UPC HOLDING B.V.

Consolidated Financial Statements
December 31, 2008

Recasted to reflect (i) the presentation of UPC Slovenia as a discontinued operation, (ii) the adoption of Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, and (iii) the presentation of video-on-demand costs within the individual operating segments of the UPC Broadband Division.

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

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Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheets of UPC Holding B.V. (a B.V. registered in the Netherlands) and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive earnings (loss), owners' deficit, and cash flows for the years ended December 31, 2008, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UPC Holding B.V. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years ended December 31, 2008, 2007 and 2006, in conformity with U.S. generally accepted accounting principles.

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

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

As discussed in note 5, UPC Holding B.V. sold 100% of its interest in UPC Slovenia on July 19, 2009 and recasted the consolidated financial statements for all periods presented to give retrospective effect to the discontinued operations of UPC Slovenia.

Amstelveen, the Netherlands, March 10, 2009, except as to note 2 (*SFAS 160*), which is as of May 19, 2009 and note 5 (UPC Slovenia) which is as of January 12, 2010.

KPMG ACCOUNTANTS N.V.

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2008	2007
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 108.6	€ 153.6
Trade receivables, net	427.1	401.1
Receivables – related party (note 14)	4.1	24.7
Deferred income taxes (note 11)	44.7	40.2
Derivative instruments (note 7)	134.1	155.3
Other current assets	82.5	87.3
Total current assets	801.1	862.2
Restricted cash (note 10)	330.2	319.2
Investments (note 6)	31.1	24.4
Property and equipment, net (note 9)	3,977.5	3,863.2
Goodwill (note 9)	4,817.0	4,859.3
Intangible assets subject to amortization, net (note 9)	594.8	748.8
Other assets, net (notes 7 and 9)	303.0	279.1
Total assets	€ 10,854.7	€ 10,956.2

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

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

	December 31,			
	2008		2007	
	in millions			
LIABILITIES AND OWNERS' DEFICIT				
Current liabilities:				
Accounts payable:				
Third party	€	266.4	€	255.3
Related party (note 14)		17.5		12.3
Accrued liabilities:				
Third party		503.4		620.7
Related party (note 14)		0.8		2.8
Deferred revenue and advance payments from subscribers and others		441.0		440.0
Derivative instruments (note 7)		274.8		73.8
Current portion of debt and capital lease obligations (note 10)		12.7		5.7
Total current liabilities		1,516.6		1,410.6
Long-term debt and capital lease obligations (note 10):				
Third party		7,775.1		6,637.2
Related party (note 14)		8,480.8		9,038.2
Deferred tax liabilities (note 11)		87.1		75.3
Other long-term liabilities (note 7)		671.5		531.4
Total liabilities		18,531.1		17,692.7
Commitments and contingencies (notes 10, 11, 13 and 18)				
Owners' deficit (note 12):				
Parent's deficit:				
Distributions and accumulated losses in excess of contributions		(7,762.4)		(6,692.7)
Accumulated other comprehensive loss, net of taxes (note 17)		(52.4)		(198.8)
Total parent's deficit		(7,814.8)		(6,891.5)
Noncontrolling interests		138.4		155.0
Total owners' deficit		(7,676.4)		(6,736.5)
Total liabilities and owners' deficit	€	10,854.7	€	10,956.2

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2008	2007	2006
		in millions	
Revenue (note 14)	€ 3,472.9	€ 3,297.2	€ 3,063.0
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 13 and 14)	1,263.2	1,300.6	1,242.7
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 13 and 14)	632.1	668.6	653.2
Related party fees and allocations, net (note 14)	(13.0)	(32.3)	(22.1)
Depreciation and amortization (note 9)	1,083.4	1,065.7	1,015.4
Impairment, restructuring and other operating charges, net (notes 9 and 15)	119.2	19.7	17.7
	3,084.9	3,022.3	2,906.9
Operating income	388.0	274.9	156.1
Other income (expense):			
Interest expense:			
Third party	(463.3)	(454.5)	(369.7)
Related party (note 14)	(621.2)	(518.3)	(517.1)
Interest income (note 14)	23.2	46.3	16.0
Realized and unrealized losses on derivative instruments, net (note 7)	(181.9)	(99.5)	(258.5)
Foreign currency transaction gains (losses), net	(183.9)	140.6	215.8
Unrealized losses due to changes in fair values of certain investments, net (notes 6 and 8)	(2.1)	—	—
Losses on extinguishment of debt, net (note 10)	—	(16.8)	(27.5)
Gains on disposition of assets, net (note 5)	—	—	75.9
Other expense, net	(0.6)	—	(2.0)
	(1,429.8)	(902.2)	(867.1)
Loss from continuing operations before income taxes	(1,041.8)	(627.3)	(711.0)
Income tax benefit (expense) (note 11)	(62.3)	(13.1)	3.7
Loss from continuing operations	(1,104.1)	(640.4)	(707.3)
Earnings from discontinued operations, net of tax (note 5)	11.3	9.8	11.7
Gain on disposal of discontinued operations	—	—	811.3
	11.3	9.8	823.0
Net earnings (loss)	(1,092.8)	(630.6)	115.7
Net loss (earnings) attributable to noncontrolling interests	(20.1)	(9.2)	9.9
Net earnings (loss) attributable to parent	€ (1,112.9)	€ (639.8)	€ 125.6

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

	Year ended December 31,		
	2008	2007	2006
		in millions	
Net earnings (loss)	€ (1,092.8)	€ (630.6)	€ 115.7
Other comprehensive earnings (loss), net of taxes (note 18):			
Foreign currency translation adjustments	146.0	(87.3)	(189.5)
Reclassification adjustment for foreign currency translation losses included in net earnings	—	—	0.9
Pension related adjustments	(14.9)	7.6	—
Other comprehensive earnings (loss)	131.1	(79.7)	(188.6)
Comprehensive loss	(961.7)	(710.3)	(72.9)
Comprehensive loss (earnings) attributable to noncontrolling interests	(4.8)	(6.4)	27.4
Comprehensive loss attributable to parent	€ (966.5)	€ (716.7)	€ (45.5)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

	Parent' deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings (loss), net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2006	€ (2,504.0)	€ 43.4	€ (2,460.6)	€ 194.7	€ (2,265.9)
Net earnings (loss)	125.6	—	125.6	(9.9)	115.7
Other comprehensive loss, net of taxes (note 17)	—	(171.1)	(171.1)	(17.5)	(188.6)
Adjustment to initially apply SFAS 158 adjustment to defined benefit plan, net of tax	—	5.8	5.8	—	5.8
Stock-based compensation, including related taxes (note 13)	17.9	—	17.9	—	17.9
Consideration issued in connection with common control transactions (note 4)	(456.7)	—	(456.7)	—	(456.7)
Carrying value of net assets transferred by entity under common control (note 4)	659.9	—	659.9	—	659.9
Intercompany loan payable forgiven in connection with common control transactions (note 4)	135.4	—	135.4	—	135.4
Portion of the gain on the UPC Belgium sale attributable to LGI's investment in buyer (note 5)	30.3	—	30.3	—	30.3
Adjustment to goodwill due to utilization of tax benefits by a parent company (note 9)	(10.1)	—	(10.1)	—	(10.1)
Capital charge in connection with the exercise of LGI stock incentive awards (note 13)	(28.0)	—	(28.0)	—	(28.0)
Acquisition and contribution of Priority Telecom shares (note 4)	3.3	—	3.3	—	3.3
Adjustment to purchase accounting for LGI Combination	2.6	—	2.6	—	2.6
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(13.8)	(13.8)
Balance at December 31, 2006	€ (2,023.8)	€ (121.9)	€ (2,145.7)	€ 153.5	€ (1,992.2)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT—(Continued)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive loss, net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2007, before effect of accounting change	€ (2,023.8)	€ (121.9)	€ (2,145.7)	€ 153.5	€ (1,992.2)
Accounting change (note 2)	(45.3)	—	(45.3)	—	(45.3)
Balance at January 1, 2007, as adjusted for accounting change	(2,069.1)	(121.9)	(2,191.0)	153.5	(2,037.5)
Net earnings (loss)	(639.8)	—	(639.8)	9.2	(630.6)
Other comprehensive loss, net of taxes (note 17)	—	(76.9)	(76.9)	(2.8)	(79.7)
Stock-based compensation, including related taxes (note 13)	47.9	—	47.9	—	47.9
Consideration issued in connection with common control transactions (note 4)	(3,754.4)	—	(3,754.4)	—	(3,754.4)
Consideration received in connection with common control transactions (note 4)	7.2	—	7.2	—	7.2
Adjustment to goodwill due to utilization of tax benefits by a parent company (note 9)	(194.2)	—	(194.2)	—	(194.2)
Capital charge in connection with the exercise of LGI stock incentive awards (note 13)	(90.3)	—	(90.3)	—	(90.3)
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(4.9)	(4.9)
Balance at December 31, 2007	€ (6,692.7)	€ (198.8)	€ (6,891.5)	€ 155.0	€ (6,736.5)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT—(Continued)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive loss, net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2008, before effect of accounting change	€ (6,692.7)	€ (198.8)	€ (6,891.5)	€ 155.0	€ (6,736.5)
Accounting change (note 2)	4.8	—	4.8	—	4.8
Balance at January 1, 2008 as adjusted for accounting change	(6,687.9)	(198.8)	(6,886.7)	155.0	(6,731.7)
Net earnings (loss)	(1,112.9)	—	(1,112.9)	20.1	(1,092.8)
Other comprehensive earnings, net of taxes (note 17)	—	146.4	146.4	(15.3)	131.1
Stock-based compensation, including related taxes (note 13)	38.7	—	38.7	—	38.7
Carrying value of assets transferred in connection with common control transaction (note 4)	10.1	—	10.1	—	10.1
Adjustment to goodwill due to changes in pre-acquisition income tax balances of a parent company (note 9)	4.7	—	4.7	—	4.7
Capital charge in connection with the exercise of LGI stock incentive awards (note 13)	(15.1)	—	(15.1)	—	(15.1)
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(21.4)	(21.4)
Balance at December 31, 2008	€ (7,762.4)	€ (52.4)	€ (7,814.8)	€ 138.4	€ (7,676.4)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	2007	2006
		in millions	
Cash flows from operating activities:			
Net earnings (loss)	€ (1,092.8)	€ (630.6)	€ 115.7
Earnings from discontinued operations	(11.3)	(9.8)	(823.0)
Loss from continuing operations	(1,104.1)	(640.4)	(707.3)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Stock-based compensation expense	34.6	55.9	19.6
Related party fees and allocation, net	(13.0)	(32.3)	(22.1)
Depreciation and amortization	1,083.4	1,065.7	1,015.4
Impairment, restructuring and other operating charges, net	119.2	19.7	17.7
Non cash interest on shareholder loan	621.2	518.3	517.1
Amortization of deferred financing costs and non-cash interest	8.2	8.5	74.3
Realized and unrealized losses on derivative instruments, net	181.9	99.5	258.5
Foreign currency transaction losses (gains), net	183.9	(140.6)	(215.8)
Unrealized losses due to changes in fair values of certain investments, net	2.1	—	—
Losses on extinguishment of debt	—	16.8	27.5
Gains on disposition of assets, net	—	—	(75.9)
Deferred income tax expense (benefit)	51.1	2.8	(15.4)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	110.2	120.4	(32.5)
Payables and accruals	(155.8)	(173.6)	5.3
Net cash provided by operating activities of discontinued operations	17.9	14.2	73.9
Net cash provided by operating activities	1,140.8	934.9	940.3
Cash flows from investing activities:			
Capital expended for property and equipment	(980.0)	(894.6)	(772.8)
Cash paid in connection with acquisitions, net of cash acquired	(49.0)	(107.1)	(131.2)
Proceeds received upon dispositions of assets	5.0	3.5	190.3
Other investing activities, net	(3.1)	8.0	(18.8)
Proceeds received upon disposition of discontinued operations, net of disposal costs	—	—	2,015.7
Net cash used by investing activities of discontinued operations	(15.4)	(29.5)	(80.2)
Net cash provided (used) by investing activities	€ (1,042.5)	€ (1,019.7)	€ 1,203.0

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Year ended December 31,		
	2008	2007	2006
		in millions	
Cash flows from financing activities:			
Borrowings of third party debt	€ 1,075.6	€ 1,541.7	€ 1,608.5
Repayments of third party debt and capital lease obligations	(13.2)	(333.4)	(2,591.5)
Net repayments of shareholder loan	(1,175.6)	(1,547.8)	(248.2)
Advances to parent	—	—	(70.6)
Payment of deferred financing costs	(5.3)	(11.4)	(56.0)
Change in cash collateral	3.2	(20.1)	(331.6)
Other financing activities, net	(10.9)	1.7	0.8
Net cash used by financing activities of discontinued operations	(2.7)	(0.8)	—
Net cash used by financing activities	(128.9)	(370.1)	(1,688.6)
Effect of exchange rates on cash	(14.4)	(7.6)	(9.0)
Net increase (decrease) in cash and cash equivalents:			
Continuing operations	(44.8)	(446.4)	452.0
Discontinued operations	(0.2)	(16.1)	(6.3)
Net increase (decrease) in cash and cash equivalents	(45.0)	(462.5)	445.7
Cash and cash equivalents:			
Beginning of period	153.6	616.1	170.4
End of period	€ 108.6	€ 153.6	€ 616.1
Cash paid for interest	€ 583.8	€ 403.0	€ 309.0
Net cash paid for taxes	€ 11.3	€ 9.7	€ 11.7

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

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is a wholly-owned indirect subsidiary of Liberty Global Europe, N.V. (Liberty Global Europe). Liberty Global Europe is a wholly-owned indirect subsidiary of UnitedGlobalCom, Inc. (UGC), which in turn is an indirect wholly-owned subsidiary of Liberty Global, Inc. (LGI). LGI was formed for the purpose of effecting the June 2005 combination of LGI International, Inc. (LGI International) and UGC (the LGI Combination). As a result of the LGI Combination, LGI International and UGC each became wholly-owned subsidiaries of LGI. The full amount of LGI's cost basis in UPC Holding, including the basis that resulted from the LGI Combination, is included in these consolidated financial statements. UPC Holding is an international provider of video, voice and broadband internet services, with consolidated broadband communications and/or direct-to-home (DTH) satellite operations at December 31, 2008 in nine European countries (excluding Slovenia) 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.

On December 19, 2005 we reached an agreement to sell 100% of our Norwegian broadband communications operator, UPC Norge AS (UPC Norway), and completed the sale on January 19, 2006. On April 4, 2006, we reached an agreement to sell 100% of our Swedish broadband communications operator, NBS Nordic Broadband Services AB (publ) (UPC Sweden), and completed the sale on June 19, 2006. On June 6, 2006, we reached an agreement to sell 100% of our French broadband communications operator, UPC France SA (UPC France) and completed the sale on July 19, 2006. On July 15, 2009, one of our subsidiaries sold 100% of its interest in our Slovenian cable operations (UPC Slovenia). We have presented UPC Norway, UPC Sweden, UPC France and UPC Slovenia as discontinued operations in our consolidated financial statements. See note 5.

Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2008.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

SFAS 157 and FSP 157-3

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 accounting principles generally accepted in the U.S. (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 has been 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* (SFAS 144). We adopted SFAS 157 (exclusive of the deferred provisions discussed above) effective January 1, 2008. For information regarding the impacts of such adoption on our consolidated financial statements, see notes 7 and 8. The deferred provisions of SFAS 157 will be applied prospectively following our adoption of these provisions on January 1, 2009.

In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active* (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP 157-3 clarifies how (i) management's internal assumptions should be considered in measuring fair value when observable data are not present, (ii) observable market information from an inactive market should be taken into account and (iii) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of the guidance provided in FSP 157-3 did not have a material impact on our consolidated financial statements.

SFAS 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure financial assets and financial liabilities at fair value on an instrument-by-instrument basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. Effective January 1, 2008, we adopted the fair value method of accounting for certain equity method investments, and such adoption resulted in an increase to our investments and a decrease to our parent's deficit of €4.8 million. For information regarding our fair value method investments, see note 8.

SFAS 160

In December 2007, the FASB issued SFAS No. 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 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 consolidated balance sheets and consolidated statements of owners' deficit and we have retrospectively recast our consolidated statements of operations and consolidated statements of comprehensive earnings (loss) to separately present amounts attributable to controlling and noncontrolling interests.

SFAS 161

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No 133* (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with earlier adoption permitted. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We have adopted the provisions of SFAS 161 effective December 31, 2008.

FIN 48

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

In connection with our January 1, 2007 adoption of FIN 48, we recognized (i) a €2.0 million decrease to our other long-term liabilities related to uncertain income tax positions, (ii) a €1.1 million decrease to our parent's deficit and (iii) a €0.9 million decrease to our goodwill. In addition, we recorded a €46.4 million increase to our parent's deficit and a €46.4 million decrease to our goodwill to reflect the allocation from a parent company of certain FIN 48 implementation adjustments related to income tax items that were originally recorded in connection with certain purchase accounting transactions.

For information concerning our unrecognized tax benefits, see note 11.

Recent Accounting Pronouncements

SFAS 141(R)

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces SFAS 141, *Business Combinations*, and, among other factors, 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. Accordingly, our January 1, 2009 adoption of SFAS 141(R) will not impact our consolidated financial statements for prior periods.

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 and early adoption is prohibited. We will begin applying the provisions of FSP 142-3 prospectively on January 1, 2009.

(3) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including certain cash flows related to our derivative instruments, which have been reclassified in our consolidated statements of cash flows to align with the classification of the applicable underlying cash flows. See note 7.

Principles of Consolidation

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

Changes in our proportionate share of the underlying share capital of a subsidiary, including those which result from the issuance of additional equity securities by such subsidiary, are recognized as increases or decreases to additional paid-in capital.

Cash and Cash Equivalents and Restricted Cash

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

Restricted cash includes cash held in escrow and cash held as collateral for lines of credit and other compensating balances. Cash restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2008 and 2007, our current and long-term restricted cash balances aggregated €336.0 million and €324.4 million, respectively. For additional information concerning our restricted cash balances, see note 10.

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

Receivables

Receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €78.4 million and €55.2 million at December 31, 2008 and 2007, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

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

Investments

As discussed in note 2, we adopted SFAS 159 effective January 1, 2008. Under SFAS 159, we are permitted to make an election, on an investment-by-investment basis, to measure our investments at fair value. Such election is generally irrevocable. We have elected the fair value option 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 LGI or its consolidated subsidiaries have significant related-party transactions. For additional information regarding our fair value method investments, see note 8.

Under the fair value method, investments are recorded at fair value as determined by the provisions of SFAS 157, and any changes in fair value are reported in net earnings or loss. All costs directly associated with the acquisition of an investment that is intended to be accounted for using the fair value method are expensed as incurred. Transfers between SFAS 157 fair value hierarchies are recorded as of the end of the period in which the transfer occurs.

We continue to use the equity method for certain privately-held investments over which we have the ability to exercise significant influence. Generally, we exercise significant influence through a voting interest between 20% and 50%, or board representation and management authority. Under the equity method, an investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, with our recognition of losses generally limited to the extent of our investment in, and advances and commitments to, the investee. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), the portion of the difference between our investment and our share of the net assets of the investee that represents goodwill is not amortized, but continues to be considered for impairment under APB No. 18, *The Equity Method of Accounting for Investments in Common Stock.* Intercompany profits on transactions with equity affiliates where assets remain on the balance sheet of our company or the investee are eliminated to the extent of our ownership in the investee.

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

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

Financial Instruments

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

Derivative Instruments

All derivatives, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings (loss) and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. None of the derivative instruments that were in effect during the three years ended December 31, 2008 were designated as hedges for financial reporting purposes.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. In accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies* (SFAS 51), we capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

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

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

Pursuant to SFAS No. 143, *Accounting for Asset Retirement Obligations*, as interpreted by the FASB Interpretation No. 47, we recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. In addition, we recognize asset retirement obligations that arise from the European Union Directive on Waste Electrical and Electronic Equipment (WEEE Directive) pursuant to FASB Staff Position No. 143-1. The WEEE Directive creates certain legal obligations to dispose of electrical and electronic equipment, which incorporates equipment used in our European operations. The majority of our obligations under the WEEE Directive are related to customer premise equipment.

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

As of December 31, 2008 and 2007, the recorded value of our asset retirement obligations was €31.7 million and €25.8 million, respectively.

Intangible Assets

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

Pursuant to SFAS 142, goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of SFAS 142. Pursuant to SFAS 142, intangible assets with definite lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144.

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

Impairment of Property and Equipment and Intangible Assets

SFAS 144 requires that we review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such events or changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, which is generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset group exceeds their fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Pursuant to SFAS 142, we evaluate the goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and indefinite-lived intangible assets may not be recoverable. For purposes of the goodwill evaluation, we compare the fair values of our reporting units to their respective carrying amounts. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of indefinite-lived intangible assets is also charged to operations as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Certain of our valuation allowances and tax uncertainties are associated with entities that we acquired in business combinations. Through December 31, 2008, U.S. GAAP required that we account for any post-acquisition changes in these items as adjustments of the accounting for the respective business combinations, and accordingly, the tax impact of these changes was not recognized in our consolidated statements of operations. Following our January 1, 2009 adoption of SFAS 141(R), the finalized accounting for business combinations, including business combinations completed prior to January 1, 2009, will no longer be adjusted for these changes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense.

Defined Benefit Plans

Certain of our indirect subsidiaries maintain various employee pension plans that are treated as defined benefit pension plans. Certain assumptions and estimates must be made in order to determine the costs and future benefits that will be associated with these plans. These assumptions include (i) the estimated long-term rates of return to be earned by plan assets, (ii) the estimated discount rates used to value the projected benefit obligations and (iii) estimated wage increases. We estimate discount rates annually based upon the yields on high-quality fixed-income investments available at the measurement date and expected to be available during the period to maturity of the pension benefits. For the long-term rates of return, we use a model portfolio based on the subsidiaries' targeted asset allocation. To the extent that net actuarial gains or losses exceed 10% of the greater of plan assets or plan liabilities, such gains or losses are amortized over the average future service period of plan participants. Effective December 31, 2006, we adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an Amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158). For additional information, see note 16.

Foreign Currency Translation and Transactions

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

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

Revenue Recognition

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

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

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

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

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

Stock-Based Compensation

As further described in note 13, 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 subsidiaries.

On January 1, 2006, we and LGI adopted the provisions of SFAS No. 123(R) (revised 2004), *Share-Based Payment* (SFAS 123(R)) using the modified prospective adoption method. SFAS 123(R) generally requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant-date fair values. SFAS 123(R) also requires the fair value of outstanding options vesting after the date of initial adoption to be recognized as a charge to operations over the remaining vesting period.

