effects.

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 increases in competition, the introduction of new technologies or adverse regulatory initiatives 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 our 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.

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 television services.

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 began offering ultra high-speed internet services in the Netherlands in 2008, 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. Telephony services in the remaining markets are provided using VoIP technology. In select markets, we also offer mobile telephony services using third-party networks.

Material Changes in Results of Operations

The comparability of our operating results during the 2009 and 2008 interim periods 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 foreign currency risk from a translation perspective is currently to the Swiss franc and the Chilean peso. In addition, our operating results are impacted by changes in the exchange rates for the Hungarian forint, the Romanian lei, the Polish zloty, the Czech koruna and other local currencies in Europe. In this regard, 55.9% of our euro revenue during the three months ended March 31, 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 foreign currency exchange rates from a translation perspective 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, U.S. GAAP requires that we consolidate 100% of the revenue and expenses of VTR in our condensed consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The third-party owner's interest in the operating results of VTR are reflected in net earnings attributable to noncontrolling interests in our condensed consolidated statements of operations. When reviewing and analyzing our operating results, it is important to note that a third-party owns a significant interest in VTR.

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 CLEC and other B2B services. At March 31, 2009, our operating segments in the UPC Broadband Division provided services in 10 European countries. Our Other Central and Eastern Europe segment includes our operating segments in the Czech Republic, Poland, Romania, Slovakia and Slovenia. VTR provides broadband communications services in Chile. The UPC Broadband Division's central and corporate operations category includes billing systems, network operations, technology, marketing, facilities, finance, legal and other administrative costs.

For additional information concerning our reportable segments, including a discussion of our performance measures and a reconciliation of total segment operating cash flow to our consolidated loss before income taxes, see note 12 to our condensed 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 the first quarter of 2009, as compared to the first quarter of 2008. 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 foreign currency translation effects (FX). The comparisons that exclude FX assume that exchange rates remained constant during the 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 the first three months of 2009 and 2008 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 CLEC and other B2B services. In the following discussion, we use the term "subscription revenue" 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 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. For information concerning adverse regulatory developments in the Netherlands, see note 11 to our condensed consolidated financial statements.

Revenue of our Reportable Segments

	Three months ended March 31, 2009	2008	Increase (decrease) €	%	Increase (decrease) excluding FX %
		in millions			
UPC Broadband Division:					
The Netherlands	€ 204.5	€ 200.7	€ 3.8	1.9	1.9
Switzerland	182.5	168.2	14.3	8.5	1.6
Austria	87.8	93.2	(5.4)	(5.8)	(5.8)
Ireland	61.1	58.9	2.2	3.7	3.7
Total Western Europe	535.9	521.0	14.9	2.9	0.6
Hungary	58.5	66.7	(8.2)	(12.3)	(0.7)
Other Central and Eastern Europe	145.9	156.7	(10.8)	(6.9)	5.3
Total Central and Eastern Europe	204.4	223.4	(19.0)	(8.5)	3.5
Central and corporate operations	1.1	1.3	(0.2)	(15.4)	(15.4)
Total UPC Broadband Division	741.4	745.7	(4.3)	(0.6)	1.5
VTR (Chile)	119.4	124.4	(5.0)	(4.0)	9.6
Total UPC Holding	€ 860.8	€ 870.1	€ (9.3)	(1.1)	2.6

The Netherlands. The Netherlands' revenue increased €3.8 million or 1.9% during the three months ended March 31, 2009, as compared to the corresponding prior year period. 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 average number of RGUs during the first quarter of 2009, as compared to the corresponding period in 2008. ARPU was higher during the first quarter of 2009, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to a higher proportion 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 and premium digital services and products, were only partially offset by the negative impacts of (a) increased competition, (b) lower telephony call volumes and (c) customers selecting lower-priced tiers of broadband internet and telephony services. 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 a decline in the average number of analog cable 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 2008, and (ii) lower interconnect revenue, due largely to a January 1, 2009 reduction in termination rates imposed by regulatory authorities and a decrease in call volumes.