In addition, SFAS 123(R) requires the cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as prescribed by the prior accounting rules. This requirement, to the extent applicable, reduces net operating cash flows and increases net financing cash flows in periods after adoption. Total cash flow remains unchanged from what would have been reported under prior accounting rules.

As a result of the adoption of SFAS 123(R), we and LGI began (i) using the fair value method to recognize share-based compensation and (ii) estimating forfeitures for purposes of recognizing the remaining fair value of all unvested awards. In addition, we and LGI use the straight-line method to recognize stock-based compensation expense for our outstanding stock awards granted after January 1, 2006 that do not contain a performance condition and the accelerated expense attribution method for our outstanding stock awards granted prior to January 1, 2006. As required by SFAS 123(R), we and LGI use the accelerated attribution method to recognize stock-based compensation expense for all stock awards granted after January 1, 2006 that contain a performance condition and vest on a graded basis.

We and LGI calculated the expected life of options and SARs using the "simplified method" set forth in Staff Accounting Bulletin (SAB) No. 107. The expected volatility for LGI options and SARs was based on the historical volatilities of LGI, UGC and certain other public companies with characteristics similar to LGI for a historical period equal to the expected average life of the awards.

(4) Common Control Transfers and Acquisitions

We completed various acquisitions and transfers between entities under common control during 2008, 2007 and 2006. We accounted for the common control transfers at carryover basis and, unless otherwise indicated, our consolidated financial statements have been restated to give effect to these transactions for the periods in which the transferred entities were under the control of LGI.

2008 Common Control Transfer of Chellomedia Interactive Services Group

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

2007 Common Control Transfers and Acquisitions

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

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

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

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

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

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

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

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

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

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

2006 Common Control Transfers and Acquisitions

During 2006 we completed the following common control transfers and significant acquisitions:

(i) On March 2, 2006 we acquired INODE Telekommunikationsdienstleistungs GmbH (INODE), an unbundled Digital Subscriber Line (DSL) provider in Austria;

(ii) In July 2006, Priority Telecom GmbH (PT Austria) and Priority Telecom Nederlands B.V. (PT NL) were transferred to UPC Holding from Priority Telecom N.V. (Priority Telecom), another subsidiary of Liberty Global Europe; and

(iii) On December 28, 2006 certain interests in Karneval were transferred from Unite Holdco to UPC Holding. Liberty Global Europe commenced the consolidation of Karneval on September 30, 2006 and completed the acquisition thereof on December 28, 2006.

Acquisition of Karneval and Related Common Control Transfer

Acquisition of Karneval

On August 9, 2006, Liberty Global Europe signed a total return swap agreement with each of Aldermanbury Investments Limited (AIL), an affiliate of JP Morgan, and Deutsche Bank AG, London Branch (Deutsche), to acquire Unite Holdco, subject to regulatory approvals, and (ii) Unite Holdco had entered into a share purchase agreement to acquire all interests in Karneval from ICZ Holding BV. On September 18, 2006, Unite Holdco acquired Karneval for aggregate cash consideration of €331.1 million before direct acquisition costs, including €8.6 million of net cash and working capital adjustments. Karneval provides cable television and broadband internet services to residential customers and managed network services to corporate customers in the Czech Republic. On December 28, 2006, following the receipt of regulatory approvals, Liberty Global Europe completed its acquisition of Unite Holdco and settled the total return swap agreements with each of AIL and Deutsche. We acquired Karneval in order to achieve certain financial, operational and strategic benefits through the integration of Karneval with our existing operations in the Czech Republic.

In connection with the total return swap and share purchase agreements described above, Liberty Global Europe agreed to indemnify each of AIL and Deutsche and their affiliates with respect to any losses, liabilities and taxes incurred in connection with the acquisition, ownership and subsequent transfer of the Unite Holdco and Karneval interests. Liberty Global Europe's indemnity agreement with AIL and Deutsche was considered to be a variable interest in Unite Holdco, which was considered to be a variable interest entity under the provisions of FASB Interpretation No. 46(R), *Consolidation of Variable interest Entities* (FIN 46(R)). As Liberty Global Europe was responsible for all losses incurred by AIL and Deutsche in connection with their acquisition, ownership and ultimate disposition of Unite Holdco, Liberty Global Europe was considered to be Unite Holdco's primary beneficiary, as defined by FIN 46(R), and Liberty Global Europe was therefore required to consolidate Unite Holdco and its subsidiary Karneval, as of the closing date of Unite Holdco's acquisition of Karneval. As each of AIL and Deutsche did not have equity at risk in Unite Holdco, the full amount of Unite Holdco's results during the fourth quarter of 2006 was allocated to Liberty Global Europe. For financial reporting purposes, we began consolidating Unite Holdco effective September 30, 2006.

Our acquisition of Karneval through Unite Holdco has been accounted for using the purchase method of accounting. The total purchase price has been allocated to the acquired identifiable net assets of Karneval based on assessments of their respective fair values, and the excess of the purchase price over the fair values of such identifiable net assets was allocated to goodwill.

Opening Balance Sheet Information of Karneval

A summary of the purchase price and the opening balance sheet of Karneval is presented in the following table as of September 30, 2006, the effective acquisition date for financial reporting purposes. The opening balance sheet presented in this table reflects our final purchase price allocations, including certain purchase accounting adjustments that were recorded in 2007 prior to the finalization of purchase accounting (in millions):

Cash	€ 9.8
Other current assets	2.1
Property and equipment, net	136.3
Goodwill	183.6
Intangible assets subject to amortization (a)	16.4
Other assets, net	11.7
Current liabilities	(7.9)
Long-term debt and capital lease obligations	(1.4)
Other long-term liabilities	(13.0)
Total purchase price	€ 337.6
Purchase price:	
Cash consideration	€ 331.1
Direct acquisition costs	6.5
	€ 337.6

(a) The amount reflected as intangible assets subject to amortization primarily relates to our assessment of the fair value of customer relationships. Such acquired intangible assets had a weighted average life of 5 years at the acquisition date.

Common Control Transfer of Karneval Interests

Liberty Global Europe transferred 99% of the shares of Karneval Media s.r.o. and 97% of the shares of Forecable s.r.o. to UPC Holding at their respective carrying amount on December 28, 2006. The shares were transferred for €331.1 million of consideration consisting of (i) a Czech koruna (CZK) 2,514.7 million (€91.5 million at transaction date) intercompany loan payable to LGE Financing and (ii) €239.6 million principal amount of promissory notes payable to LGE Financing. The consideration issued was reflected as an addition to our shareholder loan with LGE Financing. We recorded the aggregate consideration issued of €331.1 million and the transfer of the Karneval shareholdings as capital transactions. The Karneval shareholdings were transferred at the September 18, 2006 carrying value of €328.9 million, before giving effect to the €91.5 million intercompany loan that was issued in connection with the transfer.

Acquisition of INODE

On March 2, 2006 we acquired UPC Austria GmbH (formerly INODE Telekommunikationsdienstleistungs GmbH) (INODE), an unbundled Digital Subscriber Line (DSL) provider in Austria, for cash consideration before direct acquisition costs of €93.0 million. The INODE acquisition has been accounted for using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets of INODE based on their respective fair values, and the excess of the purchase price over the fair value of such net identifiable assets was allocated to goodwill.

Common Control Transfer of PT Netherlands and PT Austria

In July 2006, PT Austria and PT NL were transferred to UPC Holding from Priority Telecom for €17.6 million and €103.7 million, respectively. The transfer of PT Austria was fully cash settled. The obligation for the transfer of PT NL was converted into an intercompany loan. As a result of the transfer, the intercompany loan of €135.4 million, payable by PT NL to another subsidiary of Liberty Global Europe, was forgiven. The forgiven intercompany loan held by PT NL was reported as a capital contribution in 2006.

During 2006, another subsidiary of Liberty Global Europe acquired additional shares of Priority Telecom for aggregate cash consideration of €3.3 million. Such shares were contributed to UPC Holding at carryover basis in connection with the transfer of PT NL and PT Austria to UPC Holding.

Focus Sat Common Control Transfer

In June 2006, a 50.0% interest in Focus Sat Romania S.A. (Focus Sat), an equity method affiliate, was transferred to UPC Holding from another subsidiary of Liberty Global Europe for €4.1 million. We recorded the consideration paid of €4.1 million, which was reflected as an addition to our shareholder loan with LGE Financing, and the transfer of the Focus Sat shares as capital transactions. The Focus Sat shares were transferred at the June 2006 carrying value of €1.8 million.

Pro Forma Information for Acquisitions

The following unaudited pro forma consolidated operating results for 2006 give effect to the acquisition of Karneval as if it had been completed as of January 1, 2006. No effect has been given to the 2007 acquisitions of Tirol or INODE since they would not have had a material impact on our results of operations if they had occurred at the beginning of the applicable periods.

These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable.

	Year ended December 31, 2006
	in millions
Revenue	€ 3,097.8
Net earnings attributable to parent	€ 123.9

(5) Discontinued Operations

UPC Slovenia - On July 15, 2009, one of our subsidiaries sold 100% of UPC Slovenia to Mid Europa Partners for a cash purchase price of €119.5 million, before working capital adjustments. In accordance with SFAS 144 we have presented UPC Slovenia as a discontinued operation in our consolidated financial statements for 2008, 2007 and 2006.

UPC Norway - On December 19, 2005, we reached an agreement to sell 100% of UPC Norway to an unrelated third party. On January 19, 2006, we sold UPC Norway for cash proceeds of approximately €444.8 million. On January 24, 2006, €175 million of the proceeds from the sale of UPC Norway were applied toward the prepayment of borrowings under the UPC Broadband Holding Bank Facility. See note 10. In accordance with SFAS 144, we have presented UPC Norway as a discontinued operation in our consolidated financial statements effective December 31, 2005. UPC Norway's net results for the 2006 period through the date of sale were not significant. In connection with the January 19, 2006 disposal of UPC Norway, we recognized a net gain of €187.0 million that includes realized cumulative foreign currency translation gains of €1.2 million. No income taxes were required to be provided on this gain. This net gain is reflected in discontinued operations in our 2006 consolidated statement of operations. Prior to its disposal, we included UPC Norway in our then reportable segment, *Other Western Europe*.

UPC Sweden - On April 4, 2006, we reached an agreement to sell 100% of UPC Sweden to a consortium of unrelated third parties. On June 19, 2006, we sold UPC Sweden for cash proceeds of Swedish krona (SEK) 2,984 million (€321.1 million at the transaction date) and the assumption by the buyer of capital lease obligations with an aggregate balance of approximately SEK 251 million (€27.0 million at the transaction date). We were required to use €150 million of the UPC Sweden sales proceeds to prepay borrowings under the UPC Broadband Holding Bank Facility. Effective March 31, 2006, we began accounting for UPC Sweden as a discontinued operation in our consolidated financial statements in accordance with SFAS 144. In connection with the June 19, 2006 disposal of UPC Sweden, we recognized a net gain of €116.2 million that includes realized cumulative foreign currency translation losses of €2.1 million. No income taxes were required to be provided on this gain. This net gain is reflected in discontinued operations in our consolidated statement of operations. Prior to its disposal, we included UPC Sweden in our then reportable segment, *Other Western Europe*.

UPC France - On July 19, 2006, we sold our 100% interest in UPC France to a consortium of unrelated third parties for cash proceeds of €1,253.2 million, subject to post-closing adjustments. Effective June 1, 2006, we began accounting for UPC France as a discontinued operation in our consolidated financial statements in accordance with SFAS 144. Other than severance and bonus payments that were paid in connection with the disposition, UPC France's net results from July 1, 2006 through the date of sale were not significant. Pursuant to the terms of the UPC Broadband Holding Bank Facility, we are required to use €290.0 million of the cash proceeds from the UPC France sale to prepay or otherwise provide for the prepayment of a portion of the amounts outstanding under the UPC Broadband Holding Bank Facility. As permitted by the UPC Broadband Holding Bank Facility, we initially placed cash proceeds equal to the €290.0 million required prepayment in a restricted account that is reserved for the prepayment of amounts outstanding under the UPC Broadband Holding Bank Facility. In September 2006, we used €105.0 million of the amounts held in the UPC Holding restricted account, together with available cash of €25.0 million, to repay amounts outstanding under the UPC Broadband Holding Bank Facility. During the fourth quarter of 2006, the UPC Broadband Holding Bank Facility was amended to eliminate the requirement to use the remaining €185.0

million to prepay borrowings under the UPC Broadband Holding Bank Facility provided that such amount was reinvested in the business prior to a specified date. As a result of this amendment, the funds were withdrawn from the blocked account in December 2006 and reinvested in the business. In connection with the July 19, 2006 disposal of UPC France, we recognized a net gain of €508.1 million. No income taxes were required to be provided on this gain. This net gain is reflected in discontinued operations in our consolidated statements of operations. Prior to its disposal, we presented UPC France as a separate reportable segment.

Operating Results of Discontinued Operations

The operating results that are included in discontinued operations are presented in the following table:

	Year ended December 31,		
	2008 (a)	2007 (a)	2006 (b)
		in millions	
Revenue	€ 43.2	€ 36.8	€ 278.9
Operating income	€ 12.1	€ 10.5	€ 31.0
Earnings before income taxes and noncontrolling interests	€ 12.3	€ 10.5	€ 11.9

(a) Includes UPC Slovenia.
(b) Includes UPC Slovenia, UPC Sweden and UPC France.

As noted above, we were required to use proceeds from the UPC Norway, UPC Sweden and UPC France dispositions to repay certain amounts outstanding under the UPC Broadband Holding Bank Facility. Interest expense related to such required debt repayments of €12.9 million for the year ended December 31, 2006 is included in discontinued operations in our consolidated statements of operations.

2006 Disposal

UPC Belgium NV/SA (UPC Belgium) — On December 31, 2006, we sold UPC Belgium to Telenet Group Holding NV (Telenet), then an equity method investee of Liberty Global Europe, for cash consideration of €184.5 million, after deducting cash received to settle net cash and working capital adjustments of €20.9 million. The terms of this transaction were voted on and approved by Telenet's board of directors, with the Telenet board members affiliated with LGI abstaining from the vote. In connection with this transaction, we recognized a pre-tax gain of €73.7 million after eliminating the percentage of the gain equal to Liberty Global Europe's ownership interest in Telenet at December 31, 2006. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation.

(6) Investments

The details of our investments are set forth below:

	December 31,	
	2008	2007
Accounting Method	in millions	
Fair value	€ 27.6	€ —
Equity	3.1	22.9
Cost	0.4	1.5
Total	€ 31.1	€ 24.4

Fair Value Method Investments

As further discussed in note 2, we adopted SFAS 159 effective January 1, 2008. Pursuant to SFAS 159, we elected the fair value option for certain equity method investments, including investments in broadband communications operators in Switzerland. The aggregate fair value of our fair value method investments as of January 1, 2008 was €26.0 million.

(7) Derivative Instruments

Through our subsidiaries, we have entered into various derivative instruments to manage interest rate and foreign currency exposure with respect to the U.S. dollar ($), the euro (€), the Czech koruna (CZK), the Slovakian koruna (SKK), 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 losses on derivative instruments, net, in our consolidated statements of operations. The following table provides details of the fair values of our derivative instrument assets and liabilities:

	December 31, 2008			December 31, 2007		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	€ 130.1	€ 197.1	€ 327.2	€ 153.9	€ 91.4	€ 245.3
Foreign currency forward contracts	3.8	—	3.8	0.1	—	0.1
Embedded derivatives	0.2	0.5	0.7	1.3	2.1	3.4
Total	€ 134.1	€ 197.6	€ 331.7	€ 155.3	€ 93.5	€ 248.8
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 274.0	€ 553.5	€ 827.5	€ 72.9	€ 389.0	€ 461.9
Foreign currency forward contracts	—	—	—	0.9	—	0.9
Embedded derivatives	0.8	0.7	1.5	—	—	—
Total	€ 274.8	€ 554.2	€ 829.0	€ 73.8	€ 389.0	€ 462.8

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

(b) In 2008, we began considering credit risk in our fair value assessments in accordance with the provisions of SFAS 157. As of December 31, 2008, the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €14.6 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 €81.0 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 gain of €66.4 million during 2008, and this gain is included in realized and unrealized losses on derivative instruments, net, in our consolidated statement of operations. For further information concerning our fair value measurements, see note 8.

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

	Year ended December 31,		
	2008	2007	2006
		in millions	
Cross-currency and interest rate derivative contracts	€ (179.1)	€ (102.9)	€ (241.7)
Embedded derivatives	(3.7)	1.1	1.7
Foreign currency forward contracts	0.9	2.3	(18.5)
Total	€ (181.9)	€ (99.5)	€ (258.5)

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

	Year ended December 31,		
	2008	2007	2006
		in millions	
Operating activities	€ 105.4	€ (25.6)	€ 21.3
Investing activities	—	—	(4.2)
Financing activities	3.1	2.7	16.8
Total	€ 108.5	€ (22.9)	€ 33.9

Counterparty Credit Risk

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

At December 31, 2008, our exposure to credit risk included derivative assets with a fair value of €331.7 million (including €124.4 million due from counterparties for which we had offsetting liability positions at December 31, 2008).

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 December 31, 2008 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%
	€ 833.4	PLN 3,336.8		
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 December 31, 2008, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2008, we present a range of dates that represents the period covered by the applicable derivative instrument.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2008 are as follows:

Subsidiary (a)		**Notional amount in millions**	**Interest rate due from counterparty**	**Interest rate due to counterparty**
UPC Broadband Holding:				
January 2009	€	210.0	6 mo. EURIBOR	3.58%
January 2009		1,000.0	1 mo. EURIBOR +2.0%	6 mo. EURIBOR + 1.89%
January 2009		2,640.0	1 mo. EURIBOR + 2.1%	6 mo. EURIBOR + 2.0%
January 2009 – January 2010		3,640.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.81%
January 2009 – April 2012		555.0	6 mo. EURIBOR	3.32%
January 2009 – December 2014		210.0	6 mo. EURIBOR	4.44%
July 2009 (b)		31.6	5.50%	6.58%
July 2009 – July 2010 (b)		31.6	5.50%	5.67%
October 2012 (b)		63.1	5.46%	6.04%
January 2010		250.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.79%
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%
December 2014		449.5	6 mo. EURIBOR	4.78%
	€	12,243.3		
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 2009	$	1,900.0	1 mo. LIBOR + 1.75%	6 mo. LIBOR + 1.63%
January 2009 – January 2010		1,900.0	1 mo LIBOR + 1.75%	6 mo. LIBOR + 1.54%
	$	3,800.0		
January 2009 – July 2013	HUF	5,908.8	6 mo. BURBOR	8.52%
January 2009 – 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 December 31, 2008, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2008, 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 SKK. In anticipation of Slovakia's January 1, 2009 conversion to the euro, the SKK notional amounts were converted into euros at the initial exchange 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, net, in our consolidated statements of operations. The following table summarizes our outstanding foreign currency forward contracts at December 31, 2008:

UPC Holding subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Broadband Holding	PLN	69.0	€	16.6	January 2009
UPC Broadband Holding	HUF	6,400.0	€	24.0	January 2009
VTR	$	52.9	CLP	31,199.1	January 2009 — November 2009

(8) Fair Value Measurements

We use the fair value method to account for our derivative instruments and certain of our investments. The reported fair values of these assets and liabilities as of December 31, 2008 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.

All of our Level 2 inputs (interest rates, yield curves, dividend yields and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive fair value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. As allowed by SFAS 157, the midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

Our investments that we account for at fair value are privately-held companies, and therefore, quoted market prices are unavailable. The valuation technique we use for such investments is a combination of an income approach (discounted cash flow model based on forecasts) and a market approach (market multiples of similar businesses). With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used to value these investments are based on unobservable inputs derived from our assumptions. Therefore, the valuation of our privately-held investments falls under Level 3 of the SFAS 157 fair value hierarchy.

As further described in note 7, we have entered into cross-currency interest rate swaps, interest rate swaps, and foreign currency forward contracts. The fair value measurements of these derivative instruments are determined using cash flow models. All but one of the inputs to these cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. SFAS 157 requires the incorporation of a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the overall valuations of our cross-currency interest rate swaps, interest rate swaps and our foreign currency forward contracts, we believe that the valuations of these derivative instruments fall under Level 2 of the SFAS 157 hierarchy. Our credit risk valuation adjustments with respect to our cross-currency interest rate swaps and interest rate swaps are quantified and further explained in note 7.

A summary of the assets and liabilities measured at fair value that are included in our consolidated balance sheet as of December 31, 2008 is as follows:

		Fair value measurements at December 31, 2008 using:	
Description	**December 31, 2008**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		in millions	
Assets:			
Derivative instruments	€ 331.7	€ 331.7	€ —
Investments	27.6	—	27.6
Total assets	€ 359.3	€ 331.7	€ 27.6
Total liabilities	€ 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, 2008	€ 26.0
Gains included in net loss (a):	
Unrealized losses due to changes in fair values of certain investments, net	(2.1)
Foreign currency translation adjustments	3.7
Balance at December 31, 2008	€ 27.6

(a) All of the losses recognized during 2008 relate to investments that we continue to carry on our consolidated balance sheet as of December 31, 2008.

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

(9) Long-lived Assets

Property and Equipment, Net

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

	December 31, 2008	December 31, 2007
	in millions	
Cable distribution systems	€ 5,714.2	€ 4,929.1
Support equipment, buildings and land	899.5	747.5
	6,613.7	5,676.6
Accumulated depreciation	(2,636.2)	(1,813.4)
Total property and equipment, net	€ 3,977.5	€ 3,863.2

Depreciation expense related to our property and equipment was €916.1 million, €899.7 million and €864.4 million during 2008, 2007 and 2006, respectively.

At December 31, 2008 and 2007, the amount of property and equipment, net, recorded under capital leases was €22.9 million and €21.2 million, respectively. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2008, 2007 and 2006, we recorded €3.5 million, €1.0 million and €1.0 million of non-cash increases to our property and equipment, respectively, as a result of assets acquired under capital lease arrangements.