Switzerland. Switzerland's revenue increased €14.3 million or 8.5% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, Switzerland's revenue increased €2.6 million or 1.6%. Most of this increase is attributable to an increase in subscription revenue, due to a higher average number of RGUs. 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 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. ARPU remained relatively constant during the first quarter of 2009, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to a higher proportion of digital cable, broadband internet and telephony RGUs and (ii) increased revenue from premium digital services and products were offset by the negative impacts of (a) increased competition and (b) lower telephony call volumes.

Austria. Austria's revenue decreased €5.4 million or 5.8% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €0.9 million increase attributable to the impact of an acquisition. Excluding the effects of the acquisition, Austria's revenue decreased €6.3 million or 6.8%.

This decrease is attributable to a decrease in subscription revenue, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher average number of RGUs. The decline in subscription revenue, which, as discussed under *Overview* above, is largely related to the significant competition we are experiencing in Austria, includes declines in revenue from broadband internet and, to a lesser extent, telephony services that were only partially offset by a slight increase in revenue from video services. ARPU decreased during the first quarter of 2009, as compared to the first quarter of 2008, as the positive impacts of (i) an improvement in Austria's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, and (ii) February and March 2009 rate increases for certain analog and digital cable services were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced tiers of video, broadband internet and telephony services, including, in the case of telephony services, usage-based calling plans, (c) lower telephony call volumes and (d) an increase in the proportion of subscribers selecting VoIP telephony service, which generally is priced lower than Austria's circuit-switched telephony service. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable and telephony RGUs that were only partially offset by decreases in the average numbers of analog cable and, to a lesser extent, broadband internet RGUs. The declines in the average numbers of analog cable and broadband internet RGUs are primarily attributable to competition, and in the case of analog cable RGUs, the migration of analog cable customers to digital cable services. In light of the current competitive and economic conditions, we expect that Austria will continue to be challenged to maintain or increase its revenue on an organic basis.

Ireland. Ireland's revenue increased €2.2 million or 3.7% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Most of this increase is attributable to an increase in subscription revenue, due to an increase in ARPU that was only partially offset by the impact of a slight decrease in the average number of RGUs. ARPU increased during the first quarter of 2009, as the positive impacts of (i) an improvement in Ireland's RGU mix, primarily attributable to a higher proportion of digital cable, telephony and broadband internet RGUs, (ii) a January 2009 price increase for certain video services and January 2009 and July 2008 price increases for certain broadband internet services and (iii) an increase in the proportion of broadband internet customers selecting higher-priced tiers of service were only partially offset by the negative impact of (a) increased competition, (b) lower telephony call volumes and other changes in subscriber calling patterns and (c) lower revenue from premium digital services and products. The slight decrease in the average number of RGUs is attributable to decreases in the average number of analog cable and MMDS video RGUs that were only partially offset by increases in the average numbers of broadband internet, telephony and digital cable RGUs. The decline in the average number of analog cable RGUs is primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. The negative impact of the lower average number of analog cable RGUs contributed to organic declines in the average number of video RGUs and revenue from video services in Ireland during the first quarter of 2009, as compared to the first quarter of 2008.

Hungary. Hungary's revenue decreased €8.2 million or 12.3% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, Hungary's revenue decreased €0.5 million or 0.7%, as a decline in subscription revenue was only partially offset by an increase in non-subscription revenue. Subscription revenue declined during the first quarter of 2009, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher average number of RGUs. The decline in subscription revenue, which, as discussed under *Overview* above, is largely related to the significant competition we are experiencing in Hungary, includes declines in revenue from video and broadband internet services that were only partially offset by an increase in revenue from telephony services. ARPU declined during the first quarter of 2009, as compared to the first quarter of 2008, as the positive impacts of (i) improvements in Hungary's RGU mix, primarily attributable to a higher proportion of digital cable and broadband internet RGUs and (ii) the positive impact of Hungary's second quarter 2008 launch of digital cable services were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced tiers of broadband internet, video and telephony services and (c) lower telephony call volumes and other changes in subscriber calling patterns. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet, telephony and DTH 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 is primarily due to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. The increase in non-subscription revenue during the first quarter of 2009 is primarily attributable to an increase in B2B revenue due to growth in the number of business telephony subscribers.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue decreased €10.8 million or 6.9% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €1.6 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, Other Central and Eastern Europe's revenue increased €6.7 million or 4.3%. Most of this increase is attributable to an increase in subscription revenue, due primarily to a higher average number of RGUs. The increase in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable (mostly in the Czech Republic, Poland and Romania), broadband internet (mostly in Poland, the Czech Republic and Romania) and telephony RGUs (mostly related to the expansion of VoIP telephony services in Poland, the Czech Republic and Romania), 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 Other Central and Eastern Europe during the first quarter of 2009, as compared to the first quarter of 2008. This decline includes video RGU decreases in Romania, the Czech Republic and, to a lesser extent, Slovenia and Slovakia that were only partially offset by a small increase in Poland. ARPU remained relatively constant in our Other Central and Eastern Europe segment during the first quarter of 2009, as compared to the first quarter of 2008, 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 launch of digital cable services in Poland and Slovakia during the second quarter of 2008 and in Slovenia during the third quarter of 2008) and broadband internet RGUs and (ii) rate increases for video services in certain countries were offset by the negative impacts of (a) increased competition, (b) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers, (c) lower revenue from premium video services and products and (d) lower telephony call volumes and other changes in telephony subscriber calling patterns. The negative impact of the lower average number of video RGUs contributed to an organic decline in revenue from video services in Other Central and Eastern Europe during the first quarter of 2009, as compared to the first quarter of 2008.

Although competition is a factor throughout our Other Central and Eastern Europe markets, we are experiencing particularly intense competition in Romania. In Romania, competition has contributed to declines in ARPU, video revenue and overall revenue during the first quarter of 2009, as compared to the first quarter of 2008. In response to the elevated level of competition in Romania, we have implemented aggressive pricing and marketing strategies. These strategies have contributed to an organic increase in Romania's video revenue and overall revenue during the first quarter of 2009, as compared to the fourth quarter of 2008. While these strategies were implemented with the objective of maintaining our market share in Romania and enhancing our prospects for continued revenue growth in future periods, no assurance can be given that we will be successful in meeting these objectives. We expect that we will continue to experience significant competition in future periods in Romania and other markets within our Other Central and Eastern Europe segment.

VTR (Chile). VTR's revenue decreased €5.0 million or 4.0% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, VTR's revenue increased €12.0 million or 9.6%. This increase is attributable to an increase in subscription revenue, due to (i) higher average numbers of broadband internet, telephony and video RGUs and (ii) an increase in ARPU during the first quarter of 2009, as compared to the first quarter of 2008. ARPU increased during the first quarter of 2009, 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) March 2008, September 2008 and January 2009 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 video, broadband internet and telephony services.

Operating Expenses of our Reportable Segments

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 63.6	€ 65.6	€ (2.0)	(3.0)	(3.0)
Switzerland	54.3	51.8	2.5	4.8	(1.8)
Austria	28.5	32.3	(3.8)	(11.8)	(11.8)
Ireland	28.7	28.1	0.6	2.1	2.1
Total Western Europe	175.1	177.8	(2.7)	(1.5)	(3.5)
Hungary	22.7	24.8	(2.1)	(8.5)	3.5
Other Central and Eastern Europe	53.0	57.4	(4.4)	(7.7)	4.6
Total Central and Eastern Europe	75.7	82.2	(6.5)	(7.9)	4.3
Central and corporate operations	11.2	9.7	1.5	15.5	15.5
Total UPC Broadband Division	262.0	269.7	(7.7)	(2.9)	(0.4)
VTR (Chile)	53.7	52.0	1.7	3.3	17.8
Total operating expenses excluding stock-based compensation expense	315.7	321.7	(6.0)	(1.9)	2.5
Stock-based compensation expense	0.6	1.4	(0.8)	(57.1)	
Total UPC Holding	€ 316.3	€ 323.1	€ (6.8)	(2.1)	