Goodwill

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

	January 1, 2008	Acquisition related adjustments	Impairments	Release of pre-acquisition valuation allowance and other income tax related adjustments (a)	Foreign currency translation adjustments and other (b)	December 31, 2008
			in millions			
UPC Broadband Division:						
The Netherlands	€ 937.5	€ 1.0	€ —	€ (26.9)	€ 5.9	€ 917.5
Switzerland	1,728.0	—	—	(13.7)	191.1	1,905.4
Austria	598.2	0.7	—	—	4.2	603.1
Ireland	178.7	—	—	(0.2)	—	178.5
Total Western Europe	3,442.4	1.7	—	(40.8)	201.2	3,604.5
Hungary	288.8	0.4	—	—	(13.8)	275.4
Other Central and Eastern Europe	760.4	23.2	(107.0)	—	(39.2)	637.4
Total Central and Eastern Europe	1,049.2	23.6	(107.0)	—	(53.0)	912.8
Total UPC Broadband Division	4,491.6	25.3	(107.0)	(40.8)	148.2	4,517.3
VTR (Chile)	367.7	—	—	—	(68.0)	299.7
Total UPC Holding	€ 4,859.3	€ 25.3	€ (107.0)	€ (40.8)	€ 80.2	€ 4,817.0

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

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

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

Based on business conditions and market values that existed at December 31, 2008, we concluded that no other impairments of our goodwill or other long-lived assets were required. However, the market value of the publicly-traded equity of LGI continues to be depressed and we continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity values remain depressed or decline further or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that additional 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 prices, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

Changes in the carrying amount of goodwill during 2007 are as follows:

	January 1, 2007	Acquisition related adjustments	Release of pre-acquisition valuation allowances and other income tax related adjustments (a)	Adoption of FIN 48 (note 2)	Foreign currency translation adjustments and other	December 31, 2007
	in millions					
UPC Broadband Division:						
The Netherlands	€ 1,067.0	€ —	€ (108.7)	€ (20.8)	€ —	€ 937.5
Switzerland	1,781.5	0.5	—	—	(54.0)	1,728.0
Austria	599.8	52.9	(47.8)	(6.7)	—	598.2
Ireland	189.6	0.9	(11.5)	(0.3)	—	178.7
Total Western Europe	3,637.9	54.3	(168.0)	(27.8)	(54.0)	3,442.4
Hungary	307.3	2.5	(12.5)	(7.2)	(1.3)	288.8
Other Central and Eastern Europe	787.6	2.4	(16.9)	(8.9)	(3.8)	760.4
Total Central and Eastern Europe	1,094.9	4.9	(29.4)	(16.1)	(5.1)	1,049.2
Total UPC Broadband Division	4,732.8	59.2	(197.4)	(43.9)	(59.1)	4,491.6
VTR (Chile)	401.4	—	(17.5)	(3.4)	(12.8)	367.7
Total UPC Holding	€ 5,134.2	€ 59.2	€ (214.9)	€ (47.3)	€ (71.9)	€ 4,859.3

(a) Includes decreases of €194.2 million related to changes in pre-acquisition income tax balances of a parent company that are recorded as increases to parent's deficit.

Intangible Assets Subject to Amortization, Net

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

	December 31, 2008	December 31, 2007
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,096.4	€ 1,087.0
Other	45.8	46.5
	€ 1,142.2	€ 1,133.5
Accumulated amortization:		
Customer relationships	€ (504.4)	€ (356.9)
Other	(43.0)	(27.8)
	€ (547.4)	€ (384.7)
Net carrying amount:		
Customer relationships	€ 592.0	€ 730.1
Other	2.8	18.7
	€ 594.8	€ 748.8

Amortization of intangible assets with finite useful lives was €167.3 million, €166.0 million, and €151.0 million during 2008, 2007 and 2006, respectively. Based on our amortizable intangible asset balances at December 31, 2008, we expect that amortization expense will be as follows for the next five years and thereafter. Amounts presented below represent euro equivalents based on December 31, 2008 exchange rates (in millions):

2009	€	141.7
2010		134.7
2011		93.5
2012		78.3
2013		60.4
Thereafter		86.2
Total	€	594.8

Indefinite-lived Intangible Assets

At December 31, 2008 and 2007, indefinite-lived intangible assets aggregating €10.7 million and €13.2 million, respectively, were included in other assets, net, in our consolidated balance sheets.

(10) Debt

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

	December 31, 2008						
	Weighted average interest rate (a)	Unused borrowing capacity (b)		Estimated fair value (c)		Carrying value	
		Borrowing currency	Euro equivalent	December 31,		December 31,	
				2008	2007	2008	2007
				in millions			
Debt:							
Parent:							
Shareholder loan	7.58%	€ —	€ —	(f)	(f)	€ 8,480.8	€ 9,038.2
UPC Holding 7.75% Senior Notes due 2014	7.75%	€ —	—	€ 380.0	€ 476.0	500.0	500.0
UPC Holding 8.625% Senior Notes due 2014	8.63%	€ —	—	€ 234.0	€ 296.4	300.0	300.0
UPC Holding 8.0% Senior Notes due 2016	8.00%	€ —	—	€ 204.0	€ 284.9	300.0	300.0
UPC Holding Facility (d)	—	€ —	—	€ —	€ 237.2	—	250.0
Subsidiaries:							
UPC Broadband Holding Bank Facility (d)	4.10%	€ 223.0	223.0	€ 5,349.3	€ 4,692.8	6,323.5	4,942.9
VTR Bank Facility (e)	5.39%	CLP 136,391.6	153.1	€ 333.6	€ 322.5	333.6	322.5
Other	6.60%	—	—	€ 9.0	€ 8.3	9.0	8.3
Total debt	6.21%		€ 376.1			16,246.9	15,661.9
Capital lease obligations						21.7	19.2
Total debt and capital lease obligations						16,268.6	15,681.1
Current maturities						(12.7)	(5.7)
Long-term debt and capital lease obligations						€ 16,255.9	€ 15,675.4

(a) Represents the weighted average interest rate in effect at December 31, 2008 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 7.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2008 without regard to covenant compliance calculations. At December 31, 2008, the full amount of unused borrowing capacity was available to be borrowed under each of the respective facilities except that we could not have borrowed €142.2 million of the unused availability under the UPC Broadband Holding Bank Facility due to the September 30, 2008 covenant compliance calculations that were in effect at December 31, 2008. Based on the December 31, 2008 covenant compliance calculations, we will be able to borrow the full unused availability under the UPC Broadband Holding Bank Facility when the December 31, 2008 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) The fair values of our debt instruments at December 31, 2008 were determined using discounted cash flow models. The discount rates used in these models are based on the estimated credit spread of each entity, taking into account market data, to the extent available, and other relevant factors. The fair values of our debt instruments at December 31, 2007 generally were based on the average of applicable bid and ask prices.

(d) Effective May 16, 2008, the commitments of the lenders under the €250.0 million UPC Holding Facility were rolled into Facility M as a separate tranche (Facility M – Tranche 5) under the UPC Broadband Holding Bank Facility.

(e) Pursuant to the deposit arrangements with the lender in relation to the VTR Bank Facility (as defined below), 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 €333.6 million at December 31, 2008, of which €3.4 million is reflected as a current asset and €330.2 million is presented as a long-term asset in our consolidated balance sheet.

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

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 on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rates in effect for the 12 month periods beginning October 1, 2008, 2007 and 2006 were 7.58%, 7.06% and 6.44%, respectively. The net decrease in the shareholder loan during 2008 includes (i) cash payments of €1,729.4 million, (ii) cash borrowings of €553.8 million, (iii) the capitalization of €621.2 million in non-cash accrued interest, (iv) a €15.1 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (v) individually insignificant net non-cash decreases aggregating €18.1 million.

UPC Broadband Holding Bank Facility

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

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

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

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

In August and September 2008, two additional facility accession agreements (Facility O and Facility P, respectively) were entered into under the UPC Broadband Holding Bank Facility. Facility O is an additional term loan facility comprised of (i) a HUF 5,962.5 million (€22.5 million) sub-tranche and (ii) a PLN 115.1 million (€27.7 million) sub-tranche, and both sub-tranches were drawn in full in August 2008. Facility P is an additional term loan facility in the principal amount of $521.2 million (€373.5 million), of which only $511.5 million (€366.6 million) was received due to the failure of one of the lenders to fund a $9.7 million (€7.0 million) commitment. The lenders under LGI's $215.0 million (€154.1 million) Senior Revolving Facility Agreement (the LGI Credit Facility) rolled their commitments into Facility P, and the LGI Credit Facility was cancelled. Certain of the lenders under Facility I, a €250.0 million repayable and redrawable term loan under the UPC Broadband Holding Bank Facility, have novated €202.0 million of their undrawn commitments to Liberty Global Europe BV, which is a direct subsidiary of UPC Broadband Holding, and have entered into Facility P. The remaining third party lenders under Facility I remain committed to lend their €48.0 million share of Facility I. Facility P was drawn on September 12, 2008. The proceeds of Facilities O and P have been applied towards general corporate and working capital purposes.

In April and May 2007, the UPC Broadband Holding Bank Facility was amended and six additional facility accession agreements (collectively, the 2007 Accession Agreements) were executed. In connection with the execution of the 2007 Accession Agreements, each of which provided for an additional term loan under new Facilities M and N of the UPC Broadband Holding Bank Facility, the then-existing Facilities J1, J2, K1 and K2 were refinanced. Tranches 1, 2 and 3 under Facility M became effective on April 17, 2007, April 16, 2007 and May 18, 2007, respectively. The €1,695.0 million of proceeds received under Facility M – Tranche 1 were used to refinance all of the outstanding borrowings under Facility J1 and Facility K1 under the UPC Broadband Holding Bank Facility. The €1,175.0 million of proceeds received under Facility M – Tranche 2 were indirectly used to repay the outstanding borrowings under the senior secured credit facility agreement for Cablecom Luxembourg S.C.A. (Cablecom Luxembourg) and Cablecom GmbH, dated December 5, 2005 (the Cablecom Luxembourg Bank Facility), and, together with available cash of €207.2 million, to repay the outstanding borrowings under the PIK (Payment in Kind) facility agreement of Liberty Global Switzerland, Inc. (LG Switzerland), our indirect wholly-owned subsidiary, dated September 30, 2005 (the LG Switzerland PIK Loan Facility). Effective April 16, 2007, Cablecom Holdings GmbH (Cablecom) and its subsidiaries became subsidiaries of UPC Broadband Holding (the Cablecom Transfer). The €520.0 million of proceeds received under Facility M – Tranche 3 were used to fund the cash collateral account that secures the VTR Bank Facility, as defined below, and for general corporate and working capital purposes. Tranches 1, 2 and 3 under Facility M have been combined into a single facility. Tranche 4 under Facility M became effective on May 14, 2007 and was drawn in full in September 2007. The €250.0 million of proceeds received under Facility M –

Tranche 4 were used for general corporate purposes. Tranche 4 under Facility M was combined with Tranches 1, 2 and 3 on February 11, 2009. Tranches 1 and 2 under Facility N became effective on May 16, 2007 and May 18, 2007, respectively. The $1,775.0 million (€1,272.1 million) of proceeds received under Facility N – Tranche 1 were used to refinance all of the outstanding borrowings under Facility J2 and Facility K2 under the UPC Broadband Holding Bank Facility. The $125.0 million (€89.6 million) of proceeds received under Facility N – Tranche 2 were used for general corporate and working capital purposes. Tranches 1 and 2 under Facility N have been combined into a single facility.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of December 31, 2008 are summarized in the following table:

		December 31 ,2008						
Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency) (a) (b)		Unused borrowing capacity (b)		Outstanding principal amount	
					in millions			
I	April 1, 2010	EURIBOR + 2.50%	€	48.0	€	48.0	€	—
L	July 3, 2012	EURIBOR + 2.25%	€	830.0		175.0		655.0
M	(c)	EURIBOR + 2.00%	€	3,890.0		—		3,890.0
N	(c)	LIBOR + 1.75%	$	1,900.0		—		1,361.7
O	July 31, 2013	(d)		(d)		—		50.2
P	September 2, 2013	LIBOR + 2.75%	$	511.5		—		366.6
Total					€	223.0	€	6,323.5

(a) Facilities I and L are repayable and redrawable term loans. The total committed amount of Facility I is €250.0 million, however, €202.0 million has been novated to Liberty Global Europe BV. Therefore, total third-party commitments under Facility I at December 31, 2008 were €48.0 million.

(b) For Facility P, the $9.7 million (€7.0 million) that was not funded by one of our lenders has been excluded from the facility amount and unused borrowing capacity. Due to the financial difficulties of this lender, we do not believe that this amount represents a near-term source of liquidity. We have no further credit risk exposures to this particular financial institution.

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

(d) 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 facility amount of Facility O is comprised of (i) a HUF 5,962.5 million (€22.5 million) sub-tranche and (ii) a PLN 115.1 million (€27.7 million) sub-tranche.

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

The VTR Transfer was completed on May 23, 2007, when certain of our subsidiaries that collectively own an 80% interest in VTR were transferred to a subsidiary of UPC Broadband Holding. In connection with the VTR Transfer, a single lender acquired the interests and was subrogated to the rights of the lenders under the then existing fully-drawn $475.0 million (€340.4 million) U.S. dollar denominated Tranche B term loan under VTR's previous bank facility. The VTR Tranche B term loan was then amended and restated pursuant to an Amended and Restated Senior Secured Credit Facility Agreement dated May 18, 2007 and effective May 25, 2007 (the VTR Bank Facility). The amendments included, among other things, a 100 basis point reduction in the interest rate margin payable under the VTR Tranche B term loan (from LIBOR plus 3.0% to Eurodollar Rate, as defined in the VTR Bank Facility, plus 2.0%) and the elimination of certain restrictive covenants and undertakings. VTR's then existing undrawn CLP 122.6 billion (€137.6 million) term loan and CLP 13.8 billion (€15.5 million) revolving loan facilities were cancelled and replaced in the VTR Bank Facility on substantially the same terms. The VTR Tranche B term loan matures in September 2014, the undrawn VTR term loan facility matures in September 2013 and the undrawn VTR revolving loan facility matures in March 2013. Any borrowings under the undrawn VTR term and revolving loan facilities will bear interest at the Nominal TAB Rate, as defined in the VTR Bank Facility, plus 2.50%.

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

In connection with the refinancing of Facilities J1, J2, K1 and K2, UPC Broadband Holding recognized debt extinguishment losses of €6.2 million during the second quarter of 2007, representing the write-off of unamortized deferred financing costs. In connection with refinancings of the UPC Broadband Holding Bank Facility that occurred in May 2006 and July 2006, we recognized debt extinguishment losses of €17.9 million during 2006, primarily representing the write-off of deferred financing costs and creditor fees.

UPC Holding Senior Notes

On July 29, 2005 UPC Holding issued €500 million principal amount of 7.75% Senior Notes (the 7.75% Senior Notes). On October 10, 2005, UPC Holding issued €300 million principal amount of 8.625% Senior Notes (the 8.625% Senior Notes). The 7.75% and 8.625% Senior Notes each mature on January 15, 2014. On April 17, 2007, the €300.0 million principal amount of 8.0% Senior Notes due 2016 (the 8.0% Senior Notes, and collectively with the 7.75% and 8.625% Senior Notes, the UPC Holding Senior Notes) issued on October 31, 2006 by Cablecom Luxembourg became the direct obligation of UPC Holding on terms substantially identical (other than as to interest, maturity and redemption) to those governing UPC Holding's existing Senior Notes due 2014. The 8.0% Senior Notes mature on November 1, 2016.

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

At any time prior to November 1, 2009, UPC Holding may redeem some or all of the 8.0% Senior Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until November 1, 2009, using the discount rate equal to the yield of the comparable German government bond (BUND) issue as of the redemption date plus 50 basis points. UPC Holding may redeem some or all of the UPC Holding Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on July 15 in the case of the 7.75% and 8.625% Senior Notes and November 1 in the case of the 8.0% Senior Notes of the years set out below:

	Redemption price		
Year	7.75% Senior Notes	8.625% Senior Notes	8.0% Senior Notes
2009	103.875%	104.313%	108.000%
2010	101.938%	102.156%	106.000%
2011	100.000%	100.000%	104.000%
2012	100.000%	100.000%	102.660%
2013	100.000%	100.000%	101.330%
2014 and thereafter	100.000%	100.000%	100.000%

In addition, at any time prior to November 1, 2009, UPC Holding may redeem up to 35% of the 8.0% Senior Notes (at a redemption price of 108.000% of the principal amount) with the net proceeds from one or more specified equity offerings.

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

UPC Holding Facility

In June 2007, UPC Holding entered into a €250.0 million secured term loan facility (the UPC Holding Facility). The UPC Holding Facility was fully drawn on June 19, 2007. The terms and conditions of the UPC Holding Facility were similar to the terms of the indenture for UPC Holding's Senior Notes due 2014. As permitted under the terms of the UPC Holding Facility, the commitments of the lenders under the UPC Holding Facility were rolled into Facility M under the UPC Broadband Holding Bank Facility effective May 16, 2008.

Cablecom Luxembourg Old Senior Notes

Prior to their redemption in 2007 and 2006 as described below, the Cablecom Luxembourg Old Senior Notes were comprised of (i) CHF 259.0 million (€173.7 million) principal amount of Cablecom Luxembourg Series A Floating Rate Senior Secured Notes due 2010 (the Cablecom Luxembourg Old Series A CHF Notes), (ii) €157.9 million principal amount of Cablecom Luxembourg Floating Rate Senior Secured Notes due 2010 (the Cablecom Luxembourg Old Series A Euro Notes) and €335.7 million principal amount of Cablecom Luxembourg Series B Floating Rate Senior Secured Notes due 2012 (the Cablecom Luxembourg Old Series B Euro Notes, and together with the Cablecom Luxembourg Old Series A CHF Notes and Cablecom Luxembourg Old Series A Euro Notes, the Cablecom Luxembourg Old Floating Rate Notes) and (iii) €289.9 million principal amount of 9.375% Senior Notes due 2014 (the Cablecom Luxembourg Old Fixed Rate Notes).

In connection with the Cablecom acquisition, under the terms of the Indentures for the Cablecom Luxembourg Old Senior Notes, Cablecom Luxembourg was required to effect a change of control offer (the Change of Control Offer) for the Cablecom Luxembourg Old Senior Notes at 101% of their respective principal amounts. Pursuant to the Change of Control Offer, Cablecom Luxembourg on December 8, 2005 used CHF 268.7 million (€174.8 million at the transaction date) of proceeds from the Facility A term loan under the Cablecom Luxembourg Bank Facility to (i) purchase CHF 133.0 million €86.5 million at the transaction date) of the Cablecom Luxembourg Old Series A CHF Notes, (ii) purchase €42.8 million of the Cablecom Luxembourg Old Series A Euro Notes, (iii) purchase €40.0 million principal amount of the Cablecom Luxembourg Old Series B Euro Notes and (iv) fund the costs and expenses of the Change of Control Offer. All of the purchased amounts set forth above include principal, call premium and accrued interest.

On January 20, 2006, Cablecom Luxembourg used the remaining available proceeds from the Facility A and Facility B term loans under the Cablecom Luxembourg Bank Facility to fund the redemption of all of the Cablecom Luxembourg Old Floating Rate Notes that were not tendered in the Change of Control Offer (the Cablecom Old Note Redemption). The Cablecom Old Note Redemption price paid was 102% of the respective principal amounts plus accrued and unpaid interest through the Cablecom Old Note Redemption date. We recognized a €6.1 million loss on the extinguishment of the Cablecom Luxembourg Old Floating Rate Notes during 2006, representing the difference between the redemption and carrying amounts of the Cablecom Luxembourg Old Floating Rate Notes at the date of the Cablecom Old Note Redemption.

On April 16, 2007, Cablecom Luxembourg redeemed in full the Cablecom Luxembourg Old Fixed Rate Notes at a redemption price of 109.375% of the principal amount plus accrued interest through the redemption date. The total amount of the redemption of €330.7 million was funded by an escrow account created in October 2006 for the benefit of the holders of the Cablecom Luxembourg Old Fixed Rate Notes (the Cablecom Luxembourg Defeasance Account) in connection with the covenant defeasance of such Notes. In connection with the redemption of the Cablecom Luxembourg Old Fixed Rate Notes, Cablecom Luxembourg recognized a gain on extinguishment of debt of €3.8 million, representing the write-off of unamortized premium.

Pursuant to the terms of the LG Switzerland PIK Loan Facility (see below), the redemption of the Cablecom Luxembourg Old Fixed Rate Notes required the repayment of the LG Switzerland PIK Loan Facility.

Cablecom Luxembourg New Senior Notes

On October 31, 2006, Cablecom Luxembourg issued €300.0 million principal amount of 8.0% Senior Notes due 2016 (the Cablecom Luxembourg New Senior Notes) and the net proceeds from the sale of the Cablecom Luxembourg New Senior Notes, together with available cash, were placed into the Cablecom Luxembourg Defeasance Account, as described above.

On April 17, 2007, the Cablecom Luxembourg New Senior Notes became the direct obligation of UPC Holding on terms substantially identical (other than as to interest, maturity and redemption) to those governing UPC Holding's existing Senior Notes due 2014.

Cablecom Luxembourg Bank Facility

The Cablecom Luxembourg Bank Facility provided the terms and conditions upon which (i) the lenders made available to Cablecom Luxembourg two term loans (Facility A and Facility B) in an aggregate principal amount not to exceed CHF 1,330 million (€891.9 million).

The CHF 618 million (€414.5 million) Facility A term loan was fully drawn at December 31, 2006. In January 2006, the then remaining availability under the Facility A term loan was drawn to fund the Cablecom Old Note Redemption. The interest rate applicable to the Facility A term loan was equal to CHF LIBOR plus a margin of 2.50%. The Facility B term loan, which was available to be drawn in Swiss francs, U.S. dollars or euros up to an aggregate principal amount equivalent to CHF 712 million (€477.5 million), was fully drawn at December 31, 2006. In connection with the January 2006 funding of the Cablecom Old Note Redemption, the Facility B term loan was drawn in full in the form of CHF 355.8 million (€229.1 million at the transaction date) and €229.1 million. The interest rate applicable to principal denominated in Swiss francs under the Facility B term loan was equal to CHF LIBOR plus a margin of 2.75% to September 5, 2006 and thereafter 2.50% plus, in each case, any mandatory costs. The interest rate applicable to principal denominated in euros under the Facility B term loan was equal to EURIBOR plus a margin of 2.50% plus any mandatory costs.

In connection with the above-described Cablecom Transfer, the outstanding borrowings under the Cablecom Luxembourg Bank Facility were repaid in full on April 16, 2007.