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 costs and 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 Broadband Division. The UPC Broadband Division's operating expenses (exclusive of stock-based compensation expense) decreased €7.7 million or 2.9% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €1.0 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, the UPC Broadband Division's operating expenses decreased €2.1 million or 0.8%. This decrease includes the following factors:

- A decrease in interconnect and access costs of €4.4 million or 13.7%, due primarily to (i) lower interconnect and access rates in Austria and Switzerland, (ii) lower B2B volume in the Netherlands and (iii) lower telephony usage in Switzerland;

- An increase in programming and related costs of €4.1 million or 6.7%, primarily due to (i) growth in digital cable services, predominantly in Austria, the Netherlands and Switzerland, and (ii) foreign currency exchange fluctuations with respect to non-functional currency costs and expenses associated with certain programming contracts in our central and eastern European markets, including Hungary, Romania and Poland. These increases were partially offset by decreases in programming and related costs in Ireland as a result of (i) lower video cable RGUs and (ii) the impact of subscribers selecting lower-priced tiers of digital video services and products;

- An increase in billing and collections expenses of €2.1 million, as economic conditions and other factors have contributed to a rise in bad debt expense in most markets;

- A decrease in management fees of €1.4 million, primarily due to the second quarter 2008 renegotiation of an agreement with the noncontrolling interest owners of one of our operating subsidiaries in Austria; and

- Individually insignificant net decreases in other operating expense categories.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €1.7 million or 3.3% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, VTR's operating expenses increased €9.2 million or 17.8%. This increase includes the following factors:

- An increase in programming and related costs of €6.1 million or 46.4%, due primarily to (i) foreign currency exchange fluctuations with respect to VTR's U.S. dollar denominated programming contracts and (ii) growth in VTR's digital cable services. Most of VTR's programming contracts are denominated in U.S. dollars;

- An increase in bad debt expense of €0.9 million, due primarily to economic conditions and an increase in VTR's customer base; and

- An increase in network-related expenses of €0.7 million or 19.5%, due primarily to higher costs for electricity.

SG&A Expenses of our Reportable Segments

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 23.9	€ 24.3	€ (0.4)	(1.6)	(1.6)
Switzerland	28.1	28.3	(0.2)	(0.7)	(6.9)
Austria	14.9	15.3	(0.4)	(2.6)	(2.6)
Ireland	8.9	8.2	0.7	8.5	8.5
Total Western Europe	75.8	76.1	(0.3)	(0.4)	(2.7)
Hungary	6.4	7.7	(1.3)	(16.9)	(5.2)
Other Central and Eastern Europe	18.1	19.8	(1.7)	(8.6)	4.1
Total Central and Eastern Europe	24.5	27.5	(3.0)	(10.9)	1.5
Central and corporate operations	28.0	29.8	(1.8)	(6.0)	(2.9)
Total UPC Broadband Division	128.3	133.4	(5.1)	(3.8)	(1.9)
VTR (Chile)	18.7	22.0	(3.3)	(15.0)	(2.8)
Total SG&A expenses excluding stock-based compensation expense	147.0	155.4	(8.4)	(5.4)	2.0
Stock-based compensation expense	2.8	7.0	(4.2)	(60.0)	
Total UPC Holding	€ 149.8	€ 162.4	€ (12.6)	(7.8)	

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 costs and expenses.

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) decreased €5.1 million or 3.8% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €0.2 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, the UPC Broadband Division's SG&A expenses decreased €2.7 million or 2.0%. This decrease is primarily attributable to a decrease in outsourced labor and professional fees of €1.4 million or 18.2% and individually insignificant net decreases in other SG&A expense categories. The decrease in outsourced labor and professional fees is due primarily to decreases in information technology costs incurred by the UPC Broadband Division's central and corporate operations.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €3.3 million or 15.0% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, VTR's SG&A expenses decreased €0.6 million or 2.8%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €0.7 million or 6.9%, as decreased costs associated with marketing campaigns were only partially offset by increased sales commissions;

- A decrease in labor and related costs of €0.7 million or 11.0%, primarily due to higher severance and travel costs incurred during the first quarter of 2008; and

- Individually insignificant net increases in other SG&A 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 and to decide how to allocate resources to segments. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding 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 consolidated loss before income taxes, see note 12 to our condensed consolidated financial statements.

Operating Cash Flow

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 117.0	€ 110.8	€ 6.2	5.6	5.6
Switzerland	100.1	88.1	12.0	13.6	6.2
Austria	44.4	45.6	(1.2)	(2.6)	(2.6)
Ireland	23.5	22.6	0.9	4.0	4.0
Total Western Europe	285.0	267.1	17.9	6.7	4.3
Hungary	29.4	34.2	(4.8)	(14.0)	(2.7)
Other Central and Eastern Europe	74.8	79.5	(4.7)	(5.9)	6.2
Total Central and Eastern Europe	104.2	113.7	(9.5)	(8.4)	3.5
Central and corporate operations	(38.1)	(38.2)	0.1	0.3	(2.3)
Total UPC Broadband Division	351.1	342.6	8.5	2.5	4.2
VTR (Chile)	47.0	50.4	(3.4)	(6.7)	6.7
Total	€ 398.1	€ 393.0	€ 5.1	1.3	4.5

Operating Cash Flow Margin

	Three months ended March 31,	
	2009	2008
	%	%
UPC Broadband Division:		
The Netherlands	57.2	55.2
Switzerland	54.8	52.4
Austria	50.6	48.9
Ireland	38.5	38.4
Total Western Europe	53.2	51.3
Hungary	50.3	51.3
Other Central and Eastern Europe	51.3	50.7
Total Central and Eastern Europe	51.0	50.9
Total UPC Broadband Division, including central and corporate operations	47.4	45.9
VTR (Chile)	39.4	40.5

While we experienced improvement in the operating cash flow margins of most of our reportable segments during the first quarter of 2009, as compared to the first quarter of 2008, competitive and economic factors have resulted in a slight decline in the operating cash flow margins of Hungary and VTR. Foreign currency impacts associated with non-functional currency costs and expenses have also negatively impacted operating cash flow margins in our VTR, Hungary, and Other Central and Eastern Europe segments. The improvements in the operating cash flow margins of our other reportable segments are largely a function of increased operational leverage resulting from revenue growth that is more than offsetting the accompanying increases in our operating and SG&A expenses. Cost containment efforts also have positively impacted the operating cash flow margins of our reportable segments. 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 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 our Reportable Segments* that appears above.

Revenue

Our revenue by major category is set forth below:

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX	Increase (decrease) excluding acquisitions and FX
	2009	2008	€	%	%	%
	in millions					
Subscription revenue (a):						
Video	€ 435.6	€ 445.4	€ (9.8)	(2.2)	1.4	1.1
Broadband internet	212.0	207.0	5.0	2.4	7.3	6.9
Telephony	121.1	120.9	0.2	0.2	4.2	4.1
Total subscription revenue	768.7	773.3	(4.6)	(0.6)	3.5	3.1
Other revenue (b)	92.1	96.8	(4.7)	(4.9)	(3.9)	(3.8)
Total UPC Holding	€ 860.8	€ 870.1	€ (9.3)	(1.1)	2.6	2.3

(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 among our broadband communications operating segments.

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

Our consolidated revenue decreased €9.3 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €2.5 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, total consolidated revenue increased €20.4 million or 2.3%.