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 below represent euro equivalents based on December 31, 2008 exchange rates:

Third-party debt:

	UPC Holding debt (excluding VTR) (a)	VTR debt (b)	Total
		in millions	
Year ended December 31:			
2009	€ 7.1	€ 3.4	€ 10.5
2010	0.9	3.4	4.3
2011	0.2	3.4	3.6
2012	655.2	3.4	658.6
2013	1,216.9	3.4	1,220.3
Thereafter	5,552.2	316.6	5,868.8
Total debt	€ 7,432.5	€ 333.6	€ 7,766.1
Current portion	€ 7.1	€ 3.4	€ 10.5
Noncurrent portion	€ 7,425.4	€ 330.2	€ 7,755.6

(a) The final maturity date for Facilities M and N of the UPC Broadband Holding Bank Facility is the earlier of (i) December 31, 2014 or (ii) October 17, 2013, the date falling 90 days prior to the date on which UPC Holding's existing Senior Notes due 2014 fall due if such Senior Notes have not been repaid, refinanced or redeemed prior to that date. For purposes of this table, we have assumed that the €800 million principal amount of Senior Notes due 2014 will be repaid, refinanced or redeemed prior to October 17, 2013 and that Facilities M and N will be repaid on December 31, 2014.

(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:	
2009	€ 3.7
2010	3.0
2011	2.6
2012	2.3
2013	2.1
Thereafter	22.0
	35.7
Less: amount representing interest	(14.0)
Present value of net minimum lease payments	€ 21.7
Current portion	€ 2.2
Noncurrent portion	€ 19.5

Non-cash Refinancing Transactions

During 2008, 2007 and 2006, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €250.0 million, €3,857.1 million and €3,126.2 million, respectively.

(11) Income Taxes

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

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

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2008:			
Domestic	€ 0.1	€ 0.8	€ 0.9
Foreign	(11.3)	(51.9)	(63.2)
	€ (11.2)	€ (51.1)	€ (62.3)
Year ended December 31, 2007:			
Domestic	€ 0.3	€ (1.3)	€ (1.0)
Foreign	(10.6)	(1.5)	(12.1)
	€ (10.3)	€ (2.8)	€ (13.1)
Year ended December 31, 2006:			
Domestic	€ (0.5)	€ —	€ (0.5)
Foreign	(11.2)	15.4	4.2
	€ (11.7)	€ 15.4	€ 3.7

Income tax benefit (expense) attributable to our company's loss from continuing operations before income taxes differs from the amounts computed by applying the Dutch income tax rate of 25.5% in 2008 and 2007 and 29.6% in 2006 as a result of the following:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Computed "expected" tax benefit	€ 265.7	€ 160.0	€ 210.5
Change in valuation allowance	(163.6)	(153.5)	(36.2)
Non-deductible interest and other expenses	(113.3)	(96.3)	(131.3)
International rate differences	(25.5)	(15.0)	(17.1)
Impairment of goodwill	(17.1)	—	—
State and local income taxes	(5.2)	—	(4.3)
Differences in the treatment of items associated with investments in subsidiaries and affiliates	(0.5)	133.3	22.4
Enacted tax law and rate changes	(0.4)	(32.9)	(33.5)
Other, net..	(2.4)	(8.7)	(6.8)
	€ (62.3)	€ (13.1)	€ 3.7

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

	December 31,	
	2008	2007
	in millions	
Current deferred tax assets	€ 44.7	€ 40.2
Non-current deferred tax assets	32.3	45.8
Current deferred tax liabilities	—	(2.3)
Non-current deferred tax liabilities	(87.1)	(75.3)
Net deferred tax liability	€ (10.1)	€ 8.4

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

	December 31,	
	2008	2007
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 1,151.9	€ 1,194.2
Property and equipment, net	29.4	28.6
Derivative instruments	5.7	9.1
Intangible assets, net	6.5	8.1
Other future deductible amounts	88.3	33.1
Deferred tax assets	1,281.8	1,273.1
Valuation allowance	(1,105.3)	(989.1)
Deferred tax assets, net of valuation allowance	176.5	284.0
Deferred tax liabilities:		
Intangible assets	(117.8)	(164.0)
Property and equipment	(67.2)	(75.7)
Other future taxable amounts	(1.6)	(35.9)
Deferred tax liabilities	(186.6)	(275.6)
Net deferred tax asset (liability)	€ (10.1)	€ 8.4

Our deferred income tax valuation allowance increased €116.2 million in 2008. This increase reflects the net effect of (i) net tax expense recorded in our consolidated statement of operations of €63.3

million, (ii) acquisitions and similar transactions, (iii) foreign currency translation adjustments, (iv) valuation allowances released to goodwill and (v) other.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2008 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands	€ 2,597.8	€ 662.4	2012-2017
Switzerland	928.5	201.4	2009-2013
France	553.2	190.4	Indefinite
Ireland	321.5	40.2	Indefinite
Austria	120.1	30.0	Indefinite
Chile (VTR)	79.9	13.6	Indefinite
Romania	40.0	6.4	2010-2013
Hungary	25.7	4.1	Indefinite
Other	17.2	3.4	Various
Total	€ 4,683.9	€ 1,151.9	

Our tax loss carryforwards within each jurisdiction combine all companies' tax losses (both capital and ordinary losses) in that jurisdiction, however, certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group. Some losses are limited in use due to change in control or same business tests.

The pre-fiscal unity losses of Liberty Global Europe and of UPC Holding and its subsidiaries can only be offset with profits that occur within these groups. The loss for the year ended 2008 that relates to UPC Holding and its subsidiaries can also be offset against profits of other entities within the fiscal unity of Liberty Global Europe. As of January 1, 2007, net operating losses will no longer be available to offset taxable income indefinitely. A nine year expiry period has been implemented, whereby, as a transition rule, net operating losses dating from 2001 and earlier will start to expire as of 2011, if not used to offset taxable income before that period.

The changes in our unrecognized tax benefits during 2008 are summarized below (in millions):

Balance at January 1, 2008	€ 186.8
Additions based on tax positions related to the current year	9.3
Additions for tax positions of prior years	46.5
Reductions for tax positions of prior years	(220.2)
Lapse of statute of limitations	(0.5)
Currency translation	6.0
Balance at December 31, 2008	€ 27.9

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

As of December 31, 2008, our unrecognized tax benefits included €11.2 million of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

During 2009, it is reasonably possible that the resolution of currently ongoing examinations by tax authorities could result in changes to our unrecognized tax benefits related to tax positions taken as of December 31, 2008. We do not expect that any such changes will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of changes in our unrecognized tax positions during 2009.

(12) Owners' Deficit

UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousands euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2008 and 2007, respectively, two hundred shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law. A shareholder wishing to transfer one or more of his shares must first offer his shares to co-shareholders in a written notification to the Management Board, stating the number of shares to be transferred. Management is required to give notice within two weeks after the notification to the co-shareholders. Co-shareholders have the possibility to notify management of a decision to purchase the shares within two weeks after the notification by the Management Board. If the company itself is a co-shareholder, it can only be entitled to act as an interested party with the consent of the offer or of the shares. Each shareholder has the right of pre-emption in proportion to the aggregate nominal value of its shares subject to certain limitations including as prescribed by Dutch Law. No preference or priority rights exist for profit distribution, voting or dissolution and liquidation.

(13) Stock Incentive Awards

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans, which are described below. 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 for the indicated periods:

	2008		2007		2006	
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
	in millions					
LGI common stock:						
LGI Performance Plans (a)	$ 40.3	€ 25.1	$ 48.6	€ 35.5	$ —	€ —
Stock options, SARs, restricted stock and restricted stock units	17.5	14.2	17.0	12.4	22.6	17.9
Total LGI common stock	57.8	39.3	65.6	47.9	22.6	17.9
Other	(6.9)	(4.7)	11.0	8.0	2.2	1.7
Total	$ 50.9	€ 34.6	$ 76.6	€ 55.9	$ 24.8	€ 19.6
Included in:						
Operating expense	$ 8.7	€ 5.9	$ 13.0	€ 9.5	$ 4.2	€ 3.3
SG&A expense	42.2	28.7	63.6	46.4	20.6	16.3
Total	$ 50.9	€ 34.6	$ 76.6	€ 55.9	$ 24.8	€ 19.6

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

The following table provides certain information related to stock-based compensation not yet recognized as of December 31, 2008:

	LGI Series A and Series C common stock (a)		LGI Performance Plans (b)		SARs on VTR common stock (c)	
Total compensation expense not yet recognized (in millions)	$ 40.6	€ 29.1	$ 53.0	€ 38.0	$ 0.3	€ 0.2
Weighted average period remaining for expense recognition (in years)	2.6		2.8		1.0	

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

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

(c) Amounts relate to the incentive plan of VTR described below.

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

	Year ended December 31,		
	2008	2007	2006
LGI common stock:			
Assumptions used to estimate fair value of awards granted:			
Risk-free interest rate	2.85 – 3.78%	4.56 – 4.61%	4.87 – 4.97%
Expected life	4.5 years	4.5 years	4.5 years
Expected volatility	24.0 – 25.1%	22.7 – 22.8%	26.1 – 26.7%
Expected dividend yield	none	none	none
Weighted average grant-date fair value per share of awards granted:			
Options	$ —	$ 9.98	$ 6.38
SARs	$ 9.84	$ 10.19	$ 6.37
Restricted stock and restricted stock units	$ 35.44	$ 36.38	$ 20.24
Total intrinsic value of awards exercised (in millions):			
Options	$ 2.2	$ 5.2	$ 0.9
SARs	$ 10.7	$ 46.7	$ 14.3
Cash received from exercise of options (in millions)	$ 3.7	$ 7.0	$ 2.9
Income tax benefit related to stock-based compensation (in millions)	$ 5.0	$ 1.2	$ 2.7
Income tax expense related to the exercise of options and SARs and the release of restricted stock (in millions)	$ —	$ —	$ 0.4

Stock Incentive Plans – LGI Common Stock

The LGI Incentive Plan

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

The maximum number of shares of LGI common stock with respect to which awards may be issued under the incentive plan is 50 million, subject to anti-dilution and other adjustment provisions of the LGI Incentive Plan, of which no more than 25 million shares may consist of LGI Series B common stock. With limited exceptions, no person may be granted in any calendar year awards covering more than 4 million shares of LGI common stock, of which no more than 2 million shares may consist of LGI Series B common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million. Shares of LGI common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by LGI. Options and SARs under the LGI Incentive Plan issued prior to the LGI Combination generally vest at the rate of 20% per year on each anniversary of the grant date and expire 10 years after the grant date. Options and SARs under the LGI Incentive Plan issued after the LGI Combination generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. The LGI Incentive Plan had 30,495,893 shares available for grant as of December 31, 2008 before considering any shares that might be issued in satisfaction of LGI's obligations under the LGI Performance Plans, as described below. These shares may be awarded at or above fair value in any series of LGI stock, except that no more than 23,372,168 shares may be awarded in LGI Series B common stock.

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

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

Stock Award Activity – LGI Common Stock

The following tables summarize the activity during 2008 in LGI stock awards granted to employees of our subsidiaries under the LGI and UGC incentive plans, as described above.

Options — LGI Series A common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	791,706	$ 24.29		
Granted	—	$ —		
Expired or canceled	—	$ —		
Forfeited	(32,475)	$ 19.71		
Exercised	(88,373)	$ 21.73		
Outstanding at December 31, 2008	670,858	$ 24.46	4.49	$ —
Exercisable at December 31, 2008	408,033	$ 23.94	4.34	$ —

Options — LGI Series C common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	831,216	$ 22.78		
Granted	—	$ —		
Expired or canceled	—	$ —		
Forfeited	(32,475)	$ 26.21		
Exercised	(88,373)	$ 20.67		
Outstanding at December 31, 2008	710,368	$ 22.89	4.56	$ —
Exercisable at December 31, 2008	447,543	$ 22.32	4.48	$ —

Restricted stock and restricted stock units — LGI Series A common stock:	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2008	333,832	$ 28.60	
Granted	184,490	$ 36.58	
Transfers, net	(4,668)	$ 23.73	
Expired or canceled	—	$ —	
Forfeited	(7,779)	$ 32.02	
Released from restrictions	(139,341)	$ 29.16	
Outstanding at December 31, 2008	366,534	$ 32.51	2.48

Restricted stock and restricted stock units — LGI Series C common stock:	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2008	333,788	$ 27.07	
Granted	184,490	$ 34.30	
Transfers, net	(4,668)	$ 22.72	
Expired or canceled	—	$ —	
Forfeited	(7,779)	$ 29.24	
Released from restrictions	(139,320)	$ 27.60	
Outstanding at December 31, 2008	366,511	$ 30.60	2.50

SARs — LGI Series A common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	2,691,876	$ 20.00		
Granted	661,104	$ 36.58		
Transfers, net	(194,398)	$ 14.76		
Expired or canceled	—	$ —		
Forfeited	(3,346)	$ 42.11		
Exercised	(646,226)	$ 13.27		
Outstanding at December 31, 2008	2,509,010	$ 26.77	5.12	$ 2.1
Exercisable at December 31, 2008	1,144,283	$ 21.25	4.75	$ 2.1

SARs — LGI Series C common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	2,694,733	$ 18.90		
Granted	661,104	$ 34.42		
Transfers, net	(194,398)	$ 13.99		
Expired or canceled	—	$ —		
Forfeited	(3,346)	$ 39.89		
Exercised	(615,521)	$ 12.44		
Outstanding at December 31, 2008	2,542,572	$ 25.09	5.11	$ 2.1
Exercisable at December 31, 2008	1,177,823	$ 19.95	4.74	$ 2.1

At December 31, 2008, total SARs outstanding included 36,654 LGI Series A common stock capped SARs and 36,654 LGI Series C common stock capped SARs, all of which were exercisable. The holder of an LGI Series A common stock capped SAR will receive the difference between $6.84 and the lesser of $10.90 or the market price of LGI Series A common stock on the date of exercise. The holder of a LGI Series C common stock capped SAR will receive the difference between $6.48 and the lesser of $10.31 or the market price of LGI Series C common stock on the date of exercise.

LGI Performance Plans

On October 31, 2006 and November 1, 2006, the compensation committee of LGI's board of directors and LGI's board, respectively, authorized the implementation of a new performance-based incentive plan for our senior executives (the LGI Senior Executive Performance Plan) pursuant to the LGI 2005 Incentive Plan. The aggregate amount of the maximum achievable awards that may be allocated under the LGI Senior Executive Performance Plan is $313.5 million (€224.7 million), of which maximum achievable awards of $302.5 million (€216.8 million) had been allocated to participants (including certain employees of our subsidiaries) as of December 31, 2008. On January 12, 2007, the compensation committee of LGI's board authorized the implementation of a similar performance-based incentive plan (the LGI Management Performance Plan and together with the LGI Senior Executive Performance Plan, the LGI Performance Plans) pursuant to the LGI Incentive Plan, for certain management-level employees not participating in the LGI Senior Executive Performance Plan. The aggregate amount of the maximum achievable awards under the LGI Management Performance Plan, as finalized in February 2007, is $86.5 million (€62.0 million), of which maximum achievable awards of $82.2 million (€58.9 million), after deducting forfeited awards, were allocated to participants (including certain employees of our subsidiaries) as of December 31, 2008.

The LGI Performance Plans are five-year plans, with a two-year performance period, beginning January 1, 2007, and a three-year service period beginning January 1, 2009. At the end of the two-year performance period, each participant may become eligible to receive varying percentages of the maximum achievable award specified for such participant based on achievement of specified compound annual growth rates in consolidated operating cash flow (see note 19), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR).

At OCF CAGRs ranging from 12% to 17%, the percentages of the maximum achievable awards that participants become eligible to receive range from 50% to 100%, respectively, subject to the other requirements of the LGI Performance Plans.

On February 18, 2009, the compensation committee determined that an OCF CAGR of approximately 15.5% had been achieved during the performance period. Accordingly, subject to adjustment based on the compensation committee's final determination as to each participant's individual performance, a maximum of $336.2 million (€241.1 million) (or 87.4%) of the allocated maximum achievable awards (including awards allocated to certain employees of our subsidiaries) could be earned.

Earned awards will be paid or will vest in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances. Further, the compensation committee will have the discretion to reduce the unpaid balance of an earned award based on an assessment of the participant's individual job performance during the service period. Each installment of the earned awards may be settled in cash, unrestricted shares of LGI Series A and Series C common stock, or any combination of the foregoing, or restricted share units may be issued at any time in respect of all or any portion of the remaining balance of an earned award, in each case at the discretion of the compensation committee. With the exception of an initial equity incentive award granted to a new hire in 2007, participants in the LGI Senior Executive Performance Plan were not granted any equity incentive awards in 2007 and 2008.

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

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

Stock Incentive Plans – Other Subsidiaries

VTR Phantom SARs Plan

In April 2006, VTR's board of directors adopted a phantom SARs plan with respect to 1,000,000 shares of VTR's common stock (the VTR Plan). SARs granted under the VTR Plan vest in equal semi-annual installments over a three- or four-year period and expire no later than July 1, 2010. Vested SARs are exercisable within 60 days of receipt of an annual valuation report as defined in the VTR Plan. Upon exercise, the SARs are payable in cash or, for any such time as VTR is publicly traded, cash or shares of VTR or any combination thereof, in each case at the election of the compensation committee that administers the VTR Plan. On April 12, 2006, the VTR compensation committee granted a total of 945,000 SARs, each with a base price of CLP 9,503 and a vesting commencement date of January 1, 2006. On June 25, 2007, the VTR compensation committee granted a total of 401,000 SARs, each with a base price of CLP 12,588, and a vesting commencement date of January 1, 2007. On February 20, 2008, the VTR compensation committee granted a total of 37,000 SARs, each with a base price of CLP 16,868 (€18.94), and a vesting commencement date of January 1, 2008. As the outstanding SARs under this plan currently must be settled in cash, we use the liability method to account for the VTR phantom SARs.

A summary of the VTR Plan activity during 2008 is as follows:

SARs — VTR common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	913,292	CLP 10,846		
Granted	37,000	CLP 16,868		
Expired or canceled	—	CLP —		
Forfeited	(34,417)	CLP 10,101		
Exercised	(207,981)	CLP 10,026		
Outstanding at December 31, 2008 (a)	707,894	CLP 11,438	1.0	CLP 785.0
Exercisable at December 31, 2008	444,588	CLP 11,383	1.0	CLP 496.5

(a) The fair value of these awards at December 31, 2008 was calculated using an expected volatility of 66.0%, an expected life of 1.0 years and a risk-free return of 8.28%. In addition, we were required to estimate the fair value of VTR common stock at December 31, 2008. The fair value of these awards is remeasured each reporting period, and compensation expense is adjusted to reflect the updated fair value.

United Chile Synthetic Option Plan

Pursuant to a synthetic option plan (the United Chile Synthetic Option Plan) that was adopted in December 2006 to replace the former UIH Latin America, Inc. Stock Option Plan, one of our directors, one of our former directors, certain of our executive officers and officers, and one of our employees, hold an aggregate of 564,843 synthetic options with respect to hypothetical shares of United Chile LLC (United Chile), the owner of our 80% ownership interest in VTR. These synthetic options represent a 2.7% fully diluted equity interest in United Chile. For purposes of determining the value attributable to these synthetic options, United Chile is assumed to have a specified share capital and intercompany indebtedness. These assumptions are designed to replicate at United Chile the share capital and indebtedness, net of the value of certain assets that UIH Latin America, Inc. would have had absent certain intercompany transactions that occurred in 2006. All of the synthetic options outstanding under the United Chile Synthetic Option Plan are fully vested and expire between 2009 and 2011. These synthetic options had no intrinsic value and minimal fair value at December 31, 2008. No new grants may be made under the United Chile Synthetic Option Plan. We account for the United Chile Synthetic Option Plan awards as liability-based awards.

(14) Related Party Transactions

Our related party transactions consist of the following:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Revenue	€ 1.7	€ 3.1	€ 3.4
Operating expenses	(61.9)	(67.7)	(66.3)
SG&A expenses	(4.9)	(0.2)	(1.0)
Allocated stock-based compensation expense	(39.3)	(47.9)	(17.9)
Fees and allocations, net	13.0	32.3	22.1
Included in operating income	(91.4)	(80.4)	(59.7)
Interest expense	(621.2)	(518.3)	(517.1)
Interest income	—	20.2	—
Included in net earnings (loss)	€ (712.6)	€ (578.5)	€ (576.8)

Revenue. The related party revenue is recognized from (i) Chellomedia, its subsidiaries and equity method affiliates for programming services provided to Chellomedia of €1.7 million, €2.3 million and €3.4 million during the years ended December 31, 2008, 2007 and 2006, respectively and (ii) Telenet for transitional network services provided to UPC Belgium (see note 5) of €0.8 million during the year ended December 31, 2007.

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 €53.9 million, €59.7 million, and €56.1 million during the years ended December 31, 2008, 2007 and 2006, respectively. In addition, operating expenses include costs for programming charged by certain of LGI's equity method affiliates of €8.0 million, €8.0 million, and €10.2 million during the years ended December 31, 2008, 2007 2006, 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 13, LGI allocates stock-based compensation to our company.

Fees and allocations, net. UPC Holding recorded net credits primarily related to cost allocations between UPC Holding and LGI for services performed and costs incurred on behalf of the other party of €9.3 million, €28.3 and €18.9 million during the year ended December 31, 2008, 2007 and 2006, 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 for services provided by UPC Holding to Chellomedia and for programming services provided by Chellomedia of €3.7 million, €4.0 million and €3.2 for the year ended December 31, 2008, 2007 and 2006, 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 and included in other long-term liabilities during the year and then added to the shareholder loan balance at the end of the year. See note 10.

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

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

The following table provides details of the related party balances of UPC Holding as of December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
	in millions	
Receivables	€ 4.1	€ 24.7
Accounts payable	€ 17.5	€ 12.3
Accrued liabilities	0.8	2.8
Shareholder loan (note 10)	8,480.8	9,038.2
Total	€ 8,499.1	€ 9,053.3

On December 31, 2006, we sold our 100% interest in UPC Belgium to Telenet, then an equity method investee of Liberty Global Europe. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation in our consolidated financial statements. For additional information, see note 5.

During 2008, 2007 and 2006, LGI charged €15.1 million, €90.3 million and €28.0 million, respectively, to our company, in connection with LGI stock incentive awards exercised by employees of our subsidiaries and certain other Liberty Global Europe subsidiaries. This charge is reflected as an adjustment of parent's deficit in our consolidated statements of owners' deficit.

(15) Restructuring Liabilities

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

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

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

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

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

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

A summary of changes in our restructuring liabilities during 2006 is set forth in the table below:

	Employee severance and termination	Office closures	Contract terminations	Other	Total
	in millions				
Restructuring liability as of January 1, 2006	€ 10.6	€ 9.2	€ 0.2	€ 5.5	€ 25.5
Restructuring charges (credits)	11.8	0.8	(1.3)	(0.7)	10.6
Cash paid	(11.8)	(2.0)	0.6	(3.0)	(16.2)
Acquisitions and other	(0.4)	—	0.5	—	0.1
Foreign currency translation adjustments	—	—	—	(0.6)	(0.6)
Restructuring liability as of December 31, 2006	€ 10.2	€ 8.0	€ —	€ 1.2	€ 19.4
Short-term portion	€ 7.8	€ 1.4	€ —	€ 1.2	€ 10.4
Long-term portion	2.4	6.6	—	—	9.0
Total	€ 10.2	€ 8.0	€ —	€ 1.2	€ 19.4

Our 2006 restructuring charges include €8.6 million related primarily to the cost of terminating certain employees in connection with the integration of our broadband communications operations in Ireland.

(16) Defined Benefit Plans

Certain of our indirect subsidiaries in Europe maintain various funded and unfunded defined benefit pension plans for their employees. Annual service cost for these employee benefit plans is determined using the projected unit credit actuarial method. The subsidiaries that maintain funded plans have established investment policies for assets. The investment strategies are long-term in nature and designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due;
- Maximize the trusts total returns subject to prudent risk taking; and
- Preserve or improve the funded status of the trusts over time.

The subsidiaries review the asset mix of the funds on a regular basis. Generally, asset mix will be rebalanced to the target mix as individual portfolios approach their minimum or maximum levels. Allocations to real estate occur over multiple time periods. Assets targeted to real estate, but not yet allocated, are invested in fixed income securities with corresponding adjustments to fixed income rebalancing guidelines.

The following is a summary of the funded status of the pension plans:

	Year ended December 31,	
	2008	2007
	in millions	
Projected benefit obligation at beginning of period	€ 135.8	€ 143.6
Service cost	7.6	8.7
Interest cost	5.0	4.7
Actuarial gain	(6.2)	(11.2)
Participants' contributions	4.3	4.3
Benefits paid	(15.1)	(11.6)
Effect of changes in exchange rates	12.4	(3.5)
Other	(1.7)	0.8
Projected benefit obligation at end of period	€ 142.1	€ 135.8
Accumulated benefit obligation at end of period	€ 123.8	€ 129.4
Fair value of plan assets at beginning of period	€ 110.4	€ 110.1
Actual earnings (loss) of plan assets	(16.3)	1.9
Group contributions	7.5	8.2
Participants' contributions	4.3	4.3
Benefits paid	(14.7)	(11.2)
Effect of changes in exchange rates	10.0	(2.9)
Fair value of plan assets at end of period	€ 101.2	€ 110.4
Net liability (a)	€ 40.9	€ 25.4

(a) The net liability related to our defined benefit pension plans is included in other long-term liabilities in our consolidated balance sheets.

The change in the amount of net actuarial gain not yet recognized as a component of net periodic pension costs in our consolidated statements of operations is as follows:

	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
		in millions	
Balance at January 1, 2007	€ 6.4	€ (0.6)	€ 5.8
Change in net actuarial gain	7.8	(0.1)	7.7
Amount recognized as a component of net loss	(0.1)	—	(0.1)
Balance at December 31, 2007	14.1	(0.7)	13.4
Change in net actuarial gain	(15.3)	0.6	(14.7)
Amount recognized as a component of net loss	(0.2)	—	(0.2)
Balance at December 31, 2008	€ (1.4)	€ (0.1)	€ (1.5)

We expect that the amount of net actuarial gain or loss to be recognized in our 2009 consolidated statement of operations will not be significant.

Actuarial Assumptions

The measurement date used to determine pension plan assumptions was December 31 for each of 2008 and 2007. The actuarial assumptions used to compute the net periodic pension cost are based on information available as of the beginning of the period, specifically market interest rates, past experience and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. In computing future costs and obligations, the subsidiaries must make assumptions about such items as employee mortality and turnover, expected salary and wage increases, discount rate, expected long-term rate of return on plan assets and expected future cost increases.

The expected rates of return on the assets of the funded plans are the long-term rates of return the subsidiaries expect to earn on their trust assets. The rates of return are determined by the investment composition of the plan assets and the long-term risk and return forecast for each asset category. The forecasts for each asset class are generated using historical information as well as an analysis of current and expected market conditions. The expected risk and return characteristics for each asset class are reviewed annually and revised, as necessary, to reflect changes in the financial markets. To compute the expected return on plan assets, the subsidiaries apply an expected rate of return to the fair value of the plan assets.

The weighted average assumptions used in determining benefit obligations are as follows:

	December 31,	
	2008	2007
Expected rate of salary increase	2.14%	2.15%
Discount rate	3.49%	3.68%
Return on plan assets	4.62%	4.67%

The components of net periodic pension cost recorded in our consolidated statements of operations are as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
	in millions	
Service cost	€ 7.6	€ 8.7
Interest cost	5.0	4.7
Expected return on plan assets	(5.1)	(5.2)
Other	(2.0)	0.4
Net periodic pension cost	€ 5.5	€ 8.6

The weighted average asset mix of the funded plans is as follows:

	December 31, 2008	December 31, 2007
Debt securities	49%	40%
Equity securities	27%	34%
Real estate	9%	8%
Other	15%	18%
	100%	100%

The weighted average target asset mix established for the funded plans is as follows:

Debt securities	49%
Equity securities	25%
Real estate	9%
Other	17%
	100%

Our subsidiaries' contributions to their respective pension plans in 2009 are expected to aggregate $18.8 million. As of December 31, 2008, the expected benefits to be paid during the next ten years with respect to our defined benefit pension plans are as follows (in millions):

2009	€ 11.6
2010	€ 5.0
2011	€ 5.2
2012	€ 5.4
2013	€ 6.0
2014 – 2018	€ 36.7

(17) Accumulated Other Comprehensive Earnings (Loss)

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

	Parent				
	Foreign currency translation adjustments	Pension related adjustments	Total parent's accumulated other comprehensive earnings (loss)	Noncontrolling interests	Total accumulated other comprehensive earnings (loss)
	in millions				
Balance at January 1, 2006	€ 43.4	€ —	€ 43.4	€ 19.8	€ 63.2
Other comprehensive loss	(171.1)	—	(171.1)	(17.5)	(188.6)
Adjustment to initially adopt SFAS 158, net of taxes (note 2)	—	5.8	5.8	—	5.8
Balance at December 31, 2006	(127.7)	5.8	(121.9)	2.3	(119.6)
Other comprehensive earnings (loss)	(84.5)	7.6	(76.9)	(2.8)	(79.7)
Balance at December 31, 2007	(212.2)	13.4	(198.8)	(0.5)	(199.3)
Other comprehensive earnings (loss)	161.3	(14.9)	146.4	(15.3)	131.1
Balance at December 31, 2008	€ (50.9)	€ (1.5)	€ (52.4)	€ (15.8)	€ (68.2)

(18) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts and purchases of customer premise equipment and other items. We expect that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases. As of December 31, 2008, the euro equivalents (based on December 31, 2008 exchange rates) of such commitments that are not reflected in our consolidated balance sheet are as follows:

	Payments due during:						
	2009	2010	2011	2012	2013	Thereafter	Total
	in millions						
Operating leases	€ 68.6	€ 50.6	€ 28.5	€ 19.8	€ 15.4	€ 65.2	€ 248.1
Programming and other purchase obligations	135.4	30.0	3.0	—	—	—	168.4
Other commitments	20.3	12.4	10.6	8.2	8.0	46.4	105.9
	€ 224.3	€ 93.0	€ 42.1	€ 28.0	€ 23.4	€ 111.6	€ 522.4

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

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

Rental expense under non-cancelable operating lease arrangements amounted to €72.7 million, €73.0 million and €80.8 million in 2008, 2007 and 2006, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense for matching contributions under the various defined contribution employee benefit plans was €13.6 million, €13.2 million and €8.9 million in 2008, 2007 and 2006, respectively.

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 Proceedings and Other Contingencies

The Netherlands Regulatory Developments — As part of the process of implementing certain directives promulgated by the European Union (EU) in 2003, the Dutch national regulatory authority (OPTA) analyzed the eighteen markets that were predefined in the EU Commission's Recommendation on Relevant Markets at that time to determine if any operator or service provider has "Significant Market Power" within the meaning of the EU directives. All providers of call termination on fixed networks in the Netherlands have been found to have Significant Market Power, including our subsidiary UPC Nederland BV (UPC NL). College van Beroep voor het bedrijfsleven (CBb), the administrative supreme court, annulled on May 11, 2007, the Significant Market Power designation of UPC NL in this market with the consequence that there were no legal grounds for imposing obligations. OPTA published an amended decision effective May 6, 2008, which imposed all previous obligations regarding access, transparency and tariff regulation and included a non-discrimination obligation. UPC NL has challenged this decision at CBb, which appeal is still pending. In December 2008, OPTA completed further market analyses, including a new decision on call termination for UPC NL. This decision became effective January 1, 2009, requiring UPC NL to reduce its call termination rates.

In relation to television services, in its first round analysis, OPTA found UPC NL, our Dutch subsidiary, to have Significant Market Power in the market for wholesale broadcasting transmission services, which was on the original but not the current list of predefined markets, and in an additional market not on either list relating to the retail transmission of radio and television signals. The OPTA decision with respect to the wholesale market imposed various obligations on UPC NL, including the obligation to provide access to content providers and packagers that seek to distribute content over UPC NL's network using their own conditional access platforms. OPTA's revised decision in relation to the wholesale market, which was issued after an initial successful appeal by UPC NL but imposed substantially the same obligations as the initial decision, will expire on March 17, 2009. The OPTA decision with respect to the retail market expired on March 17, 2007.

On August 5, 2008, OPTA issued a draft decision on its second round market analysis with respect to television services, again finding 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 will become effective on March 17, 2009. The new market analysis decision, once effective, will impose 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, will 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 are evaluating our legal options. Pending the outcome of any legal action UPC NL may determine to take, it will be required to comply with the decision.

Chilean Antitrust Matter – On December 12, 2006, 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 our 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 European Union. 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. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. However, it is expected that the amounts, if any, which may be required to satisfy such contingencies will not be material in relation to our financial position or results of operations.

(19) Information about Operating Segments

We own a variety of international subsidiaries and investments that provide broadband communications services, and to a lesser extent, video programming services. We 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 and penetration, 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, net, 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. A reconciliation of total segment operating cash flow to our earnings (loss) from continuing operations before income taxes is presented below. 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.

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. Additionally, our reportable segments have been reclassified for all periods to present UPC Slovenia as a discontinued operation. Previously, UPC Slovenia was included in our Other Central and Eastern Europe segment. We present only the reportable segments of our continuing operations in the tables below.

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

- UPC 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 CLEC and other B2B services. At December 31, 2008, our operating segments in the UPC Broadband Division provided services in nine European countries (excluding Slovenia). Our Other Central and Eastern Europe segment includes our operating segments in the Czech Republic, Poland, Romania and Slovakia. 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.

On December 31, 2006 we sold UPC Belgium to Telenet, then an equity method investment of Liberty Global Europe. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation. For additional information concerning the sale of UPC Belgium, see note 5.

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 VTR's revenue and expenses in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. Third-party owners' interests in the operating results of VTR, and other less significant majority-owned subsidiaries are reflected in net loss (earnings) attributable to noncontrolling interests in our 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.

	Year ended December 31,					
	2008		2007		2006	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
Performance Measures			in millions			
UPC Broadband Division:						
The Netherlands	€ 803.7	457.2	€ 773.5	€ 400.3	€ 735.3	€ 354.9
Switzerland	692.7	368.3	637.1	305.2	614.3	280.4
Austria	365.5	184.4	366.9	172.8	333.8	154.8
Ireland	241.9	97.7	224.1	76.0	208.9	63.5
Total Western Europe	2,103.8	1,107.6	2,001.6	954.3	1,892.3	853.6
Hungary	275.6	144.0	275.2	138.6	244.6	115.7
Other Central and Eastern Europe	602.3	310.6	550.4	275.4	432.0	198.5
Total Central and Eastern Europe	877.9	454.6	825.6	414.0	676.6	314.2
Central and corporate operations	6.2	(150.9)	7.4	(165.8)	14.3	(158.4)
Total UPC Broadband Division	2,987.9	1,411.3	2,834.6	1,202.5	2,583.2	1,009.4
VTR (Chile)	485.0	200.9	462.6	181.4	444.9	158.0
Total UPC Holding before disposal	3,472.9	1,612.2	3,297.2	1,383.9	3,028.1	1,167.4
Disposal (Belgium)	—	—	—	—	34.9	19.3
Total UPC Holding	€ 3,472.9	€ 1,612.2	€ 3,297.2	€ 1,383.9	€ 3,063.0	€ 1,186.7

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

	Year ended December 31,		
	2008	2007	2006
		in millions	
Total segment operating cash flow	€ 1,612.2	€ 1,383.9	€ 1,186.7
Stock-based compensation expense	(34.6)	(55.9)	(19.6)
Related party fees and allocations, net	13.0	32.3	22.1
Depreciation and amortization	(1,083.4)	(1,065.7)	(1,015.4)
Impairment, restructuring and other operating charges, net	(119.2)	(19.7)	(17.7)
Operating income	388.0	274.9	156.1
Interest expense:			
Related party	(621.2)	(518.3)	(517.1)
Third party	(463.3)	(454.5)	(369.7)
Interest income	23.2	46.3	16.0
Realized and unrealized losses on derivative instruments, net	(181.9)	(99.5)	(258.5)
Foreign currency transaction gains (losses), net	(183.9)	140.6	215.8
Unrealized losses due to changes in fair values of certain investments, net	(2.1)	—	—
Losses on extinguishment of debt, net	—	(16.8)	(27.5)
Gains on disposition of assets, net	—	—	75.9
Other expense, net	(0.6)	—	(2.0)
Loss from continuing operations before income taxes	€ (1,041.8)	€ (627.3)	€ (711.0)

Balance Sheet Data of our Reportable Segments

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

	Long-lived assets		Total assets (a)	
	December 31,		December 31,	
	2008	2007	2008	2007
	in millions			
UPC Broadband Division:				
The Netherlands	€ 1,939.5	€ 2,063.8	€ 2,001.6	€ 2,122.6
Switzerland	3,095.4	2,803.9	3,376.1	3,045.5
Austria	943.9	929.4	972.7	966.9
Ireland	538.6	520.7	560.6	549.5
Total Western Europe	6,517.4	6,317.8	6,911.0	6,684.5
Hungary	567.8	590.2	599.5	627.2
Other Central and Eastern Europe	1,338.5	1,486.7	1,412.5	1,568.9
Total Central and Eastern Europe	1,906.3	2,076.9	2,012.0	2,196.1
Central and corporate operations	181.1	191.9	962.8	939.0
Total UPC Broadband Division	8,604.8	8,586.6	9,885.8	9,819.6
VTR (Chile)	672.7	787.6	838.7	1,019.6
Total UPC Holding – continuing operations	9,277.5	9,374.2	10,724.5	10,839.2
Discontinued operations	122.5	110.3	130.2	117.0
Total UPC Holding	€ 9,400.0	€ 9,484.5	€ 10,854.7	€ 10,956.2

(a) Intercompany receivable balances that eliminate within the LGI consolidated group are included in the central and corporate operations category.

Capital Expenditures of our Reportable Segments

The capital expenditures of our reportable segments are set forth below:

	Year ended December 31,		
	2008	2007	2006
		in millions	
UPC Broadband Division:			
The Netherlands	€ 157.7	€ 148.7	€ 156.6
Switzerland	168.0	153.6	142.1
Austria	75.3	56.1	41.3
Ireland	74.8	93.4	63.2
Total Western Europe	475.8	451.8	403.2
Hungary	74.5	50.2	58.5
Other Central and Eastern Europe	206.9	163.8	110.1
Total Central and Eastern Europe	281.4	214.0	168.6
Central and corporate operations	99.5	113.6	87.2
Total UPC Broadband Division	856.7	779.4	659.0
VTR (Chile)	123.3	115.2	110.2
Total UPC Holding before disposal	980.0	894.6	769.2
Disposal (Belgium)	—	—	3.6
Total UPC Holding	€ 980.0	€ 894.6	€ 772.8

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Subscription revenue (a):			
Video	€ 1,769.2	€ 1,711.4	€ 1,635.2
Broadband internet	841.1	750.5	643.4
Telephony	482.4	427.7	380.3
Total subscription revenue	3,092.7	2,889.6	2,658.9
Other revenue (b)	380.2	407.6	369.2
Total UPC Holding before disposal	3,472.9	3,297.2	3,028.1
Disposal (Belgium)	—	—	34.9
Total UPC Holding	€ 3,472.9	€ 3,297.2	€ 3,063.0

(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 between our broadband communications operating segments.

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

Geographic Segments

Revenue

The revenue of our geographic segments is set forth below:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Europe:			
The Netherlands	€ 803.7	€ 773.5	€ 735.3
Switzerland	692.7	637.1	614.3
Austria	365.5	366.9	333.8
Ireland	241.9	224.1	208.9
Hungary	275.6	275.2	244.6
Romania	144.8	173.2	149.1
Poland	212.5	166.8	134.7
Czech Republic	193.3	165.2	109.4
Slovakia	51.7	45.2	38.8
Central and corporate operations (a)	6.2	7.4	14.3
Total Europe	2,987.9	2,834.6	2,583.2
Chile	485.0	462.6	444.9
Total UPC Holding before disposal	3,472.9	3,297.2	3,028.1
Disposal (Belgium)	—	—	34.9
Total UPC Holding	€ 3,472.9	€ 3,297.2	€ 3,063.0

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

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

	December 31,	
	2008	2007
	in millions	
Europe:		
The Netherlands	€ 1,939.5	€ 2,063.8
Switzerland	3,095.4	2,803.9
Austria	943.9	929.4
Ireland	538.6	520.7
Hungary	567.8	590.2
Romania	313.2	473.4
Poland	268.1	285.4
Czech Republic	645.3	632.0
Slovakia	111.9	95.9
Central and corporate operations (a)	181.1	191.9
Total Europe	8,604.8	8,586.6
Chile	672.7	787.6
Total UPC Holding – continuing operations	9,277.5	9,374.2
Discontinued operations	122.5	110.3
Total UPC Holding	€ 9,400.0	€ 9,484.5

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

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

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

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2008, 2007 and 2006.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated cash flow statements, off balance sheet arrangements and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

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

Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2008.

Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product, 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. 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 and services;
- the availability of attractive programming for our digital video services at reasonable costs;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures; and

- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

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

Overview

We are an indirect 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 December 31, 2008 in nine European countries (excluding Slovenia) and in Chile. Our European broadband communications operations are collectively referred to as the UPC Broadband Division, and our broadband communications operations in Chile are provided through VTR. As further described in notes 4 and 10 to our consolidated financial statements, our consolidated financial statements give retroactive effect to various common control transfers that were completed during 2007 and 2006, such that our consolidated financial statements reflect the effects of these common control transfers for all periods presented in which such entities were controlled by LGI.

As further described in note 4 to our consolidated financial statements, we have completed a number of transactions that impact the comparability of our 2008, 2007 and 2006 results of operations. Certain of the more significant of these transactions are listed below:

(i) the acquisition of Tirol, a broadband communications operator in Austria, on October 2, 2007;

(ii) the consolidation of Karneval, a broadband communications provider in the Czech Republic, effective September 18, 2006; and

(iii) the acquisition of INODE, an unbundled DSL provider in Austria, on March 2, 2006.

In addition to the transactions listed above, we completed a number of less significant acquisitions during 2008, 2007 and 2006.

On December 31, 2006 we completed the sale of our operations in Belgium to Telenet. Due to the continuing ownership interest of Liberty Global Europe in Telenet, we have not accounted for UPC Belgium as a discontinued operation. See note 5 to our consolidated financial statements.

As further discussed in note 5 to our consolidated financial statements, our consolidated financial statements have been reclassified to present UPC Slovenia, UPC Norway, UPC Sweden, and UPC France as discontinued operations. Accordingly, in the following discussion and analysis, the operating statistics, results of operations and cash flows that we present and discuss are those of our continuing operations.

From a strategic perspective, we are seeking to build broadband communications and video programming businesses that have strong prospects for future growth in revenue and operating cash flow (as defined in note 19 to our consolidated financial statements). As discussed further under *Liquidity and Capital Resources — Capitalization* below, we also seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk.

From an operational perspective, 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 acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet and telephony services with existing customers through product bundling and upselling, or by migrating analog cable customers to digital cable services that include various incremental service offerings, such as video-on-demand, digital video recorders and high definition programming. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

At December 31, 2008, our consolidated subsidiaries owned and operated networks that passed 16,208,400 homes and served 15,674,100 revenue generating units (RGUs), consisting of 9,683,500 video subscribers, 3,604,600 broadband internet subscribers and 2,386,000 telephony subscribers.

Including the effects of acquisitions, we added a total of 545,600 RGUs during 2008. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition RGU additions, we added 476,600 RGUs during 2008, as compared to 827,900 RGUs that were added on an organic basis during 2007. Our organic RGU growth during 2008 is attributable to the growth of our broadband internet services, which added 402,200 RGUs and our digital telephony services, which added 359,300 RGUs. We experienced a net organic decline of 284,900 video RGUs during 2008, as decreases in our analog cable RGUs of 1,193,500 and our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs of 20,700 were not fully offset by increases in our digital cable RGUs of 877,100 and our DTH video RGUs of 52,200.

We are experiencing significant competition in all of our broadband communications markets, particularly in the Netherlands, Austria, Romania, Hungary, the Czech Republic and other parts of Europe. This significant competition has contributed to:

(i) a decline in the organic growth rate for our consolidated revenue from 7.8% during 2007 to 4.2% during 2008, each as compared to the corresponding prior year period;

(ii) a decrease in the number of our consolidated net organic RGU additions during 2008, as compared to 2007;

(iii) a slight organic decline in RGUs in Ireland during 2008;

(iv) slight organic declines in RGUs in Romania and Switzerland during the three months ended December 31, 2008;

(v) organic declines in revenue in Austria and Romania during 2008, as compared to 2007;

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

(vii) organic declines in the average monthly subscription revenue earned per average RGU (ARPU) in Austria, Hungary, the Czech Republic and Romania during 2008, as compared to 2007;

(viii) declines in subscriber retention rates in most of our European markets during 2008, as compared to 2007; and

(ix) the impairment of a portion of the goodwill assigned to our Romanian operations, as further described in note 9 to our consolidated financial statements.

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, many of our broadband communications markets experienced declines in ARPU from internet and telephony services during 2008, as compared to 2007. 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.

We believe that we will continue to be challenged to maintain or improve recent historical organic revenue and RGU growth rates in future periods as we expect that competition will continue to grow and that the markets for certain of our service offerings will continue to mature. Although we actively monitor and respond to competition in each of our markets, no assurance can be given that our efforts to improve our competitive position will be successful, and accordingly, that we will be able to reverse negative trends such as those described above. For additional information concerning the significant revenue trends of our reportable segments, see *Discussion and Analysis of our Reportable Segments* below.