Excluding FX and the effects of acquisitions, our consolidated subscription revenue increased €24.1 million or 3.1% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This increase is attributable to (i) a €14.2 million or 6.9% 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 €5.0 million or 4.1% 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 €4.9 million or 1.1% 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.

Excluding FX and the effects of acquisitions, our consolidated other revenue decreased €3.7 million or 3.8%, during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is primarily attributable to decreases in B2B and interconnect revenue that were only partially offset by higher programming and installation revenue.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of Reportable Segments – Revenue* 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 consolidated operating expenses decreased €6.8 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €1.0 million increase attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.8 million. For additional information, see the discussion following *SG&A expenses* below. Excluding FX, the effects of acquisitions and stock-based compensation expense, total consolidated operating expenses increased €7.1 million or 2.2% during the three months ended March 31, 2009, as compared to the corresponding prior year period. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses* above, this increase generally reflects the net impact of (i) increases in programming and other direct costs, (ii) net decreases in interconnect and access charges, (iii) increases in billing and collections expense and (iv) less significant net decreases in other operating expense categories.

SG&A expenses

Our consolidated SG&A expenses decreased €12.6 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €0.2 million increase attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €4.2 million. For additional information, see the discussion in the following paragraph. Excluding FX, the effects of acquisitions and stock-based compensation expense, total consolidated SG&A expenses decreased €3.3 million or 2.1% during the three months ended March 31, 2009, as compared to the corresponding prior year period. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses* above, this decrease generally reflects the net impact of (i) decreases in outsourced labor and professional fees, (ii) decreases in sales and marketing costs, (iii) net increases in labor costs and (iv) 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 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. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
LGI common stock:		
LGI Performance Plans (a)	€ (1.6)	€ 8.0
Stock options, SARs, restricted shares and restricted share units	4.5	2.8
Total LGI common stock	2.9	10.8
Other	0.5	(2.4)
Total	€ 3.4	€ 8.4
Included in:		
Operating expense	€ 0.6	€ 1.4
SG&A expense	2.8	7.0
Total	€ 3.4	€ 8.4

(a) The stock-based compensation expense related to the LGI Performance Plans during the three months ended March 31, 2009 includes a €1.4 million reduction associated with the settlement of the second installment of awards under the LGI Performance Plans and an €8.2 million reduction associated with certain forfeitures. For additional information concerning these items, see note 9 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our consolidated depreciation and amortization expense decreased €5.2 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, depreciation and amortization expense increased €2.7 million or 1.0%. 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) decreases associated with certain assets becoming fully depreciated and (iii) increases associated with acquisitions.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €3.6 million and €2.7 million during the three months ended March 31, 2009 and 2008, respectively.

Based on business conditions and market values that existed at March 31, 2009, we concluded that no circumstances or events occurred that would require us to test goodwill or other long-lived assets for impairments. However, the market value of the publicly-traded equity of LGI remains at historically low levels and 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 further 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. Depending on (i) LGI's equity value, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

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 €1.3 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. The increase reflects the net effect of (i) an increase in the interest rate on our shareholder loan from 7.06% during the 2008 period to 7.58% during the 2009 period and (ii) a slight 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 note 8 to our condensed consolidated financial statements.

Interest expense – third party

Our consolidated third-party interest expense decreased €22.2 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, third-party interest expense decreased €21.5 million or 19.2%. This decrease is primarily attributable to a decrease in our weighted average interest rate that was only partially offset by the impact of an increase in our average outstanding indebtedness. The decline in our weighted average interest rate is due primarily to lower interest rates on the UPC Broadband Holding Bank Facility.

In light of the ongoing disruption in the credit markets, 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 manager our interest rate risks. For additional information, see note 5 to our condensed consolidated financial statements.

Interest income

Our consolidated interest income decreased €1.0 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease primarily is attributable to (i) a decrease in our average consolidated cash and cash equivalent and restricted cash balances and (ii) lower interest returned on our cash investments.