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 could make 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.

During 2008, we were able to control our operating and SG&A expenses such that we experienced expansion in the operating cash flow margins (operating cash flow divided by revenue) of each of our reportable segments, as compared to the operating cash flow margins we achieved during the corresponding 2007 period. In light of the significant cost reductions and efficiencies that have already been achieved by our operating segments and the competitive and economic factors mentioned above, we expect (i) the pace of our operating cash flow margin expansion to slow in 2009, as compared to 2008, and (ii) the operating cash flows of most of our reportable segments to grow at lower organic rates in 2009, as compared to 2008. No assurance can be given that we will be able to maintain or continue to expand the operating cash flow margins of our operating segments. For additional information, see the discussion of the operating and SG&A expenses and the operating cash flow margins of our reportable segments under *Discussion and Analysis of our Reportable Segments* below.

Over the next few years, we believe that we will be challenged to maintain or improve our 2008 organic revenue and RGU growth rates as we expect that competition will continue to grow and that the markets for certain of our service offerings will continue to mature. During this time frame, we expect that (i) increases in our digital cable, telephony, broadband internet and DTH RGUs will more than offset decreases in our analog cable RGUs and (ii) the ARPU of our reportable segments will remain relatively unchanged, as the negative impact of competitive factors, particularly with respect to our broadband internet and telephony services, is expected to largely offset the positive impacts of (a) the continued migration of video subscribers from analog to digital cable services and (b) other improvements in the mix of services provided to our subscriber base. We also believe that during this time frame we will see (i) modest improvements in our operating cash flow margins and (ii) declines in our aggregate capital expenditures and capital lease additions, as a percentage of revenue. In addition, we expect that we will be challenged to maintain or improve our current subscriber retention rates as competition grows. To the extent that we experience higher subscriber disconnect rates, we expect that it will be more difficult to control certain components of our operating, marketing and capital costs. Our expectations with respect to the items discussed in this paragraph are subject to competitive, technological and regulatory developments and other factors outside of our control, and no assurance can be given that actual results in future periods will not differ materially from our expectations.

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. As noted above, we expect that the percentage of revenue represented by our aggregate capital expenditures and capital lease additions will decline over the next few years, due primarily to our belief that the capital required to upgrade our broadband communications networks will decline over this time frame. No assurance can be given that actual results will not differ materially from our expectations as factors outside of our control, such as 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, in most markets, 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 expand the availability of ultra high-speed internet services during 2009.

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.

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2008, 2007 and 2006 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 the timing of 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 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, 59.2% of our euro revenue during 2008 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 business'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 consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. Third-party owners' interests in the operating results of, VTR and other less significant majority-owned subsidiaries are reflected in net loss (earnings) attributable to noncontrolling interests in our 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 December 31, 2008, our operating segments in the UPC Broadband Division provided services in nine European countries (excluding Slovenia). Our Other Central and Eastern Europe segment includes our operating segments in the Czech Republic, Poland, Romania and Slovakia. 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.

On December 31, 2006 we sold UPC Belgium to Telenet, then an equity method investee of Liberty Global Europe. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation. As a result, and consistent with how our chief operating decision maker reviews the performance measures of our reportable segments, UPC Belgium segment information for 2006 is presented separately as a disposal in the tables below. For additional information concerning the sale of UPC Belgium, see note 5 to our consolidated financial statements.

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 from continuing operations before income taxes, see note 19 to our consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise operating cash flow (revenue, operating expenses and SG&A expenses, excluding allocable stock-based compensation expense in accordance with our definition of operating cash flow) as well as an analysis of operating cash flow by reportable segment for (i) 2008 as compared to 2007, and (ii) 2007 as compared to 2006. In each case, the 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 also provide a table showing the operating cash flow margins of our reportable segments for 2008, 2007 and 2006 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 in Europe and Chile are subject to rate regulation. Additionally, in Europe, our ability to bundle or discount our services may be constrained if we are held to be dominant with respect to any product we offer. The amounts we charge and incur with respect to telephony interconnection fees are also subject to regulatory oversight in many of our markets. Adverse outcomes from rate regulation or other regulatory initiatives could have a significant negative impact on our ability to maintain or increase our revenue. For information concerning adverse regulatory developments in the Netherlands, see note 18 to our consolidated financial statements.

Revenue of our Reportable Segments

Revenue – 2008 compared to 2007

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2008	2007	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 803.7	€ 773.5	€ 30.2	3.9	3.9
Switzerland	692.7	637.1	55.6	8.7	4.9
Austria	365.5	366.9	(1.4)	(0.4)	(0.4)
Ireland	241.9	224.1	17.8	7.9	7.9
Total Western Europe	2,103.8	2,001.6	102.2	5.1	3.9
Hungary	275.6	275.2	0.4	0.1	0.2
Other Central and Eastern Europe	602.3	550.4	51.9	9.4	5.2
Total Central and Eastern Europe	877.9	825.6	52.3	6.3	3.5
Central and corporate operations	6.2	7.4	(1.2)	(16.2)	(16.2)
Total UPC Broadband Division	2,987.9	2,834.6	153.3	5.4	3.7
VTR (Chile)	485.0	462.6	22.4	4.8	11.6
Total UPC Holding	€ 3,472.9	€ 3,297.2	€ 175.7	5.3	4.8

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

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

Austria. Austria's revenue decreased €1.4 million or 0.4% during 2008, as compared to 2007. This decrease includes €16.0 million attributable to the impacts of the October 2007 Tirol acquisition and another less significant acquisition. Excluding the effects of these acquisitions, Austria's revenue decreased €17.4 million or 4.8%. Most of 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 number of average 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 telephony services that were only partially offset by an increase in revenue from video services. ARPU decreased during 2008, as compared to 2007, 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) a January 2008 rate increase for analog 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 and digital cable services, (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 average RGUs is attributable to increases in average digital cable and telephony RGUs that were only partially offset by decreases in average analog cable and, to a lesser extent, broadband internet RGUs. Non-subscription revenue in Austria decreased slightly during 2008, as compared to 2007, as a decrease in installation revenue was only partially offset by individually insignificant net increases in other components of non–subscription revenue. In light of current competitive and economic conditions, we expect that Austria will continue to be challenged to maintain or increase the amount of its local currency revenue during 2009.

Ireland. Ireland's revenue increased €17.8 million or 7.9% during 2008, as compared to 2007. Most of this increase is attributable to an increase in subscription revenue as a result of (i) higher ARPU and (ii) a slightly higher number of average RGUs during 2008, as compared to 2007. ARPU increased during 2008, as the positive impacts of (i) an improvement in Ireland's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, (ii) a January 2008 price increase for certain analog cable, digital cable and MMDS video services, (iii) an increase in the proportion of broadband internet customers selecting higher-priced tiers of service and (iv) a July 2008 price increase for certain broadband internet services were only partially offset by the negative impact of increased competition. The increase in average RGUs is attributable to increases in the average number of broadband internet, telephony and digital cable RGUs that were largely offset by declines in average analog cable and MMDS video RGUs.

Hungary. Hungary's revenue increased €0.4 million or 0.1% during 2008, as compared to 2007. Excluding the effects of foreign currency exchange rate fluctuations, Hungary's revenue increased €0.4 million or 0.2%, as a decline in subscription revenue was more than offset by an increase in non-subscription revenue. Subscription revenue declined during 2008, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher number of average 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 a decline in revenue from video services that was only partially offset by increases in revenue from broadband internet and telephony services. ARPU declined during 2008, as compared to 2007, as the positive impacts of (i) improvements in Hungary's RGU mix, primarily attributable to a higher proportion of broadband internet and digital cable RGUs and (ii) a January 2008 rate increase for analog 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 and video services and (c) changes in telephony subscriber calling patterns and an increase in the proportion of telephony subscribers selecting fixed-rate calling plans. The increase in average RGUs is attributable to increases in average broadband internet, telephony, digital cable and, to a lesser extent, DTH RGUs that were only partially offset by a decline in average analog cable RGUs. The decline in average analog cable RGUs is primarily due to (i) the migration of analog cable subscribers to digital cable following the second quarter 2008 launch of digital cable services and (ii) the effects of competition. The increase in non-subscription revenue during 2008 is primarily attributable to an increase in B2B revenue.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue increased €51.9 million or 9.4% during 2008, as compared to 2007. This increase includes €4.3 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, Other Central and Eastern Europe's revenue increased €24.1 million or 4.4%. Most of this increase is attributable to an increase in subscription revenue as a result of the positive impact of higher average RGUs during 2008 that was only partially offset by the negative impact of lower ARPU. The increase in average RGUs is attributable to increases in average broadband internet RGUs (mostly in Poland, Romania and the Czech Republic) and telephony RGUs (mostly related to the expansion of VoIP telephony services in the Czech Republic, Poland and Romania), that were only partially offset by a decline in average video RGUs. The decline in average video RGUs is attributable to decreases in Romania and, to a lesser extent, the Czech Republic and Slovakia that were only partially offset by a small increase in Poland. ARPU declined in our Other Central and Eastern Europe segment during 2008, as compared to 2007, as the positive impacts of (i) an improvement in RGU mix, primarily attributable to a higher proportion of digital cable (due in part to the second quarter 2008 launch of digital cable services in Poland and Slovakia) and broadband internet RGUs and (ii) rate increases for video services in certain countries were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers and (c) changes in subscriber calling patterns and an increase in the proportion of telephony subscribers selecting fixed-rate calling plans.

Although competition is a factor throughout our Other Central and Eastern Europe markets, we are experiencing particularly intense competition in Romania and the Czech Republic. In Romania, competition has contributed to (i) an organic decline in total RGUs during the three months ended December 31, 2008 and (ii) declines in ARPU, video revenue and overall revenue during 2008, as compared to 2007. In response to the elevated level of competition in Romania, we have implemented aggressive pricing and marketing strategies. These strategies, which contributed to the organic decline in Romania's revenue, were implemented with the objective of maintaining our market share in Romania and enhancing our prospects for continued revenue growth in future periods. In the case of the Czech Republic, competition has contributed to declines during 2008, as compared to 2007, in (i) ARPU from all product categories and (ii) revenue from video services. We expect that we will continue to experience significant competition in future periods in Romania, the Czech Republic and other markets within our Other Central and Eastern Europe segment.

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

Revenue – 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 773.5	€ 735.3	€ 38.2	5.2	5.2
Switzerland	637.1	614.3	22.8	3.7	8.3
Austria	366.9	333.8	33.1	9.9	9.9
Ireland	224.1	208.9	15.2	7.3	7.3
Total Western Europe	2,001.6	1,892.3	109.3	5.8	7.3
Hungary	275.2	244.6	30.6	12.5	7.4
Other Central and Eastern Europe	550.4	432.0	118.4	27.4	22.4
Total Central and Eastern Europe	825.6	676.6	149.0	22.0	17.0
Central and corporate operations	7.4	14.3	(6.9)	(48.3)	(48.3)
Total UPC Broadband Division	2,834.6	2,583.2	251.4	9.7	9.5
VTR (Chile)	462.6	444.9	17.7	4.0	11.7
Total UPC Holding before disposal	3,297.2	3,028.1	269.1	8.9	9.8
Disposal (Belgium)	—	34.9	(34.9)	N.M.	N.M.
Total UPC Holding	€ 3,297.2	€ 3,063.0	€ 234.2	7.6	8.6

N.M. – Not Meaningful.

The Netherlands. The Netherlands' revenue increased €38.2 million or 5.2% during 2007, as compared to 2006. This increase is attributable to an increase in subscription revenue, primarily due to higher average RGUs, as increases in average telephony and broadband internet RGUs were only partially offset by a decline in average video RGUs. The decline in average video RGUs includes a decline in average analog cable RGUs that was not fully offset by a gain in average digital cable RGUs. The decline in average video RGUs is largely due to (i) the migration of certain analog cable customers to digital cable services and (ii) the effects of significant competition from the incumbent telecommunications operator in the Netherlands. We believe that most of the declines in the Netherlands' analog cable RGUs during 2007 were attributable to this competition. ARPU was relatively unchanged during 2007, 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) growth in the Netherlands' digital cable services and (iii) a January 2007 price increase for certain analog cable services were offset by the negative impacts of (a) increased competition and (b) a higher proportion of broadband internet customers selecting lower-priced tiers of service. Subscription revenue for the 2006 period includes €7.9 million related to the release of deferred revenue (including €3.9 million that was released during the fourth quarter of 2006) in connection with rate settlements with certain municipalities. There were no such rate settlements during 2007.

As compared to 2006, the net number of digital cable RGUs added by the Netherlands during 2007 declined substantially. This decline was due in part to an emphasis on more selective marketing strategies. Although the Netherlands' emphasis on more selective marketing strategies resulted in a more gradual pacing of the Netherlands digital migration efforts, we also saw the positive impact of these strategies in 2007 in the form of reductions in certain marketing, operating and capital costs and improved subscriber retention rates.

Switzerland. Switzerland's revenue increased €22.8 million or 3.7% during 2007, as compared to 2006. Excluding the effects of foreign currency exchange rate fluctuations, Switzerland's revenue increased €51.2 million or 8.3%. Most of this increase is attributable to an increase in subscription revenue, as the number of average broadband internet, telephony and video RGUs was higher during 2007, as compared to 2006. ARPU remained relatively constant during 2007, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to a higher proportion of telephony, broadband internet and digital cable RGUs and (ii) Switzerland's digital migration efforts was offset by the negative impacts of (a) increased competition, (b) lower telephony call volumes, (c) customers selecting lower-priced tiers of broadband internet services and (d) Switzerland's adoption of certain provisions of the regulatory framework established by the Swiss Price Regulator in November 2006. In order to comply with this regulatory framework, Switzerland began offering a lower-priced tier of digital cable services and decreased the rental price charged for digital cable set top boxes during the second quarter of 2007. An increase in revenue from B2B services and other non-subscription revenue also contributed to the increase in Switzerland's revenue.

Austria. Austria's revenue increased €33.1 million or 9.9% during 2007, as compared to 2006. This increase includes a €16.5 million increase that is attributable to the impacts of the March 2006 INODE acquisition and the October 2007 Tirol acquisition. Excluding the effects of these acquisitions, Austria's revenue increased €16.6 million or 5.0%. The majority of this increase is attributable to an increase in subscription revenue, as the number of average broadband internet RGUs and, to a lesser extent, telephony and video RGUs, was higher during 2007, as compared to 2006. ARPU remained relatively unchanged during 2007, as the positive impacts of (i) an improvement in Austria's RGU mix, primarily attributable to a higher proportion of broadband internet RGUs, and (ii) a January 2007 rate increase for analog cable services were offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced tiers of broadband internet service, (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. Telephony revenue in Austria decreased slightly on an organic basis during 2007, as the negative effect of the decrease in telephony ARPU was only partially offset by the positive impact of higher average telephony RGUs. An increase in revenue from B2B services also contributed to the increase in Austria's revenue during 2007.

Ireland. Ireland's revenue increased €15.2 million or 7.3% during 2007 as compared to 2006. This increase is attributable to an increase in subscription revenue as a result of higher average RGUs and slightly higher ARPU during 2007, as compared to 2006. The increase in average RGUs primarily is attributable to an increase in the average number of broadband internet RGUs. The increase in ARPU during 2007 primarily is due to the positive impacts of (i) an improvement in Ireland's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, (ii) a November 2006 price increase for certain broadband internet and MMDS video services and (iii) lower promotional discounts for broadband internet services.

Hungary. Hungary's revenue increased €30.6 million or 12.5% during 2007, as compared to 2006. This increase includes €1.5 million attributable to the impact of a January 2007 acquisition. Excluding the effects of the acquisition and foreign currency exchange rate fluctuations, Hungary's revenue increased €16.6 million or 6.8%. The majority of this increase is attributable to higher subscription revenue, as higher average numbers of broadband internet and telephony RGUs were only partially offset by lower average numbers of analog cable and DTH RGUs. ARPU declined slightly during 2007, as the positive impacts of (i) improvements in Hungary's RGU mix, primarily attributable to a higher proportion of broadband internet RGUs, and (ii) a January 2007 rate increase for analog cable services were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced broadband internet tiers, (c) growth in Hungary's VoIP telephony service, which generally is priced slightly lower than Hungary's circuit-switched telephony services, and (d) lower telephony call volumes. Due primarily to the decline in ARPU from telephony services, Hungary also experienced a slight organic decline in revenue from telephony services during 2007, as compared to 2006. Due primarily to competition from alternative providers, Hungary experienced an organic decline in analog cable RGUs during 2007. The majority of Hungary's analog cable subscriber losses during 2007 occurred in certain municipalities where the technology of our networks limited our ability to create a less expensive tier of service that would have more effectively competed with alternative providers. Due to a decrease in the average number of DTH and analog cable RGUs and lower ARPU from DTH video services as a result of competitive and other factors, Hungary experienced a slight decline in revenue from video services during 2007, as compared to 2006. An increase in revenue from B2B services, which more than offset decreases in certain other categories of non-subscription revenue, also contributed to the increase in Hungary's revenue during 2007.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue increased €118.4 million or 27.4% during 2007, as compared to 2006. This increase includes €43.4 million attributable to the aggregate impact of the September 2006 consolidation of Karneval and other less significant acquisitions. Excluding the effects of these acquisitions and foreign currency exchange rate fluctuations, Other Central and Eastern Europe's revenue increased €53.3 million or 12.3%. This increase primarily is attributable to an increase in subscription revenue as a result of higher average RGUs during 2007, as compared to 2006. The increase in average RGUs during 2007 is attributable to higher average numbers of (i) broadband internet RGUs (mostly in Poland, Romania and the Czech Republic), (ii) telephony RGUs (mostly related to the expansion of VoIP telephony services in Poland, the Czech Republic and Romania) and, (iii) to a much lesser extent, video RGUs as increases in average video RGUs in the Czech Republic and Poland were partially offset by decreases in Romania. ARPU in our Other Central and Eastern Europe segment increased slightly during 2007, as the positive impacts of (i) an improvement in RGU mix, primarily attributable to a higher proportion of broadband internet RGUs, (ii) January 2007 rate increases for video services in certain countries and (iii) somewhat higher ARPU from telephony services due to increased call volumes (primarily in Poland and Romania) were mostly offset by the negative impacts of (a) increased competition and (b) a higher proportion of customers selecting lower-priced tiers of broadband internet services.

VTR (Chile). VTR's revenue increased €17.7 million or 4.0% during 2007, as compared to 2006. Excluding the effects of foreign currency exchange rate fluctuations, VTR's revenue increased €51.8 million or 11.7%. Most of this increase is attributable to an increase in subscription revenue, due primarily to a higher average number of broadband internet, telephony and video RGUs during 2007. ARPU decreased somewhat during 2007, as the positive impacts of (i) inflation adjustments to certain rates for analog cable and broadband internet services, (ii) increases in the proportion of subscribers selecting higher-speed broadband internet services over the lower-speed alternatives and digital cable over analog cable services, and (iii) the migration of a significant number of telephony subscribers to a fixed-rate plan were more than offset by the negative impacts of (a) increased competition, (b) an increase in the proportion of subscribers selecting lower-priced tiers of analog video services and (c) lower call volumes for telephony subscribers that remained on a usage-based plan.

Operating Expenses of our Reportable Segments

Operating expenses – 2008 compared to 2007

	Year ended December 31, 2008	Year ended December 31, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
		in millions			
UPC Broadband Division:					
The Netherlands	€ 253.3	€ 269.9	€ (16.6)	(6.2)	(6.2)
Switzerland	215.4	222.6	(7.2)	(3.2)	(6.7)
Austria	122.2	132.0	(9.8)	(7.4)	(7.4)
Ireland	114.3	114.1	0.2	0.2	0.2
Total Western Europe	705.2	738.6	(33.4)	(4.5)	(5.6)
Hungary	100.5	100.5	—	—	(0.1)
Other Central and Eastern Europe	215.8	201.9	13.9	6.9	4.6
Total Central and Eastern Europe	316.3	302.4	13.9	4.6	3.0
Central and corporate operations	33.5	51.4	(17.9)	(34.8)	(34.8)
Total UPC Broadband Division	1,055.0	1,092.4	(37.4)	(3.4)	(4.6)
VTR (Chile)	202.3	198.7	3.6	1.8	8.5
Total operating expenses excluding stock-based compensation expense	1,257.3	1,291.1	(33.8)	(2.6)	(2.5)
Stock-based compensation expense	5.9	9.5	(3.6)	(37.9)	
Total UPC Holding	€ 1,263.2	€ 1,300.6	€ (37.4)	(2.9)	

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. 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 €37.4 million or 3.4% during 2008, as compared to 2007. This decrease includes €7.3 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, the UPC Broadband Division's operating expenses decreased €57.1 million or 5.2%. This decrease includes the following factors:

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

- Decreases in personnel costs of €12.7 million or 5.9%, due largely to (i) decreased staffing levels, particularly in (a) the Netherlands, in connection with the integration of certain components of the Netherlands' operations, (b) Switzerland and Austria, in connection with the increased usage of third parties to manage excess call volume and (c) Romania, in connection with certain restructuring activities, and (ii) increases in personnel and related costs allocable to capital activities, such as the installation of customer premise equipment for digital cable services;

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

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

- An increase in outsourced labor and consulting fees of €5.7 million or 7.0%, associated with the use of third parties to manage excess call center volume, primarily in Switzerland, Austria and the Czech Republic. This increase, which was due in part to growth in digital cable services, was partially offset by a decrease in Ireland associated with higher costs during 2007 related to a billing system conversion and the integration of certain call center operations;

- An increase in programming and related costs of €3.1 million or 1.3%, primarily due to growth in digital cable services, predominantly in the Netherlands, Austria and Switzerland. These increases were partially offset by decreases in programming and related costs as a result of lower analog cable RGUs in Romania, Hungary, the Czech Republic and Ireland;

- A decrease in bad debt expense of €1.0 million, primarily due to reductions in bad debt expense in Switzerland, Austria and to a lesser extent, the Czech Republic, the Netherlands, and Ireland, due largely to improved credit and collection procedures. These decreases were largely offset by a €5.5 million increase in bad debt expense in Romania. In light of Romania's ongoing efforts to improve credit and collection policies, we expect Romania's bad debt expense to decline in 2009; and

- Individually insignificant net decreases in other operating expense categories.

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

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

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

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

- An increase in bad debt expense of €1.2 million, as increases associated with RGU growth and weak economic conditions in Chile were only partially offset by the second quarter 2008 reversal of a €2.3 million bad debt reserve in connection with the settlement of an interconnect fee dispute.

Operating expenses – 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 269.9	€ 265.9	€ 4.0	1.5	1.5
Switzerland	222.6	215.0	7.6	3.5	8.2
Austria	132.0	122.3	9.7	7.9	7.9
Ireland	114.1	108.7	5.4	5.0	5.0
Total Western Europe	738.6	711.9	26.7	3.8	5.1
Hungary	100.5	93.1	7.4	7.9	3.0
Other Central and Eastern Europe	201.9	164.1	37.8	23.0	18.2
Total Central and Eastern Europe	302.4	257.2	45.2	17.6	12.7
Central and corporate operations	51.4	56.7	(5.3)	(9.3)	(9.3)
Total UPC Broadband Division	1,092.4	1,025.8	66.6	6.5	6.2
VTR (Chile)	198.7	203.4	(4.7)	(2.3)	4.8
Total operating expenses excluding stock-based compensation expense	1,291.1	1,229.2	61.9	5.0	6.0
Stock-based compensation expense	9.5	3.3	6.2	187.9	
Total UPC Holding before disposal	1,300.6	1,232.5	68.1	5.5	
Disposal (Belgium)	—	10.2	(10.2)	N.M.	
Total UPC Holding	€ 1,300.6	€ 1,242.7	€ 57.9	4.7	

N.M. – Not Meaningful.

UPC Broadband Division. The UPC Broadband Division's operating expenses (exclusive of stock-based compensation expense) increased €66.6 million or 6.5% during 2007, as compared to 2006. This increase includes a €23.0 million increase attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, the UPC Broadband Division's operating expenses increased €40.9 million or 4.0%, primarily due to the net effect of the following factors:

- An increase in outsourced labor and consulting fees of €13.3 million or 20.6% during 2007, due primarily to (i) the use of third parties to manage excess call center volume associated with growth in digital cable, broadband internet and VoIP telephony services, primarily in Switzerland and Ireland, and (ii) increased costs related to network maintenance and upgrade activity in Ireland;

- An increase in programming and related costs of €11.6 million or 5.5% during 2007, primarily due to an increase in costs for content and interactive digital services related to subscriber growth on the digital platform, primarily in the Netherlands;

- A decrease in personnel costs of €11.6 million or 5.1% during 2007, largely due to decreased headcount in (i) the Netherlands, primarily due to the integration of the Netherlands' B2B and broadband communications operations, and (ii) Switzerland, primarily due to increased usage of third parties to manage excess call volume. These decreases were partially offset by an increase in personnel costs in our customer care centers, primarily in Austria, Poland and Romania;

- An increase in interconnect costs of €11.0 million or 4.9% during 2007, primarily due to growth in telephony subscribers in the Netherlands;

- An increase in bad debt expense of €8.6 million or 24.5% during 2007, due primarily to (i) an increase in uncollectible accounts and collection costs in Romania and (ii) higher revenue in 2007, as compared to 2006. The increase in Romania is due in part to higher levels of subscriber disconnects resulting from increased competition. These increases are partially offset by lower bad debt expense in Austria, primarily due to improved collection efforts; and

- A €6.2 million increase (including a €5.7 million increase during the fourth quarter of 2007) resulting primarily from the Netherlands' release of accruals during 2006 in connection with the resolution of certain operational contingencies.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) decreased €4.7 million or 2.3%, during 2007, as compared to 2006. Excluding the effects of foreign currency exchange rate fluctuations, VTR's operating expenses increased €9.8 million or 4.8%. This increase, which is due largely to the increased scope of VTR's business, is primarily attributable to (i) a €4.0 million or 18.4% increase in technical services and network maintenance costs and (ii) a €3.8 million or 7.2% increase in programming and related costs.

SG&A Expenses of our Reportable Segments

SG&A expenses – 2008 compared to 2007

	Year ended December 31, 2008	Year ended December 31, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 93.2	€ 103.3	€ (10.1)	(9.8)	(9.8)
Switzerland	109.0	109.3	(0.3)	(0.3)	(3.8)
Austria	58.9	62.1	(3.2)	(5.2)	(5.2)
Ireland	29.9	34.0	(4.1)	(12.1)	(12.1)
Total Western Europe	291.0	308.7	(17.7)	(5.7)	(7.0)
Hungary	31.1	36.1	(5.0)	(13.9)	(13.6)
Other Central and Eastern Europe	75.9	73.1	2.8	3.8	1.0
Total Central and Eastern Europe	107.0	109.2	(2.2)	(2.0)	(3.8)
Central and corporate operations	123.6	121.8	1.8	1.5	1.5
Total UPC Broadband Division	521.6	539.7	(18.1)	(3.4)	(4.4)
VTR (Chile)	81.8	82.5	(0.7)	(0.8)	4.8
Total SG&A expenses excluding stock-based compensation expense	603.4	622.2	(18.8)	(3.0)	(3.2)
Stock-based compensation expense	28.7	46.4	(17.7)	(38.1)	
Total UPC Holding	€ 632.1	€ 668.6	€ (36.5)	(5.5)	

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 costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments.

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) decreased €18.1 million or 3.4% during 2008, as compared to 2007. This decrease includes €2.6 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, the UPC Broadband Division's SG&A expenses decreased €26.6 million or 4.9%. This decrease includes the following factors:

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

(ii) an increase associated with the impact of a favorable first quarter 2007 settlement related to number porting charges in Switzerland;

- A decrease in outsourced labor and professional fees of €8.8 million or 17.1%, due primarily to decreases in certain central and corporate costs and certain costs incurred in the Netherlands, Ireland, Switzerland and Romania;

- A decrease in personnel costs of €3.7 million or 1.4%, as increases in personnel and related costs allocable to capital activities, such as the installation of billing and support systems were only partially offset by the impacts of increases in staffing levels and annual wage increases; and

- A €3.1 million decrease associated with Cablecom's favorable settlement of a value added tax contingency during the fourth quarter of 2008.

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

SG&A expenses – 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 103.3	€ 114.5	€ (11.2)	(9.8)	(9.8)
Switzerland	109.3	118.9	(9.6)	(8.1)	(3.9)
Austria	62.1	56.7	5.4	9.5	9.5
Ireland	34.0	36.7	(2.7)	(7.4)	(7.4)
Total Western Europe	308.7	326.8	(18.1)	(5.5)	(4.0)
Hungary	36.1	35.8	0.3	0.8	(3.8)
Other Central and Eastern Europe	73.1	69.4	3.7	5.3	1.1
Total Central and Eastern Europe	109.2	105.2	4.0	3.8	(0.5)
Central and corporate operations	121.8	116.0	5.8	5.0	5.0
Total UPC Broadband Division	539.7	548.0	(8.3)	(1.5)	(1.4)
VTR (Chile)	82.5	83.5	(1.0)	(1.2)	6.2
Total SG&A expenses excluding stock-based compensation expense	622.2	631.5	(9.3)	(1.5)	(0.4)
Stock-based compensation expense	46.4	16.3	30.1	184.7	
Total UPC Holding before disposal	668.6	647.8	20.8	3.2	
Disposal (Belgium)	—	5.4	(5.4)	N.M.	
Total UPC Holding	€ 668.6	€ 653.2	€ 15.4	2.4	

N.M. – Not Meaningful.

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) decreased €8.3 million or 1.5%, during 2007 as compared to 2006. This decrease includes €16.2 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, the UPC Broadband Division's SG&A expenses decreased €24.1 million or 4.4%. This decrease in the UPC Broadband Division's SG&A expenses primarily is attributable to the following factors:

- A decrease in personnel costs of €13.1 million or 5.7% during 2007, due to lower staffing levels, primarily due to the integration of certain components of our operations within the Czech Republic, the Netherlands and Ireland;

- A decrease in outsourced labor and consulting costs of €6.6 million or 38.4% during 2007, primarily due to professional fees incurred in Switzerland during 2006 related to integration activities subsequent to the acquisition of Cablecom; and

- A decrease in sales and marketing expenses of €4.4 million or 3.1% during 2007, primarily related to (i) lower costs incurred in connection with the Netherlands digital migration efforts, primarily due to an emphasis on more selective marketing strategies, (ii) a decrease in sales and marketing costs in Hungary, primarily due to cost containment efforts, and (iii) a decrease associated with the impact of a favorable first quarter 2007 settlement related to number porting charges in Switzerland. These decreases were partially offset by increased sales and marketing expenses in Ireland, Romania and Austria, primarily due to competitive factors.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €1.0 million or 1.2% during 2007, as compared to 2006. Excluding the effects of foreign currency exchange rate fluctuations, VTR's SG&A expenses increased €5.2 million or 6.2%. This increase, which is due largely to the increased scope of VTR's business, is primarily attributable to an increase in labor and related costs (including consulting and outsourced labor) of €3.3 million or 12.6%.

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, net, 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 from continuing operations before income taxes, see note 19 to our consolidated financial statements.

Operating Cash Flow – 2008 compared to 2007

	Year ended December 31,		Increase		Increase excluding FX
	2008	2007	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 457.2	€ 400.3	€ 56.9	14.2	14.2
Switzerland	368.3	305.2	63.1	20.7	16.5
Austria	184.4	172.8	11.6	6.7	6.7
Ireland	97.7	76.0	21.7	28.6	28.6
Total Western Europe	1,107.6	954.3	153.3	16.1	14.7
Hungary	144.0	138.6	5.4	3.9	3.9
Other Central and Eastern Europe	310.6	275.4	35.2	12.8	6.7
Total Central and Eastern Europe	454.6	414.0	40.6	9.8	5.8
Central and corporate operations	(150.9)	(165.8)	14.9	9.0	9.0
Total UPC Broadband Division	1,411.3	1,202.5	208.8	17.4	14.9
VTR (Chile)	200.9	181.4	19.5	10.7	17.9
Total	€ 1,612.2	€ 1,383.9	€ 228.3	16.5	15.3

Operating Cash Flow – 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 400.3	€ 354.9	€ 45.4	12.8	12.8
Switzerland	305.2	280.4	24.8	8.8	13.6
Austria	172.8	154.8	18.0	11.6	11.6
Ireland	76.0	63.5	12.5	19.7	19.7
Total Western Europe	954.3	853.6	100.7	11.8	13.4
Hungary	138.6	115.7	22.9	19.8	14.5
Other Central and Eastern Europe	275.4	198.5	76.9	38.7	33.3
Total Central and Eastern Europe	414.0	314.2	99.8	31.8	26.4
Central and corporate operations	(165.8)	(158.4)	(7.4)	(4.7)	(4.7)
Total UPC Broadband Division	1,202.5	1,009.4	193.1	19.1	18.8
VTR (Chile)	181.4	158.0	23.4	14.8	23.3
Total UPC Holding before disposal	1,383.9	1,167.4	216.5	18.5	19.4
Disposal (Belgium)	—	19.3	(19.3)	N.M.	N.M.
Total	€ 1,383.9	€ 1,186.7	€ 197.2	16.6	17.5

N.M. – Not Meaningful

Operating Cash Flow Margin – 2008, 2007 and 2006

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

	Year ended December 31,		
	2008	2007	2006
		%	
UPC Broadband Division:			
The Netherlands	56.9	51.8	48.3
Switzerland	53.2	47.9	45.6
Austria	50.5	47.1	46.4
Ireland	40.4	33.9	30.4
Total Western Europe	52.6	47.7	45.1
Hungary	52.2	50.4	47.3
Other Central and Eastern Europe	51.6	50.0	45.9
Total Central and Eastern Europe	51.8	50.1	46.4
Total UPC Broadband Division, including central and corporate costs	47.2	42.4	39.1
VTR (Chile)	41.4	39.2	35.5

The improvement in the operating cash flow margins of our reportable segments during 2008 and 2007 is generally attributable to improved operational leverage resulting from the combined impact of revenue growth, cost containment efforts and synergies and cost savings resulting from the continued integration of acquisitions. For additional discussion of the factors contributing to the changes in the operating cash flow margins of our reportable segments, see the above analyses of the revenue, operating expenses and SG&A expenses of our reportable segments. As compared to 2008, we currently expect that (i) the operating cash flow margin of the UPC Broadband Division will improve slightly during 2009 and (ii) the operating cash flow margin of VTR will remain relatively constant. As discussed under *Overview* and *Revenue of our Reportable Segments – Revenue* and *– Operating Expenses* above, we are experiencing significant competition and weak economies in our broadband communications markets. Sustained or increased competition, particularly in combination with a continuation or worsening of the current economic conditions, could adversely affect our ability to maintain or improve the operating cash flow margins of our reportable segments. No assurance can be given that the actual 2009 operating cash flow margins achieved by our reportable segments will not vary from our current expectations.

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.

2008 compared to 2007

Revenue

Our revenue by major category is set forth below:

	Year ended December 31, 2008	Year ended December 31, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %	Increase (decrease) excluding acquisitions and FX %
	in millions					
Subscription revenue (a):						
Video	€ 1,769.2	€ 1,711.4	€ 57.8	3.4	2.6	2.0
Broadband internet	841.1	750.5	90.6	12.1	11.3	10.4
Telephony	482.4	427.7	54.7	12.8	13.5	13.1
Total subscription revenue	3,092.7	2,889.6	203.1	7.0	6.5	5.8
Other revenue (b)	380.2	407.6	(27.4)	(6.7)	(7.0)	(7.1)
Total UPC Holding	€ 3,472.9	€ 3,297.2	€ 175.7	5.3	4.8	4.2

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

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

Our consolidated revenue increased €175.7 million during 2008, as compared to 2007. This increase includes €20.4 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, total consolidated revenue increased €138.5 million or 4.2%.

Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, our consolidated subscription revenue increased €167.3 million or 5.8% during 2008, as compared to 2007. This increase is attributable to (i) a €77.9 million or 10.4% 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 €55.9 million or 13.1% increase in subscription revenue from telephony services, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services, and (iii) a €33.5 million or 2.0% 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 the effects of acquisitions and foreign currency exchange rate fluctuations, our consolidated other revenue decreased €28.8 million, or 7.1%, during 2008, as compared to 2007. This decrease is primarily attributable to lower installation and B2B revenue.

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

Operating expenses

Our consolidated operating expenses decreased €37.4 million during 2008, as compared to 2007. This increase includes €7.3 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €3.6 million during 2008. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, foreign currency exchange rate fluctuations and stock-based compensation expense, total consolidated operating expenses decreased €40.2 million or 3.1% during 2008, as compared to 2007. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses – 2008 compared to 2007* above, this decrease generally reflects primarily the impact of net decreases in (i) interconnect and access costs, (ii) personnel costs and (iii) network related expenses.

SG&A expenses

Our consolidated SG&A expenses decreased €36.5 million during 2008, as compared to 2007. This decrease includes a €2.6 million increase that is attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €17.7 million during 2008. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, foreign currency exchange rate fluctuations and stock-based compensation expense, total consolidated SG&A expenses decreased €22.6 million or 3.6% during 2008, as compared to 2007. 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) net decreases in sales and marketing costs (ii) net decreases in outsourced labor and professional fees and (iii) less significant net increases 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:

	Year ended December 31, 2008	Year ended December 31, 2007
	in millions	
LGI Series A and Series C common stock:		
LGI Performance Plans	€ 25.1	€ 35.5
Stock options, SARs, restricted stock and restricted stock units	14.2	12.4
Total LGI common stock	39.3	47.9
Other	(4.7)	8.0
Total	€ 34.6	€ 55.9
Included in:		
Operating expense	€ 5.9	€ 9.5
SG&A expense	28.7	46.4
Total	€ 34.6	€ 55.9

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

Depreciation and amortization expense

Our consolidated depreciation and amortization expense increased €17.7 million during 2008, as compared to 2007. Excluding the effect of foreign currency exchange rate fluctuations, depreciation and amortization expense increased €10.9 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) increases associated with acquisitions, and (iii) decreases associated with certain assets of Cablecom and VTR becoming fully depreciated.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €119.2 million and €19.7 million during 2008 and 2007, respectively. The 2008 amount includes the net effect of (i) a €107.0 million charge associated with the impairment of the goodwill of our Romanian reporting unit and (ii) restructuring charges aggregating €13.7 million, including (a) aggregate charges of €8.4 million related to reorganization and integration activities in certain of our European operations and (b) a €4.3 million charge related to the reorganization of certain of VTR's administrative and operational functions. For additional information concerning the impairment of the goodwill of our Romanian reporting unit, see note 9 to our consolidated financial statements. The 2007 amount includes (i) restructuring charges of €6.3 million related primarily to the cost of terminating certain employees in connection with integration of our B2B and broadband communications operations in the Netherlands and (ii) restructuring charges of €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland.

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

Interest expense – third party

Our consolidated third-party interest expense increased €8.8 million during 2008 as compared to 2007. Excluding the effects of foreign currency exchange rate fluctuations, interest expense increased €10.1 million or 2.2% during 2008. These changes reflect the net effect of (i) an increase in our average outstanding indebtedness and (ii) a slight decrease in our weighted average interest rate. The slight decrease in our weighted average interest rate is due primarily to a decrease in the weighted average interest rate of our UPC Broadband Holding Bank Facility. For additional information, see note 10 to our consolidated financial statements.

In light of the ongoing disruption in the credit markets, it is possible that the interest rates incurred on our variable-rate indebtedness could increase in future periods.

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 €102.9 million during 2008 as compared to 2007. The increase during 2008 reflects the effect of (i) a higher average outstanding balance of our shareholder loan during the 2008 period, as compared to the corresponding prior year period and (ii) the interest rate on our shareholder loan being adjusted on October 1, 2007 from 6.44% to 7.06%, and again to 7.58% on October 1, 2008. For additional information, see note 10 to our consolidated financial statements.

Interest income

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

Realized and unrealized losses on derivative instruments, net

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

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

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

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

Foreign currency transaction gains (losses), net

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

	Year ended December 31,	
	2008	**2007**
	in millions	
U.S. dollar denominated debt issued by a Latin American subsidiary	€ (78.5)	€ 24.1
U.S. dollar denominated debt issued by a European subsidiary	(55.1)	135.9
Intercompany notes denominated in a currency other than the entity's functional currency (a)	(51.6)	24.8
Cash and restricted cash denominated in a currency other than the entity's functional currency	5.7	(37.4)
Swiss franc denominated debt issued by a European subsidiary	—	16.1
Euro denominated debt issued by a Swiss subsidiary	—	(10.9)
Other	(4.4)	(12.0)
Total	€ (183.9)	€ 140.6

(a) Amounts are related to 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 other local currencies in Europe.

Losses on extinguishment of debt

We recognized losses on extinguishment of debt of €16.8 million during 2007. The losses during 2007 include (i) a €14.4 million loss resulting from the write-off of deferred financing costs in connection with the May 2007 refinancing of VTR's bank facility, (ii) a €6.2 million loss resulting from the write-off of deferred financing costs in connection with the second quarter 2007 refinancing of the UPC Broadband Holding Bank Facility and (iii) a €3.8 million gain on the April 2007 redemption of Cablecom Luxembourg Old Fixed Rate Notes.

For additional information regarding our debt extinguishments, see note 10 to our consolidated financial statements.

Income tax expense

We recognized income tax expense of €62.3 million and €13.1 million during 2008 and 2007, respectively.

The income tax expense during 2008 differs from the expected income tax benefit of €265.7 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii), differences in the statutory and local tax rates in certain jurisdictions in which we operate and (iv) a permanent difference associated with the impairment of goodwill in our Romanian reporting unit.

The income tax expense for 2007 differs from the expected income tax benefit of €160.0 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 jurisdictions. (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) a reduction in deferred tax assets in the Netherlands due to an enacted change in tax law and (iv) differences in the statutory and local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest, and other items associated with investments in subsidiaries and intercompany loans.

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

Loss from continuing operations

During 2008 and 2007, we reported losses from continuing operations of €1,104.1 million and €640.4 million, respectively, including (i) operating income of €388.0 million and €274.9 million, respectively, and (ii) non-operating expense of €1,429.8 million and €902.2 million, respectively. Gains or losses associated with changes in the fair values of derivative instruments and movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future in connection with (i) any dispositions of assets, (ii) changes in the fair value of our derivative instruments, (iii) changes in foreign currency exchange rates or (iv) 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 our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

Net earnings attributable to noncontrolling interests

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

2007 compared to 2006

Revenue

Our revenue by major category is set forth below:

	Year ended December 31, 2007	Year ended December 31, 2006	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %	Increase (decrease) excluding acquisitions and FX %
	in millions					
Subscription revenue (a):						
Video	€ 1,711.4	€ 1,635.2	€ 76.2	4.7	5.0	3.0
Broadband internet	750.5	643.4	107.1	16.6	17.6	14.6
Telephony	427.7	380.3	47.4	12.5	15.4	15.0
Total subscription revenue	2,889.6	2,658.9	230.7	8.7	9.6	7.5
Other revenue (b)	407.6	369.2	38.4	10.4	11.7	9.9
Total UPC Holding before disposal	3,297.2	3,028.1	269.1	8.9	9.8	7.8
Disposal (Belgium)	—	34.9	(34.9)	N.M.	N.M.	N.M
Total UPC Holding	€ 3,297.2	€ 3,063.0	€ 234.2	7.6	8.6	6.6

N.M. – Not Meaningful

(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 individual service's price on a stand-alone basis. However, due to regulatory and other constraints, the allocation of bundling discounts may vary somewhat between our broadband communications operating segments.

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

Our consolidated revenue increased €234.2 million during 2007, as compared to 2006. This increase includes a €61.4 million increase that is attributable to the impact of acquisitions. Excluding the effects of acquisitions, the disposal of UPC Belgium and foreign currency exchange rate fluctuations, total consolidated revenue increased €236.0 million or 7.8%.

Excluding the effects of acquisitions, the disposal of UPC Belgium and foreign currency exchange rate fluctuations, our consolidated subscription revenue increased €199.6 million or 7.5% during 2007, as compared to 2006. This increase is attributable to (i) a €93.8 million or 14.6% 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 €57.2 million or 15.0% 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 €48.6 million or 3.0% increase in subscription revenue from video services, due to the impact of higher ARPU from video services and an increase in the average number of video RGUs.

Excluding the effects of acquisitions, the disposal of UPC Belgium and foreign currency exchange rate fluctuations, our consolidated other revenue increased €36.4 million, or 9.9%, during 2007, as compared to 2006. This increase is primarily attributable to an increase in B2B revenue.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of Reportable Segments – Revenue – 2007 compared to 2006* 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 increased €57.9 million during 2007, as compared to 2006. This increase includes a €23.0 million increase that is attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which increased €6.2 million during 2007. For additional information, see discussion following *SG&A expenses* below. Excluding the effects of acquisitions, the disposal of UPC Belgium, foreign currency exchange rate fluctuations and stock-based compensation expense, total consolidated operating expenses increased €50.7 million or 4.1% during 2007, as compared to 2006. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses – 2007 compared to 2006* above, this increase generally reflects (i) increases in programming costs, (ii) increases in interconnect costs, (iii) increases in network related costs and (iv) less significant net increases in other operating expense categories. Most of these increases are a function of increased volumes or levels of activity associated with the increase in our customer base.