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:

	Three months ended March 31,	
	2009	2008
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (38.0)	€ (280.1)
Foreign currency forward contracts	(4.7)	4.2
Embedded derivatives	(2.4)	(0.5)
Total	€ (45.1)	€ (276.4)

(a) The loss during the 2009 period primarily is attributable to the net effect of (i) gains associated with a decrease in the value of the Hungarian forint, Polish zloty, Czech koruna and Swiss franc relative to the euro, (ii) losses associated with a decrease in market interest rates in the euro, Chilean peso, Swiss franc and U.S. dollar markets and (iii) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar and the euro. The loss during the 2008 period is attributable to the net effect of (i) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar, (ii) losses associated with a decrease in market interest rates in the euro and U.S. dollar, (iii) losses associated with an increase in the value of the Swiss franc relative to the euro, (iv) losses associated with a decrease in the value of the U.S. dollar relative to the euro and (v) gains associated with a decrease in the value of the Hungarian forint and Romanian lei relative to the euro.

For additional information concerning our derivative instruments, see note 5 to our condensed 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:

	Three months ended March 31,	
	2009	2008
	in millions	
Intercompany notes denominated in a currency other than the entity's functional currency (a)	€ (196.0)	€ 57.6
U.S. dollar denominated debt issued by a European subsidiary	(88.5)	101.0
U.S. dollar denominated debt issued by a Latin American subsidiary	31.4	42.3
Cash and restricted cash denominated in a currency other than the entity's functional currency	13.3	(24.7)
Other	(1.3)	5.2
Total	€ (241.1)	€ 181.4

(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.

Income tax benefit (expense)

We recognized income tax benefit of €14.0 million and income tax expense of €8.0 million during the three months ended March 31, 2009 and 2008, respectively.

The income tax benefit for the 2009 period differs from the expected income tax benefit of €101.4 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 expense and other nondeductible items and (iii) differences in the statutory and local tax rates in certain jurisdictions in which we operate.

The income tax expense for the 2008 period differs from the expected income tax benefit of €62.8 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 and (ii) certain permanent differences between the financial and tax accounting treatment of interest expense and other nondeductible items.

Net loss

During the three months ended March 31, 2009 and 2008, we reported net losses of €383.8 million and €254.1 million, respectively, including (i) operating income of €131.7 million and €112.3 million, respectively, and (ii) non-operating expense of €529.5 million and €358.4 million, respectively. Gains or losses associated with (i) the disposition of assets, (ii) changes in the fair values of derivative instruments, investments and debt 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 net earnings is largely dependent on our ability to increase the aggregate operating cash flow of our operating segments 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 the reasons for changes in specific line items in our condensed 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 loss (earnings) attributable to noncontrolling interests

We recognized net loss (earnings) attributable to noncontrolling interests of €4.0 million and (€0.6 million) during the three months ended March 31, 2009 and 2008, respectively. This change is primarily attributable to a decline in the operating results of VTR that was only partially offset by improvements in the operating results of certain other majority owned subsidiaries.

Material Changes in Financial Condition

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 operating subsidiaries have generated cash from operating activities and have borrowed funds under their respective bank facilities, the terms of the instruments governing the indebtedness of 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 a significant portion of our consolidated cash and cash equivalents at March 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 March 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	€ —
VTR	33.4
UPC Broadband Holding (excluding VTR)	23.2
Total cash and cash equivalents	€ 56.6

Liquidity of UPC Holding and its Non-operating Subsidiaries

At March 31, 2009, our subsidiaries held cash and cash equivalents of €56.6 million. As noted above, various factors may limit our ability to access the cash of our consolidated subsidiaries.

As described in greater detail below, our current sources of corporate liquidity includes proceeds received in the form of loans or distributions from our operating subsidiaries.

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) funding for loans or distributions to LG Europe (and ultimately LGI) and other LG Europe subsidiaries to fund various liquidity requirements, (ii) the repayment or repurchase of outstanding debt, (iii) the satisfaction of contingent liabilities, (iv) acquisitions, or (v) other investment opportunities, and in the case of LGI, the repurchase of LGI common stock. In light of current market conditions, no assurance can be given that any external funding would be available on favorable terms, or at all.