SG&A expenses

Our consolidated SG&A expenses increased €15.4 million during 2007, as compared to 2006. This increase includes a €16.2 million increase that is attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which increased €30.1 million. For additional information, see discussion in the following paragraph. Excluding the effects of acquisitions, the disposal of UPC Belgium, foreign currency exchange rate fluctuations and stock-based compensation expense, total consolidated SG&A expenses decreased €18.9 million or 3.0% during 2007, as compared to 2006. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses – 2007 compared to 2006* above, this decrease is primarily attributable to (i) net decreases in personnel costs, (ii) decreases in sales and marketing costs and (ii) decreases in outsourced labor and professional fees.

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:

	Year ended December 31, 2007	Year ended December 31, 2006
	in millions	
LGI Series A and Series C common stock:		
LGI Performance Plans	€ 35.5	€ —
Stock options, SARs, restricted stock and restricted stock units	12.4	17.9
Total LGI common stock	47.9	17.9
Other	8.0	1.7
Total	€ 55.9	€ 19.6
Included in:		
Operating expense	€ 9.5	€ 3.3
SG&A expense	46.4	16.3
Total	€ 55.9	€ 19.6

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

Depreciation and amortization

Our consolidated depreciation and amortization expense increased €50.3 million during 2007, as compared to 2006. This increase includes a €25.6 million increase that is attributable to the impact of acquisitions. Excluding the effect of acquisitions, the disposal of UPC Belgium, and foreign exchange rate fluctuations, depreciation and amortization expense increased €19.7 million or 2.0%. 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, and (ii) decreases associated with certain of VTR's network assets becoming fully depreciated.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €19.7 million and €17.7 million during 2007 and 2006, respectively. The 2007 amount includes (i) restructuring charges of €6.3 million related primarily to the cost of terminating certain employees in connection with integration of our B2B and broadband communications operations in the Netherlands and (ii) restructuring charges of €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland. The 2006 amount includes restructuring charges of €8.6 million related to the integration of our broadband communications operations in Ireland. For additional information regarding our restructuring charges, see note 15 to our consolidated financial statements.

Interest expense – related party

Our consolidated related party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related party interest expense increased €1.2 million during 2007 as compared to 2006. This increase is primarily attributable to an increase in the average outstanding balance of our shareholder loan during 2007, as compared to 2006. For additional information, see note 10 to our consolidated financial statements.

Interest expense – third party

Our consolidated third party interest expense includes the interest expense on the UPC Broadband Holding Bank Facility, the UPC Holding Senior Notes, the VTR Bank Facility, the UPC Holding Facility and other individually insignificant third party debt. Our total consolidated third party interest expense increased €84.8 million during 2007, as compared to 2006. Excluding the effects of foreign currency exchange rate fluctuations, third party interest expense increased €82.5 million during 2007, as compared to 2006. This increase is primarily attributable to a €0.5 billion or 8.2% increase in our average outstanding indebtedness. The increase in debt primarily is attributable to debt incurred in connection with refinancing activities. Our weighted average interest rate decreased slightly in 2007, as compared to 2006, primarily due to a decrease in the weighted average interest rate on the UPC Broadband Holding Bank Facility. For additional information, see note 10 to our consolidated financial statements.

Interest income

Our consolidated interest income increased €30.3 million during 2007, as compared to 2006. The increase primarily is attributable to €20.0 million in related party interest income earned during 2007 on Unite Holdco's loan receivable from Liberty Global Europe. The loan agreement was entered into on December 28, 2006 and was repaid on November 29, 2007. The remainder of the increase is attributable to higher average consolidated cash and cash equivalent balances and, to a lesser extent, higher average interest rates earned on such balances.

Realized and unrealized losses on derivative instruments, net

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

	Year ended December 31, 2007	Year ended December 31, 2006
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (102.9)	€ (241.7)
Embedded derivatives	1.1	1.7
Foreign exchange contracts	2.3	(18.5)
Total	€ (99.5)	€ (258.5)

(a) The loss during 2007 primarily is attributable to the net effect of (i) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (ii) gains associated with an increase in market interest rates in the euro market, (iii) gains associated with a decrease in the value of the Swiss franc relative to the euro and (iv) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar. The loss during 2006 primarily is attributable to the net effect of (i) gains associated with increases in market interest rates (ii) losses associated with a decrease in the value of the euro relative to the Swiss franc and (iii) losses associated with a decrease in the value of the U.S. dollar relative to the euro.

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

Foreign currency transaction gains, 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, net, are as follows:

	Year ended December 31, 2007	Year ended December 31, 2006
	in millions	
U.S. dollar denominated debt issued by a European subsidiary	€ 135.9	€ 154.0
Cash and restricted cash denominated in a currency other than the entity's functional currency	(37.4)	2.9
Intercompany notes denominated in a currency other than the entity's functional currency (a)	24.8	71.2
U.S. dollar denominated debt issued by a Latin American subsidiary	24.1	1.4
Swiss franc denominated debt issued by a European subsidiary	16.1	9.9
Euro denominated debt issued by a Swiss subsidiary	(10.9)	(21.0)
Other	(12.0)	(2.6)
Total	€ 140.6	€ 215.8

(a) Amounts are related to 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 are a function of movements of the euro against other local currencies in Europe.

Losses on extinguishment of debt

We recognized losses on extinguishment of debt, net of €16.8 million and €27.5 million during 2007 and 2006, respectively. The losses during 2007 include (i) €14.4 million loss resulting from the write-off of deferred financing costs in connection with the May 2007 refinancing of VTR's Bank Facility, (ii) a €6.2 million loss resulting from the write-off of deferred financing costs in connection with the second quarter 2007 refinancing of the UPC Broadband Holding Bank Facility and (iii) a €3.8 million gain on the April 2007 redemption of the Cablecom Luxembourg Old Fixed Rate Notes.

The losses during 2006 include (i) a €17.9 million write-off of deferred financing costs and creditor fees in connection with the May and July 2006 refinancings of the UPC Broadband Holding Bank Facility, (ii) a €6.1 million loss associated with the first quarter 2006 redemption of the Cablecom Luxembourg Old Floating Rate Notes and (iii) a €3.5 million loss recognized by VTR in connection with the September 2006 refinancing of its bank debt. The gain on the April 2007 redemption of the Cablecom Luxembourg Old Fixed Rate Notes and the loss on the first quarter 2006 redemption of the Cablecom Luxembourg Old Floating Rate Notes each represent the difference between the redemption and carrying amounts at the respective dates of redemption.

For additional information regarding our debt extinguishments, see note 10 to our consolidated financial statements.

Income tax benefit (expense)

We recognized income tax expense of €13.1 million and income tax benefit of €3.7 million during 2007 and 2006, respectively.

The income tax expense for 2007 differs from the expected income tax benefit of €160.0 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 jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) a reduction in deferred tax assets in the Netherlands due to an enacted change in tax law and (iv) differences in the statutory and local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items associated with investments in subsidiaries and intercompany loans.

The tax benefit for 2006 differs from the expected tax benefit of €210.5 million (based on the Dutch 29.6% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (ii) a net increase in our valuation allowance established against currently arising deferred tax assets in certain jurisdictions, (iii) the reduction of deferred tax assets in the Netherlands due to an enacted tax law change and (iv) the impact of differences in the statutory local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items associated with investments in subsidiaries and intercompany loans.

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

Loss from continuing operations

During 2007 and 2006, we reported losses from continuing operations of €640.4 million and €707.3 million, respectively, including (i) operating income of €274.9 million and €156.1 million, respectively, and (ii) non-operating expense of €902.2 million and €867.1 million, respectively. Gains or losses associated with the disposition of assets, gains and losses associated with changes in the fair values of derivative instruments and movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income.

Net loss (earnings) attributable to noncontrolling interests

We recognized net loss (earnings) attributable to noncontrolling interests of (€9.2 million) and €9.9 million during 2007 and 2006, respectively. This change is primarily attributable to an improvement in the operating results of VTR.

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries generate 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 December 31, 2008. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax considerations, the presence of noncontrolling interests and other factors.

Cash and cash equivalents

The details of the euro equivalent balances of our consolidated cash and cash equivalents at December 31, 2008 are set forth in the following table. With the exception of UPC Holding, which is reported on a stand-alone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:	
UPC Holding	€ —
UPC Broadband Holding (excluding VTR)	80.2
VTR	28.4
Total cash and cash equivalents	€ 108.6

Liquidity of UPC Holding

At December 31, 2008, our subsidiaries held cash and cash equivalents of €108.6 million. As noted above, various factors may limit our ability to access the cash of our subsidiaries.

As described in greater detail below, proceeds received in the form of loans or distributions from its subsidiaries represent UPC Holding's primary source of corporate liquidity.

The ongoing cash needs of UPC Holding include (i) corporate general and administrative expenses, (ii) 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 and (iii) interest payments on the UPC Holding's Senior Notes. From time to time, UPC Holding may also require funding in order to make loans or distributions to LG Europe (and ultimately LGI) and other LG Europe subsidiaries to fund various liquidity requirements including debt repayments, acquisitions and 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 December 31, 2008, see note 10 to our 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, intercompany loans or capital distributions, 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 December 31, 2008 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 agreement was 3.90 and the ratio of our December 31, 2008 Total Debt to Annualized EBITDA (last two quarters annualized), as defined and calculated in accordance with the UPC Broadband Holding Bank Facility agreement was 4.56.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 7 to our consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments. Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase our cash provided by operations and to achieve adequate returns on our capital expenditures and acquisitions.

At December 31, 2008, our outstanding consolidated third-party debt and capital lease obligations aggregated €7,787.8 million, including €12.7 million that is classified as current in our consolidated balance sheet and €7,764.1 million that is due in 2012 or thereafter. For additional information concerning the maturities of our debt and capital lease obligations, see note 10 to our consolidated financial statements.

We believe that we have sufficient resources to repay or refinance the current portion of our third-party debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our third-party debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our third-party debt maturities. No assurance can be given that we would be able to refinance of otherwise extend our third-party debt maturities in light of current market conditions. In this regard, it is not possible to predict how the recent 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, the continuation or worsening of the weakness in the equity markets could make it less attractive to use our shares to satisfy contingent or other obligations, and sustained or increased competition, particularly in combination with weak economies, could adversely impact our cash flows and liquidity.

At December 31, 2008, €6,666.1 million of our third-party consolidated debt and capital lease obligations had been borrowed or incurred by our subsidiaries. For additional information concerning our debt balances at December 31, 2008, see note 10 to our consolidated financial statements.

Consolidated Cash Flow Statements

2008 Consolidated Cash Flow Statement

General. Our cash flows are subject to significant variations based on foreign currency exchange rates. All the cash flows discussed below are those of our continuing operations.

During 2008, we used net cash provided by our operating activities of €1,122.9 million and €30.4 million of our existing cash and cash equivalent balances (excluding a €14.4 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €1,027.1 million and net cash used by our financing activities of €126.2 million.

Operating Activities. Net cash flows from operating activities increased €202.2 million, from €920.7 million during 2007 to €1,122.9 million during 2008. This increase primarily is attributable to the net effect of (i) an increase in the cash generated by our video, voice and broadband internet services, (ii) an increase in cash received related to certain derivative instruments and (iii) a decrease in net cash provided by operating activities due to higher cash payments for interest.

Investing Activities. Net cash used by investing activities increased €36.9 million, from €990.2 million during 2007 to €1,027.1 million during 2008. This increase is due primarily to the net effect of (i) a decrease in cash paid in connection with acquisitions of €58.1 million and (ii) an increase in capital expenditures of €85.4 million.

The UPC Broadband Division accounted for €856.7 million and €779.4 million of our consolidated capital expenditures during 2008 and 2007, respectively. The increase in the capital expenditures of the UPC Broadband Division is due primarily to the net effect of (i) increases in expenditures for new build and upgrade projects to expand services, (ii) increases in expenditures for the purchase and installation of customer premise equipment and (iii) decreases in expenditures for support capital, such as information technology upgrades and expenditures for general support systems. During 2008 and 2007, the UPC Broadband Division's capital expenditures represented 28.7% and 27.5%, respectively, of its revenue.

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

We expect that the percentage of revenue represented by our aggregate capital expenditures (including capital lease additions) to decline during 2009, as compared to 2008, with the 2009 percentage ranging from 22% to 24% for the UPC Broadband Division and 20% to 22% for VTR. The actual amount of the 2009 capital expenditures of the UPC Broadband Division and VTR may vary from the expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that actual results will not vary materially from our expectations. In terms of the composition of our aggregate 2009 capital expenditures, we expect that almost half will be used to purchase and install customer premise equipment and that the remainder will be used to fund the rebuild and upgrade of portions of our broadband distribution systems and other capital requirements.

Financing Activities. Net cash used by financing activities decreased €243.1 million, from €369.3 million during 2007 to €126.2 million during 2008. This decrease primarily is attributable to a €372.2 million decrease in the net repayments of the shareholder loan that was only partially offset by a €145.9 million net decrease in third-party borrowings.

2007 Consolidated Cash Flow Statement

General. During 2007, we used net cash provided by our operating activities of €920.7 million and €438.8 million of our existing cash and cash equivalent balances (excluding a €7.6 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €990.2 million and net cash used by our financing activities of €369.3 million.

Operating Activities. Net cash flows from operating activities decreased €54.3 million, from €866.4 million during 2006 to €920.7 million during 2007. This decrease primarily is attributable to the net effect of (i) an increase in the cash generated by our video, voice and broadband internet services, (ii) an increase in net cash paid for interest and (iii) a decrease in cash received related to certain derivative instruments.

Investing Activities. Net cash used by investing activities during 2007 was €990.2 million, compared to net cash provided by investing activities of €1,283.2 million during 2006. This change primarily is attributable to (i) the 2006 receipt of €2,015.7 million of proceeds upon the disposition of discontinued operations, net of disposal costs, and (ii) a €121.8 million increase in capital expenditures.

The UPC Broadband Division accounted for €779.4 million and €659.0 million of our consolidated capital expenditures during 2007 and 2006, respectively. The increase in the capital expenditures of the UPC Broadband Division primarily is due to (i) increased expenditures for new build and upgrade projects to expand services and improve our competitive position, (ii) increases in expenditures for support capital, such as information technology upgrades and expenditures for general support systems, (iii) increased expenditures for the purchase and installation of customer premise equipment and (iv) increases due to the effects of acquisitions. During 2007 and 2006, the UPC Broadband Division's capital expenditures represented 27.5% and 25.5%, respectively, of its revenue.

VTR accounted for €115.2 million and €110.2 million of our consolidated capital expenditures during 2007 and 2006, respectively. The increase in the capital expenditures of VTR is primarily due to (i) increases in expenditures for support capital, such as information technology upgrades and expenditures for general support systems, (ii) increased costs for the purchase and installation of customer premise equipment and (iii) increased expenditures for new build and upgrade projects to expand services and to meet increased traffic and certain regulatory commitments. During 2007 and 2006, VTR's capital expenditures represented 24.9% and 24.8%, respectively, of its revenue.

Financing Activities. Net cash used by financing activities decreased €1,319.3 million, from €1,688.6 million during 2006 to €369.3 million during 2007. This decrease primarily is attributable to the net effect of (i) a €2,191.3 million decrease in third-party debt and capital lease obligation repayments, (ii) a €1,299.6 million increase in net repayments of shareholder loan and (ii) a €311.5 million decrease in cash used related to changes in cash collateral.

Off Balance Sheet Arrangements and Aggregate Contractual Obligations

Off Balance Sheet Arrangements

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

Contractual Commitments

As of December 31, 2008, the euro equivalent (based on December 31, 2008 exchange rates) of our consolidated contractual commitments are as follows:

	Payments due during:						
	2009	2010	2011	2012	2013	Thereafter	Total
				in millions			
Debt (excluding interest)	€ 10.5	€ 4.3	€ 3.6	€ 658.6	€ 1,220.3	€ 5,868.8	€ 7,766.1
Capital leases (excluding interest)	2.2	1.7	1.4	1.2	1.0	14.2	21.7
Operating leases	68.6	50.6	28.5	19.8	15.4	65.2	248.1
Programming and other purchase obligations	135.4	30.0	3.0	—	—	—	168.4
Other commitments	20.3	12.4	10.6	8.2	8.0	46.4	105.9
Total (a)	€ 237.0	€ 99.0	€ 47.1	€ 687.8	€ 1,244.7	€ 5,994.6	€ 8,310.2
Projected cash interest payments on debt and capital lease obligations (b)	€ 371.0	€ 371.8	€ 371.4	€ 362.5	€ 373.2	€ 328.0	€ 2,177.9

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2008 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€2.7 million at December 31, 2008) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.

(b) Amounts are based on interest rates and contractual maturities in effect as of December 31, 2008. The amounts 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.

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

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

Critical Accounting Policies, Judgments and Estimates

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

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

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

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 86.6% of our total assets at December 31, 2008 and 2007. Pursuant to SFAS 142 and SFAS 144, we are required to assess the recoverability of our long-lived assets.

SFAS 144 requires that we review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such events or changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, which is generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Pursuant to SFAS 142, we evaluate the goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and indefinite-lived intangible assets may not be recoverable. For purposes of the goodwill evaluation, we compare the fair values of our reporting units to their respective carrying amounts. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of franchise rights or other indefinite-lived intangible assets is also charged to operations as an impairment loss.

We performed our annual impairment tests as of October 1, 2008 and concluded that no impairment charges were necessary. However, LGI subsequently experienced a significant decline in the market price of its common stock during the fourth quarter of 2008. As a result of this decline, the carrying value of LGI's net assets exceeded LGI's aggregate market capitalization for a portion of the fourth quarter of 2008, and LGI concluded that its October 1, 2008 impairment tests should be updated. Among other revisions, the updated impairment tests used discount rates that were higher than those used in our October 1, 2008 tests. Based on these updated tests, we concluded that the estimated fair value of our Romanian reporting unit was less than its carrying value and that the implied fair value of the goodwill related to this reporting unit was less than its carrying value. The fair value of the reporting unit was based on discounted cash flow analyses that contemplated, among other matters, (i) the current and expected future impact of competition in Romania, (ii) anticipated costs associated with requirements imposed by certain municipalities to move aerial cable to underground ducts and (iii) the impact of disruptions in the credit and equity markets on our weighted average cost of capital with respect to our Romanian reporting unit. Accordingly, we recorded a €107.0 million charge during the fourth quarter of 2008 to reflect this goodwill impairment. This impairment charge is included in impairment, restructuring and other operating charges, net, in our consolidated statement of operations.

Based on business conditions and market values that existed at December 31, 2008, we concluded that no other impairments of our goodwill or other long-lived assets were required. However, the market value of the publicly-traded equity of LGI continues to be depressed and we continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity values remain depressed or decline further or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that additional 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 prices, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

Under both SFAS 144 and SFAS 142, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based (discounted cash flows) or, in some cases, a market-based approach, based on assumptions in our long-range business plans, which we update at least annually. For purposes of our 2008 SFAS 142 impairment tests, we relied primarily on the income-based approach due to lack of recent transactions involving businesses similar to our broadband communications and programming businesses. With respect to our discounted cash flow analysis, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected capital expenditures. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. The discount rates used in determining fair values of our reporting units for purposes of our updated 2008 SFAS 142 impairment tests ranged from 12% to 18%. The aggregate fair values used in our updated 2008 SFAS 142 impairment tests exceeded our average market capitalization, as determined over a representative period, by an amount which we believe to be reasonable in light of the fact that our equity, and the equity of other companies within our industry, have historically traded at comparable discounts to private market valuations and transactions.

In order to assess the sensitivity of the reporting unit fair value determinations used for our updated 2008 SFAS 142 impairment calculations, we applied hypothetical decreases of 20% and 30% to the estimated fair value of each reporting unit. A hypothetical 20% decrease in the fair value of each of our reporting units would have resulted in an estimated increase in the impairment of the goodwill associated with our Romanian reporting unit ranging from approximately €40 million to €90 million. A hypothetical 30% decrease in the fair value of each of our reporting units would have resulted in (i) an estimated increase in the impairment of the goodwill associated with our Romanian reporting unit ranging from approximately €75 million to €125 million and (ii) estimated goodwill impairments with respect to our reporting units in Switzerland, Hungary and the Czech Republic, ranging, in the aggregate, from approximately €400 million to €1.0 billion.

During 2008, 2007 and 2006, we recorded impairments of our property and equipment and intangible assets (including goodwill) aggregating €107.0 million, €2.1 million and €7.6 million, respectively.

Costs Associated with Construction and Installation Activities

In accordance with SFAS 51, *Financial Reporting by Cable Television Companies*, we capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop, and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

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

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated economic useful life of the assets. The determination of the economic useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological change, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with definite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment, and is primarily based on historical and forecasted churn rates, adjusted when necessary for risk associated with demand, competition, technical changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with definite lives. Any changes to estimated useful lives are reflected prospectively beginning in the period that the change is deemed necessary. Changes to useful lives during 2008 did not have a material impact on our depreciation and amortization expense. Depreciation and amortization expense during 2008, 2007 and 2006 was €1,083.4 million, €1,065.7 million and €1,015.4 million, respectively. A 10% increase in the aggregate amount of our depreciation and amortization expense during 2008 would have resulted in a €108.3 million or 27.9% decrease in our 2008 operating income.

Fair Value Measurements

SFAS 157 provides guidance with respect to the recurring and non-recurring fair value measurements. We adopted the provisions of SFAS 157 with respect to recurring fair value measurements effective January 1, 2008 and we will adopt the provisions of SFAS 157 with respect to non-recurring fair value measurements effective January 1, 2009.

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.

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

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2008, 2007 and 2006, we reported in our statements of operations net losses of €184.0 million, €99.5 million and €258.5 million, respectively, attributable to changes in the fair value of these items.

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

Non-recurring Valuations. Our non-recurring valuations are primarily associated with the application of purchase accounting, which requires that we determine the fair values of the acquired net assets with the assistance of third-party valuation specialists. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report in the periods following the acquisition date. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. As noted above, we will adopt the provisions of SFAS 157 with respect to non-recurring fair value measurements effective January 1, 2009. For additional information concerning our acquisitions, see note 4 to our consolidated financial statements.

Income Tax Accounting

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2008, the aggregate valuation allowance provided against deferred tax assets was €1,105.3 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2008 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax position as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in the financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2008, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €27.9 million, of which €11.2 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

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

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