Liquidity of Operating 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 operating 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 March 31, 2009, see note 8 to our condensed consolidated financial statements. Our operating subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our operating subsidiaries may also require funding in connection with acquisitions, debt refinancing or repurchase transactions, loans to LGI, capital distributions to LGI and other equity owners, or other investment opportunities. In light of current market conditions, no assurance can be given that any external funding would be available to our operating 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 equity 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 March 31, 2009 Senior Debt to Annualized EBITDA (last two quarters annualized) for UPC Holding, as defined and calculated in accordance with the UPC Broadband Holding Bank Facility was 3.87 to 1.00 and the ratio of our March 31, 2009 Total Debt to Annualized EBITDA (last two quarters annualized), as defined and calculated in accordance with the UPC Broadband Holding Bank Facility was 4.53 to 1.00.

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 5 to our condensed 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 Facility in order to maintain compliance with applicable leverage covenants.

At March 31, 2009, our outstanding consolidated third-party debt and capital lease obligations aggregated €7,894.8 million, including €14.1 million that is classified as current in our condensed consolidated balance sheet and €7,869.2 million that is due in 2012 or thereafter. For additional information concerning the maturities of our debt and capital lease obligations, see notes 8 and 13 to our condensed 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 that have resulted in the extension of our and our subsidiaries' debt maturities, see notes 8 and 13 to our condensed 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 ongoing disruption in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. However, (i) additional financial institution failures 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 March 31, 2009, €6,794.8 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, see notes 8 and 13 to our condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statements

Our reported cash flows are subject to significant variations due to FX.

General. During the three months ended March 31, 2009, we used net cash provided by our operating activities of €241.1 million and €50.4 million of our existing cash and cash equivalent balances (excluding a €1.6 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €223.2 million and net cash used by our financing activities of €68.3 million.

Operating Activities. Net cash flows from operating activities increased €14.2 million, from €226.9 million during the first three months of 2008 to €241.1 million during the first three months of 2009. This increase primarily is attributable to the net effect of (i) an increase in cash paid related to certain derivative instruments, (ii) an increase in net cash provided by operating activities due to lower cash payments for interest, (iii) an increase in the cash generated by our video, voice and broadband internet services and (iv) a decrease in the reported net cash provided by operating activities due to FX.

Investing Activities. Net cash used by investing activities decreased €0.5 million, from €223.7 million during the first three months of 2008 to €223.2 million during the first three months of 2009. This decrease is due primarily to the net effect of (i) a decrease in cash paid in connection with acquisitions, net of cash acquired, of €13.4 million and (ii) an increase in capital expenditures of €13.7 million. The increase in capital expenditures was reduced by FX.

The UPC Broadband Division accounted for €190.3 million and €178.8 million of our consolidated capital expenditures during the three months ended March 31, 2009 and 2008, respectively. The increase in the capital expenditures of the UPC Broadband Division is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premise equipment, (ii) a decrease in expenditures for support capital such as information technology upgrades and general support systems, (iii) an increase in expenditures for new build and upgrade projects to expand services and (iv) an increase due to FX.

VTR accounted for €33.4 million and €31.2 million of our consolidated capital expenditures during the three months ended March 31, 2009 and 2008, respectively. The increase in the capital expenditures of VTR is due primarily to the net effect of (i) a decrease due to FX, (ii) an increase in expenditures for new build and upgrade projects, (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.

Financing Activities. Net cash used by financing activities decreased €29.8 million, from €98.1 million during the first three months of 2008 to €68.3 million during the first three months of 2009. This decrease primarily is attributable to the net effect of (i) a €43.5 million decrease in cash used for net repayments of the shareholder loan and (ii) the payment of €20.5 million of deferred financing costs during the three months ended March 31, 2009.

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.